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## Why the Initially Confused Should Get a Clue: The Battle Between Trademark Infringement and Consumer Choice Online

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## Why the Initially Confused Should Get a Clue: The Battle Between Trademark Infringement and Consumer Choice Online

### Cover Page Footnote

Professor Sonia Katyal, Professor Kenneth Plevan, Fordham Intellectual Property, Entertainment and Media Law Journal

## NOTES

# Why the Initially Confused Should Get a Clue: The Battle Between Trademark Infringement and Consumer Choice Online

John Handy\*

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## INTRODUCTION

Online retail spending topped \$80 billion in 2005.<sup>1</sup> Shopping on the Internet has become increasingly routine, with an estimated \$18.6 billion spent online during the first six weeks of the 2005 holiday season alone.<sup>2</sup> The rising popularity of online shopping has captured the attention of savvy advertisers, striving to capitalize on a virtually limitless mass of consumers. However, advertisers need the assistance of technology to showcase their

<sup>1</sup> Press Release, JupiterResearch, *JupiterResearch Forecasts Online Retail Spending Will Reach \$144 Billion in 2010, a CAGR of 12% from 2005*, JUPITERMEDIA.COM, Feb. 6, 2006, <http://www.jupitermedia.com/corporate/releases/06.02.06-newjupresearch.html>.

<sup>2</sup> Diane Anderson, *Online Gift Shopping Up 16% This Year*, ADWEEK.COM, Dec. 21, 2005, [http://www.adweek.com/aw/search/article\\_display.jsp?vnu\\_content\\_id=1001736210](http://www.adweek.com/aw/search/article_display.jsp?vnu_content_id=1001736210).

Internet ads to the relevant customer base.<sup>3</sup> For example, if a Web user is searching for sneakers, a company such as Nike may want to immediately target that *specific* user with one of its ads, as opposed to posting advertisements randomly or in bulk. Fortunately, contextual advertising<sup>4</sup> systems enable companies to do just that: recognize what a Web user is interested in, and deliver targeted advertisements based upon that interest.

Online contextual advertising is possible via the innovations of companies like WhenU, Inc.<sup>5</sup> and Google, Inc.<sup>6</sup> By scanning the text of a webpage or the keywords typed into a search engine,<sup>7</sup> a contextual advertising system can return targeted ads based upon such content.<sup>8</sup> Therefore, Nike is able to deliver a targeted advertisement for, say, a new running shoe to a user viewing the Adidas website. The consumer is now offered a choice between competing brands, just as any department store patron would when perusing the sportswear section. However, trademark law is being used to prevent the online customer from ever seeing such competing advertisements.<sup>9</sup> This creates an unsettling paradox between what is legal online versus offline, and raises the following question: Should the legality of advertising depend upon on the underlying medium?

This note explores the unsettled law surrounding the legality of online contextual advertising and illustrates why it is important for courts to avoid adapting jurisprudence to the Internet in a way that establishes different standards for online and offline advertising. Part I discusses contextual advertising and some of the technologies that implement such advertising online, Part II

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<sup>3</sup> See Note, *Confusion in Cyberspace: Defending and Recalibrating the Initial Interest Confusion Doctrine*, 117 HARV. L. REV. 2387, 2387 (2004) (discussing the necessity of targeting the appropriate customer base in order to reap the benefits of the online audience, and the use of new marketing applications to do so).

<sup>4</sup> See *infra* notes 10–14 and accompanying text.

<sup>5</sup> See *infra* Part I.B.

<sup>6</sup> See *infra* Part I.A.

<sup>7</sup> See *infra* notes 15–18 and accompanying text.

<sup>8</sup> Shari Thurow, *Contextual Advertising: Facts, Myths, And Misconceptions – Part 1*, WEBPRONNEWS.COM, Feb. 9, 2005, <http://www.webpronews.com/ebusiness/ebusinessstactics/wpn-8-20050209ContextualAdvertisingFactsMythsandMisconceptionsPart1.html>.

<sup>9</sup> See *infra* Part II.B-C.

summarizes the applicable trademark law jurisprudence and how it is being used to render online contextual advertising illegal, and Part III illustrates why enforcing different standards for online and offline advertising is adverse to the goals of trademark law.

#### I. CONTEXTUAL ADVERTISING VIA SEARCH ENGINES AND POP-UPS

When customers shop for a particular item, they rarely enter a store with only one brand to choose from. Alternatives abound, with choices between brands conveniently placed nearby for quick comparison. For example, a customer entering a Macy's department store to purchase Nike sneakers may also see Adidas and other competitors on the same shelf. Such commonplace examples of fair competition are replicated for the online consumer through contextual advertising.

Contextual advertising refers to ads, displayed to a user browsing the Web, that are related to the contents of the current webpage.<sup>10</sup> Suppose a user is searching for available flights. Based on the words or other contents of that page, a program may deliver an ad describing another airline's last minute flight discounts.<sup>11</sup> Hence, the ad is contextual because it is targeted to the subject matter ("context") of the webpage.<sup>12</sup> Contextual advertising is commonly implemented via search engines<sup>13</sup> or pop-ups.<sup>14</sup>

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<sup>10</sup> Danny Sullivan, *Google Throws Hat into the Contextual Advertising Ring*, SEARCHENGINEWATCH.COM, Mar. 4, 2003, <http://searchenginewatch.com/sereport/article.php/2183531>.

<sup>11</sup> *See id.*

<sup>12</sup> *See id.*

<sup>13</sup> *See* 1-800 Contacts, Inc. v. WhenU.com, 309 F. Supp. 2d 467, 475 (S.D.N.Y. 2003). Search engines are websites that allow users to find information on the Internet. *Id.* Google, Inc. operates a popular search engine at <http://www.google.com>.

<sup>14</sup> *Id.* at 476 n.18 (describing Pop-ups as "windows containing notifications or advertisements that appear on the screen, usually without any triggering action by the computer user").

*A. Search Engines and Keyed Banner Advertisements*

With a search engine, a Web user can enter keywords to generate a list of related webpages.<sup>15</sup> The keywords can be generic (e.g. “sneaker”) or a trademark (e.g. “Nike”).<sup>16</sup> Because website owners have limited control over their placement on a search results page,<sup>17</sup> search engines operated by Google and Netscape Communications Corp. (“Netscape”) have generated significant revenue by selling advertisements “keyed” to certain keywords.<sup>18</sup> For example, Adidas may pay Google to have its advertisement displayed when a user enters the keyword “Nike.” The Web user is now presented with online sportswear alternatives that are comparable to those found in a typical brick-and-mortar<sup>19</sup> department store.

Keyed advertisements on a search engine results page are usually in the form of “banner ads.”<sup>20</sup> Banner ads are on the top or side of the query results, distinguishing them from the user’s ordinary results list.<sup>21</sup> The ordinary results, accordingly, may include the Nike website and other sites selling Nike apparel, while a banner ad for Adidas appears off to the right. This simulates in-person shopping because, analogizing the Web to one gigantic shopping mall, any consumer searching for a product may be

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<sup>15</sup> *Interactive Prods. Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687, 691 (6th Cir. 2003). “[S]earch engines work by comparing search terms entered by the Internet user with databases of websites maintained by the search engine, generating a results page that lists the websites matching the search term.” *Gov’t Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 701 (E.D. Va. 2004).

