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Playboy, Contact Lenses, and Trademark Infringement: An Analysis of Possible Claims as a Result of Pop-Up Advertisements

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PLAYBOY, CONTACT LENSES, AND TRADEMARK INFRINGEMENT: AN ANALYSIS OF POSSIBLE CLAIMS AS A RESULT OF POP-UP ADVERTISEMENTS

ASHLEY A. LOCKE*

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I. ABSTRACT

In *Playboy Enterprises, Inc. v. Netscape Communications, Corp.*, 354 F.3d 1020 (9th Cir. 2004), the Ninth Circuit Court of Appeals reversed the district court's summary judgment in favor of Netscape Communications, Corp. The Ninth Circuit held that there existed issues of fact as to (1) whether Netscape's practice of keying created a likelihood of initial interest confusion and (2) whether Netscape's practice diluted the owner's marks. Although the Ninth Circuit

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remanded *Playboy Enterprises*, conflicting decisions on similar issues reflect the importance of a final, concrete determination of whether pop-ups and related online advertising qualify as trademark infringement. The majority of other circuit courts, including the Second Circuit, which established the current rule for determining trademark infringement, have held that such advertising techniques are not infringement.

This piece begins by first exploring the legal principles underlying trademark law, as goals and registration of marks play heavily into determining the current and still developing trademark law. Second, it will examine the infringement claims that Playboy Enterprises, Inc. alleged in the case at hand, those of trademark infringement and dilution. Finally, it will examine a contrary holding to *Playboy Enterprises*, the Second Circuit case of *1-800 Contacts v. WhenU*, 414 F.3d 400 (2d Cir. 2004). This article contends that the Second Circuit failed to appropriately apply current trademark infringement law to the relevant area of internet and pop-up technology. Instead, the Ninth Circuit's analysis should be applied if and when the Supreme Court rules on the issue.

II. INTRODUCTION

In 1999, Playboy Enterprises, Inc. ("PEI") sued Netscape Communications, Corp. ("Netscape"), claiming trademark infringement and dilution as a result of Netscape's practice of keying internet advertisements to terms registered by PEI.² The district court denied PEI's request for a preliminary injunction, which the Ninth Circuit affirmed.³ On remand, PEI and Netscape filed cross-motions for summary judgment and the district court granted summary judgment in favor of Netscape.⁴ In 2004, the Ninth Circuit reversed and remanded, finding that "genuine issues of material fact exist as to PEI's trademark infringement and dilution claims."⁵ By doing so, the Ninth Circuit became the first federal appellate court to entertain the possibility of trademark infringement based on internet "pop-up" advertising.⁶

The impact of *Playboy Enterprises* is likely two-fold. First, the issue regarding pop-up advertisements as infringement becomes ripe for the Supreme Court to decide, thus potentially affecting trademark law substantially. This issue is particularly ripe for the Court to hear since other circuits have ruled contrary to

² *Playboy Enters, Inc. v. Netscape Commc'ns, Inc.*, 354 F.3d 1020, 1023 (9th Cir. 2004).

³ *Id.* The district court opinion was unpublished.

⁴ *Id.*

⁵ *Id.* at 1034.

⁶ In *1-800 Contacts, Inc. v. WhenU.com*, the Southern District of New York held that the defendants infringed upon 1-800 Contacts' registered trademark by granting 1-800 Contacts' request for a preliminary injunction. 309 F. Supp.2d 467, 509-10 (S.D.N.Y. 2003). The injunction was denied on copyright grounds but under trademark principles found that 1-800 Contacts "ha[d] established both a likelihood of success on the merits and irreparable harm on its trademark infringement claim." *Id.* at 504-05. While the Southern District of New York recognized the possibility of trademark infringement for pop-ups, the Ninth Circuit was the first court of appeals to agree. See *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2004); see also *DaimlerChrysler AG v. Bloom*, 315 F.3d 932 (8th Cir. 2003).

the Ninth Circuit's holding in *Playboy Enterprises*.⁷ If the Supreme Court tackles the issue of pop-ups as infringement, then yet another corner of growing cyberspace law will be carved out and definitively established; the trademark holders' rights will be determined clearly, one way or the other, in the evolving field of cyber law. Further, there exists a potential effect on consumers. In comparison to the effect on trademark rights, this effect may be marginal to the legal community, but more significant for the average Internet user. The Internet is currently ensconced in pop-up and banner style advertisements, but if the Supreme Court rules that such advertisements infringe trademark rights, then the prevalence of pop-ups will likely diminish.

This article first provides a background of trademark law, explaining the legal principles behind trademark law⁸ and what is required for federal registration of a mark.⁹ It will also discuss the federal trademark infringement and dilution claims.¹⁰ This article will explain the Internet and its operating systems, and how websites, search engines, and pop-up advertisements work.¹¹ Then it will turn to the landmark case of *Playboy Enterprises* with particular attention to the majority opinion and its analysis.¹² Additionally, it will examine the case decided contrary to *Playboy Enterprises*, the Second Circuit case of *1-800 Contacts v. WhenU*.¹³ Subsequently, a discussion regarding the merits of each case will ensue. This article contends that the Second Circuit failed to correctly apply current trademark infringement law to the relevant area of internet and pop-up technology. Instead, the Ninth Circuit's analysis should be applied if and when the Supreme Court rules on this issue.

III. BACKGROUND

A. TRADEMARK LAW

1. Goals of Trademark Law

In order to understand current trademark law trends, a brief introduction to its history and traditional legal principles is necessary. Through the Lanham Act, 15 U.S.C.A. §§ 1051 *et seq.*, the United States Congress prohibited the commercial use of any registered mark without the mark holder's consent. The Lanham Act attempts to promote and reflect the main objective of trademark law: to avoid consumer confusion about the source of a product, good, or service.¹⁴ The desire

⁷ This article will focus on the holding and reasoning in *1-800 Contacts*, 414 F.3d 400, 412-13 (2d Cir. 2005).

⁸ See *infra* notes 14-21 and accompanying text.

⁹ See *infra* notes 22-40 and accompanying text.

¹⁰ See *infra* note 41-71 and accompanying text.

¹¹ See *infra* note 72-110 and accompanying text.

¹² See *infra* note 111-155 and accompanying text.

¹³ See *infra* note 156-188 and accompanying text.

¹⁴ Deborah F. Buckman, Annotation, *Lanham Act Trademark Infringement Actions in Internet and*

to prevent consumer confusion as to source is reflected in the specific language of the Lanham Act itself, which maintains that upon registration of a mark,

no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive.¹⁵

In other words, protected marks *may* be used by entities not associated with the mark—unless such use is likely to result in consumer confusion or deception. It is evident from the federal restriction that the principle goal of trademark law is to avoid confusion or mistake by the customer regarding source. This is even clearer when the Lanham Act asserts that marks serve the sole purpose of identifying origin or ownership, or to “identify and distinguish” one’s products, goods, or services.¹⁶ Since marks serve an identifying purpose, the Lanham Act’s attempts to regulate the use of such marks indicate the desire is principally to avoid mistakes of source.

The goal of avoiding customer confusion is also reflected in the limitations of registering one’s mark: the mark is not recognized if it too closely resembles a mark already registered, if commercial use of the mark would be deceitful, or if the mark is not distinctive enough.¹⁷ In fact, one’s mark is not registerable if it serves a purely functional role; marks should instead be “distinctive of the applicant’s goods in commerce.”¹⁸ That is, federal trademark law cannot protect aspects of a product that make that product more efficient, useful, or contribute overall to the product’s operative ability or performance. As seen through the text of the Lanham Act, trademarks aim to notify consumers and market competitors of source. Thus, regulation of trademarks is done with the principal goal of averting consumer confusion, not generally prohibiting others’ use of a mark.

A secondary goal that developed once trademark law was solidified is one of protecting the mark holder’s investment in the mark.¹⁹ One’s initial instinct may be to think of investment in a mark as equivalent to the sense of ownership one has over the mark. However, this second objective of trademark law also encompasses protection of “the goodwill that has been built up in companies’ trademarks,”²⁰ with goodwill including “[a] business’s reputation, patronage, and other intangible

Website Context, 197 A.L.R. FED. 17 (2004). “Acknowledging that consumers form particular associations with marks, the main purpose of the trademarks laws . . . is to prevent the use of identical or similar marks in a way which confuses the public about the actual source of goods and services.” *Id.*

¹⁵ 15 U.S.C.A. § 1051(b)(3)(D) (2002).

¹⁶ 15 U.S.C.A. § 1127 (2002). “The term ‘service mark’ means any word, name, symbol, or device, or any combination thereof [used] to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown.” *Id.*

¹⁷ 15 U.S.C.A. § 1052(d)-(f) (2002).

¹⁸ 15 U.S.C.A. § 1052(f). *See also* Application of Hollaender Manufacturing Co., 511 F.2d 1186, 1187 (denying registration of a raised rib configuration on an aluminum fitting since the raised ribbing was purely functional).

¹⁹ *Buckman*, *supra* note 13, at 17. Note that the language of the Lanham Act does not reflect the goal of mark holder protection, likely because this secondary goal has developed over time.

²⁰ *Id.*

assets that are considered when appraising the business²¹

2. Federal Registration of a Mark

Federal registration of one's mark with the United States Patent and Trademark Office ("PTO") is permitted, but not required, to use a mark.²² Registered marks, though, receive enforcement under federal law while unregistered marks can only be enforced through state courts.²³ In granting registration status, the PTO requires the applicant to satisfy two elements, both of which reflect the previously acknowledged goals of trademark law: (1) bona fide use in commerce with affixation of the mark, and (2) geographic extent.²⁴

The element of bona fide use in commerce requires the mark be used in the "ordinary course of trade, and not made merely to reserve a right in a mark."²⁵ In other words, registration of a mark must be sought in good faith and not simply to prevent others from using that mark or to reserve the mark for a potential future use. Under the Lanham Act, the requirement of bona fide use in commerce requires different showings depending on whether the product promoted is a good or a service.²⁶ For goods, the mark must be fixed on the good or its container and the good must be sold or transported in commerce.²⁷ For services, the mark must be used in advertising or displays of the service and the service must be part of commerce.²⁸

²¹ BLACK'S LAW DICTIONARY 715 (8th ed. 2004). In full, the definition provides that "a business's reputation, patronage, and other intangible assets that are considered when appraising the business, esp. for purchase; the ability to earn income in excess of the income that would be expected from the business viewed as a mere collection of assets. Because an established business's trademark or servicemark is a symbol of goodwill, trademark infringement is a form of theft of goodwill. By the same token, when a trademark is assigned, the goodwill that it carries is also assigned. . . . [Goodwill] is only another name for reputation, credit, honesty, fair name, reliability." Harry D. Nims, *The Law of Unfair Competition and Trade-Marks* 36 (1929). "Good will is to be distinguished from that element of value referred to variously as going-concern value, going value, or going business. Although some courts have stated that the difference is merely technical and that it is unimportant to attempt to separate these intangibles, it is generally held that going-concern value is that which inheres in a plant of an established business." 38 Am. Jur. 2d *Good Will* § 2, at 913 (1968)." (cites in original).

²² 15 U.S.C.A. § 1051(a)(1) (2002) ("The owner of a trademark used in commerce *may* request registration of its trademark on the principal register.") (emphasis added).

²³ 15 U.S.C.A. § 1125 (2006). The Lanham Act "also indirectly allows the enforcement of unregistered marks. But until 1988 federal law did not specify how one acquired the rights that could be registered or enforced without registration. That subject fell into the domain of state law, plus federal common law elaborating on the word 'use' in § 43(a)." *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 502-03 (7th Cir. 1992) (internal cite omitted).

²⁴ 15 U.S.C.A. § 1051.

²⁵ 15 U.S.C.A. § 1127 (2002).

²⁶ *See id.*

²⁷ *Id.* In full in relevant part, the Act provides that "a mark shall be deemed to be in use in commerce (1) on goods when (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce. . . ."

²⁸ *Id.* In full in relevant part, the Act provides that "a mark shall be deemed to be in use in commerce . . . (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in

The Lanham Act requires bona fide use in commerce because Congress' ability to regulate marks is derived from the United States Constitution's Commerce Clause.²⁹ By compelling use in commerce *prior* to registration of a mark, trademark law specifically avoids the possibility of rising costs of registration and simultaneously achieves the ultimate goal of identifying the source for the consumer. "By insisting that firms use marks to obtain rights in them, the law prevents entrepreneurs from reserving brand names in order to make their rivals' marketing more costly."³⁰ This requirement prevents individual entities from registering marks with the goal of selling those marks at a higher price to start-up companies, for instance, when the start-up wants to legitimately use the marks. In addition to promoting entrepreneurship, the element requiring bona fide use in commerce concurrently defends the stated goal of identifying source; the exclusive right to a mark belongs only to the party who first uses the mark in connection with the party's goods or services.³¹ "Only active use allows consumers to associate a mark with particular goods. . . ."³² Since trademark law aims to avoid confusion by the consumer as to source, the mark holder must first establish that customers associate the mark with a source.³³

Along the same reasoning, federal law requires affixation of the mark; mere advertisement of a mark without attachment to a good is insufficient to obtain federal registration.³⁴ Any affixation of the mark onto goods or packaging must also be made in good faith or with the belief or understanding that the goods with the affixed mark will be distributed in commerce.³⁵ Requiring the mark be

connection with the services."

²⁹ *Buckman*, *supra* note 13, at 17.

³⁰ *Zazu Designs*, 979 F.2d at 503.

³¹ *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1265 (5th Cir. 1975) (citing *McLean v. Fleming*, 96 U.S. 245 (1877)).

³² *Zazu Designs*, 979 F.2d at 503.

³³ In *Zazu Designs*, the Seventh Circuit held that Zazu Designs did not meet the "bona fide use in commerce" requirement for registration. *Id.* at 504. L'Oreal investigated three names for a new line of hair cosmetics, including ZAZU. *Id.* at 501. The search revealed to L'Oreal the existence of the Zazu Hair Designs salon ("ZHD") in a suburb of Chicago, Illinois. *Id.* ZHD had registered with the state of Illinois the mark of "ZAZU" for their hair salon. *Id.* Upon several telephone calls, L'Oreal ascertained that ZHD was not selling products under the name of ZAZU. *Id.* In April 1986, L'Oreal proceeded to embark on a "small interstate shipment of hair cosmetics under the ZAZU name," upon which it relied when applying for federal registration. 979 F.2d at 501. In the meantime, ZHD began developing hair products and between November 1985 and February 1986 made "a few" sales, including across state lines to a friend in the state of Texas and another friend in the state of Florida. *Id.* at 502. In 1992, the case reached the 7th Circuit, which held that "ZHD's sales of its product are insufficient use to establish priority over L'Oreal. . . . [because the actions by ZHD] neither link the ZAZU mark with ZHD's product in the minds of consumers nor put other producers on notice." *Id.* at 503.

³⁴ See *Elec. Commc'n, Inc. v. Elec. Components for Indus. Co.*, 433 F.2d 487, 492 (8th Cir. 1971) (finding the mark at issue was not attached to the goods or packaging so protection was not afforded); *Blisscraft of Hollywood v. United Plastics Co.*, 294 F.2d 694, 700 (2d Cir. 1961) (stating that a "technical trade-mark, consisting of a coined or fanciful expression, comes into being as soon as it is *affixed* to goods and goods are sold") (emphasis added).

³⁵ *Blue Bell*, 508 F.2d at 1267 (reasoning that the "tenets of trademark law require that labels or designs be affixed to the merchandise actually intended to bear the mark in commercial transactions"). In *Blue Bell*, both companies, Farah and Blue Bell, created similar marks for similar products; both wanted to use "Time Out" for men's clothing. *Id.* at 1262. The issue presented was which company was first to establish use of the mark in commerce. *Id.* The court found significant the date the product was shipped to the customers and found Farah was the first to ship to customers in September 1973. *Id.*

attached to a good or its package distributed in commerce likewise aims to ensure the legitimacy of the federal registration sought. At this point, it would be worthy to note that the conventional concept of commerce is rapidly evolving with the Internet and the more general “technological revolution of the marketplace.”³⁶

The second wrinkle for federal registration of a mark is the issue of “geographic extent.” Upon federal registration on the principal register, the mark holder automatically bestows constructive notice on the entire world of his or her claim of ownership over the mark.³⁷ As a result of constructive notice to all, the holder of a mark obtains “nationwide protection” from infringement, “regardless of the areas in which the registrant actually uses the mark.”³⁸ Coupled with the goal of trademark law to avoid customer confusion as to source,

if the use of the marks by the registrant and the unauthorized user are confined to two sufficiently distinct and geographically separate markets, with no likelihood that the registrant will expand his use into [the other user’s] market, so that no public confusion is possible, then the registrant is not entitled to enjoin the [other] user’s use of the mark.³⁹

In other words, a mark holder only receives protection from infringement under the Lanham Act if another party attempts to use the same mark in the same geographic market.⁴⁰ Federal protection only applies when a plaintiff brings an infringement or dilution lawsuit.

3. Federal Trademark Infringement Claims

Federal trademark lawsuits come in two principal forms: likelihood of

at 1267. Most significant for our purposes, however, was the realization that “[e]lementary tenets of trademark law require that labels or designs be affixed to the merchandise actually intended to bear the mark in commercial transactions.” *Id.* at 1267.

³⁶ *Buckman*, *supra* note 13, at 17.

³⁷ 15 U.S.C.A. § 1072 states that “[r]egistration of a mark on the principal register provided by this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, shall be constructive notice of the registrant’s claim of ownership thereof.”

³⁸ *Dawn Donut Co., Inc. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 362 (2d Cir. 1959).

³⁹ *Id.* at 364.

⁴⁰ In *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, the Second Circuit held Dawn Donut did not receive protection since the two companies, while selling similar products, were “in separate trading areas” and there was “no present likelihood that plaintiff will expand its retail use of the mark into defendant’s market area.” 267 F.2d at 360. Dawn Donuts Co. was headquartered in the state of Michigan and held the federal registration to “Dawn” and “Dawn Donuts.” *Id.* Dawn Donuts sold donut mix to bakers located in various states, including New York, since 1922; in 1950 the company added other dough mixes for sweets to its list of merchandise. *Id.* The mixes were sent to bakers who “agree[d] to become exclusive Dawn Donut Shops” from the manufacturing plant in Michigan or local warehouses closer to the bakers’ locations. *Id.* Hart Food Stores was a grocery store chain with locations in several counties in the state of New York. *Id.* Its distribution was restricted to a forty-five mile radius around Rochester, New York, as was the advertising of its products (donuts and other baked goods) on television and the radio. *Id.* Hart Food Stores first used the mark “Dawn” in 1951. *Id.* Dawn Donut sued alleging trademark infringement. *Id.* Ultimately, the Second Circuit reasoned that “as long as [Dawn Donut] and [Hart Food Stores] confine their use of the mark ‘Dawn’ in connection with the retail sale of baked goods to their present separate trading areas it is clear that no public confusion is likely.” *Id.* at 362.

confusion claims⁴¹ and dilution claims.⁴²

To establish infringement, actual confusion is not required.⁴³ Instead, only a *likelihood of confusion* is necessary to establish a prima facie case for infringement.⁴⁴ In other words, “infringement usually will be found if the marks are sufficiently similar that confusion can be *expected*.”⁴⁵ Courts generally have relied on a list of factors to determine the existence of likelihood of confusion in a given case.⁴⁶ *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961), articulated eight relevant factors: (1) the strength of the mark; (2) the similarity of the marks; (3) the proximity of the goods, products, or services; (4) actual confusion, if any; (5) the possibility of bridging the gap by the plaintiff; (6) good faith use of the mark; (7) quality of the defendant’s products; and (8) the sophistication of buyers.⁴⁷ Since the *Polaroid* factors represent a flexible test, other possible factors may be considered, including: the harm if the injunction is granted; the extent of the use of the mark; and the similarity of the goods, products, or services.⁴⁸ For alleged infringement “[i]n the internet and website context, one court has noted, the three most important of these factors are: (1) the similarity of the marks; (2) the relatedness of the goods or services; and (3) the ‘simultaneous use of the Web as a marketing channel.’”⁴⁹

In discussing the first factor, the strength of a mark, it should be noted that the mark’s strength is directly correlated to the type of mark it is. “For example, an arbitrary or fanciful mark will be afforded the widest ambit of protection from infringing uses.”⁵⁰ The second factor is very significant as it examines the

⁴¹ 15 U.S.C. § 1051 *et seq.*; see *Tish Hotels Inc. v. Americana Inn., Inc.* 350 F.2d 609, 611 (7th Cir. 1965); *G.D. Searle & Co. v. Chas. Pfizer & Co.*, 265 F.2d 385 (7th Cir. 1959).

⁴² 15 U.S.C. § 1051 *et seq.*

⁴³ *Tish Hotels*, 350 F.2d at 611.

⁴⁴ *Id.* (emphasis added).

⁴⁵ *AMF Corp. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979) (emphasis added).

⁴⁶ *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 116-17 (2d Cir. 2006).

⁴⁷ *Id.*

⁴⁸ See *AMF*, 599 F.2d at 348-49; *Polaroid Corp. v. Polarad Elec. Corp.*, 287 F.2d 492 (2d Cir. 1961); *Brennans Inc. v. Brennan’s Rest.* 360 F.3d 125, 130 (2d Cir. 2004); *Sleeper Lounge Co. v. Bell Mfg Co.*, 253 F.2d 720, 722 (9th Cir. 1958).

⁴⁹ *Buckman*, *supra* note 13, at 17 (citing *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199 (9th Cir. 2000); and *Comp Examiner Agency Inc. v. Juris Inc.*, No. 96-0213, 1996 WL 376600 (C.D.Cal. 1996)).

⁵⁰ *AMF*, 599 F.2d at 349. There are different levels of marks: arbitrary or fanciful, suggestive, descriptive, and generic. Examples of arbitrary or fanciful marks include “Kodak” or “Rolex;” these are marks that bear little or no relationship to the product and it is easier to establish infringement. See *Nat’l Lead Co. v. Wolfe*, 223 F.2d 195, 199 (9th Cir. 1955). Suggestive marks include marks like “Jolt” or “Coppertone,” which are marks that subtly imply a characteristic of a product but some imagination is required to reach the conclusion as to the nature of the goods. *AMF*, 599 F.2d at 349. “Although less distinctive than an arbitrary or fanciful mark and therefore a comparatively weak mark, a suggestive mark will be protected without proof of secondary meaning.” *Id.* (citing *Watkins Prod., Inc. v. Sunway Fruit Prod., Inc.*, 311 F.2d 496 (7th Cir. 1962)). Descriptive products are even weaker than suggestive marks. See *AMF*, 599 F.2d at 349. Descriptive marks are those like “Honey-Baked Ham,” marks that actually describe the product, good, or service. *Id.* These marks are only protected upon a showing of secondary meaning. *Id.* Secondary meaning is achieved when consumers automatically think of the product, good, or service. *Echo Travel, Inc. v. Travel Assoc., Inc.*, 870 F.2d 1264, 1266. (“Echo must show that its picture-mark has acquired secondary meaning- *i.e.*, that there is ‘a mental association in buyers’ minds between the alleged mark and a single source of the product.’”)

similarity of the marks in sight, sound, and meaning (as established in the marketplace).⁵¹ “Of salient importance among the *Polaroid* factors is the ‘similarity of the marks’ test, which attempts to discern ‘whether the similarity of the marks is likely to cause confusion among potential customers.’”⁵² The third factor, proximity of the goods, requires more than simply presence in the same market.⁵³ However, if the goods, products, or services are completely unrelated, then confusion is probably not as likely as if the products were closely related.⁵⁴ As is the case for the factor of similarity, here the ultimate inquiry for evaluating proximity of the goods is whether “it is reasonable for consumers to believe the products come from the same source.”⁵⁵

The fourth factor bears heavily on the inquiry of likelihood of confusion by looking to any evidence of actual confusion; however, failure to show actual confusion is not dispositive.⁵⁶ Courts also consider the possibility of the plaintiff bridging the gap. This takes into account that “[c]onvergent marketing channels increase the likelihood of confusion.”⁵⁷ The sixth factor asks essentially whether or not the defendant used the mark in good faith.⁵⁸ Also considered is the quality of the defendant’s products and the care taken by customers.⁵⁹ In examining the sophistication of buyers, the standard is “the typical buyer exercising ordinary caution.”⁶⁰ However, when goods are more expensive, buyers are assumed to employ a higher degree of caution and care.⁶¹

4. Federal Dilution of Trademark Claims

Dilution suits are the second possible type of infringement claim. The claim is outlined in the Lanham Act, 15 U.S.C. § 1125(c), as amended by the Trademark Dilution Act of 1995, Pub.L. 104-98, 109 Stat. 985 (“Federal Trademark Dilution Act” or “FTDA”). Under the FTDA, dilution occurs by “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous

(citing McCarthy § 15:2, at 659). Lastly, generic terms, or common names for a product, cannot be registered at all—in fact, a mark can lose protection if it becomes generic. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985).

⁵¹ *AMF*, 599 F.2d at 351 (citing *Plough, Inc. v. Kreis Labs.*, 314 F.2d 635, 638 (CA 9 1963)); see also *Jordache Enter., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482 (10th Cir. 1987).

⁵² *Malletier v. Burlington Coat Factory*, 426 F.3d 532, 537 (2d Cir. 2005) (citing *Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 394 (2d Cir.1995)).

⁵³ *Davis v. Walt Disney Co.*, 430 F.3d 901, 904 (8th Cir. 2005) (“We reject the appellants’ argument that competitive proximity exists simply because the appellants and appellees both offer educational and informational services”).

⁵⁴ *Kemp v. Bumble Bee Seafoods, Inc.*, 398 F.3d 1049, 1056 (8th Cir. 2005).

⁵⁵ *Davis*, 430 F.3d at 904.

⁵⁶ *AMF*, 599 F.2d at 353 (citing *Drexel Enter., Inc. v. Hermitage Cabinet Shop, Inc.* 266 F. Supp 532, 537 (N.D.G.A. 1967)).

⁵⁷ *AMF*, 599 F.2d at 353.

⁵⁸ *Id.* at 354.

⁵⁹ *Id.* at 353.

⁶⁰ *Id.*

⁶¹ *Id.*

mark and other parties[;] or (2) likelihood of confusion, mistake, or deception.”⁶² Dilution claims differ from standard infringement claims because in a dilution lawsuit, the plaintiff contends that her mark has been lessened in value due to the inability of the mark to serve as an identifier of source.⁶³ Dilution claims also differ in that successful claims require *actual* dilution, not just a likelihood of dilution.⁶⁴ Additionally, the purpose of dilution as a cause of action is dissimilar to the rationale for infringement; the goal is no longer to prevent consumer confusion as to source. Instead, the statute’s “purpose is to protect famous trademarks from subsequent uses that blur the mark’s distinctiveness or tarnish or disparage it, even absent a likelihood of confusion.”⁶⁵ The goal is to protect the integrity of a mark and the associated business. To these ends, the Federal Trademark Dilution Act establishes three elements for dilution: (1) the famousness of the marks, (2) the defendants’ commercial use of the mark, and (3) the dilution of the distinctive quality of marks.⁶⁶

A mark is considered famous if it is “prominent or renowned” in a particular or localized area.⁶⁷ Similar to the likelihood of confusion infringement claims, there are eight non-exclusive factors for determining the famousness of a mark: (1) the degree of inherent or acquired distinctiveness of the mark; (2) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (3) the duration and extent of advertising and publicity of the mark; (4) the geographic extent of the trading area in which the mark is used; (5) the channels of trade for the goods or services with which the mark is used; (6) the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought; (7) the nature and extent of use of the same or similar marks by third parties; and (8) whether the mark is registered.⁶⁸

The second element, the defendants’ commercial use of the mark, is necessary because the source of Congress’ power to regulate trademarks derives from the Commerce Clause—Congress can only regulate commercial speech.⁶⁹

Third, the dilution of distinctive quality of marks is considered. As stated

⁶² 15 U.S.C. § 1127 (2002). Injunctive relief is available if dilution is shown. 15 U.S.C. § 1127(c)(1). Also note that the Supreme Court has held that *actual* dilution is required, as opposed to any likelihood standard. See *Moseley v. Victoria’s Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003) (“mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner”) (internal cites omitted); see also *Playboy Enters., Inc. v. Netscape Commc’ns, Inc.*, 354 F.3d 1020, 1033-34 (9th Cir. 2004). This is because the goal of dilution is to provide a remedy “when the similarity between two marks is great enough that even a noncompeting, nonconfusing use is harmful to the senior user The degree of similarity required for a dilution claim must be greater than that which is required to show likelihood of confusion.” *Jet, Inc. v. Sewage Aeration Sys.*, 165 F.3d 419, 425 (6th Cir. 1999).

⁶³ 15 U.S.C. § 1127.

⁶⁴ *Moseley*, 537 U.S. at 418 (emphasis added).

⁶⁵ *Id.*

⁶⁶ *Playboy Enters., Inc. v. Netscape Commc’ns, Inc.*, 354 F.3d 1020, 1031-34 (9th Cir. 2004).

⁶⁷ *Avery Dennison, Corp. v. Sumpton*, 189 F.3d 868, 875, 977 (9th Cir. 1999).

⁶⁸ 15 U.S.C. § 1125(c).

⁶⁹ *Playboy Enters.*, 354 F.3d at 1032.

earlier, dilution claims require actual dilution to withstand summary judgment.⁷⁰ As one court held, “[t]he fact that consumers mentally associate the junior mark with the famous mark, at least where the marks . . . are not identical, will not establish actionable dilution.”⁷¹

B. THE INTERNET

1. The Internet and Its Operating Systems

The Internet is a network that connects computer users from around the globe together, so that they can communicate and access information.⁷² The most well known feature of the Internet is “the World Wide Web,” or just “the Web,” which is a “collection of information resources contained in documents located on individual computers around the world [and] is the most widely used and fastest growing part of the Internet except perhaps for electronic mail (‘e-mail’).”⁷³ The first form of the Internet started in 1969 for the military and was named “ARPANET.”⁷⁴ The purpose of ARPANET was

to enable computers operated by the military, defense contractors, and universities conducting defense-related research to communicate with one another by redundant channels even if some portions of the network were damaged in a war. While the ARPANET no longer exists, it provided an example for the development of a number of civilian networks that, eventually linking with each other, now enable tens of millions of people to communicate with one another and to access vast amounts of information from around the world.⁷⁵

Traditionally customers connect to the Internet through local phone services that provide “dial-up” connections to the desired computer.⁷⁶ Dial-up connections work by calling Internet modems through the conventional telephone line, and Internet Service Providers, or ISPs, link the call to the Internet.⁷⁷ The user is connected instantly through his or her phone line. Dial-up connections are slower and limited, thus earning the slang name of “narrowband.”⁷⁸ In contrast,

⁷⁰ *Moseley*, 537 U.S. at 418.

⁷¹ *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 118-19 (2nd Cir. 2006).

⁷² *Buckman*, *supra* note 13, at 17.

⁷³ *Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1044 (9th Cir. 1999) (citing *United States v. Microsoft*, 147 F.3d 935, 939 (D.C.Cir. 1998)). The Supreme Court has described e-mail as allowing “an individual to send an electronic message—generally akin to a note or letter—to another individual or to a group of addressees. The message is generally stored electronically, sometimes waiting for the recipient to check her “mailbox” and sometimes making its receipt known through some type of prompt.” *Reno v. ACLU*, 521 U.S. 844, 851 (1997).

⁷⁴ *Reno*, 521 U.S. at 849-50.

⁷⁵ *Id.* at 850.

⁷⁶ *Nat’l Cable & Telecomm. Ass’n v. Brand X Internet Servs.*, 545 U.S. 967, 973 (2005).

⁷⁷ *Id.* Black’s Law Dictionary defines an internet service provider as “[a] business that offers Internet access through a subscriber’s phone line, usu[ally] charging the user for the time spent connected to the business’s server.” BLACK’S LAW DICTIONARY 836 (8th ed. 2004).

⁷⁸ *Nat’l Cable & Telecomm. Ass’n*, 545 U.S. at 974-75.

“broadband” connections are faster and enable newer technology, connecting users through one of two ways: either a cable modem service or a Digital Subscriber Line, or DSL.⁷⁹ “Cable modem service transmits data between the Internet and users’ computers via the network of television cable lines owned by cable companies. DSL service provides high-speed access using the local telephone wires owned by local telephone companies.”⁸⁰

2. *Websites and Search Engines: How It Works*

Once connected, individual users, or “cyber surfers” or just “surfers,” can access information that is stored on depositories called “servers.”⁸¹ As defined in the Merriam-Webster’s Dictionary, a server is “a computer in a network that is used to provide services (as access to files or shared peripherals or the routing of e-mails) to other computers in the network.”⁸² When a user retrieves information from a server, the request is often⁸³ processed in the form of a webpage, whereby the information is assembled on the user’s computer screen.⁸⁴ Web pages that are collected and organized together take the shape of a website, where users can quickly maneuver between related web pages.⁸⁵ Website owners designate a domain name for each website to serve as an identifying mark, for the ease of the user. A domain name consists of two levels: a “top-level” or “first-level” domain name and a “second-level” domain name.⁸⁶

The first-level domain name identifies the registrant’s category as, e.g., a commercial site (.com), a governmental institution (.gov), an educational institution (.edu), a nonprofit group (.org), or a discussion group (.net). The second-level domain name is the unique identifier for the user in a particular category. A second-level domain name may be protected under trademark law, but first-level domain names are not. In some circumstances, the entire domain name may be validly registered as a trademark. But trademark rights are not automatically created by registering a domain name.⁸⁷

⁷⁹ *Id.* at 975.

⁸⁰ *Id.*

⁸¹ *Buckman, supra* note 13, at 17.

⁸² Merriam-Webster’s Collegiate Dictionary 1137 (11th ed. 2003).

⁸³ Information received from the Web is not always in the form of a webpage. “Some of these documents are simply files containing information. However, more elaborate documents, commonly known as Web pages, are also prevalent. Each has its own address—‘rather like a telephone number.’ Web pages frequently contain information and sometimes allow the viewer to communicate with the page’s (or site’s) author. They generally also contain links to other documents created by that site’s author or to other (generally) related sites.” *Reno v. ACLU*, 521 U.S. 844, 852 (1997).

⁸⁴ *Buckman, supra* note 13, at 32.

⁸⁵ *Id.*

⁸⁶ *Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1044 (9th Cir. 1999).

⁸⁷ BLACK’S LAW DICTIONARY 522 (8th ed. 2004). The first-level domain name always appears after the domain name itself; for example, domainname.com or domainname.org. It is important to note that second-level domain names have an “exclusive quality,” setting “trademark owners against each other in the struggle to establish a commercial presence on the Internet, and has set businesses against domain name holders who seek to continue the traditional use of the Internet as a non-commercial medium of communication.” *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 953 (C.D.C.A. 1997). Thus, there is an inherent tension between those who attempt to use the internet for

A website is most easily retrieved by typing in the site's domain name.⁸⁸ The domain name carries significance for a business or company, similar to a phone number or physical location for business.⁸⁹ "Upon entering a domain name into the web browser, the corresponding web site will quickly appear on the computer screen."⁹⁰ However, if a user does not know the domain name of the website s/he is trying to reach, Internet search engines are helpful in generating a list of websites available.⁹¹

Search engines track websites' "uniform resource locators," or URL's, which are made of the domain name and the "post-domain path."⁹² The domain path is merely an indicator of the website's particular location on the Internet.⁹³ A post-domain path "(e.g., /desks/floor/laptraveler/dkfl-lt.htm) merely shows how a website's data is organized within the host computer's files."⁹⁴ The most popular search engines include Google.com, Yahoo.com, and AskJeeves.com.⁹⁵ The most common type of search engine is called a "web-crawler engine" (as opposed to a "human-compiled directory search engine").⁹⁶ Web-crawler search engines categorize and retrieve websites based on the codes imbedded in them, called the "Hyper Text Mark-Up Language," or HTML.⁹⁷ The codes are not visible to Internet users but are comprised of keywords that describe the content of the website.⁹⁸ The invisible keywords are called "metatags." "Metatags are basically indexing tools to determine which websites correspond to a particular user's search terms."⁹⁹ After a user types in keywords, the search engine sorts through a list of web sites to produce a list of sites related to the keywords.¹⁰⁰ In determining relevancy, a search engine relies on two types of metatags: description metatags and keyword metatags.¹⁰¹

The description metatags are intended to describe the web site; the keyword metatags, at least in theory, contain keywords relating to the contents of the web site. The more often a term appears in the metatags and in the text of the web page,

communication purpose and those who want the Internet for business purposes. Furthermore, tensions exist between two companies that both hold nonexclusive trademark rights in a name, since "only one company can have a second-level domain name that corresponds to its trademark." *Id.*

⁸⁸ *Panavision Int'l., L.P. v. Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998).

⁸⁹ *See id.* (arguing that one purpose of a domain name is to identify the entity that owns that site).

⁹⁰ *Brookfield Commc'ns, Inc.*, 174 F.3d at 1044.

⁹¹ *Buckman*, *supra* note 13, at 17.

⁹² *Id.* The Sixth Circuit has held that using a trademark in the post-domain path was not likely to cause customer confusion since they do not usually signify source, and thus not a form of trademark infringement. *Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687 (6th Cir. 2003).

⁹³ *Buckman*, *supra* note 13, at 17.

⁹⁴ *Interactive Prods. Corp.*, 326 F.3d at 691.

⁹⁵ Danny Sullivan, *Major Search Engines and Directories*, Search Engine Watch (Oct. 8, 2007), <http://searchenginewatch.com/showPage.html?page=2156221>.

⁹⁶ *Interactive Prods. Corp.*, 326 F.3d at 691.

⁹⁷ *Id.*

⁹⁸ *Buckman*, *supra* note 13, at 17.

⁹⁹ *Id.*

¹⁰⁰ *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999).

¹⁰¹ *Id.*

the more likely it is that the web page will be “hit” in a search for that keyword and the higher on the list of “hits” the web page will appear.¹⁰²

For example, if a user types “domain name” into a search engine, the search engine will retrieve all websites with “domain name” and show the results in a list form.¹⁰³ Additionally, since each search engine “uses its own algorithm to arrange indexed materials in sequence, . . . the list of web sites that any particular set of keywords will bring up may differ depending on the search engine used.”¹⁰⁴

3. *Pop-Up Advertisements*

When Internet users visit websites, occasionally advertisements may “pop up” onto the user’s screen. “Pop-up ads” are advertisements presented in a separate screen, or window, but one that covers the website the user is attempting to access.¹⁰⁵ The user is forced to close the pop-up window or move it out of the way if s/he wants to access the original website.¹⁰⁶ As one company explained to the Second Circuit, pop-up advertisement programs work by employing a company’s internal directory, which is full of domain names, search terms, and keyword algorithms.¹⁰⁷ These terms “correlate with particular consumer interests to screen the words a C-user types into a web browser or search engine or that appear within the internet sites.”¹⁰⁸ As a particular website shows up on a user’s computer, the pop-up advertisement may appear simultaneously or after a few-seconds delay.¹⁰⁹

IV. CASE ANALYSIS

A. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*

1. *Facts*

Now that a basic understanding of the Internet and pop-up advertisements has been reached, we turn to the cases at issue: first, *Playboy Enterprises, Inc. v. Netscape Communications Corp.* Netscape Communications Corp. (“Netscape”),

¹⁰² *Id.*

¹⁰³ See Gregory Jones, *What’s In a Name? Trademark Infringements in Cyberspace*, 68 Ala. Law 70, 72, (2007) (explaining the concept of metatag infringement and the possibility of it in the Ninth Circuit).

¹⁰⁴ *Brookfield Commc’ns, Inc.*, 174 F.3d at 1045.

¹⁰⁵ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 404 (2d Cir. 2005).

¹⁰⁶ *Id.*

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at 405. It is interesting to note that generally, users view pop-up advertisements as an annoyance, though the Supreme Court has ruled that pop-up advertisements are not considered a form of spam. Anita Ramasastry, *Pop-up Ads and Spam*, <http://www.cnn.com/2005/LAW/01/14/ramasastry.spam/index.html> (last visited Mar. 23, 2007).

a subsidiary of America Online,¹¹⁰ is an ISP and web browser that provides internet connections, e-mail services, and search engine capabilities.¹¹¹ To enable its search engine service, Netscape relies on a practice labeled “keying.” Under this practice, companies and advertisers can determine a particular user’s interests based on that user’s Internet activity, and only advertise relevant products, goods, or services.¹¹²

To take an innocuous example, a person who searches for a term related to gardening may be a likely customer for a company selling seeds. Thus, a seed company might pay to have its advertisement displayed when searchers enter terms related to gardening. After paying a fee to defendants [here, Netscape], that company could have its advertisements appear on the page listing the search results for gardening-related terms: the ad would be “keyed” to gardening-related terms.¹¹³

This method of keying advertisements to other websites a given user has accessed saves the advertising company’s money and energy. To respond to this market and to facilitate in the effectiveness of keying, upon request Netscape develops a list of terms for a particular advertiser client.¹¹⁴

Playboy Enterprises, Inc. (“PEI”) is an adult-oriented and sex-based company with operations in television, magazine print, websites, and other products.¹¹⁵ The company is comprised of three business groups: publishing, entertainment, and licensing.¹¹⁶ Licensing remains a significant division of PEI, particularly since the company claims that “Playboy is the only magazine to become a major international consumer brand.”¹¹⁷ PEI holds trademarks over numerous symbols and phrases, including the words “playboy” and “playmate.”¹¹⁸

The instant case turns on the detail that Netscape has included the terms “playboy” and “playmate” in the list of terms compiled for keying advertisements relating to the adult-oriented field.¹¹⁹ To take it another step further, Netscape

¹¹⁰ America Online is a “web portal that provides a variety of custom content on top of linking you to relevant information available on the Internet.” America Online Home Page, <http://www.aol.com> (last visited Mar. 28, 2007).

¹¹¹ Netscape Home Page, <http://www.netscape.com> (last visited Mar. 28, 2007).

¹¹² *Playboy Enters., Inc. v. Netscape Commc’ns, Inc.*, 354 F.3d 1020, 1022 (9th Cir. 2004) (“Keying allows advertisers to target individuals with certain interests by linking advertisements to pre-identified terms”).

¹¹³ *Id.* at 1022-23.

¹¹⁴ *Id.* at 1023.

¹¹⁵ http://www.playboyenterprises.com/home/content.cfm?content=t_template&packet=00077802-06C6-1C74-8FEA8304E50A010D&artTypeID=000A2BE7-0596-1C74-8FEA8304E50A010D (last visited March 28, 2007) (from PEI’s Home Page, www.playboyenterprises.com click on “Corporate Overview” hyperlink). According to PEI’s website, “Playboy Enterprises, Inc. (NYSE: PLA, P.L.A.A) is a brand-driven, international multimedia entertainment company that publishes editions of Playboy magazine around the world; operates television networks and distributes programming globally; owns Playboy.com, a leading men’s lifestyle and entertainment web site; and licenses the Playboy trademark internationally for a range of consumer products and services. The Company’s three business groups are Publishing, Entertainment and Licensing.”

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Playboy Enters., Inc.*, 354 F.3d at 1023.

¹¹⁹ *Id.*

actually “require[s] adult-oriented companies to link their ads to this set of words. Thus, when a user types in ‘playboy,’ ‘playmate,’ or one of the other listed terms, those companies’ banner ads appear on the search results page.”¹²⁰ In other words, when a user types in the registered trademarked terms, then competitors’ advertisements come up on the search results page. At trial, PEI introduced evidence that the advertisements on the results page are “graphic in nature” and were also “confusingly labeled or not labeled at all.”¹²¹ When a user clicks on a banner ad (the advertisements unfailingly include a link with the statement “click here”) the results list page disappears and the user is at the advertiser’s website, not at PEI’s website, despite the fact that the user typed in PEI’s registered trademark as a search term.¹²² To evaluate the effectiveness of keying and of the banner ads themselves, Netscape monitors the “click rates,” or “the ratio between the number of times searchers click on banner ads and the number of times the ads are shown. . . . The higher the click rate, the more successful they deem a banner ad.”¹²³

2. *Majority Opinion and Analysis: The Significant Arguments*

PEI argued before the district court that the advertisements listed on the search result pages were relying on trademarked phrases “in a manner that infringed upon and diluted” the marks.¹²⁴ The district court granted summary judgment for Netscape and PEI appealed to the Ninth Circuit.¹²⁵

The Ninth Circuit recognized that the crux of any trademark infringement claim lies in the likelihood of confusion analysis, with particular attention on the concept of initial interest confusion.¹²⁶ The court defined initial interest confusion as “customer confusion that creates initial interest in a competitor’s product.”¹²⁷ In such a situation, confusion is typically remedied before an actual sale, but remains problematic since one company is illegally capitalizing on the other company’s goodwill.¹²⁸ In addition to the argument that keying relied illegally on registered marks, PEI reasoned that initial interest confusion occurred in the case at hand because users are likely to be confused about “the sponsorship of un-labeled banner advertisements.”¹²⁹ The concern develops as a result of the advertisements

¹²⁰ *Id.* (emphasis added).

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Playboy Enters., Inc.*, 354 F.3d at 1023.

¹²⁴ *Id.* “PEI sued defendants, asserting that they were using PEI’s marks in a manner that infringed upon and diluted them.” *Id.* For a discussion on trademark infringement and dilution, *see supra* notes 40-70 and accompanying text.

¹²⁵ *Id.* (citing *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 55 F. Supp. 2d 1070 (C.D.Cal.), *aff’d*, 202 F.3d 278 (9th Cir. 1999)).

¹²⁶ *Playboy Enters., Inc.*, 354 F.3d at 1024.

¹²⁷ *Id.* at 1025.

¹²⁸ *Id.* “Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement.” *Id.*

¹²⁹ *Id.*

appearing on the search results page, which may result in consumers mistakenly thinking that the competitor's advertisements are actually PEI-sponsored sites. The Ninth Circuit correctly applied the eight-factor *Polaroid* test for likelihood of confusion in determining whether the practice of keying is infringement.¹³⁰

Perhaps most significantly, the Ninth Circuit recognized that the *Polaroid* factors take on new shape when applied to the Internet, acknowledging that "[i]n the Internet context, courts must be flexible in applying the factors, as some may not apply. Moreover, some factors are more important than others."¹³¹ Of particular importance to the Ninth Circuit in this case was the existence of a showing of actual confusion.¹³² In fact, the court nearly rules for PEI upon a preliminary analysis of a showing of actual confusion.¹³³ However, it is important to note that the other seven factors are not completely eliminated in the analysis; thus a court should engage in a complete evaluation of all eight factors when confronted with a claim of trademark infringement online.

In addition to a showing of actual confusion, PEI successfully convinced the majority to rely on *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999), where the Ninth Circuit held that "using a competitor's trademark in the metatags of such web site is likely to cause . . . initial interest confusion. These forms of confusion are exactly what the trademark laws are designed to prevent."¹³⁴ Since 1987, Brookfield Communications, Inc. ("Brookfield") obtained and sold information about the movie and entertainment industry.¹³⁵ Brookfield created computer software to organize the collected information.¹³⁶ The company initially targeted the key film studios, production companies and other major Hollywood players, and currently aims at individuals and smaller companies who may find the computer program useful.¹³⁷ The computer software was called "MovieBuff," and in the end of 1993 was marketed under that name.¹³⁸ Brookfield tried to register the domain name "moviebuff.com," but West Coast Entertainment Corp. ("West Coast") already owned it; in its place, Brookfield registered two alternative domain names.¹³⁹

¹³⁰ *Id.* at 1026. See *supra* note 45 and accompanying text for the eight *Polaroid* factors.

¹³¹ *Playboy Enters., Inc.*, 354 F.3d at 1026.

¹³² *Id.* Prior to the instant case, the 9th Circuit applied the *Polaroid* factors to Internet cases in *Brookfield Commc'ns.* *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999). Even then the Court acknowledged that they "must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach." *Id.* This consistent approach is significant as trademark law continues to develop with respect to companies and marks online.

¹³³ *Playboy Enters., Inc.* 354 F.3d at 1027. After an explanation of data showing actual confusion offered by PEI, the court states that "[b]ecause actual confusion is at the heart of the likelihood of confusion analysis, Dr. Ford's report alone probably precludes summary judgment. In the interest of being thorough, however, we will examine the other seven . . . factors." *Id.*

¹³⁴ *Brookfield Commc'ns, Inc.*, 174 F.3d at 1066.

¹³⁵ *Id.* at 1041.

¹³⁶ *Id.*

¹³⁷ *Id.*

¹³⁸ *Id.*

¹³⁹ *Brookfield Commc'ns, Inc.*, 174 F.3d at 1042. The alternative domain names registered were "brookfieldcomm.com" in May 1996 and "moviebuffonline.com" in September of the same year. *Id.*

After an application in August 1997, for federal registration, the Patent and Trademark Office officially approved registration of Brookfield's mark "MovieBuff" for both goods and services as computer software providing information on the entertainment industry in September 1998.¹⁴⁰ The next month, Brookfield discovered that West Coast planned on revealing moviebuff.com, a similar product.¹⁴¹ The Ninth Circuit described the company of West Coast as "one of the nation's largest video rental store chains with over 500 stores."¹⁴² West Coast markets itself with the mark "The Movie Buff's Movie Store," a phrase that was federally registered in 1991.¹⁴³ West Coast ignored Brookfield's cease-and-desist letter in November 1998 and issued a press release announcing the launch of their website.¹⁴⁴

Applying *Brookfield Communications* to the situation in *Playboy Enterprises*, the Ninth Circuit draws analogies between the two case theories:

Some consumers, initially seeking PEI's sites, may initially believe that unlabeled banner advertisements are links to PEI's sites or to sites affiliated with PEI. Once they follow the instructions to "click here," and they access the site, they may well realize that they are not at a PEI-sponsored site. However, they may be perfectly happy to remain on the competitor's site, just as the *Brookfield* court surmised that some searchers initially seeking Brookfield's site would happily remain on West Coast's site. The Internet user will have reached the site because of defendants' use of PEI's mark. Such use is actionable.¹⁴⁵

Relying on the reasoning in *Brookfield*, the Ninth Circuit comes close to eliminating the *Polaroid* factor test by almost requiring only a showing of actual confusion, with initial interest confusion qualifying as actual confusion by consumers.¹⁴⁶ However, the *Playboy Enterprises* court completes the eight factor test.¹⁴⁷ It comes as no surprise that the court ultimately finds that there exists a

¹⁴⁰ *Id.*

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ *Id.*

¹⁴⁴ *Brookfield Commc'ns, Inc.*, 174 F.3d at 1042.

¹⁴⁵ *Playboy Enters., Inc. v. Netscape Commc'ns, Inc.*, 354 F.3d 1020, 1025-26 (9th Cir. 2004).

¹⁴⁶ *Id.* at 1024-25.

¹⁴⁷ This footnote will address the remaining seven factors as the *Playboy* court did. (1) As to the strength of the mark, PEI's marks of "playmate" and "playboy" are descriptive marks but ones that both parties agree have secondary meaning. *Id.* at 1027. In fact, Netscape uses the specific terms because the company believes users will "associate the terms with their secondary meanings." *Id.* at 1028. PEI offered expert reports showing how PEI developed the secondary meaning associated with the terms, which the court says "suffices to generate a genuine issue of material fact on this issue." *Id.* at 1028. (2) The factor of proximity of the goods, goods being the competitor's links, falls also in favor of PEI since the advertisements are so close in nature that Netscape keys PEI's registered marks to the advertisements. *Playboy Enters., Inc.*, 354 F.3d at 1027. (3) Similarity of the marks is conclusive in favor of PEI, since the terms that Netscape uses to key advertisements to the site are PEI's exact terms. *Id.* (4) The fourth element discussed is the marketing channels used. *Id.* The court points out that this factor does not translate well into the Internet sphere, since countless companies also rely on the Internet as a marketing channel. *Id.* Thus, this factor is not significant in the analysis. (5) The court found the fifth factor also favors PEI, that of the type of goods and degree of consumer care expected. *Id.* Citing *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1060 (9th Cir. 1999), the court says that the average potential PEI customer is "easily diverted from a specific product he or

genuine issue of material fact as to whether Netscape's practice of keying constitutes trademark infringement.¹⁴⁸

The Ninth Circuit also addresses PEI's claim of dilution based on the appropriate three elements: famousness of the mark, defendant's commercial use of the mark, and the dilution of distinctive quality of marks.¹⁴⁹ To determine famousness of the mark, the first element of dilution, the court relies on the Lanham Act's list of eight factors, concluding that only one factor is at issue, since the other seven factors are conceded (and that only one needs to be at issue in order for a genuine issue of material fact to be present).¹⁵⁰ The single issue of material fact was regarding the "nature and extent of use of the same or similar marks by third parties."¹⁵¹ This intermediary conclusion aids PEI's cause of action, since PEI only needs to show there is a single issue of material fact for Ninth Circuit to sustain its claim. The second element of dilution, Netscape's commercial use of the mark, is uncontested as well, and thus favors PEI.¹⁵² Third and last for the dilution claim, the dilution of the distinctive quality of marks is considered.¹⁵³ Under the applied standard, the Ninth Circuit reasons that since Netscape did not contest the blurring or tarnishment claims PEI brought forward, PEI showed a likelihood of both.¹⁵⁴

B. 1-800 Contacts and Playboy Enterprises, Inc

Similar cases of online keying have been addressed by other circuits, which have decided the issue of trademark infringement for pop-ups, keying, and similar techniques both in agreement and disagreement with the Ninth Circuit.¹⁵⁵ For this

she is seeking if other options, particularly graphic ones, appear more quickly." *Playboy Enters., Inc.*, 354 F.3d at 1028. (6) Netscape's intent in selecting the mark is the sixth factor considered. *Id.* at 1028-29. Netscape profits when users click on the advertisements, regardless of the reason why (i.e. whether a user clicks on a competitor's link because s/he is confused or due to legitimate customer interest is irrelevant to Netscape). *Id.* at 1029. The court points out that "at a minimum, that defendants do nothing to alleviate confusion [like require advertisers to identify themselves on the advertisements], even when asked to do so by their advertisers, and that they profit from confusion." *Id.* The intent factor marginally weighs in favor of PEI. *Id.* (7) Lastly, the likelihood of expansion of product lines is disregarded since the advertiser's goods and PEI's are already in the same field. *Id.*

¹⁴⁸ *Playboy Enters., Inc.*, 354 F.3d at 1024, 1029.

¹⁴⁹ *Id.* at 1031-33.

¹⁵⁰ 15 U.S.C. § 1125(c).

¹⁵¹ *Playboy Enters., Inc.*, 354 F.3d at 1032.

¹⁵² *Id.* Netscape virtually cannot argue the use of PEI's marks were not commercial in nature, particularly "in light of the clear evidence of the commercial nature of their enterprise." *Id.*

¹⁵³ *Id.* This dilution analysis is not as significant as the likelihood of confusion analysis, specifically with reference to this third element. This is because subsequent to the district court's holding, the Supreme Court elucidated the standard required for dilution. *Id.* However, it becomes clear that the 9th Circuit believes PEI met the requirement to avoid a summary judgment for Netscape even under the old standard that was applied. *Playboy Enters., Inc.*, 354 F.3d at 1032-33.

¹⁵⁴ *Id.* at 1033. "Blurring occurs when another's use of a mark creates 'the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product.'" *Id.* at 1033 n. 57 (citing *Panavision Int'l, L.P.*, 141 F.3d at 1326 n.7). By contrast, "tarnishment occurs 'when a famous mark is improperly associated with an inferior or offensive product or service.'" *Playboy Enters., Inc.*, 354 F.3d at 1033 (citing *Panavision, Int'l, L.P.*, 141 F.3d at 1326 n.7).

¹⁵⁵ For cases holding no infringement, look at *DaimlerChrysler A.G. v. Bloom*, 315 F.3d 932 (8th Cir. 2003); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp 648 (N.D.T.X. 2001);

reason *Playboy Enterprises* is particularly significant—the Ninth Circuit maintains the possibility of trademark infringement for use of terms in keying technology while other circuits dismiss similar claims. For example, *1-800 Contacts, Inc. v. WhenU* also raised the issue of keying advertisements to result in pop-up advertisements.¹⁵⁶ The United States District Court for the Southern District of New York evaluated pop-up advertisements in light of the *Polaroid* factors and found that there was a likelihood of confusion.¹⁵⁷ On appeal, though, the Second Circuit disagreed, holding that similar technology does not constitute “use” under the Lanham Act and thus there is no infringement.¹⁵⁸ The *1-800 Contacts* case compared to *Playboy Enterprises* is of particular interest for our purposes, since contrasting circuit opinions make the issue ripe for Supreme Court review.

1. Facts

Since its inception in 1995, 1-800 Contacts sold contact lenses and similar goods through its website, phone, faxes, and mail.¹⁵⁹ The majority of the business relied, and still relies, on the ability of the company to use its service marks, especially the mark “1-800contacts.com.”¹⁶⁰ As a successful business, 1-800 Contacts currently sells more products on a given day than any optical goods retail store.¹⁶¹

1-800 Contacts also involved the company of WhenU.com, Inc. (“WhenU”) which, similar to Netscape, engaged in a modified form of keying.¹⁶² WhenU marketed computer software that followed a user’s Internet activity to determine which genre of advertisements the user would be most interested.¹⁶³ After determining the most relevant type of advertisements for the specific user, the software, called “SaveNow,” places a pop-up advertisement of the determined type on the user’s computer screen.¹⁶⁴ To do this, WhenU employs technology similar to Netscape’s keying technology: WhenU has its own internal directory of thousands of website domain names, search terms, and keyword algorithms.¹⁶⁵

Primedia Intertech Corp. v. Tech. Mktg. Corp., 353 F. Supp. 2d 809 (D. Kan. 1998); Acad. of Motion Picture Arts and Sci. v. Network Solutions, Inc., 989 F. Supp 1276 (C.A.D.C. 1997); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp 949 (C.D.C.A. 1997). *But cf.* Wash. Speakers Bureau, Inc. v. Leading Auth., Inc., 217 F.3d 843 (4th Cir. 2000); SNA, Inc. v. Array, 259 F.3d 717 (3d Cir. 2001); Minarik Elec. Co. v. Electro Sales Co., Inc., 223 F. Supp.2d 334 (D. Mass. 2002).

¹⁵⁶ See *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp.2d 467 (S.D.N.Y. 2003).

¹⁵⁷ *Id.* at 504.

¹⁵⁸ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 412-13 (2d Cir. 2005).

¹⁵⁹ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp.2d at 273; <http://www.1800contacts.com/ExternalRelations/TheCompany.htm> (last visited on March 28, 2007).

¹⁶⁰ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp.2d at 273.

¹⁶¹ <http://www.1800contacts.com/ExternalRelations/TheCompany.htm> (last visited on March 28, 2007).

¹⁶² *1-800 Contacts*, 414 F.3d at 402.

¹⁶³ *Id.*

¹⁶⁴ *Id.* The software is offered to users for free, “usually as part of a bundle of software” that the user chooses to download onto his/her personal computer. *Id.* at 404. Upon installation, the software automatically monitors the user’s preferences and activities. *Id.*

¹⁶⁵ *1-800 Contacts*, 414 F.3d at 404.

The directory entries are keyed to the domain names typed into the user's "browser or search engine or [keywords] that appear within the internet sites" visited.¹⁶⁶ A relevant advertisement is then selected from the directory and will appear on the user's computer screen "at roughly the same time" or perhaps after a "'few-second' delay" that the website or search results list appears.¹⁶⁷ Different from the Netscape advertisements, however, WhenU-generated pop-up advertisements appear in a separate and distinct window.¹⁶⁸ Additionally, the pop-up advertisements are marked with: "a label stating 'A WhenU Offer—click ? for info.' appears in the window frame surrounding the ad, together with a button . . . that, when clicked by the [C-]user, displays a new window containing information about WhenU and its ads, as well as instructions for uninstalling the resident SaveNow software."¹⁶⁹

1-800 Contacts filed an infringement suit alleging that SaveNow techniques result in customer confusion, as "users 'are likely to have the impression that the pop-up advertisements operate in cooperation with, rather than in competition against, the Plaintiff.'"¹⁷⁰

The Second Circuit began with the Lanham Act's definition of "use in commerce,"¹⁷¹ finding that WhenU does not use 1-800 Contacts' mark in the traditional sense of the word.¹⁷² Indeed, WhenU does not try to pass off 1-800 Contacts' marks as authorizing a product or service that 1-800 Contacts does not in fact authorize, nor does WhenU reproduce 1-800 Contacts' marks in any form.¹⁷³ Instead, WhenU uses 1-800 Contacts' marks in ways that the Second Circuit deemed permissible as seen in cases briefly mentioned in the district court's opinion: *Wells Fargo & Co. v. WhenU.com, Inc.*¹⁷⁴, and *U-Haul International, Inc. v. WhenU.com, Inc.*,¹⁷⁵ The court recognizes two ways in which WhenU uses 1-800 Contacts marks.

First, the Second Circuit states that WhenU "uses" 1-800 Contacts' marks by

¹⁶⁶ *Id.*

¹⁶⁷ *1-800 Contacts*, 309 F. Supp.2d at 476. There are three types of advertisements that the program may generate: (1) a "pop-up" advertisement that appears "in the bottom right-hand corner;" (2) a pop-under advertisement appearing behind the webpage; and (3) a "'panoramic ad' that stretches across the bottom" of the webpage. *Id.* at 478.

¹⁶⁸ *1-800 Contacts*, 414 F.3d at 404-05.

¹⁶⁹ *Id.* at 405 (citing *1-800 Contacts*, 309 F. Supp.2d at 478 nn. 22, 23).

¹⁷⁰ *1-800 Contacts, Inc.*, 309 F. Supp.2d at 478.

¹⁷¹ The Lanham Act defines "use in commerce" as: "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—(1) on goods when—(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce, and (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services." 15 U.S.C. § 1127 (2002).

¹⁷² *1-800 Contacts*, 414 F.3d at 408.

¹⁷³ *Id.*

¹⁷⁴ *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003).

¹⁷⁵ *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp.2d 723 (E.D.Va. 2003).

“reproduc[ing] 1-800’s website address, «www.1800contacts.com», which is similar, but not identical, to 1-800’s 1-800CONTACTS trademark.”¹⁷⁶ The court reasons that the only time 1-800 Contacts’ website address is even reproduced is within the WhenU directory; thus, it remains inaccessible to the public and average computer users, which successfully avoids any “possibility of visual confusion with 1-800’s mark.”¹⁷⁷

Second, WhenU involves 1-800 Contacts marks in generating the pop-up advertisements.¹⁷⁸ The Second Circuit found that the pop-up advertisements do not actually display any 1-800 Contacts’ marks, thus limiting any possible consumer confusion as to source.¹⁷⁹ However, WhenU still used the marks in *creating* the pop-ups. The court recognized that pop-ups generated by WhenU appear on 1-800 Contacts’ webpage when users try to access it, but the court held that “the WhenU pop-up ads appear in a *separate* window that is prominently branded with the WhenU mark; they have absolutely no tangible effect on the appearance or functionality of the 1-800 website.”¹⁸⁰ By finding this, the *1-800 Contacts* court implies that actual interference with 1-800 Contacts’ website is necessary for a finding of infringement.

Last on the issue of the pop-up advertisements, the Second Circuit explains that since the pop-up ads were:

not contingent upon or related to 1-800’s trademark . . . the contemporaneous display of the ads and trademarks is the result of the happenstance that 1-800 chose to use a mark similar to its trademark as the address to its web page and to place its trademark on its website. The pop-up ad, which is triggered by the [C-]user’s input of 1-800s website address, would appear even if 1-800’s trademarks were not displayed on its website.¹⁸¹

In effect, the Second Circuit reasons that when a company website uses or embraces a trademark, or uses terms close to a protected mark, that mark is not protected in the same way as a registered mark would normally be protected.¹⁸² Ultimately, the court finds that there is not an improper use of marks by WhenU, arguing instead that WhenU is engaging in a form of legitimate product placement.¹⁸³

In *1-800 Contacts*, the Second Circuit acknowledges but dismisses one of 1-800 Contacts’ arguments as to why WhenU’s use of their marks is considered “use” under the Lanham Act.¹⁸⁴ 1-800 Contacts argues that WhenU’s employment of the 1-800 Contacts marks is likely to confuse users, citing traditional survey

¹⁷⁶ *Id.*

¹⁷⁷ *Id.* at 409.

¹⁷⁸ *1-800 Contacts*, 414 F.3d at 409.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.* at 410 (emphasis added).

¹⁸¹ *Id.*

¹⁸² Along the same lines, the court points out that the pop-up advertisements could appear even if a user performed a search for related terms (the court uses the examples of “contacts” and “eye care”).
Id.

¹⁸³ *1-800 Contacts*, 414 F.3d at 410-12.

¹⁸⁴ *Id.* at 412.

data as evidence, and therefore should necessarily be considered “use.”¹⁸⁵ The *1-800 Contacts* court rejects this argument, contending that the line of reasoning is backwards.

[T]his rationale puts the cart before the horse. Not only are “use”, “in commerce,” and “likelihood of confusion” three distinct elements of a trademark infringement claim, but “use” must be decided as a threshold matter because, while any number of activities may be “in commerce” or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the “use” of a trademark.¹⁸⁶

The Second Circuit ultimately holds that “use” under the Lanham Act was not established by *1-800 Contacts* and thus the infringement claims were not sustained.¹⁸⁷

C. Who Is Right?

1. *1-800 Contact Versus Playboy Enterprises*

This article contends that the Second Circuit erred in deciding *1-800 Contacts* and that the Ninth Circuit applied a more appropriate analysis in *Playboy Enterprises*.¹⁸⁸ Of course, the test for infringement in the context of pop-up advertising and the practice of keying needs to be further established and clarified, likely by the Supreme Court. This clarification is crucial in times of rapid technological advancements. The reasoning in *Playboy Enterprises* was in harmony with existing trademark law, standards, and principles; therefore, if the Supreme Court wishes to remain consistent, the *Polaroid* factors¹⁸⁹ would apply in the Internet context closely resembling how the Ninth Circuit applied them in *Playboy Enterprises*.

The first significant flaw in the Second Circuit’s reasoning in *1-800 Contacts* was the failure to filter the issue of keying through the eight *Polaroid* factors. The factors outlined by Judge Friendly in *Polaroid* are recognized in multiple jurisdictions as the test for determining the presence of trademark infringement.¹⁹⁰ Perhaps more telling is that the *Polaroid* test has every reason to be the preeminent and well-established test for the Second Circuit specifically— as it was, in fact, developed by the Second Circuit.¹⁹¹ Ironically, the very test that the *1-800 Contacts* court refused to apply was previously developed and used by the very same court. Since its inception, the Second Circuit has fastidiously followed the *Polaroid* factors, even after deciding *1-800 Contacts*.¹⁹²

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

¹⁸⁷ *Id.*

¹⁸⁸ See *supra* note 1.

¹⁸⁹ See *supra* note 47 and accompanying text for the factors.

¹⁹⁰ See *supra* note 186.

¹⁹¹ See generally *Polaroid*, 287 F.2d 492.

¹⁹² See, e.g., *Louis Vuitton Malletier*, 454 F.3d 108.

In analyzing this second prong of the test for trademark infringement,¹⁹³ courts apply the non-exclusive multi-factor test developed by Judge Friendly in *Polaroid Corp. v. Polaroid Corp.*¹⁹⁴ and consider: (1) the strength of the mark, (2) the similarity of the two marks, (3) the proximity of the products, (4) actual confusion, (5) the likelihood of the plaintiff's bridging the gap, (6) defendant's good faith in adopting its mark,¹⁹⁴ (7) the quality of defendant's products, and (8) the sophistication of the consumers.

Time and time again, the factors established by the Second Circuit have been cited as the test for whether there is trademark infringement.¹⁹⁵ Even if the circuits disagree as to the exact factors that should be considered, all make use of some factor-based test to evaluate likelihood of confusion before deciding a given trademark infringement case.¹⁹⁶ Furthermore, in examining lower courts, we find that the *Polaroid* factors are relied upon regularly and with respect.¹⁹⁷ For example, in *Phillips-Van Heusen Corp. v. Calvin Clothing Co., Inc.*,¹⁹⁸ the court states "[i]n determining whether there is a likelihood of confusion, the Court turns to the familiar '*Polaroid*' factors."¹⁹⁹ The *Polaroid* factors are referred to as "well-established"²⁰⁰ and as the traditional test for likelihood of confusion.²⁰¹

¹⁹³ The Second Circuit here deemed the first prong of the test for trademark infringement to be whether the plaintiff's mark is entitled to protection under the Lanham Act and if so the degree of protection to which the plaintiff is entitled to. *Id.* at 115. The second prong thus becomes whether there is likelihood of confusion. *Id.* For our present deliberations, the second prong is the significant element upon which we are focused.

¹⁹⁴ *Id.* at 116.

¹⁹⁵ The First Circuit developed a factor test similar to the *Polaroid* factors. *Pignons S.A. de Mecanique de Precision v. Polaroid Corp.*, 657 F.2d 482, 487 (1st Cir. 1981). In the Second Circuit, the courts repeatedly refer to the importance of the *Polaroid* factors. *See Natural Organics, Inc. v. Nutraceutical Corp.*, 426 F.3d 576, 579 (2d Cir. 2005) ("While we have previously said that a district court need not 'slavishly recite the litany of all eight *Polaroid* Factors in each and every case,' our most recent cases on this issue confirm that it is "'incumbent upon the district judge to engage in a deliberate review of each factor, and, if a factor is inapplicable to a case, to explain why.'" (internal citations omitted); and *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.2d 373, 384-85 (2d Cir. 2005) ("To determine whether there is a likelihood of confusion, we apply the eight-factor *Polaroid* balancing test introduced by Judge Friendly"). In the Fifth Circuit, the courts have also relied on Judge Friendly's factors. *See Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 543 (5th Cir. 1998) (applying factors in exploring the possibility of trademark infringement of a service mark used by competing golf courses). The Sixth Circuit likewise has recognized the *Polaroid* factors in *Landham v. Lewis Galoob Toys, Inc.*, 227 F.3d 619, 626-27 (6th Cir. 2000) and *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186 (6th Cir. 1988). The Eighth Circuit applied similar factors in determining whether trademark infringement existed between two newspapers. *See Duluth News-Tribune v. Mesabi Publ'g Co.*, 84 F.3d 1093, 1096 (8th Cir. 1996). The Ninth Circuit supported the Second Circuit's established factors in two cases: *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1384 n. 6 (9th Cir. 1987) and *Dr. Seuss Enters., L.P. v. Penguin Books U.S.A., Inc.*, 109 F.3d 1394, 1404 (9th Cir. 1997).

¹⁹⁶ Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Cal. L. Rev. 1581, 1588-89 (2006). She argues that the thirteen circuits have thirteen different multifactor tests. *Id.* at 1581. More specifically, she discusses "the influential *Polaroid* factors in the Second Circuit, the Roto-Rooter factors in the Fifth, and the Lapp factors in the Third. In some circuits, however, such as the Seventh, the adoption of specific factors appears to have occurred more or less randomly." *Id.* at 1588-89.

¹⁹⁷ *See generally Phillips-Van Heusen Corp. v. Calvin Clothing Co.*, 444 F. Supp. 2d 250 (S.D.N.Y. 2006).

¹⁹⁸ *Phillips-Van Heusen Corp.*, 444 F. Supp.2d at 256.

¹⁹⁹ In the same district, the court says that courts *must* apply the *Polaroid* factors. *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate, Inc.*, 440 F. Supp.2d 249, 274 (S.D.N.Y. 2006).

²⁰⁰ *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp.2d 402, 411 (S.D.N.Y. 2006) ("Courts apply the well-established *Polaroid* factors to determine whether a likelihood of

Furthermore, McCarthy on Trademarks and Unfair Competition recently confirmed the *Polaroid* factors as the reigning test for infringement.²⁰²

The Second Circuit should have filtered WhenU's practice of keying pop-up advertisements through the *Polaroid* factors to determine whether there was a likelihood of confusion.²⁰³ In making the determination of whether the practice of keying can create initial consumer confusion, the eight factors should have been applied in *1-800 Contacts*—just as the Ninth Circuit applied them in *Playboy Enterprises*.

In reference to why the *1-800 Contacts* court failed to apply the eight factors, the Second Circuit stated that “use” was a “threshold matter” such that “no such activity is actionable under the Lanham Act absent the ‘use’ of a trademark.”²⁰⁴ In evaluating use of the marks by WhenU, the court found that

WhenU's conduct does not involve any of the activities those courts found to constitute “use.” Significantly, WhenU's activities do not alter or affect 1-800's website in any way. Nor do they divert or misdirect C-users away from 1-800's website, or alter in any way the results a [C-]user will obtain when searching with the 1-800 trademark or website address. . . . WhenU does not “sell” keyword trademarks to its customers or otherwise manipulate which category-related advertisement will pop up.²⁰⁵

Ultimately, the court concluded that “[b]ecause 1-800 has failed to establish such ‘use,’ its trademark infringement claims fail.”²⁰⁶ As a result of finding there was no “use” to appraise under the Lanham Act, the Second Circuit decided it “need not and d[id] not address the issue of likelihood of confusion.”²⁰⁷

This analysis is a problematic approach to trademark infringement cases for several reasons. First, the test for infringement is likelihood of confusion; not

confusion exists”); *Professional Sounds Services, Inc. v. Guzzi*, 348 F. Supp.2d 722, 733 (S.D.N.Y. 2004).

²⁰¹ *Novartis Animal Health US, Inc. v. Abbeyvet Export Ltd.*, 409 F. Supp.2d 264, 266 (S.D.N.Y. 2005) (“Ordinarily, trademark infringement and the likelihood of confusion is determined by application of the nine ‘Polaroid factors’”).

²⁰² 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:59 (4th ed.) (March 2007). “In 1995 the court re-affirmed the necessity of trial courts making a ‘through, delineated analysis of the eight *Polaroid* factors,’ emphasizing that a district court judge must ‘engage in a deliberate review of each factor, and, if a factor is inapplicable to a case, to explain why.’ [Arrow Fastener Co. v. Stanley Works, 59 F.3d 384 (2d Cir. 1995).] The court lauded the *Polaroid* test as crucial to a thorough and predictable analysis of trademark infringement issues: ‘The steady application of *Polaroid* is critical to the proper development of trademark law, for it is only when the *Polaroid* factors are applied consistently and clearly over time that the relevant distinctions between different factual configurations can emerge. Litigants are entitled to the illumination and guidance this common-law process affords, and appellate courts depend on it for the performance of their assigned task of review. . . . The efficacy of this multi-factor approach that Judge Friendly wisely set out to address this difficult situation depends on through, careful, and consistent application of the doctrine by district courts.’ [*Id.* at 1460.]” 4 McCarthy on Trademarks and Unfair Competition § 24:59 (bracketed citations in original).

²⁰³ The Second Circuit attempted to avoid the *Polaroid* analysis by stating that WhenU failed to “use” the marks in a way that was entitled to be challenged under the Lanham Act.

²⁰⁴ *1-800 Contacts*, 414 F.3d at 412.

²⁰⁵ *Id.* at 411.

²⁰⁶ *Id.* at 412.

²⁰⁷ *Id.* at 406.

addressing the issue of likelihood of confusion is equivalent to failing to address the issue of infringement at all. The Lanham Act specifically defines infringement as an unauthorized use of [a] mark in a way that may lead to customer confusion.²⁰⁸ Second, in the era of the Internet and evolving technology, it is important our laws remain consistent. Thus, the Second Circuit's "use in commerce" analysis fails to account for a changing economic environment.

On the first issue, the Lanham Act, 15 U.S.C.A § 1114, specifically holds liable an entity

who shall, without the consent of the registrant . . . imitate a registered mark and apply such reproduction . . . to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale . . . with which such use is likely to cause confusion, or to cause mistake, or to deceive.²⁰⁹

In fact, the Lanham Act expressly and specifically defines "use" as "use in commerce," as previously discussed.²¹⁰ Under the Lanham Act, "use" includes a company placing another's federally registered mark "in any manner on the goods or their containers or the displays associated therewith . . . or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and . . . the services are rendered in commerce."²¹¹ In effect, keying places another's registered trademark in a database and relies on a user identifying that mark in order to place an advertisement for a product.²¹² Despite this, the Second Circuit inexplicably separates the "use in commerce" language from the rest, arguing that "use in commerce" is required before any further analysis is warranted.²¹³ While this approach has an intuitive sensibility, the traditional methodology to analyze infringement claims challenges the *I-800 Contact* method.²¹⁴ Instead, the Second Circuit should have taken WhenU's practice of keying and gone methodically through the *Polaroid* factors, as the Ninth Circuit did in *Playboy Enterprises*.²¹⁵ While the Second Circuit addresses the eight factors for likelihood of confusion when discussing whether "use" is met,²¹⁶ the factors are not evaluated for their intended, more general purpose of determining the absence or presence of likelihood of confusion.²¹⁷

²⁰⁸ 15 U.S.C.A. § 1114.

²⁰⁹ 15 U.S.C.A. § 1125. The language in the Federal Dilution Act is strikingly similar.

²¹⁰ See *supra* notes 24-32 and accompanying text.

²¹¹ *I-800 Contacts*, 414 F.3d 400, 407 (2d Cir. 2005) (citing 15 U.S.C.A. § 1127).

²¹² *I-800 Contacts*, 414 F.3d at 404.

²¹³ *Id.* at 412.

²¹⁴ *Polaroid*, 287 F.2d at 492; *AMF*, 599 F.2d at 348-49.

²¹⁵ The Ninth Circuit, pursuant to the *Polaroid* factors approach, only required PEI to show a likelihood of confusion due to pop-up advertisements keyed to their registered trademark by way of the eight factor test—and did not require a separate, underlying showing of "use." *Playboy Enters.*, 354 F.3d at 1025-26.

²¹⁶ *I-800 Contacts*, 414 F.3d at 408-09 (implying that the court is reassured because the specific contents of the SaveNow directory is not exposed to the public, thus reducing the possibility of confusion by consumers).

²¹⁷ *Id.* at 400.

Moreover, the Second Circuit's "use in commerce" analysis fails to account for a changing market and an evolving economic environment. As one commentator recognized, the Internet is an evolving yet undeniable new form of commerce: "Commerce has gone way beyond the old-fashioned corner store. We are in the midst of a technological revolution of the marketplace, exemplified by the use of the Internet."²¹⁸ The notion of e-commerce began developing in the late 1990s and early 2000s,²¹⁹ so law has yet to embrace the concept in the form of specialized trademark legislation. General use of the Internet to sell specific products has, of course, been recognized as use in commerce.²²⁰ Courts have also recognized that "the Internet is an instrumentality and channel of interstate commerce."²²¹ Given this culture, the trademark infringement and dilution analysis should be able to capably and flexibly provide for trademark infringement in the Internet context. Under the *1-800 Contacts* approach, though, infringement claims based on keying would never succeed since no company could show "use" under the Lanham Act.²²² By the Second Circuit's reasoning, "use" is not met in infringement claims involving keying,²²³ however, the Lanham Act specifically includes in its definition of "use" the placing of another's registered mark on documents associated with the goods, which is exactly what keying is: keying associates two terms.²²⁴ Thus, even if we concede that the analysis of "use in commerce" is separate from the *Polaroid* factors test for likelihood of confusion, which it is not, the Lanham Act should be read creatively to protect trademark holder's rights just as if the mark were infringed upon in a more traditional setting of commerce. If *1-800 Contacts* is followed, e-commerce trademarks would be subject to a lower level of protection given to more traditional commerce arenas.

Even if the Second Circuit would not agree that keying could result in customer confusion, there is a second flaw. The argument could certainly be made that WhenU was misappropriating the goodwill that 1-800 Contacts worked so hard to develop. As PEI argued in *Playboy Enterprises*, keying is merely one company relying on another company's ability to construct a strong customer base.²²⁵ The Ninth Circuit considered this reasoning and recognized that this argument alone may be enough to defeat summary judgment but for the necessary *Polaroid* test.²²⁶ In essence, the argument contends that initial interest confusion

²¹⁸ *Buckman*, *supra* note 13, at 17.

²¹⁹ Cory Ciocetti, *E-Commerce and Information Privacy: Privacy Policies as Personal Information Protectors*, 44 Am. Bus. L.J. 55, 65 (2007).

²²⁰ See Jesse A. Hofrichter, *Tool of the Trademark: Brand Criticism and Free Speech Problems with the Trademark Dilution Revision Act of 2006*, 28 Cardozo L. Rev. 1923, 1943 (2007).

²²¹ *United States v. MacEwan*, 445 F.3d 237, 245 (3d Cir. 2006). The Eleventh Circuit has likewise recognized that Congress has the power to regulate the Internet since the Internet is an instrumentality of commerce. *United States v. Hornaday*, 392 F.3d 1306, 1311 (11th Cir. 2004).

²²² See *1-800 Contacts*, 414 F.3d at 400.

²²³ *Id.*

²²⁴ 15 U.S.C.A. § 1114.

²²⁵ *Playboy Enters.*, 354 F.3d at 1020 ("In this case, PEI claims that defendants, in conjunction with advertisers, have misappropriated the goodwill of PEI's marks by leading Internet users to competitors' websites just as West Coast video misappropriated the goodwill of Brookfield's mark.")

²²⁶ *Id.* at 1026.

often overlaps with one company misappropriating the goodwill generated by another company; the reason consumers become confused in *Playboy Enterprises* and *1-800 Contacts* is because the advertisers are relying on the existing companies to bring in the client base.²²⁷ This argument, which alone could establish trademark infringement in the Ninth Circuit, was not even addressed by the Second Circuit in *1-800 Contacts*.

Ultimately, the Ninth Circuit's analysis in *Playboy Enterprises* is superior and should provide courts with a model for determining the existence or absence of infringement. The Ninth Circuit defended the goals of trademark law (to prevent consumer confusion and to protect the goodwill of a company) by using the *Polaroid* factors to analyze Netscape's reliance on registered trademarks.²²⁸ In addition to the previously recognized public policy interest in trademark law, there is the added interest in the Internet context to encourage users to make use of the Internet and promote online business—both public policy interests that *Playboy Enterprises* encouragingly addresses.²²⁹ To this end, the law should be construed to protect start-up companies and start-up websites in particular. In fact, there are struggles unique to the Internet that trademark law can effectively address: “the exclusive quality of second-level domain names has set trademark owners against each other in the struggle to establish a commercial presence on the Internet, and has set businesses against domain name holders who seek to continue the traditional use of the Internet as a non-commercial medium of communication.”²³⁰ Issues regarding domain names clearly are specific to the Internet businesses. Courts are in a unique position, then, to establish trademark infringement law in cyberspace with one eye towards the public policy rationales present in trademark law generally as well as considering the goals of promoting users and business to rely on the Internet. To adequately address all the public policy interests at play, courts should apply the principles of the Lanham Act and the established law of infringement claims consistently in the Internet context—as the Ninth Circuit did in *Playboy Enterprises*. The issue of “use in commerce” should not suddenly be more prominent than the established *Polaroid* test, as the Second Circuit attempts to condone.

This issue is ripe for Supreme Court decision. However, “[f]or their part, the circuits have not sought to harmonize their tests and the Supreme Court, despite

²²⁷ In *Brookfield*, the Ninth Circuit recognized that “federal trademark and unfair competition laws do protect against this form of consumer confusion.” *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1063 (9th Cir. 1999).

²²⁸ *Playboy Enters.*, 354 F.3d at 1026-31.

²²⁹ Steve Strauss, *Government's Role In Encouraging Small Businesses*, e-Journal USA: Economic Perspectives (2006), available at <http://usinfo.state.gov/journals/ites/0106/ijee/strauss.htm> (last visited Mar. 29, 2007). Strauss points out that “[w]ith most of the world's business being conducted by small entrepreneurs, it makes good economic sense for governments to implement policies that encourage small-business growth. The five ways in which government can have the most positive effect are by making capital more accessible, facilitating business education, promoting entrepreneurship, reducing regulatory burdens, and protecting intellectual property.” *Id.* Interestingly, another view is such that the best way to encourage development of the Internet is to instruct the government not to get involved. <http://handsoff.org>. This view contends that the current freedom on the Internet would not be present if the government were heavily involved early on.

²³⁰ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 953 (C.D.C.A. 1997).

having issued seven trademark opinions in the last twelve years, has so far declined to intervene.”²³¹

VII. CONCLUSION

The persistent debate over the Internet and its infinite possibilities has given way to a relatively new study of law: cyberspace law. As seen by the disciplined and accurate application of the current trademark law in *Playboy Enterprises* (and by the unfortunate and confused application by the Second Circuit in *1-800 Contacts*), we can easily ascertain the importance of consistently applying our present laws and standards to the Internet forum. Existing trademark law developed to meet specific goals. Those goals and purposes do not change merely due to a new forum of commercial activity. If and when the Supreme Court hears the issue of trademark infringement with respect to pop-up advertisements and the practice of keying those advertisements to registered trademarks, the established *Polaroid* factors should remain the test for infringement.

²³¹ Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Cal. L. Rev. 1581, 1584 (2006).

