

# The Future of Unauthorized Pop-Up Advertisements Remains Uncertain as Courts Reach Conflicting Outcomes

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## I. INTRODUCTION

As the World Wide Web becomes an increasingly important resource for ideas and goods, Internet entrepreneurs have sought to safeguard their investments by adapting existing intellectual property laws to incorporate the challenges of the rapidly evolving Internet. Web site operators have received protection under federal trademark, unfair competition, and copyright laws. As a result, traditional ideas concerning intellectual property protection are being redefined.

The Internet has benefited consumers by affording a wider selection of goods and services, thereby increasing competition and encouraging lower prices. This expansive marketplace also has its disadvantages, however, particularly the glut of unwanted ads that crowd our screens and e-mail inboxes. Spam, pop-up advertisements, banner advertisements, and the like can be frustrating and annoying to any computer user attempting to surf the Web, but are they illegal? Should they be? This Comment considers three recent decisions dealing with the legality of one of these forms of advertisement, the ubiquitous pop-up ad. There

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has been much speculation as to whether Internet pop-up advertisements violate trademark or copyright laws. However, there was virtually no case law specifically addressing the intellectual property issues raised by this form of online advertising.<sup>1</sup> In the last few months of 2003, three different jurisdictions have spoken, either granting or denying preliminary injunctions. Interestingly, all three suits involved the same defendant, WhenU.com (WhenU). This Comment will focus on how these courts resolved intellectual property issues and compare and contrast their analyses.

## II. POP-UP TECHNOLOGY

It is important to first understand the basics of the technology behind pop-up advertising, more generally known as *interstitials*. Pop-up advertisements appear on the computer user's screen as separate windows in front of other applications the user is running. The user may then click on the advertisement to be taken to the advertiser's Web site or if the user is not interested, he must minimize or close the advertisement to resume viewing the original Web site. Pop-under advertisements function similarly, but appear underneath the active window and are designed not to be seen until some or all other browser windows are closed or minimized. Unlike pop-up ads, pop-under ads are not viewed simultaneously with the Web site that triggered the advertisement.

Unbeknownst to many Web surfers, many of the pop-up and pop-under ads we experience are the result of software that resides on our own computers, voluntarily downloaded sometime in the past. Adware, the software that enables these types of advertisements, is usually bundled with other free software, such as screen savers, as a way to entice the user to download the provider's proprietary software package. Frequently, as a condition of acquiring the free software, the user must first accept a licensing agreement that describes the software to be

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1. In July 2002, a federal judge drafted a one-page order granting a preliminary injunction against the Internet advertising company, The Gator Corporation. *Washingtonpost. newsweek Interactive Co., LLC v. The Gator Corp.*, No. Civ.A.02-909-A, 2002 WL 31356645 (E.D. Va. July 16, 2002). The injunction enjoined The Gator Corporation from (1) displaying its advertisements on any of the plaintiffs' Web sites without express consent; (2) altering or modifying or causing another to alter or modify any part of plaintiffs' Web sites, "including its appearance or how it is displayed"; (3) infringing, or causing another to infringe plaintiffs' copyrights; (4) suggesting plaintiffs sponsor or are affiliates with defendant's advertisers; and (5) infringing, or causing another to infringe upon plaintiffs' trademark or service mark rights. *Id.* The parties eventually settled out of court. Kristen M. Beystehner, *See Ya Later, Gator: Assessing Whether Placing Pop-Up Advertisements on Another Company's Website Violates Trademark Law*, 11 J. INTELL. PROP. L. 87, 88 (2003).

downloaded and alerts the user that advertisements will appear as a result of installation.

WhenU, the defendant in the cases examined in this Comment, employs adware in a marketing scheme designed to deliver contextually relevant advertisements at the moment participating consumers demonstrate an interest in a particular good or service.<sup>2</sup> Consumers download WhenU's proprietary software, SaveNow, in return for obtaining free screen savers or weather forecasting applications.<sup>3</sup> To install the software package, the user must first affirmatively consent to WhenU's licensing agreement.<sup>4</sup> The agreement states that its SaveNow program will track the participant's Internet use and dispatch related coupons and advertisements to his computer screen based on that use.<sup>5</sup> Should the user decide he no longer wants the SaveNow software on his computer, he can uninstall it and the advertisements or coupons from WhenU will cease.<sup>6</sup>

To determine whether an advertisement is appropriate and should be delivered, SaveNow examines page content, keywords, and Web addresses currently in use in the consumer's Web browser for words that match the terms contained in its proprietary directory.<sup>7</sup> WhenU's directory categorizes the Internet in much the same way as a telephone directory indexes merchants by related subjects. It employs popular trademarks or service marks as one way for the software to determine in what category of goods or services the consumer has an interest. WhenU generates income by selling advertising space to merchants who want to take advantage of its SaveNow software.<sup>8</sup>

### III. THE CASES

The factual basis for each of these cases is essentially the same. Competitive advertisements, delivered by WhenU, appear on the user's computer screen as he searches for goods and services on the Internet. The advertisements come in various forms including pop-ups, pop-unders, and panoramic windows that run along the bottom of the

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2. *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 738 (E.D. Mich. 2003).

3. *Id.* at 739.

4. *Id.*

5. *Id.*

6. *See id.* at 740.

7. WhenU.com, *About SaveNow*, at [http://www.whenu.com/about\\_savenow.html](http://www.whenu.com/about_savenow.html) (last visited Aug. 30, 2004).

8. *U-Haul Int'l, Inc. v. WhenU, Inc.*, 279 F. Supp. 2d 723, 726-27 (E.D. Va. 2003).

computer screen.<sup>9</sup> The advertisements are generated by WhenU's Save or SaveNow software which the user either intentionally or unwittingly downloaded from the Internet. The software, a type of adware, triggers delivery of advertisements for related products or services based on information gleaned from the user's search. The plaintiffs claim this marketing scheme is a form of unfair competition and violates federal trademark and copyright laws.<sup>10</sup>

To prevail in an action for trademark infringement under federal law, the plaintiffs must show that WhenU used their registered marks in commerce "in connection with the sale, offering for sale, distribution, or advertising of any goods or services . . . likely to cause confusion."<sup>11</sup> Each circuit has developed its own set of factors to determine whether the defendant's use of the plaintiff's mark is likely to cause confusion.<sup>12</sup> To establish a claim for trademark dilution, the plaintiffs must prove the defendant used the plaintiffs' marks in commerce after the marks became famous and that such use by the defendant caused dilution of the distinctive quality of the marks.<sup>13</sup>

As to the copyright claims, the plaintiffs allege either or both: an infringement of their exclusive right to prepare derivative works and their exclusive right to publicly display their copyrighted works. To establish a claim for infringement of the right to prepare derivative works, the plaintiffs must demonstrate that WhenU incorporated the plaintiffs' copyrighted Web sites into new, independently copyrightable works.<sup>14</sup> The Copyright Act defines a derivative work as "[a] work based on one or more preexisting works" that is "recast, transformed or adapted."<sup>15</sup> In order to infringe on the plaintiffs' right to display, the plaintiffs must show that WhenU created a new screen display incorporating the plaintiffs' copyrighted works.<sup>16</sup>

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9. WhenU has attempted, rather unsatisfactorily, to distinguish its advertisements from pop-up advertisements stating, "Pop-up ads reside on Web sites, are not targeted to an individual consumer, do not require the consumer to opt-in, and provide little consumer value. WhenU resides on the consumer's desktop, shows highly selective and relevant ads, and enables the consumer to receive free software." WhenU.com, *Frequently Asked Questions*, at [http://www.whenu.com/whenu\\_faq.html](http://www.whenu.com/whenu_faq.html) (last visited Aug. 30, 2004).

10. See, e.g., *Wells Fargo*, 293 F. Supp. 2d at 734-35.

11. Lanham Act, 15 U.S.C. § 1114(1)(a) (2000).

12. See, e.g., *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.), cert. denied, 368 U.S. 820 (1961); *Frisch's Rest., Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982).

13. Lanham Act, 15 U.S.C. § 1125(c)(1).

14. See *Wells Fargo*, 293 F. Supp. 2d at 769.

15. Copyright Act, 17 U.S.C. § 101 (2000).

16. *Id.* § 106; *1-800 Contacts, Inc. v. WhenU, Inc.*, 309 F. Supp. 2d 467, 485 (S.D.N.Y. 2003); *U-Haul Int'l, Inc. v. WhenU, Inc.*, 279 F. Supp. 2d 723, 730 (E.D. Va. 2003).

## A. U-Haul International, Inc. v. WhenU.com, Inc.

The first of the three cases under discussion is *U-Haul International, Inc. v. WhenU.com, Inc.*<sup>17</sup> U-Haul brought trademark and copyright infringement actions against WhenU and its creator for causing competitive advertisements to pop-up when SaveNow participants accessed U-Haul's Web site.<sup>18</sup> The court did not separately address pop-up-unders or other types of WhenU advertisements.<sup>19</sup> The court granted the defendants' motion for summary judgment and held that: (1) WhenU's pop-up advertisements did not constitute "use in commerce" of the plaintiff's trademarks, (2) WhenU's pop-up advertising scheme did not impinge on the plaintiff's "right to display its copyrighted works," and (3) WhenU's pop-up advertising scheme "did not create a derivative work under the Copyright Act."<sup>20</sup>

The court found four reasons why WhenU's pop-up advertisements did not constitute use pursuant to the Lanham Act.<sup>21</sup> First, U-Haul contended that when the defendants' pop-up advertisements appear on a SaveNow participant's screen in front of the U-Haul Web page, "a single visual presentation" is created.<sup>22</sup> The court, however, found this premise simply not true.<sup>23</sup> WhenU advertisements open in a distinct WhenU-branded window separate from the one in which the U-Haul Web site appears.<sup>24</sup> The court further supports this conclusion by noting that in the Microsoft Windows environment, each program generally launches as a separate window and the user may have several windows open at once.<sup>25</sup> It is common for windows to pop-up to notify the user of certain events, such as incoming e-mail or a reminder for an appointment.<sup>26</sup>

Second, the court pointed out that the simultaneous appearance of the defendants' advertisements and the plaintiff's trademarks does not necessarily establish use.<sup>27</sup> Employing a rival's mark for purposes of comparative advertising does not violate trademark law.<sup>28</sup>

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17. 279 F. Supp. 2d at 723.

18. *Id.* at 724.

19. *Id.* at 723-25.

20. *Id.* at 723.

21. *Id.* at 727.

22. *Id.*

23. *Id.*

24. *Id.*

25. *Id.* at 728.

26. *Id.*

27. *Id.*

28. *Id.* The court cites several examples, including *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618 (7th Cir. 1995) ("[U]se of a rival's mark that does not engender confusion about origin or quality is therefore permissible."), and *Diversified Marketing, Inc. v. Estee Lauder, Inc.*,

Third, the inclusion of the plaintiff's uniform resource locator (URL)<sup>29</sup> and trademarks in SaveNow's program directory did not constitute use within the meaning of the Lanham Act.<sup>30</sup> U-Haul's URL was not sold by the defendants, nor were any of U-Haul's marks displayed by WhenU in its pop-up advertisements. The court thereby concluded that U-Haul's marks were employed for a purely "machine-linking function" and not used to identify or distinguish the source of goods or services.<sup>31</sup>

Finally, the court determined that WhenU's advertising scheme does not interfere with the access of U-Haul's Web site such as to amount to use within the meaning of the Lanham Act.<sup>32</sup> The cases relied on by U-Haul finding interference with a Web page to constitute "use in commerce" involved situations where access to the sites had been prevented or hindered.<sup>33</sup> Here, WhenU is not cybersquatting on the plaintiff's trademark by either appropriating the U-Haul mark for its domain name or by taking computer users to another site when they search for U-Haul's domain name.<sup>34</sup> The SaveNow program did not interact with U-Haul's computer servers or systems and exists in the participant's computer as the result of a deliberate decision by the user.<sup>35</sup> The court determined that the SaveNow program functions no differently than a notification of incoming e-mail messages.<sup>36</sup> Not having found the threshold requirement of use to have occurred, the court declined to examine the question of likelihood of confusion. U-Haul's trademark dilution claim likewise failed since it also required a showing of commercial use of its marks by the defendant as explained above.<sup>37</sup>

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705 F. Supp. 128, 130-32 (S.D.N.Y. 1988) (finding the use of "If You Like ESTEE LAUDER . . . You'll Love BEAUTY USA" on product's packaging and point of sale advertising to be lawful, comparative advertising).

29. Web sites consist of one or more Web pages, each of which possesses a corresponding uniform resource locator that is displayed in the address bar when the Web page is viewed. *Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687, 691 (6th Cir. 2003).

30. *See U-Haul*, 279 F. Supp. 2d at 728 (citing *Interactive Prods.*, 326 F.3d at 691).

31. *Id.*

32. *Id.*

33. *See id.*

34. Although the court was not explicit, it appeared to distinguish this case from the line of domain name and metatag cases that have found such use to constitute trademark infringement. *See, e.g., Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998) (finding the use of another's trademark in a Web site domain name can constitute infringement); *Brookfield Communications, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999) (placing competitor's trademark in a metatag created initial interest confusion).

35. *U-Haul*, 279 F. Supp. 2d at 729.

36. *Id.*

37. *Id.*

Furthermore, the court granted WhenU summary judgment on the copyright infringement claims.<sup>38</sup> Recall that to infringe U-Haul's exclusive right to display, WhenU would have to show plaintiff's copyrighted works.<sup>39</sup> The SaveNow program, however, did not alter U-Haul's Web page in any manner.<sup>40</sup> The pop-up advertisements opened in a separate window that had no physical relationship to the window in which the U-Haul Web page appeared.<sup>41</sup> The SaveNow program interacted with the user's computer to determine whether an advertisement was appropriate, but did not actually reproduce any of plaintiff's copyrighted material.<sup>42</sup> Therefore, it is ultimately the computer user who controlled how windows are displayed on the computer screen.

Based on similar reasoning, the court found U-Haul had not established its claim for infringement of its exclusive right to prepare derivative works.<sup>43</sup> The "derivative work must incorporate a protected work in some concrete or permanent form."<sup>44</sup> The pop-up advertisement that appeared on the user's screen "is a transitory occurrence that may not be exactly duplicated in that or another user's computer."<sup>45</sup> The court acknowledged that the pop-up advertisement may modify the computer user's display, but to hold that the appearance of a separate window in front of a Web page constitutes copyright infringement was untenable.<sup>46</sup> It would mean that any time a computer user opened a window in front of a copyrighted Web page there would be infringement.<sup>47</sup>

The court concluded in this case, that since WhenU's advertisement software resided in the user's computer as a result of invitation and consent, the advertisements did not interfere with the plaintiff's trademarks or copyrights.<sup>48</sup> It added, "we computer users must endure pop-up advertising . . . as a burden of using the Internet."<sup>49</sup>

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38. *Id.*

39. *Id.*

40. *Id.*

41. *Id.* at 730.

42. *Id.*

43. *Id.* at 725.

44. *Id.* at 731 (quoting *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 967 (9th Cir. 1992)).

45. *Id.*

46. *Id.*

47. *Id.*

48. *Id.* at 725.

49. *Id.*

*B. Wells Fargo & Co. v. WhenU.com, Inc.*

In *Wells Fargo & Co. v. WhenU.com, Inc.*, several companies that provided mortgage financing services sued WhenU and moved for a preliminary injunction barring the use of a program that generated advertisements for competitors when users attempted to access the plaintiffs' Web sites.<sup>50</sup> The court in this case essentially agreed with the *U-Haul* decision, but elaborated on its reasoning.<sup>51</sup> The court denied the plaintiffs' motion for a preliminary injunction and held in relevant part that: (1) the plaintiffs were not likely to prevail on their claim that the appearance of advertisements on trademarked sites constituted "use in commerce" as required for trademark infringement claims, (2) the incorporation of trademarks into WhenU's software directory did not sufficiently constitute "use in commerce," (3) the likelihood of confusion requirement was not satisfied with regard to the trademark claims, and (4) the plaintiffs were not likely to prevail on their copyright infringement claims.<sup>52</sup>

The plaintiffs first argued that WhenU's pop-up advertisements impeded access to their Web sites and that this constituted "use in commerce" pursuant to the Lanham Act.<sup>53</sup> They claimed that these ads diverted consumers from the plaintiffs' Web sites or sufficiently frustrated the users so that they discontinued their search of plaintiffs' sites.<sup>54</sup> The court rejected this argument, stating that WhenU only made use of plaintiffs' marks in its directory to determine which advertisement should be displayed.<sup>55</sup> And, because users could resume viewing plaintiffs' sites simply by moving or closing the window containing WhenU's advertisement, access had not been hindered.<sup>56</sup>

The plaintiffs also contended that the appearance of WhenU's advertisements on the same screen as plaintiffs' trademarks created the "impression that the pop-up [was] affiliated with or approved by [p]laintiffs."<sup>57</sup> The plaintiffs' asserted WhenU's reliance on the reputation attached to plaintiffs' trademarks constituted use within the meaning of the Lanham Act.<sup>58</sup> The court disagreed, concluding that WhenU's advertisements were not situated so as to appear to be a part of the

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50. 293 F. Supp. 2d 734, 734 (E.D. Mich. 2003).

51. *See id.* at 758.

52. *See id.* at 734.

53. *Id.* at 758.

54. *Id.*

55. *Id.* at 759.

56. *Id.*

57. *Id.*

58. *Id.*



plaintiff's Web site and it was apparent to the user that the pop-up advertisement was a "distinct source[] of material" and did not appear as a seamless presentation.<sup>59</sup>

The court noted, however, that even if the placement of the advertisements *did* constitute use of plaintiffs' trademarks as suggested, it still would not violate trademark law.<sup>60</sup> Citing *U-Haul*, the court found that the juxtaposition of the disputed advertisements with the plaintiffs' Web site was a form of comparative advertising immune from liability.<sup>61</sup> The court went on to point out that what the "free-riding" plaintiffs accused WhenU of was not what trademark laws were intended to protect.<sup>62</sup> The role of trademark law is to ensure marks identify the source of the goods they represent.<sup>63</sup> "They are not meant to protect 'consumer good will (sic) created through extensive, skillful, and costly advertising.'<sup>64</sup>

The next argument asserted by plaintiffs was that their marks were "used in commerce" by WhenU because they helped to trigger the display of WhenU's pop-up advertisements.<sup>65</sup> WhenU included Web addresses in its proprietary directory to assist in identifying the category the user was interested in so that it could deliver contextually relevant advertisements.<sup>66</sup> The court found this not to be "use in commerce" as within the meaning of the Lanham Act, because plaintiffs' marks were not indicating anything about the source of the products being advertised by WhenU and its clients.<sup>67</sup> The ads did not display plaintiffs' marks, but rather were branded with WhenU and competitors' marks.

Because the court concluded no impermissible use was made of plaintiffs' marks, it was not necessary to decide on the issue of confusion; nevertheless, the court briefly addressed the issue and found that the survey evidence presented did not establish this element.<sup>68</sup>

As for the copyright claim, the plaintiffs alleged that the insertion of the pop-up advertisements infringed their exclusive right to prepare

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59. *Id.* at 761.

60. *Id.* at 759.

61. *Id.* at 761.

62. *Id.*

63. *Id.*

64. *Id.* (citing *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968)).

65. *Id.* at 762.

66. *Id.* at 759.

67. *Id.* at 762 (citing *U-Haul Int'l, Inc. v. WhenU, Inc.*, 279 F. Supp. 2d 723, 727-28 (E.D. Va. 2003); *Bird v. Parsons*, 289 F.3d 865, 877-78 (6th Cir. 2002) (stating that when a domain name is used to indicate an address on the Internet, and not to identify the source of goods and services, it is not functioning as a trademark)).

68. *Id.*

derivative works.<sup>69</sup> However, the court found that plaintiffs failed to show that WhenU incorporated their copyrighted Web sites into a new work.<sup>70</sup> Because WhenU only provided a software product that did not in any way access plaintiffs' Web site, plaintiffs' claim "can only be understood as . . . contributory copyright [infringement]."<sup>71</sup> Nevertheless, the computer users who were responsible for the display of the advertisements on their computer screens likewise did not modify the content of the plaintiffs' Web site. Alteration of how the plaintiffs' Web site was displayed on the user's screen did not itself create a derivative work.<sup>72</sup> The code of plaintiffs' site was not affected as a result of WhenU's advertisements. The plaintiffs claimed, however, that the modification of the pixels that make up the image on the user's screen created a derivative work.<sup>73</sup>

The court found this argument to fail for two reasons. First, the plaintiffs did not have any property interest, let alone a copyright in the content of computer users' pixels.<sup>74</sup> Second, the modified pixels were not sufficiently "fixed" so as to qualify independently for copyright, a necessary element in finding a derivative work has been created.<sup>75</sup> Pixels were updated every 1/70th of a second, far too transitory to satisfy the fixation requirement.<sup>76</sup>

The court concluded that issuance of a preliminary injunction in this case would harm WhenU and the public.<sup>77</sup> An injunction would result in loss of clients' business; WhenU's advertisers would lose by not being able to take advantage of WhenU's SaveNow software, and SaveNow participants would lose the benefits of increased competition and comparative advertising.<sup>78</sup>

### C. 1-800 Contacts, Inc. v. WhenU.com, Inc.

The third case to be discussed is *1-800 Contacts, Inc. v. WhenU.com, Inc.*<sup>79</sup> The owner of the 1-800 Contacts Web site sued WhenU and Vision Direct, a competitor who advertised with WhenU, to

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69. *Id.* at 759.

70. *Id.*

71. *Id.* at 769.

72. *Id.*

73. *Id.* at 770.

74. *Id.* at 770-71.

75. To be independently copyrightable, the work must be "sufficiently permanent or stable to permit it to be . . . reproduced." Copyright Act, 17 U.S.C. §§ 101-102 (2000).

76. *Wells Fargo*, 293 F. Supp. 2d at 771.

77. *Id.* at 772.

78. *Id.*

79. 309 F. Supp. 2d 467 (S.D.N.Y. 2003).

enjoin them from causing pop-up advertisements to appear when computer users attempted to access plaintiff's Web site.<sup>80</sup> The court granted (in part) plaintiff's motion for a preliminary injunction and held that the plaintiff (1-800) had established a likelihood of success on its trademark infringement claims, but not on its copyright claims.<sup>81</sup>

Unlike the other two cases, the court found that WhenU had used the plaintiff's mark within the meaning of the Lanham Act in two ways.<sup>82</sup> The first was by causing competitive advertisements to appear when computer users who had installed the SaveNow software attempted to access 1-800's Web site.<sup>83</sup> In effect, the court found WhenU had capitalized on SaveNow participants' knowledge of the plaintiff's Web site and the marks that appear there, and thus used the goodwill and reputation the plaintiff had developed to advertise competitors' products or services.<sup>84</sup>

Similarly, the court concluded that WhenU used 1-800's mark by including it into its proprietary directory of terms.<sup>85</sup> The court rejected WhenU's argument that use should be construed so as to require the trademark to be used to identify source or distinguish products or services.<sup>86</sup>

In a footnote, the court noted the previously discussed *U-Haul* and *Wells Fargo* cases, which denied preliminary injunctions for lack of use, but stated "[the] Court disagrees with, and is not bound, by these findings."<sup>87</sup>

Having found that WhenU used the plaintiff's marks, the court then had to determine whether such use was likely to cause confusion.<sup>88</sup> To support a claim of trademark infringement, the plaintiff must show not just the possibility, but also the probability of confusion.<sup>89</sup> However, a likelihood of confusion is actionable even without evidence of *actual* confusion.<sup>90</sup> In the Second Circuit, which recognizes the initial interest confusion doctrine, the confusion need not be limited to the "point of sale."<sup>91</sup> Initial interest confusion occurs over the Internet "when potential

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80. *Id.*

81. *Id.*

82. *Id.* at 489.

83. *Id.*

84. *Id.*

85. *Id.*

86. *Id.*

87. *Id.* at 490 n.43.

88. *Id.* at 490.

89. *Id.* at 491.

90. *Id.*

91. *Id.*

consumers of one website [are] diverted and distracted to a competing site.”<sup>92</sup> The concern is that the consumer will believe this competing site is affiliated with the Web site he was initially seeking and will abandon his search for that site.<sup>93</sup> This form of presale confusion is actionable even if at the time of the actual purchase, the consumer is no longer confused as to the source of the products or services.<sup>94</sup>

The court noted that even if the consumer realizes his mistake quickly, the owner of the original site could still be damaged.<sup>95</sup> The court explained that the advertising competitor gains “crucial credibility during the initial phases of the deal” through the association of the original site.<sup>96</sup>

The court found the initial interest confusion doctrine to be applicable here. It applied the *Polaroid* likelihood of confusion factors “with an eye to how they bear on the likelihood that” consumers will be confused by the pop-up advertisements into thinking that the defendants are in some way affiliated with the plaintiff.<sup>97</sup>

The first factor considered was the strength of plaintiff’s mark. Here, the court found the mark’s strength to be apparent from the fact that WhenU used the plaintiff’s trademarked name in its term directory to trigger eye-care product advertisements.<sup>98</sup>

The second factor was the amount of similarity between the marks in dispute. WhenU included the plaintiff’s Web site address, www.1800contacts.com, in its directory of terms incorporating completely the plaintiff’s trademark *1-800 CONTACTS*.<sup>99</sup>

With regard to the third factor, how closely related are the parties’ services, the court found that the services offered by Vision Direct are identical to those offered by the plaintiff.<sup>100</sup>

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92. *Id.* at 493 (citing *Bihari v. Gross*, 119 F. Supp. 2d 309, 319 (S.D.N.Y. 2000)).

93. *Id.*

94. *Id.*

95. *Id.* at 492-93.

96. *Id.* at 492 (quoting *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir. 1987)).

97. *Id.* at 494. The Second Circuit employs an eight-factor test to determine whether a likelihood of confusion exists. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). These factors include:

1) the strength of Plaintiff’s mark; 2) the degree of similarity between the Plaintiff’s and Defendant’s marks; 3) proximity of the parties’ services; 4) the likelihood that one party will “bridge the gap” into the other’s product line; 5) the existence of actual confusion between the marks; 6) the good faith of the Defendant in using the mark; 7) the quality of the Defendant’s services; and 8) the sophistication of the consumers.

*1-800 Contacts*, 309 F. Supp. 2d at 494.

98. *1-800 Contacts*, 309 F. Supp. 2d at 495.

99. *Id.* at 497.

100. *Id.* at 497-98.

The court decided it was unnecessary to consider the fourth factor, the likelihood that one party will bridge the gap into the other's product line, because the competing products were the same.<sup>101</sup>

As to the fifth factor, the existence of actual confusion between the marks, the court found the survey evidence offered by the plaintiff flawed, but at least suggestive of the likelihood of initial interest confusion.<sup>102</sup>

In considering the sixth factor, whether the defendant's use of plaintiff's mark was in bad faith, the court determined that WhenU had acted in such a manner by knowingly including 1-800's trademark into its term directory "to increase the competitive advantage of defendant Vision Direct."<sup>103</sup>

The seventh consideration was the quality of defendant's goods or services. If the quality was inferior, the plaintiff's reputation may be injured if consumers believe an association exists between the parties; and even if the quality is comparable, it may confuse consumers as to the source of the goods or services.<sup>104</sup> The court found no evidence as to the quality of Vision Direct's products; therefore, the factor cut neither in favor of plaintiff nor defendants.

The last factor taken into consideration was the sophistication of potential consumers. The court found that regardless of the level of sophistication, it will not change the harm that results from the initial interest confusion.<sup>105</sup>

The court included the branding by WhenU of its pop-up advertisements in its assessment of the likelihood of confusion.<sup>106</sup> The advertisements included a green \$ and the text *SaveNow!* affixed to the top of the window.<sup>107</sup> In addition, a ? appeared next to the X that closed the window. When a user clicked on the ?, an explanation appeared with a direct link to a page containing more detailed information for removing the software.<sup>108</sup> At the bottom of the window containing the advertisement was text stating: "A WhenU offer—click ? for info."<sup>109</sup> The court however, found that these disclaimers "are buried in other web pages, requiring viewers to scroll down or click on a link" and did little to

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101. *Id.* at 498.

102. *Id.* at 500.

103. *Id.* at 501-02.

104. *Id.* at 502.

105. *Id.*

106. *Id.*

107. *Id.* at 503.

108. *Id.*

109. *Id.* at 504.

alleviate confusion.<sup>110</sup> The court also found that the licensing agreement, to which SaveNow participants had to accept before installing the program, did not cure the problem of initial interest confusion.<sup>111</sup>

The court then discussed the issue of cybersquatting as it pertained to Vision Direct's registered domain name, [www.1800contacts.com](http://www.1800contacts.com).<sup>112</sup> The court found the differences between the plaintiff's trademark and Vision Direct's domain name to be negligible and that Vision Direct had acted in bad faith and thus violated the Anticybersquatting Consumer Protection Act.<sup>113</sup>

As for the copyright claims, the court found that 1-800 failed to establish a likelihood of success for the following reasons. The court rejected the plaintiff's argument that by delivering pop-up advertisements while the SaveNow user is viewing the plaintiff's Web site, the defendants incorporated plaintiff's copyrighted work and thus invaded its right to display.<sup>114</sup> The court stated that to hold otherwise would be to "subject countless computer users and software developers to liability for copyright infringement and contributory copyright infringement."<sup>115</sup>

The court also discounted 1-800's claim that a derivative work was created by the delivery of the defendants' advertisements to the SaveNow participant's computer.<sup>116</sup> This theory is, in essence, an extension of its right to display claim and the court rejected it for the same reasons.<sup>117</sup> Under an alternative theory contended by plaintiffs, the defendants allegedly created a derivative work by "adding to or deleting from" 1-800's Web site.<sup>118</sup> According to the court, however, the defendants' advertisements may have obscured or covered part of 1-800's Web site, but they did not alter the actual Web site, and therefore did not create a new work.<sup>119</sup> In addition, the court noted that "a definition of 'derivative work' that sweeps within the scope of the copyright law a multi-tasking Internet shopper whose word-processing program obscures the screen display of Plaintiff's Web site was indeed 'jarring,' and not supported by the definition set forth at 17 U.S.C. § 101."<sup>120</sup>

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110. *Id.*

111. *Id.*

112. *Id.* at 505-06.

113. *Id.* at 506 (citing 15 U.S.C. § 1125(d)(1)(A) (1999)).

114. *Id.* at 485.

115. *Id.*

116. *Id.* at 484-85.

117. *Id.* at 485-86.

118. *Id.*

119. *Id.* at 486.

120. *Id.* at 487-88.

## IV. COMPARISON OF THE COURTS' RESOLUTIONS OF THE TRADEMARK ISSUES—WHAT CONSTITUTES USE?

Each of the three cases under discussion has essentially the same set of facts, yet the courts reached conflicting outcomes. Recall that the Lanham Act prohibits the unauthorized “*use in commerce* . . . of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services . . . likely to cause confusion.”<sup>121</sup> Where the courts diverge most in their analyses is in the determination of whether the defendant’s conduct constitutes “use in commerce” as within the meaning of the Act.

In deciding that WhenU’s conduct amounted to a proscribed use, the court in *1-800 Contacts* grounded its reasoning on the public policy and equity considerations raised by the defendant’s conduct.<sup>122</sup> It found that WhenU wrongfully used plaintiff’s mark by capitalizing on consumers’ familiarity with the mark to generate competitive ads.<sup>123</sup> This marketing scheme allowed the defendants to obtain access to the plaintiff’s consumer base by free-riding on the recognition and reputation plaintiff had developed in its marks and products.<sup>124</sup>

The *U-Haul* and *Wells Fargo* courts on the other hand, did not perceive the advertisements as a problem since they did not contain or display plaintiffs’ marks.<sup>125</sup> As for the inclusion of plaintiffs’ trademarks and URLs in WhenU’s proprietary directory, the *Wells Fargo* court stated, “[i]f [a defendant is] using [a plaintiff’s] trademark in a ‘non-trademark’ way that is, in a way that does not identify the source of a product then trademark infringement and false designation of origin laws do not apply.”<sup>126</sup> The court in *U-Haul* likewise held that this was purely a “machine-linking function” and did not indicate the source of the advertisers’ goods or services.<sup>127</sup>

It is notable that the two courts that denied plaintiffs’ trademark infringement claims supposed that even if the defendant’s conduct had constituted use as within the meaning of the Lanham Act, it would have been a form of comparative advertising immune from liability.<sup>128</sup> The court in *1-800 Contacts*, did not address the issue of fair use, even though

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121. 15 U.S.C. § 1114(1)(a) (1999) (emphasis added).

122. See *1-800 Contacts*, 309 F. Supp. 2d at 489.

123. *Id.*

124. *Id.*

125. *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 757 (E.D. Mich. 2003); *U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 728 (E.D. Va. 2003).

126. *Wells Fargo*, 293 F. Supp. 2d at 758.

127. *Id.*

128. *U-Haul*, 279 F. Supp. 2d at 728; *Wells Fargo*, 293 F. Supp. 2d at 761.

the element of use was established. This is interesting, considering the case cited by *U-Haul* and *Wells Fargo* in support of their position on comparative advertising was decided in the same district that heard *1-800 Contacts*.<sup>129</sup>

## V. COPYRIGHT ISSUES

All three courts are in agreement as to the disposition of the copyright issues. Both *1-800 Contacts* and *U-Haul* addressed and rejected plaintiffs' claims that their exclusive rights to display were violated. To infringe that right, SaveNow would have to somehow incorporate plaintiffs' copyrighted work, but the pop-up advertisements open in a separate window that has no physical relationship to the window in which the plaintiffs' Web sites appear.<sup>130</sup>

Plaintiffs' claims alleging infringement of their exclusive right to prepare derivative works were analyzed by all three courts and unanimously denied. In order to qualify as a "derivative work," the SaveNow software must incorporate the plaintiffs' copyrighted work in some concrete and permanent form.<sup>131</sup> WhenU's advertisements do not alter plaintiff's actual Web site and while they do modify the configuration of pixels on the user's computer screen, it is not in a manner sufficiently fixed to meet the requirements under the Copyright Act.<sup>132</sup>

## VI. CONCLUSION

It is too early to tell which of these opinions other courts will find most persuasive, but at least for now, these three decisions can provide guidance to courts dealing with traditional trademark and copyright issues in this new context. For computer users frustrated by ubiquitous pop-up advertisements, commentators advocate a variety of self-help remedies. Computer users can minimize the occurrence of unwanted advertisements by adjusting the security settings on their browsers. They can also limit the free software they download from the Internet, which is typically bundled with pop-up generating adware, or at least scrutinize the licensing agreements more carefully to ensure they are not getting

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129. See *U-Haul*, 279 F. Supp. 2d at 728; *Wells Fargo*, 293 F. Supp. 2d at 761 (citing *Diversified Mktg., Inc. v. Estee Lauder, Inc.*, 705 F. Supp. 128, 132 (S.D.N.Y. 1988)).

130. *U-Haul*, 279 F. Supp. 2d at 730; *1-800 Contacts, Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 484-85 (S.D.N.Y. 2003) (finding defendants had not incorporated plaintiff's copyrighted work).

131. *U-Haul*, 279 F. Supp. 2d at 731.

132. *Id.*; *1-800 Contacts*, 309 F. Supp. 2d at 487; *Wells Fargo*, 293 F. Supp. 2d at 770.



more than they bargained for. There are also pop-up blockers available online for free or for a small fee that minimize the frequency of pop-up and pop-under advertisements.<sup>133</sup>

As the courts in *U-Haul* and *Wells Fargo* suggested, pop-up advertisements may be annoying, but they can also benefit the public by increasing competition and consumer awareness of other products or services. Until legislation is passed to effectively reduce the glut of online junk mail, pop-up advertisements are likely here to stay.

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133. These programs may affect the functioning of certain Web sites. Beystehner, *supra* note 1, at 98.