<sup>16</sup> *Gov’t Employees Ins. Co.*, 330 F. Supp. 2d at 702.

<sup>17</sup> *See Interactive Prods. Corp.*, 326 F.3d at 691–92 (“Each search engine uses its own algorithm to search for and arrange web pages in sequence, so the list of web pages . . . may differ depending on the search engine used. Search engines usually look for keywords in places such as domain names, actual text . . . , and metatags.”) (citations omitted).

<sup>18</sup> *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1022–23 (9th Cir. 2004) (“Keying allows [companies] to target individuals with certain interests by linking advertisements to pre-identified terms. . . . After paying a fee . . . , [companies] could have [their] advertisements appear on the page listing the search results. . . .”).

<sup>19</sup> “Brick-and-mortar” is a term used to distinguish a traditional “street-side” business with its online counterpart. *See, e.g.,* INVESTOPEDIA.COM, at <http://www.investopedia.com/terms/b/brickandmortar.asp> (last visited Apr. 20, 2005).

<sup>20</sup> *Playboy Enters.*, 354 F.3d at 1023.

<sup>21</sup> *See id.*

tempted by competing alternatives despite an initial interest in seeking a specific brand.

### *B. Contextual Pop-up Advertisements*

Most computer users are probably familiar with the Microsoft Windows operating system. After launching a program such as an Internet browser or word processor, a “window” appears that encapsulates that program.<sup>22</sup> Separate windows can be open at the same time, allowing multiple applications to run simultaneously.<sup>23</sup> A pop-up is simply one of these windows and may display an advertisement over or underneath other windows.<sup>24</sup>

Companies like Claria Corp.<sup>25</sup> and WhenU, Inc. develop software that implement contextual advertising via pop-ups.<sup>26</sup> Claria “operates a software-based advertising network called the [GAIN] Network.”<sup>27</sup> Through the GAIN Network, Claria “sees consumer behavior in real-time” and delivers “contextually relevant” pop-up advertisements.<sup>28</sup> Many of these pop-ups are advertisements from competitors of the website a user is currently viewing.<sup>29</sup> For example, the GAIN Network can observe a user visiting the Hertz car rental website and immediately deliver a pop-up ad from another car rental company such as Alamo.<sup>30</sup>

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<sup>22</sup> 1-800 Contacts, Inc. v. WhenU.com, 309 F. Supp. 2d 467, 475 (S.D.N.Y. 2003).

<sup>23</sup> See *id.*

<sup>24</sup> See *id.* at 478 (describing different ads generated by SaveNow software, including pop-ups that are over other windows, and pop-unders which appear behind the webpage visited).

<sup>25</sup> See, e.g., CLARIA.COM, <http://www.claria.com/companyinfo> (last visited Apr. 10, 2005). Claria was previously known as Gator.

<sup>26</sup> See generally Jason A. Cody, *Just Whenu Thought It was All Over, Gator's Kin Pops Up and Slides Out of Dangerous IP Waters (for the Most Part): A Review of 2 Online Pop-Up Advertisers and 4 Internet Law Decisions*, 7 PGH J. TECH. L. & POL'Y 3 (2004) (discussing Gator and WhenU's dominance in the online pop-up advertising industry).

<sup>27</sup> Hertz Corp. v. The Gator Corp., 250 F. Supp. 2d 421, 423 (D.N.J. 2003) (internal quotations and citation omitted).

<sup>28</sup> CLARIA.COM, <http://www.claria.com/advertise> (last visited Apr. 10, 2005).

<sup>29</sup> GAINPUBLISHING.COM, <http://www.gainpublishing.com/global/about> (last visited Apr. 10, 2005).

<sup>30</sup> See *Hertz Corp.*, 250 F. Supp. 2d at 423.



Similarly, WhenU delivers contextual pop-up advertisements through its SaveNow software.<sup>31</sup> A computer user with SaveNow will receive targeted pop-up ads based on the Web address of the current webpage, the overall content of the webpage, or keywords typed into a search engine.<sup>32</sup> SaveNow chooses which category of advertisements to send by comparing the above data with a “directory of commonly used search phrases, commonly visited Web addresses, and various keyword algorithms”<sup>33</sup> Once a user receives a pop-up from either Claria or WhenU software, users typically must stop their current browsing activity and either click on the ad or close its window.<sup>34</sup> The analogous in-person shopping experience is simply deciding whether or not to visit the competitor’s display.

## II. TRADEMARK LAW AND THE LEGALITY OF CONTEXTUAL ADVERTISING

Trademark law has been a weapon of choice for plaintiffs who want to prevent a Web user from viewing a competitor’s contextual banner or pop-up advertisements.<sup>35</sup>

### A. Trademark Law Overview

A trademark is “any word, name, symbol, or device, or any combination thereof” used to indicate the source of a good.<sup>36</sup> Trademark law, codified in the Lanham Act,<sup>37</sup> is a subset of unfair

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<sup>31</sup> *U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 725 (E.D. Va. 2003).

<sup>32</sup> WHENU.COM, at [http://www.whenu.com/products\\_savenow\\_help.html](http://www.whenu.com/products_savenow_help.html) (last visited Apr. 10, 2005).

<sup>33</sup> *U-Haul Int’l, Inc.*, 279 F. Supp. 2d at 725.

<sup>34</sup> See Geoffrey D. Wilson, *Internet Pop-Up Ads: Your Days are Numbered!: The Supreme Court of California Announces a Workable Standard for Trespass to Chattels in Electronic Communications*, 24 LOY. L.A. ENT. L. REV. 567, 570 (2004) (“When a pop-up ad pops up, users are forced to stop whatever they are doing and close the newly created browser window.”).

<sup>35</sup> See, e.g., *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020 (9th Cir. 2004) (holding Netscape’s keyed advertising program may infringe upon Playboy’s registered trademarks).

<sup>36</sup> 15 U.S.C. § 1127 (2005).

<sup>37</sup> Lanham Act, 15 U.S.C. §§ 1051–1129 (2000).

competition law.<sup>38</sup> It “secure[s] to the owner of [a] mark the goodwill of his business and . . . protect[s] the ability of consumers to distinguish among competing producers.”<sup>39</sup> In other words, the Lanham Act “protect[s] consumers who have formed particular associations with a mark from buying a competing product using the same or substantially similar mark and to allow the mark holder to distinguish his product from that of his rivals.”<sup>40</sup> Therefore, a relatively unknown athletic apparel manufacturer cannot boost sales by marking his products with a “Swoosh” symbol substantially similar to that associated with Nike.<sup>41</sup>

Contextual advertising is commonly attacked on trademark infringement and unfair competition grounds.<sup>42</sup> Section 32 of the Lanham Act governs trademark infringement and proscribes the “*use in commerce* [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is *likely to cause confusion*.”<sup>43</sup> Unfair competition under § 43(a) of the Act provides essentially the same protection to unregistered trademarks that § 32

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<sup>38</sup> *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003).

<sup>39</sup> *Two Pesos v. Taco Cabana*, 505 U.S. 763, 774 (1992) (citation omitted).

<sup>40</sup> *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 676 (9th Cir. 2005).

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

*Brookfield Commc’ns v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1053 (1999) (internal quotations and citation omitted).

<sup>41</sup> *See Bosley Med. Inst.*, 403 F.3d at 679 (“Trademark laws are intended to protect consumers from purchasing the products of an infringer [because of] the mistaken assumption that they are buying a product produced or sponsored by [the trademark holder].”) (internal quotations and citations omitted).

<sup>42</sup> *See, e.g., U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003). The court described the case as involving “pop-up advertising and Plaintiff U-Haul’s claim that Defendant WhenU’s pop-up advertising infringes upon U-Haul’s trademark . . . and amounts to unfair competition.” *Id.* at 724.

<sup>43</sup> 15 U.S.C. § 1114 (2000) (emphasis added).

guarantees registered trademarks.<sup>44</sup> Consequently, courts have interpreted the above provisions as requiring a plaintiff to prove:

(1) that it possesses a mark, (2) that the defendant used the mark, (3) that the defendant's use of the mark occurred in commerce, (4) that the defendant used the mark in connection with the sale, offering for sale, distribution, or advertising of goods or services, and (5) that the defendant used the mark in a manner likely to confuse consumers.<sup>45</sup>

The "use in commerce" and "likelihood of confusion" requirements have proven to be the most controversial in trademark cases involving contextual advertising.<sup>46</sup>

### 1. Use in Commerce Requirement

With respect to goods, a trademark is used in commerce when 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."<sup>47</sup> The Lanham Act also specifies that a mark is used in commerce in connection with services "when it is 'used or displayed in the sale or advertising of services and the services are rendered in commerce.'"<sup>48</sup> This requirement is essential, and the Lanham Act clearly stipulates that non-commercial use of a trademark is not actionable.<sup>49</sup>

### 2. Likelihood of Confusion and the Initial Interest Confusion Doctrine

Once it can be shown that a defendant used plaintiff's mark in commerce, infringement is only found if such use is likely to

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<sup>44</sup> *Brookfield Commc'ns, Inc.*, 174 F.3d at 1046. Section 43(a) of the Lanham Act provides a cause of action against a party who "uses in commerce any word, term, name, symbol, or device, or any combination thereof... which... is likely to cause confusion... as to the affiliation, connection, or association [of that party's] goods, services, or commercial activities." 15 U.S.C. § 1125(a)(2000) (emphasis added).

<sup>45</sup> *U-Haul Int'l, Inc.*, 279 F. Supp. 2d at 727 (internal quotations and citations omitted).

<sup>46</sup> See *infra* Part II.B-C.

<sup>47</sup> *U-Haul Int'l, Inc.*, 279 F. Supp. 2d at 727 (citing 15 U.S.C. § 1127 (2000)).

<sup>48</sup> *Id.* (quoting 15 U.S.C. § 1127).

<sup>49</sup> *Bihari v. Gross*, 119 F. Supp. 2d 309, 318 (S.D.N.Y. 2000) (citing 15 U.S.C. § 1125(c)(4)(B) (2000)).

confuse “an appreciable number of ordinarily prudent purchasers.”<sup>50</sup> If the court finds that these purchasers are confused regarding the source of the defendant’s goods or services, or believe that they are sponsored or endorsed by the plaintiff’s mark, the confusion is actionable.<sup>51</sup> Courts apply multi-factor tests to assess likelihood of confusion. These factors may include, but are not limited to,<sup>52</sup> (1) the strength of plaintiff’s mark, (2) similarity of the marks, (3) proximity of the products, (4) likelihood the plaintiff will “bridge the gap” between the products, (5) existence of actual confusion, (6) sophistication of ordinarily prudent purchasers, (7) bad faith, and (8) the quality of the defendant’s products.<sup>53</sup>

Plaintiffs in online contextual advertising cases benefit from a doctrine called “initial interest confusion.”<sup>54</sup> In some Circuits, actionable confusion is not limited to cases where purchasers are confused as to source or sponsorship at the point of sale,<sup>55</sup> but also encompasses trademark use “calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion. . . .”<sup>56</sup>

In the landmark initial interest confusion case, *Brookfield Communications, Inc. v. West Coast Entertainment Corporation*, Brookfield Communications, Inc. (“Brookfield”) asserted trademark infringement and unfair competition against West Coast Entertainment Corp. (“West Coast”) for including the

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<sup>50</sup> *1-800 Contacts, Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 490 (S.D.N.Y. 2003) (internal quotations and citation omitted).

<sup>51</sup> *Id.* at 490–91.

<sup>52</sup> *Brookfield Commc’ns v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1054 (1999) (“[T]his eight-factor test for likelihood of confusion is pliant. Some factors are much more important than others, and the relative importance of each individual factor will be case-specific.”).

<sup>53</sup> *See Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp. 2d 415, 430–34 (S.D.N.Y. 2004) (discussing the *Polaroid* factors).

<sup>54</sup> *See infra* Parts II.B.1, II.C.2.

<sup>55</sup> *1-800 Contacts, Inc.*, 309 F. Supp. 2d at 491. *But see generally* *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003) (acknowledging that the 6th Circuit has not recognized initial interest confusion).

<sup>56</sup> *Brookfield Commc’ns, Inc.*, 174 F.3d at 1062 (internal quotation and citation omitted).

“MovieBuff” trademark in its website metatags.<sup>57</sup> Metatags consist of hidden code that describes the contents of a webpage and “serve as a cataloging system for a search engine.”<sup>58</sup> Because search engines use these metatags to generate query results, users searching for “MovieBuff” would see both Brookfield’s and West Coast’s websites in the query results list.<sup>59</sup> To justify a finding of infringement against West Coast, the court illustrated initial interest confusion with the following analogy:

Using another’s trademark in one’s metatags is much like posting a sign with another’s trademark in front of one’s store. Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard on a highway reading—“West Coast Video: 2 miles ahead at Exit 7”—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast’s acquired goodwill.<sup>60</sup>

Similarly, the Second Circuit adopted initial interest confusion in a case where Pegasus Petroleum Corp. (“Pegasus”) “gain[ed] crucial credibility during the initial phases of a deal” because third parties mistakenly believed Pegasus was related to Mobil Oil Corp.<sup>61</sup> Plaintiffs alleging trademark infringement rely on this argument in many banner and pop-up advertisement cases.<sup>62</sup>

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<sup>57</sup> See *id.* at 1061–62.

<sup>58</sup> *Bihari v. Gross*, 119 F. Supp. 2d 309, 312 n.3, 323 (S.D.N.Y. 2000).

<sup>59</sup> *Brookfield Commc’ns, Inc.*, 174 F.3d at 1062.

<sup>60</sup> *Id.* at 1064.

<sup>61</sup> *Mobile Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir. 1987).

### 3. The Fair Use Exception

It is important to emphasize that the purpose of trademark law is not to impede fair competition,<sup>63</sup> but to ensure that trademark owners benefit from the goodwill associated with their marks.<sup>64</sup> Consequently, trademark law seeks to promote fair competition, and recognizes legal uses of trademarks in commerce that do not misappropriate such goodwill, despite evidence of likelihood of confusion.<sup>65</sup>

Courts recognize two fair use defenses: “classic” and “nominative.”<sup>66</sup> Classic fair use applies when “a defendant has used a plaintiff’s mark *only to describe his own product*, and *not at all to describe plaintiff’s product*.”<sup>67</sup> In other words, classic fair use permits common words to be used in their dictionary sense

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Judge MacMahon found a likelihood of confusion not in the fact that a third party would do business with Pegasus Petroleum believing it related to Mobil, but rather in the likelihood that Pegasus Petroleum would gain crucial credibility during the initial phases of a deal. For example, an oil trader might listen to a cold phone call from Pegasus Petroleum . . . when otherwise he might not, because of the possibility that Pegasus Petroleum is related to Mobil.

*Id.*

<sup>62</sup> See, e.g., *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1025 (9th Cir. 2004) (asserting users are likely to be initially confused by unlabeled banner advertisements that appear after a search for Playboy trademarks); *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2005 U.S. Dist. LEXIS 6228, at \*7–\*8 (N.D. Cal. Mar. 30, 2005) (alleging Google’s AdWords advertising program intercepts customers by causing them to click on competitor ads because of the false impression such ads are associated with American Blind). Without initial interest confusion, a plaintiff is forced to rely solely on point of sale confusion. In other words, a plaintiff must prove that an online shopper who clicks on a competitor’s advertisement and is redirected to a competing website will never realize the site is independent from the one originally sought—even after a purchase is completed. Personal experience dictates the virtual impossibility of satisfying such a burden.

<sup>63</sup> Kurt M. Saunders, *Confusion is the Key: A Trademark Law Analysis of Keyword Banner Advertising*, 71 FORDHAM L. REV. 543, 571–72 (2002-2003).

<sup>64</sup> *Horphag Research Ltd. v. Pellegrini*, 337 F.3d 1036, 1040 (9th Cir. 2003).

<sup>65</sup> See *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 125 S. Ct. 542, 550 (2004) (holding that evidence of consumer confusion does not necessarily foreclose a fair use defense).

<sup>66</sup> *Horphag Research Ltd.*, 337 F.3d at 1040.

<sup>67</sup> *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 809 (9th Cir. 2003) (emphasis altered from original) (citation omitted).

even if they are also trademarked.<sup>68</sup> For example, a farmer using the term “Apple” to describe his orchard cannot be held to infringe Apple Computer, Inc.’s trademark.

On the other hand, defendant’s use of plaintiff’s mark is nominative if the use *does describe the plaintiff’s product*, but “does not attempt to capitalize on consumer confusion or to appropriate the cachet of one product for a different one.”<sup>69</sup> Nominative fair use “acknowledges that it is often virtually impossible to refer to a particular product for purposes of comparison, criticism, point of reference or any other such purpose without using [plaintiff’s] mark.”<sup>70</sup>

In *Playboy Enterprises, Inc. v. Terri Welles*, Playboy Enterprises, Inc. (“PEI”) objected to former Playboy Playmate Terri Welles’ use of the title “Playboy Playmate of the Year 1981.” However, regardless of whether visitors to Terri Welles’ website believed that it was sponsored or endorsed by PEI, the nominative fair use defense applied:

There is no other way that Ms. Welles can identify or describe herself and her services without venturing into absurd descriptive phrases. To describe herself as the “nude model selected by Mr. Hefner’s magazine as its number-one prototypical woman for the year 1981” would be impractical as well as ineffectual in identifying Terri Welles to the public.<sup>71</sup>

For a defendant to successfully assert a nominative fair use defense, (1) “the product or service in question must be one not readily identifiable without use of the trademark,” (2) “only so much of the mark or marks may be used as is reasonably necessary to identify the product or service,” and (3) the plaintiff does

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<sup>68</sup> *Horphag Research Ltd.*, 337 F.3d at 1041. (“The classic fair use defense ‘applies only to marks that possess both a primary and a secondary meaning – and only when the mark is used in its primary descriptive sense rather than its secondary trademark sense.’” (quoting *Brother Records, Inc., v. Jardine*, 318 F.3d 900, 905–06 (9th Cir. 2003)).

<sup>69</sup> *Id.*

<sup>70</sup> *Id.* “It is well established that the Lanham Act does not prevent one from using a competitor’s mark truthfully to identify the competitor’s goods, . . . or in comparative advertisements.” *Brookfield Commc’ns v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1065 (1999) (citations omitted).

<sup>71</sup> *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 802 (9th Cir. 2002) (citing district court’s holding with approval).

“nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”<sup>72</sup>

### *B. Contextual Banner Advertisements Under Fire*

As explained previously, search engine providers generate revenue by displaying banner advertisements keyed to specific terms.<sup>73</sup> But, suppose Netscape or Google sells companies the right to have their ads keyed to a trademark like “Dell” as opposed to a generic keyword such as “laptop.” Should this constitute trademark infringement? Is this a use in commerce likely to cause confusion?

#### 1. Brookfield Analogy Extended to Keyed Banner Advertisements

In *Playboy Enterprises, Inc. v. Netscape Communications*, PEI alleged trademark infringement against Netscape and Excite for keying adult-oriented company banner ads to the trademarks “playboy” and “playmate.”<sup>74</sup> The Ninth Circuit reversed the lower court’s grant of summary judgment for the defendants, finding genuine issues of material fact regarding the trademark infringement claims.<sup>75</sup>

The Ninth Circuit casually addressed the use in commerce requirement in one sentence: “PEI clearly holds the marks in question and defendants used the marks in commerce without PEI’s permission.”<sup>76</sup> Presumably, the court believed the defendants committed actionable use in commerce by marketing the keyed banner ads to PEI’s competitors, or by including the trademarks in the algorithm used to trigger relevant contextual banner ads.<sup>77</sup>

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<sup>72</sup> *Id.* at 802–03.

<sup>73</sup> *See supra* Part I.A.

<sup>74</sup> *Playboy Enters.*, 354 F.3d at 1022–23.

<sup>75</sup> *Id.* at 1034. Playboy also alleged dilution, but the dilution claim is outside the scope of this paper.

<sup>76</sup> *Id.* at 1024.

<sup>77</sup> According to the lower court, “Plaintiff has not shown that defendants use the terms in their trademark form, i.e., Playboy(R) and Playmate(R), when marketing to advertisers or in the algorithm that effectuates the keying of the ads to the keywords. Thus, plaintiff’s



Having found defendants used PEI's marks in commerce, the court addressed the likelihood of confusion prerequisite for infringement, focusing on an initial interest confusion theory. According to PEI, because the competitor banner advertisements appear immediately after users search for the terms "playboy" or "playmate," users will mistakenly believe that the banner ads are sponsored by PEI.<sup>78</sup> The court likened this case to *Brookfield Communications, Inc. v. West Coast Entertainment Corporation*, and found that consumers originally seeking PEI may be lured to banner advertisements and simply remain on a competitor's site despite immediately realizing it is wholly unrelated.<sup>79</sup> Despite formally applying an eight-factor test to determine likelihood of initial interest confusion, the issue was essentially decided on one factor alone: evidence of actual confusion.<sup>80</sup> As the Second Circuit recently concluded,

[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion. Moreover, reason tells us that while *very little proof of actual confusion would be necessary to prove the likelihood of confusion*, an almost overwhelming amount of proof would be necessary to refute such proof.<sup>81</sup>

Therefore, because an expert study established evidence of actual confusion, the court noted that this alone justified a reversal of the lower court's grant of summary judgment.<sup>82</sup> It is important

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argument that defendants 'use' plaintiff's trademarks falls short." *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 55 F. Supp. 2d 1070, 1073-74 (C.D. Cal. 1999). Therefore, the Ninth Circuit likely adopted the same theory of use, holding that the marks were in fact used in their trademark form.

<sup>78</sup> *Playboy Enters.*, 354 F.3d at 1025.

<sup>79</sup> *Id.*

<sup>80</sup> *Id.* at 1026-29.

<sup>81</sup> *Savin Corp. v. Savin Group*, 391 F.3d 439, 459 (2d Cir. 2004) (emphasis added) (quoting *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)).

<sup>82</sup> *Playboy Enters.*, 354 F.3d at 1026. The court also denied defendant's fair use defenses. The classic fair use defense was disposed of because outdated case law at the time supported the court's assertion that "[a] fair use may not be a confusing use." As for nominative fair use, the court held that defendants failed the first requirement: the product or service must not be readily identifiable without the mark. Apparently, the

to note that the court expressly limited its decision to unlabeled banner advertisements that do not clearly identify their source.<sup>83</sup> If the banner advertisements were clearly labeled, perhaps by expressly discounting affiliation with the entered search terms, the majority suggests there may not be a likelihood of confusion.<sup>84</sup>

In a concurring opinion, Judge Berzon expressed concern about the *Brookfield* initial interest confusion standard because it suggests there could be trademark infringement even if the banner advertisements were clearly labeled.<sup>85</sup> *Brookfield* held that “by using ‘MovieBuff’ to divert people looking for ‘MovieBuff’ to its website, [the defendant] improperly benefits from the goodwill that [the plaintiff] developed in its mark.”<sup>86</sup> However, if the question is simply one of *diversion*, should Adidas, strategically having a sneaker display near rival Nike, be liable to trademark infringement as well? Judge Berzon addressed such a question with the following analogy:

I walk into Macy’s and ask for the Calvin Klein section and am directed upstairs to the second floor. Once I get to the second floor, on my way to the Calvin Klein section, I notice a more prominently displayed line of Charter Club clothes, Macy’s own brand, designed to appeal to the same people attracted by the style of Calvin Klein’s latest line of clothes. Let’s say I get diverted from my goal of reaching the Calvin Klein section, the Charter Club stuff looks good enough to me, and I purchase some Charter Club shirts instead. Has Charter Club or Macy’s infringed Calvin Klein’s trademark, simply by having another product more prominently displayed before one reaches the Klein line? Certainly not.<sup>87</sup>

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court believed using other words besides Playboy’s marks was a suitable substitute for triggering contextual, adult-oriented, banner advertisements. *Id.* at 1029–30.

<sup>83</sup> See *id.* at 1025 n.16 (“Note that if a banner advertisement clearly identified its source or, even better, overtly compared PEI products to the sponsor’s own, no confusion would occur under PEI’s theory.”).

<sup>84</sup> *Id.*

<sup>85</sup> See generally *id.* at 1034–36 (Berzon, concurring).

<sup>86</sup> *Id.* (Berzon, concurring) (emphasis added).

<sup>87</sup> *Id.* at 1035 (Berzon, concurring).

Judge Berzon also found that the highway billboard analogy set forth in *Brookfield*<sup>88</sup> was inapplicable to the case at hand for two reasons: (1) customers searching for PEI's site were not explicitly misdirected because they never actually saw the mark, and (2) the trivial inconvenience of clicking the Web browser's back button to return to the search engine results pales in comparison to a driver taking the wrong highway exit.<sup>89</sup>

## 2. Whom Does the Use In Commerce Confuse?

Google, Inc. has faced numerous lawsuits because of its keyed banner advertising program, Adwords.<sup>90</sup> In *Government Employees Insurance Co. v. Google, Inc.*, Google moved to dismiss Government Employees Insurance Company's ("GEICO's") allegation that Google's use of the registered marks "GEICO" and "GEICO DIRECT" to trigger contextual banner advertisements constituted infringement.<sup>91</sup> The motion was denied, principally because Google was held to commit actionable use in commerce of GEICO's trademarks.<sup>92</sup>

With respect to services, a trademark is used in commerce "when it is used or displayed in the sale or advertising of services."<sup>93</sup> The court held that Google used GEICO's marks in commerce by "allowing advertisers to bid on the trademarks and pay [Google] to be linked to the trademarks."<sup>94</sup> This reasoning may satisfy the Lanham Act definition, but it suggested a puzzling likelihood of confusion argument.

Presumably, because the court found trademark use in commerce between Google and GEICO's competitors, the "ordinarily prudent purchaser" against whom likelihood of confusion is assessed was not the Web user using the Google's

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<sup>88</sup> See *supra* note 60 and accompanying text.

<sup>89</sup> *Playboy Enters., Inc.*, 354 F.3d at 1036 (Berzon, concurring).

<sup>90</sup> See generally Google's Ad Words Under Attack—Overview Over the Pending Lawsuit, <http://www.linksandlaw.com/adwords-pendinglawsuits.htm> (last visited Oct. 31, 2005) (providing a comprehensive overview of the development of domestic and foreign lawsuits against Google).

<sup>91</sup> *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 701 (E.D. Va. 2004).  
<sup>92</sup> *Id.* at 704.

<sup>93</sup> See *supra* note 48 and accompanying text.

<sup>94</sup> *Gov't Employees Ins. Co.*, 330 F. Supp. 2d at 704.

search engine, but rather the GEICO competitors who purchased the right to have their ads keyed to GEICO's marks. Specifically, the court held that "[Google's] offer of [GEICO's] trademarks for use in advertising could falsely identify a business relationship or licensing agreement between [Google] and [GEICO]."<sup>95</sup> Common sense may dictate that such confusion would never arise because it is difficult to comprehend why GEICO would ever encourage competition against itself. The court skirts the issue by simply stating that likelihood of confusion is fact-specific and not properly resolved through a motion to dismiss.

After GEICO subsequently moved for judgment as a matter of law, the court's analysis demonstrated that likelihood of confusion may be evaluated from the perspective of anyone using Google's search engine, not just the parties who were the targets of the trademark use in commerce.<sup>96</sup> The court evaluated survey evidence that measured whether potential GEICO customers who searched for "GEICO" using Google's search engine mistakenly believed that the keyed banner ads were linked to or affiliated with GEICO's website.<sup>97</sup> Google prevailed only because of the court's doubts about the reliability of GEICO's survey methodology.<sup>98</sup>

What is striking is that the answer to the question "Whom does the use in commerce confuse?" is anyone. Once the court found trademark use in commerce by virtue of Google's sale of GEICO's trademarks to trigger competitor advertisements, the likelihood of confusion analysis was completely unrelated to that transaction. Instead, the focus was on the everyday consumer searching for insurance, not the competitors who "could falsely identify a

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<sup>95</sup> *Id.*

<sup>96</sup> See *Gov't Employees Ins. Co. v. Google, Inc.*, 2005 U.S. Dist. LEXIS 18642, at \*17-20 (E.D. Va. Aug. 8, 2005) (describing GEICO's survey evidence which evaluated the likelihood of confusion of ordinary Web users searching for "GEICO" on Google's search engine).

<sup>97</sup> *Id.* at \*19-20.

<sup>98</sup> *Id.* at \*20-25. Although not pertinent to this paper, GEICO's survey evidence was sufficient to establish likelihood of confusion for those Google banner ads that included the trademark "GEICO" in its text or heading. *Id.* at \*26.

business relationship or licensing agreement between [Google] and [GEICO].”<sup>99</sup>

*C. WhenU Temporarily Banned in New York, Always Popping in Virginia and Michigan*

Pop-up and banner advertisements use keywords, including trademarks, to trigger a contextual advertisement. The only significant difference is that the former is displayed alongside search engine query results, and the latter in a separate window.<sup>100</sup> However, while the use in commerce requirement was not carefully scrutinized in the banner ad cases, two district courts found that WhenU’s pop-up technology did not involve actionable use in commerce.<sup>101</sup>

1. U-Haul and Wells Fargo Fail to Demonstrate Use in Commerce

In *U-Haul International, Inc. v. WhenU.com, Inc.*, U-Haul alleged WhenU’s use of U-Haul’s uniform resource locator (“URL”)<sup>102</sup> and trademark “U-Haul” in the SaveNow program constituted trademark infringement.<sup>103</sup> U-Haul argued that the SaveNow software used U-Haul trademarks in commerce by (1) displaying pop-up ads on the same computer screen as U-Haul’s

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<sup>99</sup> See *supra* note 94 and accompanying text. This is also consistent with the analysis in *Playboy Enterprises, Inc. v. Netscape Communications* where use in commerce was found because Netscape sold banner ads keyed to Playboy’s trademarks, see *supra* note 77 and accompanying text, and the likelihood of confusion analysis focused on consumers searching for Playboy who were not aware of the trademark use in commerce. See *supra* notes 78–79 and accompanying text.

<sup>100</sup> See *supra* Part I.A–B.

<sup>101</sup> See generally *U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) “[T]he appearance of WhenU’s ads on a user’s computer screen at the same time as the U-Haul web page is a result of how applications operate in the Windows environment and does not consist ‘use’ pursuant to the Lanham Act.” *Id.* at 728; *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003) “WhenU does not use any of plaintiffs’ trademarks to identify goods or services, to indicate any sponsorship or affiliation with the goods or services advertised by WhenU, or to identify the source or origin of any goods or services advertised by WhenU.” *Id.* at 747.

<sup>102</sup> *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 740–41 (E.D. Mich. 2003). A webpage is identified by a unique URL, which usually incorporates the name or trademark of the website owner.

<sup>103</sup> *U-Haul Int’l, Inc.*, 279 F. Supp. 3d at 724.

website and logo, and (2) incorporating U-Haul's URL and trademark in the SaveNow program.<sup>104</sup>

In response to plaintiff's first use in commerce argument, the court noted that WhenU pop-ups open in a "WhenU-branded window" that is "separate and distinct" from the U-Haul website window.<sup>105</sup> A pop-up advertisement does not incorporate the entire screen as a "single visual presentation" simply because the pop-up advertisement and U-Haul website windows are simultaneously visible.<sup>106</sup> The court distinguished "framing," which occurs when a single window displays the contents of multiple, distinct webpages,<sup>107</sup> as being inapposite.<sup>108</sup>

Furthermore, the court emphasized that trademark use is not established merely because marks are simultaneously visible.<sup>109</sup> The court considered WhenU's contextual pop-up advertisements as being tantamount to comparative advertising,<sup>110</sup> which nominative fair use clearly permits.<sup>111</sup>

The court also rejected plaintiff's argument that WhenU's inclusion of the U-Haul trademark and URL in the SaveNow directory constituted actionable use in commerce.<sup>112</sup> Unlike *Government Employees Insurance Co. v. Google, Inc.*, any use in commerce resulting from the sale of contextual ads to plaintiff's competitors was not considered. Instead, the court focused on the computer user who simultaneously views both the U-Haul website and the pop-up ad. Because "U-Haul fails to adduce any evidence that WhenU uses U-Haul's trademarks to identify the source of its goods or services," the court held that there is no use in commerce as defined by the Lanham Act.<sup>113</sup> Rather, WhenU "merely uses the

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<sup>104</sup> *Id.* at 727. Defendant also argued the pop-up ads interfered with the use of U-Haul's Web page and, therefore, constituted use in commerce. *Id.* at 728. For purposes of this paper, this argument need not be addressed.

<sup>105</sup> *Id.*

<sup>106</sup> *Id.* at 727–28.

<sup>107</sup> *Wells Fargo & Co.*, 293 F. Supp. 2d at 748.

<sup>108</sup> *U-Haul Int'l, Inc.*, 279 F. Supp. 2d at 727.

<sup>109</sup> *Id.* at 728.

<sup>110</sup> *Id.*

<sup>111</sup> See *supra* notes 68–69 and accompanying text.

<sup>112</sup> *U-Haul Int'l, Inc.*, 279 F. Supp. 3d at 728.

<sup>113</sup> *Id.*

marks for the ‘*pure machine linking function*’ and in no way advertises or promotes U-Haul’s Web address or any other U-Haul trademark.”<sup>114</sup>

Because U-Haul was unable to show that WhenU used its marks in commerce, it would have been superfluous to address any likelihood of confusion arguments. However, after disposing of the use in commerce argument in similar fashion,<sup>115</sup> the court in *Wells Fargo & Co.* noted that the plaintiffs failed to demonstrate likelihood of confusion.<sup>116</sup> Because the Sixth Circuit does not recognize the initial interest confusion doctrine, plaintiffs’ only recourse was to prove point of sale confusion.<sup>117</sup> In other words, plaintiffs had to prove that users clicking an Adidas pop-up ad and purchasing sneakers at the Adidas website believed that the sneakers were endorsed or sponsored by the Nike website they were originally viewing. Given the implausible prospect of this scenario, it is not surprising that the court found plaintiffs’ evidence unpersuasive.<sup>118</sup>

## 2. Southern District of New York Finds Hidden Use in Commerce

After two successive court victories, WhenU’s luck seemed to run out in *1-800 Contacts, Inc. v. WhenU.com*.<sup>119</sup> Judge Batts granted 1-800 Contacts’ motion for a preliminary injunction to enjoin WhenU from using “1800contacts.com” to trigger

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<sup>114</sup> *Id.* (emphasis added).

<sup>115</sup> The court in *Wells Fargo & Co. v. WhenU.com, Inc.* emphasized that “[t]he inclusion of web addresses in WhenU’s proprietary [d]irectory is done to identify the category the participating consumer is interested in, such as mortgages, and it dispatch a *contextually relevant advertisement* to that consumer.” 293 F. Supp. 2d 734, 762 (E.D. Mich. 2003)(emphasis added).

<sup>116</sup> *Id.* at 764 (“Although the Court’s holding that [WhenU] has not impermissibly used plaintiffs’ marks makes it unnecessary to reach the issue of confusion, plaintiffs’ failure to establish this element of their claim further weakens their request for injunctive relief.”).

<sup>117</sup> *Id.*

<sup>118</sup> *See id.* at 765.

<sup>119</sup> *See generally* *1-800 Contacts, Inc. v. WhenU.com*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003) (granting 1-800 Contacts’ motion for a preliminary injunction to enjoin WhenU from delivering competitive pop-up ads).

contextual pop-up advertisements.<sup>120</sup> The court found that WhenU used 1-800 Contacts' trademarks in commerce, and such use was likely to cause initial interest confusion.<sup>121</sup>

According to Judge Batts, 1-800 Contacts' trademarks were used in commerce in two ways. "First, [by] causing pop-up advertisements for [] Vision Direct to appear when SaveNow users have specifically attempted to access Plaintiff's website – *on which Plaintiff's trademark appears*[,] Defendants are displaying Plaintiff's mark 'in the . . . advertising of' . . . Vision Direct's services."<sup>122</sup> This is in stark contrast to the reasoning in *U-Haul International, Inc. v. WhenU.com, Inc.* where the court held that trademark use is not established simply because marks are simultaneously visible, and a pop-up advertisement does not incorporate the entire computer screen as a "single visual presentation."<sup>123</sup> Essentially, Judge Batts held that the defendants used plaintiff's mark because the pop-up advertisement was visible alongside plaintiff's trademark on the 1-800 Contacts website.

Second, the court held that WhenU used plaintiff's mark to advertise and publicize plaintiff's competitors by including "1800contacts.com" in SaveNow's directory of terms.<sup>124</sup> Therefore, a "pure machine linking function" in the previous WhenU cases was unexpectedly actionable use in commerce according to Judge Batts in the Southern District of New York.<sup>125</sup> This finding implies that the court believes an ordinarily prudent purchaser is likely to be confused by trademark use in commerce

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<sup>120</sup> *Id.* at 510.

<sup>121</sup> *Id.* at 508. Unlike the Sixth Circuit, the Second Circuit recognizes initial interest confusion. *See Mobile Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir. 1987) ("Likelihood of confusion [is found] not in the fact that a third party would do business with [defendant] believing it related to [plaintiff], but rather in the likelihood that [defendant] would gain crucial credibility during the initial phases of a deal.").

<sup>122</sup> *1-800 Contacts, Inc.*, 309 F. Supp. 2d at 489 (emphasis added).

<sup>123</sup> *See infra* notes 101–07 and accompanying text. The court explicitly stated that it disagrees with the *Wells Fargo & Co. v. WhenU.com, Inc.* and *U-Haul Int'l, Inc. v. When.com, Inc.* cases and is not bound by them. *1-800 Contacts, Inc.*, 309 F. Supp. 2d at 490 n.43.

<sup>124</sup> *1-800 Contacts, Inc.*, 309 F. Supp. 2d at 490.

<sup>125</sup> *See supra* Part II.C.1



even though he or she is not cognizant of its use.<sup>126</sup> In fact, Judge Batts states unequivocally that actionable use in commerce does not require that the trademark identify the source of a good or service.<sup>127</sup>

After finding use in commerce, Judge Batts found that initial interest confusion occurs when potential 1-800 Contacts customers are “diverted and distracted” to Vision Direct’s website.<sup>128</sup> The court held that by triggering pop-ups at the same time a user visits the 1-800 Contacts website, Vision Direct misappropriates 1-800 Contacts’ goodwill by gaining “crucial credibility during the initial phases of the deal.”<sup>129</sup> To assess the likelihood of initial interest confusion, the court examined the same multi-factor test it uses for point of sale confusion: the *Polaroid* factors.<sup>130</sup>

The court analyzed some *Polaroid* factors that are of questionable probative value for assessing likelihood of initial interest confusion with respect to pop-ups. For example, the court held that the “strength of the plaintiff’s mark,” favors 1-800 Contacts because its trademark is “suggestive” and, therefore, inherently distinctive.<sup>131</sup> However, given that (1) users explicitly

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<sup>126</sup> The court goes on to belittle the notion that trademark use in commerce must be visible: “[WhenU] is doing far more than merely ‘displaying’ Plaintiff’s mark. WhenU’s advertisements are delivered to a SaveNow user when the user directly accesses Plaintiff’s website . . . allowing Defendant . . . to profit from the goodwill and reputation in Plaintiff’s website that led the user to access Plaintiff’s website in the first place.” *I-800 Contacts, Inc.*, 309 F. Supp. 2d at 490. This is also consistent with the analysis in *Government Employees Insurance Co. v. Google, Inc.* and *Playboy Enterprises, Inc. v. Netscape Communications* where each court found actionable trademark use in commerce involving plaintiff’s competitors, but analyzed likelihood of confusion with respect to potential customers who were never privy to the trademark use in question. See *supra* Part II.B.2, notes 78–79 and accompanying text.

<sup>127</sup> *I-800 Contacts*, 309 F. Supp. 2d at 489.

<sup>128</sup> See *id.* at 493 (“[O]n the Internet, initial interest confusion occurs when ‘potential consumers of one website will be diverted and distracted to a competing website.’”).

<sup>129</sup> *Id.* (quoting *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir. 1987)).

<sup>130</sup> See *id.* at 494 (applying the traditional eight-factor test to determine likelihood of confusion as set forth by Judge Friendly in *Polaroid Corp. v. Polaroid Elecs. Corp.* to assess the newer doctrine of initial interest confusion).

<sup>131</sup> *Id.* at 496. The “strength of plaintiff’s mark” factor focuses on the mark’s tendency to identify goods as originating from a specific source. *Id.* at 495. Courts evaluate both the mark’s inherent distinctiveness and its distinctiveness in the marketplace. *Id.* at 496–97. Ordered from least inherently distinctive to most inherently distinctive, courts use

enter the URL for the 1-800 Contacts website into their browser before seeing the Vision Direct pop-up, (2) the Vision Direct pop-up does not incorporate any of 1-800 Contacts' trademarks, and (3) the only issue is whether users believe the pop-up is endorsed or sponsored by the website triggering the pop-up, the strength of plaintiff's mark is irrelevant. Plaintiff's case depends upon the *timing* of the pop-up, not its actual contents.<sup>132</sup> Hence, the mark's distinctiveness, inherent or acquired in the marketplace, does nothing to buttress plaintiff's argument.

Another *Polaroid* factor of minimal probative value is the "similarity of the marks."<sup>133</sup> Here, the court compares the keyword "www.1800Contacts.com" located in SaveNow's hidden directory with plaintiff's trademark "1-800 CONTACTS." According to Judge Batts, "If Defendants used a mark less similar to Plaintiff's mark—for example, 'www.contacts.com'—then a SaveNow user who received Defendants' pop-up advertisements after typing into a browser 'www.contacts.com' would be less likely to associate Plaintiff's mark with Defendants' pop-up advertisements." If SaveNow used a different Web address in its directory of terms, no pop-ups would appear when a user visited 1-800 Contacts' website. The court's reasoning appears to simply reiterate how the SaveNow program triggers contextual ads.

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four categories to describe a mark: (1) "generic"—common description of goods that does not qualify for trademark protection, (2) "descriptive"—describes a products features and only is afforded trademark protection if it acquires secondary meaning, (3) "suggestive"—only suggests the features of a product so that consumers must use their imagination to determine the nature of the goods, and (4) "fanciful or arbitrary"—completely invented word that receives the highest level of trademark protection. *Id.* at 495.

<sup>132</sup> *Cf. id.* at 489 ("[B]y causing pop-up advertisements to appear when SaveNow users have specifically attempted to find or access Plaintiff's website, Defendants are 'using' Plaintiff's marks that appear on Plaintiff's website.").

<sup>133</sup> *Polaroid*, 287 2d at 495. Judge Batts acknowledged that this factor traditionally contemplates the consumer actually seeing the trademarks. *1-800 Contacts*, 309 F. Supp. 2d at 496 n.53. However, applying *Brookfield Communications, Inc. v. West coast Entertainment Corp.*, the court holds that "the issue is not whether the WhenU or Vision Direct marks themselves are similar to the Plaintiff's marks, but whether the marks used by the Defendants (whether actually seen by the consumer or not) are so similar to Plaintiff's mark that [the] similarity could ultimately cause consumer confusion." *Id.* at 496 n.53.

Some of the other factors that the court examines are more probative. For example, “proximity of the parties’ services” is clearly probative and weighs in favor of the plaintiff. Because both plaintiff and defendant sell replacement contact lenses to consumers, a consumer is more likely to erroneously believe Visual Direct’s pop-up advertisements are generated by 1-800 Contacts. Also, “existence of actual confusion between the marks” would obviously be probative because there is no better way to prove the likelihood of confusion than with evidence that it really occurs.<sup>134</sup>

Before ultimately concluding that the *Polaroid* factors demonstrate a likelihood of initial interest confusion, the court dismissed WhenU’s branding argument.<sup>135</sup> WhenU’s pop-up windows had a green “\$” mark and the text “SaveNow” across the top.<sup>136</sup> Also, a “?” symbol in the upper right-hand corner opened another window explaining what SaveNow software was, and the bottom right read “A WhenU offer—click ? for info.”<sup>137</sup> WhenU argued that such clearly labeled pop-up ads should not confuse consumers. Judge Batts, despite acknowledging that disclaimers can substantially avoid the risk of consumer confusion, discounted WhenU’s disclaimers as being completely ineffectual.<sup>138</sup> In fact, Judge Batts suggested that disclaimers are *per se* ineffective at mitigating initial interest confusion: “Even if Defendants had offered evidence of the effect of its branding and disclaimers, such evidence would do little to counter Plaintiff’s showing of the likelihood of initial interest confusion.”<sup>139</sup> Such reasoning could effectually force contextual pop-up ad companies like WhenU and Claria out of business. This opinion arguably reflects the adoption of a creative, albeit deviant, interpretation of the Lanham Act to

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<sup>134</sup> See *supra* note 80 and accompanying text.

<sup>135</sup> See *1-800 Contacts*, 309 F. Supp. 2d at 504.

<sup>136</sup> *Id.* at 503.

<sup>137</sup> *Id.* The court disregards additional WhenU branding implemented subsequent to the filing of 1-800 Contact’s lawsuit. *Id.* at 478 n.23.

<sup>138</sup> *Id.* at 504 (“[C]onsumer confusion caused by the pop-up advertisements can hardly be alleviated by WhenU’s use of disclaimers with terms that are buried in other web pages, requiring viewers to scroll down or click on a link.”).

<sup>139</sup> *Id.*

advance the policy that pop-up ads are annoying and should be illegal.<sup>140</sup>

### 3. Second Circuit Plays Dumb—Cannot Find Trademarks

The Second Circuit reversed the Southern District, dismissing 1-800 Contacts' trademark infringement claims.<sup>141</sup> Unfortunately, the court balked at an opportunity to specifically address Judge Batts' assertion that actionable trademark use does not require a source-identifying component, and instead chose to dismiss the issue by holding no trademarks were used, commercial or otherwise, by WhenU.<sup>142</sup> According to the Second Circuit, WhenU's SaveNow directory does not use 1-800 Contacts' trademarks, but rather only uses the company's website address.<sup>143</sup> The addition of the "www" and ".com" to 1-800 Contacts' trademark "transform[s] 1-800's trademark—which is entitled to protection under the Lanham Act—to a word combination that functions more or less like a public key to 1-800's website."<sup>144</sup> The Second Circuit even suggested that the similarity between 1-800 Contacts' trademark and its website address was mere "happenstance,"<sup>145</sup> as if companies fail to recognize that Web users "often assume, as a rule of thumb, that the domain name of a particular company will be the company name followed by '.com'"<sup>146</sup>. Such reasoning clashes with a long line of cases that

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<sup>140</sup> See, e.g., Geoffrey D. Wilson, *Internet Pop-Up Ads: Your Days are Numbered!: The Supreme Court of California Announces a Workable Standard for Trespass to Chattels in Electronic Communications*, 24 LOY. L.A. ENT. L. REV. 567, 571–72 (2004) (providing a list of online articles that illustrate the public's disdain for pop-ups).

<sup>141</sup> 1-800 Contacts, Inc. v. WhenU.com, Inc., 440 F.3d 400, 413 (2d Cir. 2005).

<sup>142</sup> See *Id.* at 409 (emphasizing the difference between using 1-800 Contacts' Web site address in WhenU's directory and using the 1-800 Contacts' trademark itself).

<sup>143</sup> *Id.* at 408–09.

<sup>144</sup> *Id.* The Second Circuit also explicitly limited the scope of its decision, holding that "in order for WhenU to capitalize on the fame and recognition of 1-800's trademark . . . it would have needed to put the actual trademark on the list." *Id.*

<sup>145</sup> *Id.* at 410.

<sup>146</sup> *Brookfield Comm'ns v. West Coast Entm't Corp.*, 174 F.3d 1036, 1045 (1999)

recognize the source identification function of domain names incorporating trademarks.<sup>147</sup>

The Second Circuit also reversed the Southern District's finding that WhenU used 1-800 Contacts' trademark by virtue of its contemporaneous placement with the 1-800 Contacts website.<sup>148</sup> Again, the Second Circuit's reversal is contingent upon its reasoning that WhenU's pop-ups are triggered by 1-800 Contacts' website address, not its trademark.<sup>149</sup> According to the court, "the contemporaneous display of the [pop-up and 1-800 Contacts' website] 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."

Such a questionable distinction between a trademark and a domain name that incorporates the trademark highlights the fact that the Second Circuit painstakingly tried to limit its holding to the pop-up cases without interfering with those addressing banner ads.<sup>150</sup> In doing so, the holding focuses more on the specific technology of pop-ups rather than the discordant use in commerce interpretations in the district court cases reviewed above.<sup>151</sup> Therefore, the Southern District's general analysis can continue to be endorsed by other courts addressing the legality of contextual banner ads.<sup>152</sup>

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<sup>147</sup> See, e.g., *Paccar Inc. v. Telescan Technologies, L.L.C.*, 319 F.3d 243, 250 (6th Cir. 2003) (citing a series of cases that recognize that domain names can identify the source or sponsorship of a website and are worthy of Lanham Act protection)

<sup>148</sup> *1-800 Contacts, Inc.*, 414 F.3d at 410.

<sup>149</sup> *Id.*

<sup>150</sup> The Second Circuit unequivocally stated that its opinion does not address whether or not the inclusion of the actual 1-800 Contacts trademark in the SaveNow directory would constitute an infringing trademark use. *Id.* at 409 n.11.

<sup>151</sup> See *supra* