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***Playboy Enterprises, Inc. v. Netscape Communications Corp. and Excite, Inc.: The Impact of Banner Ad Keying on the Development of E-commerce.***

*Michael Wu\**

INTRODUCTION

Electronic commerce (“e-commerce”) is the future of business, not only for the United States, but also for the world.<sup>1</sup> Although it is still at an embryonic stage, e-commerce has the potential to drive economic growth for many years to come.<sup>2</sup> Whether or not e-commerce will reach its full potential correlates directly to the enforcement and application of law and policy in this digital marketplace. Law and policy “decisions will have a major impact on the kind of environment in which e-commerce will develop and should therefore be crafted with care and with due recognition of its fragile and evolving nature.”<sup>3</sup> As forming on-line businesses becomes easier and as the boundaries of traditional markets begin to blur, anti-competitive laws become more important to the

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1. See ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEV., THE ECONOMIC AND SOCIAL IMPACT OF ELECTRONIC COMMERCE 9-11 (1999) (explaining that e-commerce will change the way business is conducted); George Anders, *Click and Buy: Why – and Where – Internet Commerce is Succeeding*, WALL ST. J. INTERACTIVE ED. (visited Sep. 25, 2000) <[www.interactive.wsj.com/public/current/articles/SB912719949440084500.htm](http://www.interactive.wsj.com/public/current/articles/SB912719949440084500.htm)>

(stating that e-commerce has the potential to become a \$1 trillion online economy within the next ten years, and furthermore e-commerce will not only affect the economy, but it “is part of a broader process of social change, characterized by the globalization of markets, the shift towards an economy based on knowledge and information, and the growing prominence of all forms of technology in everyday life.”).

2. See U.S. DEPARTMENT OF COMMERCE, *The Emerging Digital Economy* (visited Sept. 25, 2000) <[www.ecommerce.gov/danintro.htm](http://www.ecommerce.gov/danintro.htm)>.

3. ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEV., *supra* note 1 at 12.

development of e-commerce,<sup>4</sup> and laws designed for the “bricks and mortar” world need to be re-examined given the realities of e-commerce.<sup>5</sup>

In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*,<sup>6</sup> the court handed down a decision that could retard the growth and potential of e-commerce. The defendants, Netscape Communications Corp. and Excite, Inc. (together, “defendants”), operate Internet search engines that sell banner advertisements.<sup>7</sup> To increase the efficiency of the banner ads, defendants programmed their search engines to link “key” search terms to a pre-selected set of banner ads, which enable them to provide context-sensitive advertising.<sup>8</sup> One such set of banner ads, adult entertainment ads, is keyed to a list of over 450 terms relating to adult entertainment, including the terms “playboy” and “playmate.”<sup>9</sup> When search engine users “key-in” either of these terms, a banner ad for an adult entertainment site appears on the search results page, along with plaintiff Playboy Enterprises, Inc.’s (“PEI”)<sup>10</sup> web site address.<sup>11</sup> PEI,

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4. *See id.* at 21.

Many e-commerce products benefit from non-rivalry (one person’s consumption does not limit or reduce the value of the product to other consumers), network externalities (each additional user of a product increases its value to other users), and increasing returns to scale (unit costs decrease as sales increase). These factors create an environment where producers may seek to engage in practices that permit them to establish themselves as the, or part of the, de facto standard. This can hinder innovation and competition.

*Id.*

5. *Id.* at 22.

6. 55 F. Supp.2d 1070 (C.D. Cal. 1999).

7. *See id.* at 1072. Users of Internet search engines will key-in specific terms in order to find specific sites. *See id.* Using these terms, the search engine will compile a list of sites that either match or are related to such terms, and place them on the “search results” page. *See id.* The banner advertisements are placed at the top of these search results pages. *See id.*

8. *See id.*

9. *Id.* (stating that defendants allow advertisers to increase the efficiency of their ads, through targeting certain demographic groups, by linking ads to the users’ search terms, which is accomplished by linking specific search terms to a pre-selected group of banner ads). Because there were many advertisers subscribing to such service, the ads from various advertisers were displayed on a rotating basis. *See id.* at 1078.

10. PEI is the leading publisher of adult entertainment and its trademarks are recognized worldwide. PEI’s trademarks “Playboy” and “Playmate” are registered with the United States Patent and Trademark Office and the trademarks are valid and subsisting. *See id.* at 1076. PEI first registered its Playboy trademark in 1954 and its Playmate trademark in 1961.

alleging that such practice infringed upon and diluted its trademarks,<sup>12</sup> moved for a preliminary injunction, which the district court denied.<sup>13</sup> PEI appealed, but the United States Court of Appeals for the Ninth Circuit affirmed the district court's decision.<sup>14</sup>

The issue raised here is whether banner ad keying, as used by the defendants, constitutes trademark infringement or dilution. The Ninth Circuit's holding is important because if it stands, it will be a major setback for e-commerce. By allowing companies to use their rivals' trademarks for the purpose of selecting banner ads, the court would potentially allow these businesses to free ride off of the goodwill and reputation of their rivals, which undermines the purpose of trademark law.<sup>15</sup> This is significant because it may discourage companies from conducting business over the Internet. The future of e-commerce will be shaped by businesses,<sup>16</sup> and if they are not afforded trademark protection in the digital economy, they may be hesitant to participate in it or to fully utilize it. Moreover, a major concern of companies, with respect to conducting business on-line, is whether a predictable legal environment for doing business will exist on the Internet.<sup>17</sup> Here, the Ninth Circuit affirmed a district court decision that, given the weight

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*See id.* In 1997, PEI spent over \$46,500,000 in advertising and reached net sales in excess of \$296,622,000. *See id.*

11. *See id.* at 1078.

12. *See id.* at 1072. Playboy argued that its trademark was infringed upon and diluted by defendants when (1) defendants sold a group of words, including the words "playboy" and "playmate," to advertisers; (2) programmed adult entertainment banner ads to run in response to the words "playboy" or "playmate"; and (3) actually displayed such banner ads on the search results page. *See id.*

13. *See id.* at 1070. The District Court judge held that PEI: failed to establish that defendants used its trademark (as opposed to ordinary English words) in interstate commerce; did not demonstrate that a likelihood of confusion existed; and failed to show trademark dilution. *See id.* The court also held that the First Amendment protected the defendants' use of those words and defendants' use of the words was protected by the doctrine of fair use. *See id.*

14. *See Playboy Enters., Inc. v. Netscape Communications Corp.*, 202 F.3d 278 (9th Cir. 1999) (holding, without oral argument, that the District Court did not abuse its discretion by denying the preliminary injunction, and that it did not rely on erroneous legal premises).

15. *See infra* Section I Part B(3): Free Riding.

16. *See ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEV.*, *supra* note 1, at 12.

17. *See U.S. DEPARTMENT OF COMMERCE*, *supra* note 2, <[www.ecommerce.gov/danc8.htm](http://www.ecommerce.gov/danc8.htm)>, at 1.

of authority, should have been overruled.<sup>18</sup> Courts must apply the laws in light of the realities of e-commerce.<sup>19</sup> If they are applying the laws inconsistently, it may deter business participation in the digital marketplace and thus substantially hamper the growth of e-commerce.<sup>20</sup>

This comment will examine whether the district court properly applied federal trademark law in the realm of cyberspace and will maintain that the court erred in its rationale by holding that the defendants used generic, English words, as opposed to PEI's trademarks. Section I will list and describe the relevant precedent; section II will discuss the court's holding and rationale; and section III will analyze and critique this rationale. This comment will conclude that not only should the holding be overruled, but that the use of banner ad keying should be restricted and should be subject to the fair use doctrine.

## I. BACKGROUND

The Background section consists of two parts. Part A discusses the precedent concerning trademark infringement and trademark dilution, the two claims brought by PEI, and the court's reasoning in the case. Part B discusses related issues, including meta-tags, domain names, free riding, trademark vigilance, and the Internet. Part B also analyzes the legal, economic and policy arguments for the restriction of banner ad keying, as practiced by the defendants.

### A. TRADEMARK INFRINGEMENT AND TRADEMARK DILUTION

#### 1. Preliminary Injunction

Section 43(a) of the Lanham Act grants preliminary injunctive relief when the plaintiff demonstrates that (1) the plaintiff will likely succeed on the merits, (2) absent an injunction the plaintiff may suffer irreparable injury, (3) the

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18. See generally *Playboy Enters., Inc. v. Asiafocus Int'l, Inc.*, 1998 WL 724000, at \*3, \*6-\*7 (E.D.Va. Apr. 10, 1998); *Playboy Enters., Inc. v. Calvin Designer Label*, 985 F. Supp. 1220 (N.D. Cal. 1997). Both courts found that the defendants' use of the words "playboy" or "playmate" was an infringement on PEI's trademarks.

19. See *infra* Section I Part B(5): Internet Regulation Generally.

20. See *id.*

scale of hardship tips in the plaintiff's favor, and (4) it is in the public interest to grant the injunction.<sup>21</sup> Because courts assume that society values fair competition and the protection of trade names, if the plaintiff demonstrates that it will likely succeed on the merits, two things follow: (1) it will be presumed that the plaintiff will suffer irreparable injury, and (2) that granting an injunction will be in the public interest.<sup>22</sup> Therefore, the two main parts of the test are whether the plaintiff is likely to succeed on the merits and whether the relative harm to the plaintiff, if the injunction is denied, outweighs the harm to the defendant if the injunction is granted.<sup>23</sup>

## 2. Likelihood of Success on the Merits

### a. Trademark Infringement

A plaintiff's likelihood of success on the merits depends on whether it can show that it uses and owns the trademark, that defendant is using plaintiff's trademark or a similar one, and that defendant's use of the trademark harms plaintiff by causing a likelihood of consumer confusion.<sup>24</sup> The first element can be satisfied by the plaintiff's registration with the Principal Register in the Patent and Trademark Office. Registration is *prima facie* evidence of a trademark's validity and entitles the holder of the mark to exclusive use and ownership of that mark.<sup>25</sup> The second element, whether the defendant is using

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21. See *Alta Vista Corp., Ltd. v. Digital Equip. Corp.*, 44 F. Supp.2d 72, 75 (D. Mass. 1998); *Brookfield Communications, Inc. v. West Coast Ent Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999); *Playboy Enters., Inc. v. Welles*, 7 F. Supp.2d 1098, 1101 (S.D. Cal. 1998).

22. See *Alta Vista Corp.*, 44 F. Supp.2d at 75 (citing *Hypertherm, Inc. v. Precision Products, Inc.*, 832 F.2d 697, 700 (1st Cir. 1987)). See also *Calamari Fisheries, Inc. v. The Village Catch, Inc.*, 698 F. Supp. 994, 1015 (D. Mass. 1988) (arguing that it is in the public interest to prevent consumer confusion); *Brookfield Communications, Inc.*, 174 F.3d at 1066 (citing *Metro Pub., Ltd. v. San Jose Mercury News*, 987 F.2d 637, 640 (9th Cir. 1993) (holding that: "[o]nce the plaintiff has demonstrated a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief is not granted.")).

23. See *Calamari Fisheries, Inc.*, 698 F. Supp. at 1005.

24. See *Alta Vista Corp.*, 44 F. Supp.2d at 76.

25. See *Brookfield Communications, Inc.*, 174 F.3d at 1047; Lanham Act, 15 U.S.C. §§ 1057(b), 1115(a) (2001).

the plaintiff's trademark, depends on the facts of each case.<sup>26</sup> The third element, the likelihood of confusion as to the source of the goods or service,<sup>27</sup> is the most important element of trademark infringement. This is because an important goal of trademark law is to prevent customer confusion as to the source of products (i.e., a competitor using a similar trademark to misappropriate the holder's goodwill).<sup>28</sup>

Courts will consider several factors in assessing the likelihood of confusion, the most common factors include the following: similarity of the trademarks, relatedness or proximity of the products or services, strength of the plaintiff's mark, the relationship between the parties' marketing channels, the degree of care likely to be exercised by consumers, actual confusion, and the defendant's intent in selecting the trademark.<sup>29</sup> These factors are pliant, in that

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26. *See id.*

27. *See Brookfield Communications, Inc.*, 174 F.3d at 1053. The statute states that:

Any person who, on or in connection with any goods or services, . . . 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.

Lanham Act, 15 U.S.C. §1125(a)(1) (2001).

28. *See Brookfield Communications, Inc.*, 174 F.3d at 1053. The court described the purpose of trademark law as follows:

[T]rademark law, by preventing others from copying a source-identifying mark, "reduce[s] the customer's costs of shopping and making purchase decisions," for it quickly and easily assures a potential customer that this item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product.

*Id.* at 1053 (citing *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995)).

29. *See Alta Vista Corp., Ltd.*, 44 F. Supp.2d at 76-77 (applying the *Pignons* test which weighs the similarity of the marks, the similarity of the goods, the relationship between the parties' channels of trade, the relationship between the parties' advertising, the classes of prospective purchasers, evidence of actual confusion, the defendant's intent in adopting its mark, and the strength of the plaintiff's mark); *Brookfield Communications, Inc.*, 174 F.3d at 1054 (citing *Dr. Seuss Enters. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997)) (applying the *Sleekcraft* factors, which include the

some are more important than others, and the relative importance of each factor will depend on the facts of the case.<sup>30</sup> Moreover, a likelihood of confusion can often be found after examining only a few of these factors.<sup>31</sup>

#### b. The Similarity of the Trademarks

Generally, the similarity of the trademarks should be evaluated “in their entirety and as they appear in the marketplace.”<sup>32</sup> The greater the similarity between two marks, when considering the “sight, sound, and meaning”<sup>33</sup> of the marks, the greater the likelihood of confusion.

#### c. The Relatedness or Proximity of the Products or Services

If the products or services are closely related, then it is more likely that the public will be confused as to which company supplies them.<sup>34</sup> Courts should not place too much weight on the minute differences in the main lines of business: “[T]he relatedness of each company’s prime directive isn’t relevant.”<sup>35</sup> What is relevant is whether the public is likely to, in some way, associate the defendant’s products or services

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similarity of marks, the relatedness of product offerings, the overlap in marketing and advertising channels, the strength of the plaintiff’s mark, the intent of the defendant, evidence of actual confusion, likelihood of expansion in product lines, and consumer care); *Metro Pub., Ltd. v. San Jose Mercury News*, 987 F.2d 637, 640 (9th Cir. 1993) (applying an eight factor test: (1) strength of alleged infringing mark; (2) proximity or relatedness of the goods; (3) similarity of sight, sound, and meaning of the marks; (4) evidence of actual confusion; (5) degree of the marketing channels’ coverage; (6) type of goods and degree of consumer care; (7) intent of defendant; and (8) likelihood parties will expand their product lines).

30. See *Brookfield Communications, Inc.*, 174 F.3d at 1054.

31. See *id.*

32. *Id.* See also *Alta Vista Corp., Ltd.*, 44 F. Supp.2d at 76 (citing *Calvin Klein Cosmetics Corp., v. Lenox Lab.*, 815 F.2d 500, 504 (8th Cir. 1987)). In *Calvin Klein Cosmetics*, the court noted that “[a] realistic evaluation of consumer confusion must attempt to recreate the conditions in which buying decisions are made, and the court should try to determine not what it would do, but what a reasonable purchaser in market conditions would do.” 815 F.2d at 504.

33. *Brookfield Communications, Inc.*, 174 F.3d at 1054 (citing *Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1394 (9th Cir. 1993)).

34. See *Brookfield Communications, Inc.*, 174 F.3d at 1056.

35. *Id.* (quoting *Dreamworks Prod. Group v. SKG Studio*, 142 F.3d 1127, 1131 (9th Cir. 1998)).



with those of the plaintiff.<sup>36</sup> Although there may be some differences between the products or services, if these differences are obscured in the marketplace, a likelihood of confusion will exist.<sup>37</sup>

#### d. The Strength of Plaintiff's Trademark

A trademark's "strength" refers to "the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular . . . source."<sup>38</sup> The strength of a trademark is measured by the likelihood that the public will remember it and associate it with the trademark's owner.<sup>39</sup> Generally, the more money spent on advertising, the stronger the trademark becomes and the more protection it is entitled to.<sup>40</sup>

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36. *See id.* Even though companies were not in direct competition, the nature and similarity of services provided would likely cause customer confusion. *See id.* For example, two companies might provide adult entertainment products and services. *See Toys "R" Us, Inc. v. Feinberg*, 26 F. Supp.2d 639, 643 (S.D.N.Y. 1998). Although one provides "hard core images" and the other "soft core images," their principle line of business is the same. *See id.* In the case of guns and toys, the distinction is much greater and the likelihood of confusion is less. *See id.* (holding that there was "no likelihood of confusion between 'gunsrus.com' firearms web site and 'Toys 'R' Us' trademark.")

37. *See Eli Lilly & Co., v. Natural Answers, Inc.*, 86 F. Supp.2d 834, 842 (S.D. Ind. 2000).

38. *See id.* at 843.

39. *See Brookfield Communications, Inc.*, 174 F.3d at 1058.

40. *See id.* *See also Alta Vista Corp., Ltd.*, 44 F. Supp.2d at 79 (noting that the stronger the trademark, the more protection it is entitled to). According to *Alta Vista Corp.*, there are five factors that can be considered in determining the strength of a mark. *See id.* Those factors are: (1) whether the mark was registered, (2) whether it was used for a long time, (3) whether it was widely advertised, (4) whether it was well-known in its field of business, and (5) whether it has a strong "secondary meaning." *See id.* *See also Digital Equipment Corp. v. Alta Vista Technology, Inc.*, 960 F. Supp. 456, 478 (D. Mass. 1997); *see, e.g., Alta Vista Corp., Ltd.*, 44 F. Supp.2d at 80 (citing *Winship Green*, 103 F.3d 196, 206 (mentioning factors (1) and (3)); *Star Financial*, 89 F.3d 5,11 (mentioning factors (2), (3), and (4)); *DeCosta v. Viacom Intern., Inc.*, 981 F.2d 602, 606 (describing factor (5), and relying on factor (5)).

e. The Relationship Between the Parties' Marketing Channels

When the plaintiff and the defendant use the same marketing channels, a likelihood of confusion exists. The likelihood of confusion only increases when the marketing or advertising channel used is the Internet because users can easily move from one web site to another, regardless of whether the web sites are related.<sup>41</sup>

f. The Degree of Care Likely to be Exercised by Consumers

The degree of care likely to be exercised by each consumer is important in determining the likelihood of confusion.<sup>42</sup> Generally, the more expensive the product or service, the more careful the consumer will be in determining whose product or service he or she is seeking.<sup>43</sup> Thus, the less expensive the product or service, the less careful the consumer will be and the likelihood of confusion will increase.<sup>44</sup>

g. Actual Confusion

If actual confusion can be demonstrated, then the likelihood of confusion is apparent; however, it is often difficult to prove that actual confusion exists.<sup>45</sup> Generally, actual confusion need not be shown if other factors demonstrate a

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41. See *Brookfield Communications, Inc.*, 174 F.3d at 1057. Web users are easily moved from one site to another (a click of the mouse) and are more likely to be confused as to who owns a site than "traditional patrons of a brick-and-mortar store would be of a store's ownership." *Id.* Examples of such confusion include: customers incorrectly believing that the defendants' banner ads are sponsored by the plaintiff, that defendant's companies licensed their images from plaintiff, or that they are related companies. See *id.*

42. See *Brookfield Communications, Inc.*, 174 F.3d at 1060. The court also notes that "[t]he standard of care to be exercised by the reasonably prudent purchaser will be equal to that of the least sophisticated consumer." See *id.* (quoting *Ford Motor Co. v. Summit Motors Prods.*, 930 F.2d 277, 283 (3rd Cir. 1991)).

43. See *id.* (concluding that the reasonably prudent consumer is expected to be more careful and less easily confused when purchasing expensive items and when products or services are marketed to knowledgeable buyers).

44. See *id.*

45. See *Brookfield Communications, Inc.*, 174 F.3d at 1050. The inability to prove actual confusion, however, is not required, because it is very difficult to prove. See *id.*

likelihood of confusion.<sup>46</sup>

#### h. The Defendant's Intent in Selecting the Trademark

If it is found that the defendant intended to cause confusion, this may be the most important indicator of a likelihood of confusion.<sup>47</sup> If an infringer has the "intent of deriving benefit from the reputation of the trade-mark or tradename, [the infringer's] intent may be sufficient to justify the inference that there are confusing similarities."<sup>48</sup> Proof of the defendant's intent to deceive the public also implies confusion.<sup>49</sup> Although a finding of intent is strong evidence of confusion, the lack of intent is "largely irrelevant in determining if consumers likely will be confused as to source."<sup>50</sup>

While the above factors can be used to find a likelihood of confusion, there is an alternative theory to finding confusion. The alternative theory is known as *initial interest confusion*, which is the use of another's trademark "in a manner calculated 'to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion . . .'"<sup>51</sup> With respect to e-commerce, the harm to plaintiff is the probability that the user will subscribe to the competitor's site because the user thought it was in some way connected to plaintiff's site. The competitor would thereby attract users based on the reputation and goodwill established by the plaintiff.<sup>52</sup>

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46. See *Eli Lilly & Co.*, 86 F. Supp.2d at 844-45.

47. See *id.* at 845.

48. *Brookfield Communications, Inc.*, 174 F.3d at 1059.

49. See *id.*

50. *Id.* (quoting *Daddy's Junky Music Store, Inc. v. Big Daddy's Family Music Center*, 109 F.3d 275, 287 (6th Cir. 1997)).

51. *Brookfield Communications, Inc.*, 174 F.3d at 1062 (quoting *Dr. Seuss Enters., L.P. v. Penguin Books U.S.A., Inc.*, 109 F.3d 1394, 1405 (9th Cir. 1997)).

52. See *id.* at 1063. Actual or potential confusion is not required at the time of purchase, to find trademark infringement. See *id.* The issue is not the possibility that an online user would subscribe to the defendants' advertisers' sites thinking they were actually PEI's sites or that they had some connection with PEI. The harm to PEI, rather, is the likelihood that the online user, seeing the defendants' advertisers' banner ads and thinking they had some connection with PEI, would consider them on that basis alone. The defendants' advertisers would thus attract online users based solely on the reputation built up by PEI. See *id.*

The Lanham Act protects against the diversion of a user's initial interest.<sup>53</sup> Many courts hold that initial interest confusion is actionable under the Lanham Act and that federal trademark and unfair competition laws protect against this kind of confusion.<sup>54</sup> A plaintiff can prevail if it is shown that similarities between its products or services and defendant's products or services mistakenly resulted in consumer belief that the companies were related.<sup>55</sup> The plaintiff must further show that the confusion formed an interest in the defendant's company's products, which otherwise would not have existed.<sup>56</sup> Pre-sale confusion is actionable and generally occurs when "an infringing use is likely to attract potential customers based on the reputation of the owner of the mark."<sup>57</sup>

### 3. Trademark Dilution

Trademark dilution<sup>58</sup> occurs when a famous mark's capacity to identify and distinguish its goods and services has been diminished.<sup>59</sup> The goal of a trademark dilution claim is to prevent the distinctiveness of a holder's trademark from being eroded by the sale of a competitor's goods or services under an identical name.<sup>60</sup> In order to prevail on a trademark dilution claim, the plaintiff must show that:

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53. *See id.*

54. *See Brookfield Communications, Inc.*, 174 F.3d at 1063 (citing, e.g., *Green Prods., Co. v. Independence Corn By-Products Co.*, 992 F. Supp. 1070, 1076 (N.D. Iowa 1997)) (holding that ICBP profited from the similarity between Green Products' trademark and ICBP's domain name, which lured customers onto its web site).

55. *See id.*

56. *See Brookfield Communications, Inc.*, 174 F.3d at 1063.

57. Jeffrey R. Kuester & Peter A. Nieves, *Hyperlinks, Frames and Meta-tags: An Intellectual Property Analysis*, 38 IDEA: J.L. & TECH. 243, 248-49 (1998).

58. *See Lanham Act*, 15 U.S.C. § 1125(c), § 43 (c)(1) (2001). This section states that:

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.

*Id.*

59. *See Playboy Enters., Inc. v. Netscape Communications Corp.*, 55 F. Supp.2d 1070, 1075 (C.D. Cal. 1999); *Lanham Act*, 15 U.S.C. § 1125(c) (2001).

60. *See Eli Lilly & Co.*, 86 F. Supp.2d. at 847.

(1) [defendants have] made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that (2) has caused (3) actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods and services.<sup>61</sup>

Trademark dilution usually occurs when the famous mark has been tarnished or blurred.<sup>62</sup> Trademark tarnishment occurs when the plaintiff's mark is "associated improperly with an inferior or offensive product or service."<sup>63</sup> Trademark blurring occurs when the defendant uses the plaintiff's mark to identify the defendant's goods and services,<sup>64</sup> because when consumers see plaintiff's trademark on several different products or services, the trademark's ability to identify the plaintiff's product is weakened or diluted.<sup>65</sup>

#### 4. Irreparable Harm

Irreparable harm is usually presumed in both trademark infringement and dilution claims when a likelihood of confusion is shown.<sup>66</sup> If a plaintiff can show that there is a likelihood of confusion or that he or she is likely to succeed on the merits, courts should presume "irreparable harm from [the] deceptive comparative advertising."<sup>67</sup>

#### 5. Balance of Harms

A court will likely grant an injunction, if in light of the likelihood of succeeding on the merits, the harm to the plaintiff without the injunction exceeds the harm to the defendant with the injunction.<sup>68</sup>

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61. See *Playboy Enters., Inc., v. Netscape*, 55 F. Supp.2d at 1075.

62. See *Eli Lilly & Co.*, 86 F. Supp.2d. at 851.

63. *Playboy Enters., Inc.*, 55 F. Supp.2d at 1075. See also *Eli Lilly & Co.*, 86 F. Supp.2d. at 851 (noting that trademark tarnishment occurs when a trademark is associated with poor quality products, "portrayed in an unwholesome light," or can no longer be a "wholesome identifier" of the plaintiff's product).

64. See *Eli Lilly & Co.*, 86 F. Supp.2d. at 851.

65. See *id.*

66. See *supra* note 18 and accompanying text. See also *Metro Pub.*, 987 F.2d at 640.

67. See *supra* note 18 and accompanying text. See also *Metro Pub.*, 987 F.2d at 640; *Abbott Laboratories v. Mead Johnson & Co.*, 971 F.2d 6, 11-12 (7th Cir. 1992).

68. See *supra* note 19 and accompanying text.

## 6. Public Interest

If a likelihood of confusion is shown, courts will presume that it is in the public interest to grant the injunction. The public interest favors enforcing the trademark laws in order to prevent confusion because society values fair competition and the protection of trade names.<sup>69</sup>

### B. RELATED ISSUES

A web site that is rarely visited does not provide a lot of value to the business that created the site. Consequently, nearly every business with a web site seeks to increase the number of visits to its web site. With the rapid growth of e-commerce has come an increase in the competition for attention.<sup>70</sup> This section discusses some of the practices used to attract attention and the related legal issues.

#### 1. Meta-tags

Although some consumers find web sites by memorizing their URLs and typing them into the browser directly,<sup>71</sup> most consumers find web sites via search engines, such as Excite, Lycos, or Hotbot. Many search engines will use a meta-tag's name and attributes to create an index of World Wide Web pages.<sup>72</sup> When a search engine user keys in a word or phrase

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69. *See id.*

70. *See* Bruce E.H. Johnson, *Regulatory Update: Internet Sheriffs Approach the Electronic Frontier*, 579 PLI/Pat 67, 85 (1999).

71. *See id.* This usually only occurs with respect to well-known web sites such as [www.etrade.com](http://www.etrade.com), [www.amazon.com](http://www.amazon.com), or [www.espn.com](http://www.espn.com).

72. *See id.* at 87. Generally:

[a] Web page is a text file with instructions that tells a browser such as Internet Explorer or Netscape how to display its contents. These instructions for the browser are, for the most part, . . . given in the form of certain "tags" or elements which are strings of text in between brackets like <and>.

*Id.* at 86. For example, "the tag that tells a browser to display text in bold is <b>: the instruction <b>Some random text</b> instructs the browser to display the phrase 'Some Random Text' in bold." *Id.* The tag that causes trademark infringement and dilution problems is <meta>, which is contained in the "head" of the HTML page. Purveyors of adult entertainment can use the meta-tag as follows: <META NAME="keywords" CONTENT="Playboy, Playmate, etc.">, even though it actually is not related to PEI and does not sell

and runs the search, the search engine will search its index for the web sites that contain such word or phrase.<sup>73</sup> The meta-tag's name and attributes can have a significant effect on the search engines;<sup>74</sup> the meta-tag determines how high on the relevancy ranking a company's web site address will be relative to other web sites on the search results page.<sup>75</sup> Thus, meta-tags are important in the digital marketplace because they assist on-line users in arriving at their desired web sites. A business can encode its web sites with meta-tags of the company's name, products or services, which allows customers to easily find the business's web site. However, companies have also found ways to abuse the use of meta-tags.<sup>76</sup>

Two questionable methods of generating attention to the web sites are: (1) burying certain code in the meta-tag to confuse search engines as to the source or content of a web site,<sup>77</sup> and (2) manipulating the content of the meta-tags so that web site owners can get favorable positioning on the search results page.<sup>78</sup> Moreover, courts have consistently held that the embedding of a competitor's trademarks into one's meta-tag can be trademark infringement.<sup>79</sup> The Lanham Act provides a

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PEI products. When the search engine searches its index, it will list this site along with PEI's on the search results page, even though, this site has nothing to do with PEI. *See id.*

73. *See supra* note 19 and accompanying text.

74. *See Johnson, supra* note 70, at 86. Johnson quotes another author stating that "[w]hen encountered by any of the popular search engines on the Web, these keywords [in the meta tags] will be used to categorize the document. If you want your documents to be indexed by a search engine, consider putting this kind of tag [at the top] of each document." *Id.* at 87.

75. *See id.* Basically, the meta-tags determine whether the web site is ranked 1-10, or 100-110. Usually consumers will only look at the first few listed web-sites.

76. *See id.*

77. For example, a purveyor of adult entertainment can put "playboy" and "playmate" in its meta-tag, and when a user searching for PEI's web site keys in either "playboy" or "playmate," the web site of the purveyor of adult entertainment will appear next to or close to PEI's web site, even though the former's web site is unrelated to PEI and has nothing to do with it. *See Johnson, supra* note 70, at 86.

78. For example, a purveyor of adult entertainment can put "playboy, playboy, playboy" and "playmate, playmate, playmate" in its meta-tag; when the search engine looks for the word "playboy" or "playmate," it will find this site and list it at the top of the search results page. The search engine ranks the web sites according to the number of "hits" (times it finds the words "playboy" or "playmate"). *See id.* at 87.

79. *See Brookfield Communications, Inc.*, 174 F.3d at 1064 (citing *Playboy Enters., Inc. v. Asiafocus Int'l, Inc.*, 1998 WL 724000, at \*3, \*6-\*7 (E.D. Va. Apr. 10, 1998)) (concluding that AsiaFocus's use of words "Playboy" and

cause of action against one who uses a mark in commerce that will likely cause confusion concerning the source of the products or services offered.<sup>80</sup> In fact, it appears that the Lanham Act prohibits the use of “any term confusingly similar with [another’s trademark]” in one’s meta-tags not comporting with the fair use doctrine under the Lanham Act.<sup>81</sup>

The Lanham Act does permit the truthful use of a competitor’s mark to identify the competitor’s products or services and in comparative advertisements,<sup>82</sup> but a presumption of unfair use of a trademark accompanies the use of a trademark in a meta-tag.<sup>83</sup> However, in *Playboy Enters., Inc.*,<sup>84</sup> Welles’ web site minimized the use of Playboy’s trademark and contained disclaimers stating that the site was not affiliated with Playboy. The Ninth Circuit held that Welles’ used the words “playboy” and “playmate” as descriptive words, not as trademarks, and that the use was a “good faith attempt to index the content of her web site.”<sup>85</sup> Thus the court concluded her use of the words in her meta-tags constituted fair use.<sup>86</sup>

Pursuant to 15 U.S.C. Sections 1115(b)(4) and 1125(c)(4), the defendant has a fair use defense when the use of another’s mark “also describes a person, place, or an attribute of a product.”<sup>87</sup> The fair use defense prohibits a trademark holder

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“Playmate” in its HTML code “intentionally misled viewers into believing that its Web site was connected with, or sponsored by Playboy.”); *Playboy Enters., Inc. v. Calvin Designer Label*, 985 F. Supp. 1220, 1221 (N.D. Cal. 1997) (finding that Playboy had shown a success on its merits in its claim that Calvin Designer Label’s use of the word playboy in its meta-tags constituted trademark infringement, and consequently enjoining Calvin Designer Label from using Playboy’s trademarks in its buried code or meta-tags). *Cf. Playboy Enters., Inc. v. Welles*, 7 F. Supp.2d 1098 (S.D. Cal. 1998) (holding that the defendant, a Playboy “Playmate of the Year,” was entitled to use of her title in her web site’s “meta-tag”).

80. See generally *Brookfield Communications, Inc.*, 174 F.3d at 1036.

81. See *id.* at 1065.

82. See *New Kids on the Block v. News America Pub., Inc.*, 971 F.2d 302, 306-09 (9th Cir. 1992).

83. See *Cosmetically Sealed Indus. v. Chesebrough-Pound’s USA, Co.*, 125 F.3d 28, 30 (2d Cir. 1997) (quoting 15 U.S.C. §1115(b)(4) that “fair use is a use, otherwise than as a mark, of a term or device that is descriptive of and used fairly and in good faith only to describe the goods or services of a party”).

84. 7 F. Supp.2d 1098 (S.D. Cal. 1998).

85. *Playboy Enters., Inc. v. Welles*, 7 F. Supp.2d 1098, 1101 (S.D. Cal. 1998).

86. See *id.*

87. *New Kids on the Block*, 971 F.2d at 302, (9th Cir.1992). See also 15 U.S.C. §1115(b)(4) (2001). When the “mark is used only to ‘describe the goods



from appropriating a term for his own exclusive use, thereby preventing others from properly and in good faith describing the character of their goods or services.<sup>88</sup> A plaintiff must overcome the fair use defense before a violation of section 43(a) or 43(c) of the Lanham Act may be found.<sup>89</sup>

## 2. Domain Names

A domain name serves as a company's on-line address and is also subject to abuse by competitors.<sup>90</sup> Such abuse can occur when a competitor uses a company's trademark(s) in its own domain name, so as to confuse consumers into believing that the competitor is in some way associated with the company.<sup>91</sup> This type of use has been held to be a misappropriation of a company's goodwill.<sup>92</sup> In *Playboy Enterprises, Inc. v. Calvin Designer Label*, the court held that the defendant could not use the domain names: "www.playboyxxx.com" or "www.playmatelive.com."<sup>93</sup> The court decided that, among other things, PEI was likely to prove trademark infringement based on defendant's use of the trademarks in its domain name.<sup>94</sup> The court also ordered the defendant to cease: (1) using PEI's trademark in any domain name; (2) using PEI's trademark in connection with defendant's good or services which would cause an erroneous belief that it was associated with the mark; (3) using any web sites, advertisements, or Internet codes that are so similar to PEI's mark as to cause consumer confusion; and (4) engaging in activities which could cause consumers to believe that PEI sponsored or authorized

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or services of [a] party, geographic origin,' trademark law recognizes a 'fair use' defense," which states the following:

That the use of the name, term, or device charged to be an infringement is a use otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin . . . .

*See id.*

88. *See Playboy Enters., Inc.*, 7 F. Supp.2d at 1103.

89. *See id.*

90. *See, e.g., Playboy Enters., Inc., v. Calvin Designer Label*, 985 F. Supp. 1220 (N.D. Cal. 1997).

91. *See id.* at 1220.

92. *See id.*

93. *See id.*

94. *See id.* at 1221.

such activities.<sup>95</sup>

### 3. Free Riding

One of the goals of trademark law is to prevent companies from free riding on their rivals' trademarks and thus capitalizing on their rival's investments in time and money.<sup>96</sup> A trademark holder's rivals have much incentive to "tread closely on the heels of [a] very successful trademark" (i.e., it is cheaper selling the product in an established market, without advertising costs, etc.).<sup>97</sup> Trademark holders are given the right to enjoin others from continuing such misrepresentations.<sup>98</sup> Without the trademark holder's right to prevent misrepresentations, rival companies could "induce customers to select their goods when the customers meant to select the goods of the company that created the mark."<sup>99</sup> Thus, without protection from the law, there is no incentive to develop new products and services, which harms consumers.<sup>100</sup> Furthermore, the Lanham Act gives a strong mark greater protection from free riders than it does to a weaker mark; a strong mark may increase the likelihood of confusion, since consumers may be less careful when purchasing a product with a strong mark.<sup>101</sup>

In the digital world, free riding may be one of the biggest concerns facing companies today. Free riding is much easier on the Internet, as opposed to in the "bricks and mortar" world, simply because of the way information is used. Meta-tags, domain names, and banner ads all allow potential free riding

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95. *See id.* at 1222.

96. *See New Kids on the Block*, 971 F.2d at 306; *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F. Supp. 1259, 1269 (S.D.N.Y. Aug. 30, 1990).

97. *See Kenner Parker Toys, Inc. v. Rose Art Industries, Inc.*, 963 F.2d 350 at 352 (Fed. Cir. 1992).

98. *See TMT North America, Inc. v. Magic Touch*, 124 F.3d 876, 881-82 (7th Cir. 1997).

99. *Id.*

100. *See TMT North America, Inc.*, 124 F.3d at 882 (citing William A. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 270 (1987) (stating "[i]f the law does not prevent it, free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.")).

101. *See Kenner Parker Toys, Inc.*, 963 F.2d at 353 (concluding that the "Lanham Act's tolerance for similarity between competing marks varies inversely with the fame of the prior mark. As a mark's fame increases, the Act's tolerance for similarities in competing marks falls.").

by competitors, if they are not duly restricted.<sup>102</sup>

#### 4. Trademark Vigilance

The court's holding in the instant case may make it harder for companies to defend their trademarks against potential infringement by making it harder to exercise trademark vigilance. Trademark vigilance is a company's ongoing process of detecting and fighting trademark infringement.<sup>103</sup> The purpose of trademark vigilance is to prevent a strong mark from becoming weak.<sup>104</sup> Effective vigilance will protect and strengthen the trademark.<sup>105</sup> It is important to be vigilant especially in a market where there are many infringers, because if a company is not vigilant it may lose its rights to a trademark.<sup>106</sup> Moreover, a company's ability to show that it

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102. Meta-Tags: A defendant free rides off plaintiff's trademark when defendant uses plaintiff's trademark to attract customers. For example, free riding occurs if D incorporates P's trademark into D's meta-tags. This happens when C, using a search engine to find P's product, types in P's trademark, arrives at a search results page with D's web site address listed near or before P's web site, and chooses D's web site, rather than P's web site.

Domain names: A defendant can free ride off plaintiff's trademark by using plaintiff's trademark within defendant's domain name in order to attract customers. A popular way of searching for a particular web site is to type in "www.(name of the company/product).com." For example, free riding occurs if D uses P's trademark in D's domain name, for instance: "www.P.com," and if C doesn't know P's domain name, but guesses that it is "www.P.com," C will be taken to D's web site, rather than P's web site.

Banner Ads: A defendant can free ride off plaintiff's trademark by using the trademark in defendant's banner ads in order to attract customers' business. For example, free riding occurs if D uses P's trademark in D's banner ads, as a "trigger" for the ad, when C, using a search engine, keys in P's trademark, D's banner ad appears on the search results page, and C, believing the banner ad to be P's banner ad, clicks on it, is taken to D's web site.

103. Peter S. Sloane, *Trademark Vigilance in the Twenty-First Century: A Pragmatic Approach*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 823, 827 (1999). See also *id.* at 840 (citing E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1291 (9th Cir. 1992)). In order for a company to preserve its trademark rights it must proactively and reactively stop other companies from infringing upon its trademark; this is especially important when the infringer operates in the same market or business area. See *id.*

104. See *id.*

105. See Sloane, *supra* note 103, at 831, 840. The more vigilant a company is, the stronger its mark will be, thus the less likely that the distinctiveness of its mark will be diluted, and the less likely such infringement will lead to abandonment. See *id.*

106. See Sloane, *supra* note 103, at 837, 839 (noting that terms such as aspirin and cellophane became generic because their trademark status was not preserved by their owners).

pursues infringers can often persuade a judge that the company's trademark deserves to be protected and that a preliminary injunction should be granted.<sup>107</sup>

Another goal of trademark vigilance is to prevent a strong mark from becoming generic.<sup>108</sup> If a trademark becomes generic it is no longer entitled to trademark protection.<sup>109</sup> A trademark can become generic when the public "decides to use the trademark to designate not the particular manufacturer's brand but the entire product comprising all the competing brands"<sup>110</sup> or when the public "comes to understand the mark to refer only to the kind of goods and not to the origin"<sup>111</sup> of the goods.

## 5. Internet Regulation Generally

The Internet is a "unique and wholly new medium of worldwide human communication,"<sup>112</sup> and courts should be careful when attempting to apply established law to Internet regulation.<sup>113</sup> In order to facilitate the development of e-commerce, laws must be applied in light of the realities of the digital marketplace.<sup>114</sup> Moreover, in this context, courts must not be too rigid in applying the law; a flexible approach is necessary when dealing with emerging technologies.<sup>115</sup>

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107. *See id.* at 840. (noting that an element of a preliminary injunction is a showing of irreparable harm, and that it is difficult to show this if the company allows others to infringe upon its mark).

108. *See id.*

109. *See King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F.2d 577, 579 (2d Cir. 1963).

110. *See id.*

111. *Quality Inns International, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 211 (D. Md. 1988).

112. *Playboy Enters., Inc., v. Netscape Communications Corp.*, 55 F. Supp.2d 1070, 1073 (C.D. Cal. 1999).

113. *See id.*

114. *See supra* note 5 and accompanying text.

115. *See Brookfield Communications, Inc.*, 174 F.3d at 1054. *See also supra* note 3 and accompanying text.

## II. CASE DESCRIPTION

The District Court held that PEI failed to show that defendants used its trademarks in commerce.<sup>116</sup> The court found that “an Internet user cannot conduct a search using the trademark form of the words, i.e., Playboy and Playmate.”<sup>117</sup> Accordingly, it held only the generic, English form of the words, i.e., “playboy” and “playmate,” could be used for Internet searches, and consequently, the defendants were not using PEI’s trademarks in their banner ad packages.<sup>118</sup> The court concluded that since the defendants did not use PEI’s trademarks in commerce, there was no trademark infringement.<sup>119</sup>

The court next assumed that the defendants did use PEI’s trademarks, but held that PEI failed to demonstrate that the use was a violation of the trademark laws.<sup>120</sup> With respect to the trademark infringement claim, the court found that PEI failed to demonstrate a likelihood of confusion.<sup>121</sup> PEI attempted to demonstrate the requisite confusion by proposing that the defendant’s use of its trademarks “Playboy” and “Playmate” caused initial interest confusion.<sup>122</sup> The court argued, however, that there could be no confusion because “[a]s English words, ‘playboy’ and ‘playmate’ cannot be said to suggest sponsorship or endorsement of either the web sites that appear as search results . . . or the banner ads that adorn the search results page.”<sup>123</sup> The court then stated that although the trademarked words were identical to generic, English words, PEI could not remove words from the English language by acquiring a trademark right in the word.<sup>124</sup> Thus, it concluded that PEI failed to establish that the defendants and the users of the search engine were using PEI’s trademarked words, as opposed to their generic, English word counterparts.<sup>125</sup>

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116. See *Playboy Enters., Inc.*, 55 F. Supp.2d at 1076.

117. *Id.* at 1073.

118. See *id.*

119. See *id.*

120. See *id.* at 1074.

121. See *id.*

122. See *id.*

123. *Id.*

124. See *id.*

125. See *id.*

The District Court also held that PEI failed to establish that there was trademark dilution, because PEI failed to demonstrate that its trademark was blurred or tarnished.<sup>126</sup> The court again alluded to the fact that defendants used the words as generic, English words and not as PEI's trademarks.<sup>127</sup> As to whether the trademarks were blurred, the court noted that PEI did not show that defendants' use of the words "playboy" and "playmate" "caused any severance of the association between [PEI] and its trademarks Playboy® and Playmate® . . . ."<sup>128</sup> Thus the court held that PEI failed to establish that the trademarks had been blurred.<sup>129</sup> With respect to the tarnishment argument, the court held that PEI failed to show trademark tarnishment because defendants used the generic words "playboy" and "playmate," as opposed to the trademarked versions, and as such there could not be any trademark tarnishment.<sup>130</sup> The court further reasoned that even if defendants used PEI's trademarked words, PEI would have to demonstrate that its mark would be harmed by the association with other "purveyors of adult entertainment."<sup>131</sup> The court held that PEI failed to meet this burden.<sup>132</sup>

### III. ANALYSIS

The District Court's reasoning and application of traditional trademark law was much too narrow and stringent for the digital world. The court focused almost entirely on whether the words used were PEI's trademarks or if they were merely generic, English words, and failed to see the underlying economic realities of the case before it. Had the court considered such realities, it would have recognized that the defendants were using the information structure of the Internet to misappropriate PEI's goodwill through their abusive use of banner ads.

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126. *See id.*

127. *See id.*

128. *Id.* at 1075.

129. *See id.*

130. *See id.*

131. *See id.* at 1076. The court noted that PEI could not show harm because its trademarks are already associated with "purveyors of adult entertainment" in other marketing channels, (i.e. adult bookstores). *See id.*

132. *See id.*

The District Court's holding hinged almost entirely on its finding that the defendants merely used generic, English words as opposed to PEI's trademarks.<sup>133</sup> Had the court correctly analyzed this aspect of the case it would have granted PEI the injunction.<sup>134</sup> The court held that only generic, English words could be used on the search engines.<sup>135</sup> Admittedly, one cannot conduct a search by keying in a trademark per se, but that is, in effect, what happened. Both the advertisers and the defendants knew this and counted on it. The defendants bundled those terms with over 450 other words relating to adult entertainment into a package to be marketed to purveyors of adult entertainment;<sup>136</sup> this allowed advertisers to "maximize the efficacy of their ads by targeting consumers matching a certain demographic profile."<sup>137</sup> However, the generic, English meanings of the words "playboy" and "playmate" are not at all related to adult entertainment: the definition of the word "playboy" is "a man who pursues a life of pleasure without responsibility or attachments"<sup>138</sup> and the word "playmate" is defined as "a companion, esp. of a child, in play or recreation."<sup>139</sup> Only the trademarked versions of these words are related to adult entertainment. Given the defendants' and advertisers' motive, to target consumers of adult entertainment, it is likely that the defendants and advertisers intended to use the trademarked version of the words.

Two examples, in which the trademarked version of the words "playboy" or "playmate" were used instead of the generic, English versions, appear in the analysis of cases involving domain names and meta-tags. In *Playboy Enterprises, Inc. v. Calvin Designer Label*, PEI sought to enjoin the defendant from using the domain names: "www.playboyxxx.com" and "www.playmatelive.com."<sup>140</sup> The court found that the defendant was using PEI's trademarks and conducted an extensive

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133. See *supra* note 120 and accompanying text.

134. See *id.* Concerning the trademark dilution claim, the District Court was correct in determining that PEI could not show trademark tarnishment; however, the court erred in determining that trademark blurring could not be shown.

135. See *Playboy Enters., Inc., v. Netscape*, 55 F. Supp.2d at 1081.

136. See *supra* note 8 and accompanying text.

137. See *Playboy Enters., Inc.*, 55 F. Supp.2d at 1076.

138. WEBSTER'S AMERICAN DICTIONARY 607 (College Ed. 1997).

139. *Id.*

140. See *Playboy Enters., Inc., v. Calvin Designer Label*, 985 F. Supp. 1220, 1220 (N.D. Cal. 1997).

trademark infringement analysis.<sup>141</sup> The Court held that it was likely that PEI could prove trademark infringement based on the defendant's use of PEI's trademarks in its domain names and properly awarded the injunction.<sup>142</sup> Yet, the District Court in the instant case would have such use of the word "playmate" in "www.playmatelive.com" or "playboy" in "www.playboyxxx.com" to be a valid use because the words are merely generic, English words. Furthermore, in *Playboy v. Welles*, defendant Welles used the words "playboy" and "playmate" in the meta-tags to her web site.<sup>143</sup> The court first went through the trademark infringement analysis and then it conducted a lengthy analysis of the fair use of PEI's trademarks by Welles.<sup>144</sup> Presumably, the court thought that the trademarked versions of the words were being used and not their generic, English counterparts, or it would not have gone through such analyses. Again, under the present court's rationale, PEI would not have been afforded any protection. If the words "playboy" and "playmate" are recognized as being trademarks with respect to domain names and meta-tags, for the law to be consistently applied, they should also be recognized as trademarks with respect to banner ad use.

If the instant court's analysis were to stand, then the purpose behind the trademark laws is effectively undermined. PEI would not be able to protect the distinctiveness of its trademarks simply because they are generic, English words.<sup>145</sup> The court stated that PEI cannot trademark words out of the English language.<sup>146</sup> Strictly speaking, no, PEI cannot trademark words out of the English language, but this can create a harsh and unintended result. The court's reasoning, taken to its logical conclusion, would render PEI unable to protect its trademarks under any circumstances. This case

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141. See *supra* notes 90-91 and accompanying text.

142. See *id.*

143. Compare *Playboy Enters., Inc., v. Welles*, 7 F. Supp.2d 1098 (S.D. Cal. 1998) (holding that defendant is entitled to a "fair use" defense to plaintiff's trademark claim for use of meta-tags "playboy" and "playmate"), and *Playboy Enters., Inc., v. Asiafocus*, 1998 WL 724000 (E.D. Va. April 10, 1998) (holding that the defendant's use of PEI's trademarks in its meta-tags was a violation of the federal trademark laws), with *Playboy Enters., Inc.*, 55 F. Supp.2d at 1070 (holding that defendants did not use PEI's trademarks but rather the common English words "playboy" and "playmate").

144. See *Playboy Enters., Inc. v. Welles*, 7 F. Supp.2d 1098, 1102-04 (S.D. Cal. 1998).

145. See *supra* note 120 and accompanying text.

146. See *id.*



would also effectively overrule the *Welles* and *Calvin Designer Label* cases, which held that PEI's trademarks, as opposed to generic, English words, were used by the defendants.<sup>147</sup>

In addition, when evaluating the likelihood of confusion, the relevant confusion is that experienced by consumers — it is a subjective inquiry.<sup>148</sup> Accordingly, it is irrelevant whether the court believes that only the generic words can be used on the search engine.<sup>149</sup> The relevant question is what the consumer believes he or she is searching for.<sup>150</sup> If the consumer is searching for something other than adult entertainment, and intends to use the generic, English versions of the words, then the banner ads would cause little or no likelihood of confusion. The user would presumably ignore the banner ads, as well as PEI's web sites, and thus there would be no violation of the trademark laws. However, if the consumer is looking for adult entertainment, he or she intends to use the trademarked version of the words, and by including these words in their advertising packages, the defendants are effectively using PEI's trademarks.

Finally, because the Internet is a vast, new medium of communication and commerce,<sup>151</sup> courts should use caution when trying to apply established doctrines of law to it.<sup>152</sup> This court, by holding that the defendants used only the generic, English versions of the words, chose form over substance, and given the realities of e-commerce, this is an overly-rigid application of the law.<sup>153</sup> For the foregoing reasons, the court erred in holding that the defendants did not use PEI's trademark to market its product.

#### A. TRADEMARK INFRINGEMENT ANALYSIS

PEI should succeed on a motion for a preliminary injunction if the words “playboy” and “playmate” were used as PEI's trademarks. To prevail on such a motion, PEI must show that (1) without an injunction it would suffer irreparable injury, (2) the scales of hardship tip in its favor, (3) it is likely

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147. See *supra* notes 128-46 and accompanying text.

148. See *supra* notes 24-25 and accompanying text.

149. See *id.*

150. See *id.*

151. See *supra* note 108 and accompanying text.

152. See *supra* note 109 and accompanying text.

153. See *supra* note 111 and accompanying text.

to succeed on the merits, and (4) it is in the public interest to grant the injunction.<sup>154</sup>

In order for PEI to demonstrate a likelihood of success on the merits it must show three things: (1) its trademark is valid, (2) the defendant is using the trademark, and (3) such use harms PEI because it is likely to cause customer confusion.<sup>155</sup> PEI's registration of its trademark "Playboy" and "Playmate" with the Principal Register in the Patent and Trademark office establishes that its trademark is valid.<sup>156</sup> As explained above, defendants were using PEI's trademark. Thus, PEI need only demonstrate that such use would likely cause consumer confusion to succeed on the merits of its claim.

A court may consider the factors discussed below to determine whether there is a likelihood of confusion.<sup>157</sup>

### 1. Similarity of the Trademarks

The words that the defendants used were "playboy" and "playmate" the words that PEI has trademarked are "Playboy" and "Playmate."<sup>158</sup> The similarities are so close that it is highly likely that reasonable consumers would confuse the two.<sup>159</sup> In fact, when using the defendants' search engine, a banner ad for purveyors of adult entertainment would appear regardless of whether the user keyed in the word with a capital P or a lowercase p.<sup>160</sup> As a result, this factor greatly weighs in favor of finding a likelihood of confusion.

### 2. Relatedness or Proximity of the Products or Services

Both PEI and the advertisers who purchased the defendants' services provided on-line adult entertainment for a fee, and they competed for the same types of Internet users (those seeking adult entertainment).<sup>161</sup> Concededly, the defendants' advertisers provided more explicit and "hardcore" products and services than PEI, but the proximity of the

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154. *See supra* note 18 and accompanying text.

155. *See supra* note 21 and accompanying text.

156. *See supra* note 22 and accompanying text.

157. *See supra* note 26.

158. *See supra* note 11 and accompanying text.

159. *See supra* note 30 and accompanying text.

160. *See supra* note 10 and accompanying text.

161. *See supra* notes 7-9 and accompanying text.

services is undeniable.<sup>162</sup> Because the services offered by both PEI and the defendants' advertisers are closely related, it is likely that consumers could, in some way, associate the defendants' advertisers with PEI.<sup>163</sup> Thus, this factor also favors the finding that there was a likelihood of consumer confusion.

### 3. Strength of the Plaintiff's Mark

Generally, the stronger the trademark is the more protection it is entitled to.<sup>164</sup> PEI's marks were registered, used for a long time, widely advertised, well known in its industry, and had a descriptive secondary meaning.<sup>165</sup> All of the above suggest that the mark is a strong one, and as such is entitled to a great deal of protection.<sup>166</sup> In addition, because PEI's trademarks are so well known and its services so diverse, consumers may be confused as to what services it actually offers.<sup>167</sup> If a banner ad displaying adult entertainment-related content appears when the user searches for PEI's services, the consumer may mistake the advertiser's services for PEI's services.

### 4. The Relationship Between the Parties' Marketing Channels

Because the defendant's advertisers advertised on the Internet, the likelihood of confusion is increased.<sup>168</sup> Moreover, it is much easier to become confused as to what the source of the banner ad is when the defendants' advertisers place their advertisements on PEI's search results page, especially since PEI and the advertisers have overlapping audiences.<sup>169</sup>

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162. *See supra* note 33 and accompanying text.

163. *See id.*

164. *See supra* note 35 and accompanying text.

165. *See supra* note 11 and accompanying text.

166. *See supra* note 36 and accompanying text.

167. *See id.*

168. *See supra* note 38 and accompanying text.

169. *See id.*

## 5. The Degree of Care Likely to be Exercised by Consumers

Because the services provided by both PEI and the defendants' advertisers are relatively inexpensive, consumers will likely be less discerning and more easily confused by the defendants' use of PEI's trademarks.<sup>170</sup>

## 6. The Defendant's Intent in Selecting the Trademark

The defendants chose to include the words "playboy" and "playmate" in its group of 450 words related to adult entertainment because PEI is well known in the adult entertainment industry. The defendants intended to use PEI's trademark and reputation to help target the demographic profile that their advertisers were seeking.<sup>171</sup> As stated before, the ordinary meaning of these words has nothing to do with adult entertainment, and the fact that they were grouped with the other 450 words related to adult entertainment indicates that the defendants intended to use PEI's reputation and trademarks to sell their product.<sup>172</sup> This factor weighs in favor of PEI in that it appears as though the defendants intended to cause some consumer confusion.

## 7. Actual Confusion

Although actual confusion was not shown here, this alone does not prevent a plaintiff from prevailing when the other factors point to a likelihood of confusion.<sup>173</sup>

After considering the above factors, it appears that PEI can successfully demonstrate a likelihood of confusion.

PEI would also likely establish that the defendants created initial interest confusion, the alternative method of establishing a likelihood of confusion.<sup>174</sup> Initial interest confusion "occurs when a competitor lures potential customers by initially passing off its goods as those of another, even if confusion as to the source of goods is dispelled by the time the

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170. See *supra* note 41 and accompanying text.

171. See *supra* note 45 and accompanying text.

172. See *id.*

173. See *supra* notes 42-43 and accompanying text.

174. See *supra* note 48 and accompanying text.

sales are completed.”<sup>175</sup> By including the words “playboy” and “playmate” in their advertising packages, defendants enabled other adult entertainment companies to lure customers to their sites by initially passing off their sites as PEI’s site or related to PEI.<sup>176</sup> The initial interest confusion occurs when search engine users key-in “playboy” or “playmate” looking for PEI or PEI related sites, and find a banner ad on the search results page. Because both PEI and the banner ad provide on-line adult entertainment, the user may initially believe the banner ad is PEI’s or connected with PEI. Even if the user goes to the advertisers’ site and discovers that it is not PEI’s site or connected with PEI, the initial confusion as to whom the advertisement was for, is enough to be actionable under the doctrine of initial interest confusion.<sup>177</sup>

The defendants are essentially using PEI’s reputation to attract new customers. This type of activity is prohibited by federal trademark laws, as well as unfair competition laws.<sup>178</sup> The concern is that once a user is at the defendants’ advertisers’ web site he or she will be content with staying on that site instead of continuing to search for PEI’s web site. Moreover, as explained above, with respect to less expensive products, the degree of consumer care may be correspondingly lower.<sup>179</sup> When the user searching for PEI’s site sees a banner ad advertising adult entertainment, he or she may immediately “click” on the banner ad assuming that it is related to PEI.<sup>180</sup> Thus, PEI can demonstrate a likelihood of confusion by either applying the factors listed above or by using the theory of initial interest confusion.

By possessing valid trademarks and showing that the defendants used the trademarks, and by establishing a likelihood of confusion, it is likely that PEI would succeed on the merits of the case. However, in order to win on the motion for an injunction, the court must find that the relative harm to PEI, if the injunction is denied, exceeds the harm to the defendants if the injunction is granted.<sup>181</sup> If the motion is granted, the cost to the defendants is minimal; they will merely

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175. See *Eli Lilly & Co.*, 86 F. Supp.2d at 845.

176. See *supra* note 49 and accompanying text.

177. See *supra* notes 52-54 and accompanying text.

178. See *supra* note 51 and accompanying text.

179. See *supra* notes 49-51 and accompanying text.

180. See *supra* note 52 and accompanying text.

181. See *supra* note 20 and accompanying text.

sell their package to advertisers minus the words “playboy” and “playmate.” The defendants may incur some reprogramming and recall fees, but in total, the cost is de minimus. They will probably continue to sell as many packages to advertisers as before. In contrast, if the injunction is denied, the cost to PEI will be much greater. PEI would see a decrease in the number of users of its web site (and the resulting business) and, more importantly, a decrease in the strength of two of its main trademarks, or the risk of those marks becoming generic.<sup>182</sup> PEI has spent the last fifty years and millions of dollars creating a name for itself and building up goodwill,<sup>183</sup> and if the court denies the injunction, it could all be for nothing if PEI’s trademarks become generic or weaker. Consequently, it appears as though the scales of hardship will tip in favor of PEI.

Thus, PEI can both establish a likelihood of success on the merits and show undue hardship; this, along with the presumption of suffering irreparable harm and being in the public interest, should be sufficient for the court to have granted the motion for a preliminary injunction on the trademark infringement claim.

## B. TRADEMARK DILUTION ANALYSIS

PEI also alleged that placing banner ads for other purveyors of adult entertainment on PEI’s search results page tarnishes or dilutes PEI’s trademarks.<sup>184</sup> PEI argued that defendants’ banner ads diminished PEI’s ability to distinguish and identify its goods.<sup>185</sup> Trademark dilution occurs when (1) defendants’ used trademarks that are sufficiently similar to PEI’s trademarks as to cause a consumer mental association of the two that (2) caused (3) actual economic harm to PEI’s trademarks’ economic value by decreasing its selling power as an advertising agent for PEI’s goods and services.<sup>186</sup> “The prohibition on dilution is intended to ‘protect the trademark

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182. See *supra* Section I(B)(4): Trademark Dilution Analysis (explaining how a trademark becomes generic).

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

184. See *supra* note 12 and accompanying text.

185. See *id.*

186. See 15 U.S.C. §1127 (2001); *Playboy Enters., Inc.*, 55 F. Supp.2d at 1075.

owner from the erosion of the distinctiveness and prestige of a trademark caused by the sale of other goods or services under the same name . . . , even though there is no confusion as to source.”<sup>187</sup> It is highly likely that the defendants’ use of PEI’s trademark to create a banner ad on PEI’s search results page caused a consumer to make a mental association between the two products or services. As mentioned earlier, PEI is one of the largest providers of adult entertainment, and it provides many services; a banner ad appearing on PEI’s search results page could reasonably lead consumers to believe that it was related to PEI.<sup>188</sup> Whether or not this association between the banner ads and PEI caused PEI’s trademark to lose economic value depends on whether such banner ads tarnished or blurred PEI’s trademarks.<sup>189</sup>

Trademark tarnishment would occur if PEI’s trademarks were improperly associated with an inferior or offensive product or service.<sup>190</sup> However, the defendants did not tarnish PEI’s trademarks by linking them to the banner ads.<sup>191</sup> PEI claimed that the banner ads advertised explicit and hardcore adult entertainment, which, because of the link to PEI’s trademarks, improperly associated the trademarks with an inferior or offensive product or service.<sup>192</sup> Yet, PEI’s magazines are often in adult bookstores, which carry explicit and hardcore adult entertainment; this fact tends to undermine PEI’s tarnishment argument.<sup>193</sup>

Trademark blurring would occur if the defendants used PEI’s trademarks to identify the defendants’ goods and services.<sup>194</sup> PEI’s trademarks were blurred by the banner ads: “[d]ilution by blurring occurs where customers or prospective customers see the plaintiff’s mark on a ‘plethora of different goods and services,’ thus potentially diluting and weakening the mark’s ability to serve as a unique identifier of one source –

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187. *Eli Lilly & Co.*, 86 F. Supp.2d at 847 (citing *Illinois High School Ass’n v. GTE Vontage, Inc.*, 99 F.3d 244, 247 (7th Cir. 1996)).

188. *See Playboy Enters., Inc.*, 55 F. Supp.2d at 1076.

189. *See supra* note 60 and accompanying text.

190. *See id.* *See also Eli Lilly & Co.*, 86 F. Supp.2d at 851 (noting that trademark tarnishment occurs when a trademark is associated with poor quality products, portrayed in an unwholesome light, or can no longer be a “wholesome identifier” of the plaintiff’s products).

191. *See Playboy Enters., Inc.*, 55 F. Supp.2d at 1072.

192. *See id.*

193. *See id.* at 1076.

194. *See id.* at 1075.

the plaintiff's product."<sup>195</sup> By linking the ads of other adult entertainment providers to PEI's trademark, the defendants caused their search engine users to associate PEI's mark with the web sites of the other providers of adult entertainment.<sup>196</sup> PEI is likely to succeed on the merits of the trademark dilution claim because it can establish that the defendants' use of the words "playboy" and "playmate" in their advertisement packages would cause a mental association with PEI's marks, which would cause economic harm to PEI's trademarks.

Section 43(a) of the Lanham Act grants preliminary injunctive relief when it is demonstrated that (1) the plaintiff will likely succeed on the merits, (2) absent an injunction the plaintiff may suffer irreparable injury, (3) the scale of hardship tips in the plaintiff's favor, and (4) it is in the public interest to grant the injunction.<sup>197</sup> The fact that it is likely that PEI would succeed on the merits with regard to the trademark dilution claim would tip the scales of hardship in PEI's favor.<sup>198</sup> This combined with the presumptions that without the injunction PEI would suffer irreparable harm<sup>199</sup> and that it is in the public interest to grant the injunction,<sup>200</sup> leads to the conclusion that PEI should have been granted a motion for a preliminary injunction for the trademark dilution claim.

The District Court failed to reach the correct decision with respect to both the trademark dilution claim and the trademark infringement claim. Thus, because the defendant infringed on and diluted PEI's trademarks, a preliminary injunction should have been granted on these grounds.

### C. LEGALITY OF BANNER ADS ANALYSIS

Having established that the defendants' use of the banner ads infringed on and diluted PEI's trademarks, this section will now set forth legal, economic, and policy reasons for why the use of banner ad keying should be restricted. First, this section

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195. See *Eli Lilly & Co.*, 86 F. Supp.2d at 851.

196. See *Playboy Enters., Inc.*, 55 F. Supp.2d at 1072.

197. See *supra* note 18 and accompanying text.

198. See *supra* Section III(B): Trademark Dilution Analysis.

199. See *Alta Vista Corp.Ltd.*, 44 F. Supp.2d at 75 (citing *Camel Hair and Cashmere Inst. of America, Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 12 (1st Cir. 1986)).

200. See *id.* (citing *Hypertherm, Inc. v. Precision Products, Inc.*, 832 F.2d 697, 700 (1st Cir. 1987)). See also *Calamari Fisheries, Inc. v. The Village Catch, Inc.*, 698 F. Supp. 994, 1015 (D. Mass. 1988).



will analogize the practice of banner ad keying with the practice of meta-tag use, and argue that it should be restricted in the same way meta-tag use has been restricted. Second, it will examine economic reasons for restricting the practice of banner ad keying. Third, it will consider policy reasons for restricting the practice of banner ad keying.

### 1. Legal Reasons for Restricting the Practice of Banner Ad Keying

Banner ads, especially as they are offered by the defendants, are the functional equivalent of a meta-tag. To compare the illegal use of meta-tags to the illegal use of banner ads,<sup>201</sup> this comment will use the facts of *Playboy Enters., Inc. v. Asiafocus Int'l, Inc.* and the facts of *Playboy Enters., Inc. v. Netscape Communications, Inc.* Asiafocus was a company that primarily sold adult entertainment products.<sup>202</sup> The company embedded PEI's trademarks into its meta-tags such that when a search engine user keyed in the word "playboy" or "playmate," Asiafocus' web site address would appear near PEI's web site address.<sup>203</sup> Asiafocus was found to have "purposefully employed deceptive tactics to attract consumers to their Web site under the guise that their sites are sponsored by or somehow affiliated with PEI."<sup>204</sup> Similarly, the banner ads set up by Netscape, Excite, and the purveyors of adult entertainment, are also triggered by the words "playboy" and "playmate."<sup>205</sup> When such words are keyed in by a search engine user, the search engine, like in a meta-tag scenario, will search for the words in its index.<sup>206</sup> The difference though, is that instead of searching its entire World Wide Web index, as it

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201. Not all use of meta-tags or banner ads is illegal. See Brian Kennan, *Diverting Traffic on the Web*, 579 PLI/Pat 84, 94 (1999). It is only illegal when the placing of information in the meta-tags or the banner ads causes confusion as to the source or content of the web site or banner ad, which generally occurs when a competitor's trademark is used in the meta-tag or banner ad. See *Playboy Enters., Inc., v. Asiafocus*, 1998 WL 724000, at \*6 (E.D. Va. April 10, 1998) (citing 15 U.S.C. §1125 (a)(1)(A), (B)).

202. See *Playboy Enters., Inc.*, 1998 WL 724000, at \*2.

203. See *id.* at \*3.

204. Kennan, *supra* note 195, at 85-86 (citing *Playboy Enters., Inc.*, 1998 WL 72400, at \* 3).

205. See *Playboy Enters., Inc., v. Netscape Communications, Inc.*, 55 F. Supp.2d 1070, 1071 (C.D. Cal. 1999).

206. See *id.*

would in a meta-tag scenario, the search engine would only search its index of banner ads.<sup>207</sup> Moreover, rather than placing a web site address of an adult entertainment purveyor next to PEI's web site address on the search results page, the search engine would instead place a banner ad on such page.<sup>208</sup> Thus, both banner ads and meta-tags operate in a similar manner to accomplish the goal of directing traffic to the defendants' web sites.

Generally, the use of another's trademark in one's meta-tag does not comport with the Fair Use Doctrine under the Lanham Act.<sup>209</sup> The only situations in which such use of another's trademark is legal is (1) when it is the truthful use of the trademark, for example, to identify one's products or services, and (2) when it is used in comparative advertisements.<sup>210</sup> Given that banner ads and meta-tags are functional equivalents, logically banner ads should be subject to the same sort of restrictions that meta-tags are subject to. Thus, when banner ads use trademarks, as the defendants did, they should be limited to identifying one's products or comparative advertisements.

## 2. Economic Reasons for Restricting the Practice of Banner Ad Keying

The problem with meta-tags is that they permit the misappropriation of the trademark holder's goodwill. An example would be a situation in which a user searches for company X's electronic equipment; company Y, a competitor, includes company X's name in its meta-tag such that when the search results page is displayed, the user will see Y's web site address in front of or next to X's web site address. If the user selects Y's site, believing it to be X's site, Y has misappropriated X's goodwill. As noted in Section III(C)(1), banner ads work in a similar manner, except that instead of comparing the web sites of X and Y, it compares X's web site to

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207. *See id.*

208. *See id.*

209. *See Brookfield Communications, Inc.*, 174 F.3d at 1036.

210. *See supra* notes 79-85 and accompanying text. An example of a truthful use is Ms. Welles' use of the trademarks Playboy and Playmate to describe herself. *See Playboy Enters., Inc., v. Welles*, 7 F. Supp.2d 1098, 1105 (S.D. Cal. 1998). An example of a comparative advertisement would be a Visa commercial, explaining that a certain company will not take American Express cards.

Y's banner ad. If a user goes to the banner ad, believing that it is associated with X, Y has misappropriated X's goodwill. The misappropriation of another's goodwill is known as free riding.<sup>211</sup> Trademark law seeks to prevent free riding, and trademark holders have the right to enjoin others from committing such misrepresentations.<sup>212</sup>

If the District Court's ruling in the instant case were allowed to stand, consider the impact it would have on trademark holders and would-be trademark infringers. Trademark holders would be hesitant to participate in, or fully utilize e-commerce, and if they did, they would have a lot less incentive to develop new products or increase the value of their goodwill knowing that competitors can capitalize on their research and development efforts.<sup>213</sup> Would-be infringers would also have less incentive to develop products, because it is more cost efficient to appropriate the goodwill and reputation of their competitors.<sup>214</sup> As a result, the growth of the digital economy would suffer and the purpose of intellectual property law will have been severely undermined.<sup>215</sup>

### 3. Policy Reasons for Restricting the Practice of Banner Ad Keying

In the long run, the court's ruling could have a devastating impact on trademark holders by decreasing the strength of their trademarks.<sup>216</sup> If competitors are allowed to use a holder's trademark, over time the trademark will lose its distinctiveness and become diluted, and thus subject to abandonment or the defense of laches.<sup>217</sup> It is very important for trademark holders to be vigilant;<sup>218</sup> however, holdings such as the one rendered in this court effectively prevent trademark holders from doing so. If searches are not considered searches for trademarks, but for generic, English words, trademark holders will not be able to

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211. See *New Kids on the Block*, 971 F.2d at 305; *Weight Watchers Int'l, Inc.*, 744 F. Supp. at 1269.

212. See *New Kids on the Block*, 971 F.2d at 305; *Weight Watchers Int'l, Inc.*, 744 F. Supp. at 1269; *TMT North America, Inc.*, 124 F.3d at 881.

213. See *supra* note 96 and accompanying text.

214. See *supra* note 93 and accompanying text.

215. See *supra* note 25.

216. See Sloane, *supra* note 103, at 837-38.

217. See Sloane, *supra* note 99 and accompanying text.

218. See Sloane, *supra* note 103, at 839.

protect their trademarks in the Internet environment. Also, if sometime in the future, trademark holders do show trademark infringement, they still may be denied a preliminary injunction because it is difficult to show irreparable harm when there is delay.<sup>219</sup>

Trademark holders, in PEI's situation, must also be wary of their trademarks becoming generic.<sup>220</sup> In the long run, the holding in this case would easily lead to the public understanding PEI's trademarks "playboy" or "playmate" to refer to adult entertainment. In fact, the court accelerates this process by implying that the generic meaning of these words is already associated with adult entertainment. If Internet users key-in the words "playboy" or "playmate" and the search results page displays a banner ad for adult entertainment, they will eventually begin to associate the two together. This process is compounded because of the number of purveyors of adult entertainment subscribing to defendants' services<sup>221</sup> (presumably each time a user would type in "playboy" or "playmate" using defendants' search engine an ad for a different adult entertainment web-site would appear).

Providing an atmosphere where e-commerce can grow and flourish is perhaps the most important reason for restricting the use of banner ad keying. E-commerce will play a major role in the future of our economy and the law should provide, to the extent possible, consistency and fair regulation. Courts should apply established legal doctrine to the regulation of e-commerce, but it should be flexible and the underlying economic reality should be considered.<sup>222</sup>

## CONCLUSION

The District Court erred by concluding that the words "playboy" and "playmate" were used in their generic, English sense. The court's interpretation of these words is inconsistent with the interpretations in other cases and was likely due to the court's unusually rigid application of traditional trademark law in the Internet context. As a result, the remainder of the court's analysis with respect to both the trademark

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219. *See id.*

220. *See King-Seeley Thermos Co.*, 321 F.2d at 579.

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

222. *See id.* at 1073; *Brookfield Communications, Inc.*, 174 F.3d at 1054.

infringement and dilution issues was also erroneous. The court's decision could significantly slow the growth of e-commerce both by deterring business participation in the digital economy and by encouraging free riding. Laws and policies governing e-commerce must be catered toward businesses because, as noted before, e-commerce will be led by business, while the government plays only a minor role in its development. What does this all mean? It means that e-commerce must be allowed to develop in a market-driven environment, unhampered by intrusive regulation and stringently — as well as inconsistently — applied law. Because of the court's flawed analysis and the consequent negative impact on the development of e-commerce, the holding in this case should be overruled. Accordingly, based on the analysis presented above, a preliminary injunction should be granted to PEI.

In addition, consistent with the rationale behind the general presumption of illegality of meta-tags, the purpose of the Lanham Act and trademark law generally, and the policy reasons put forth above, banner ad keying, like meta-tags, should be subject to the fair use doctrine.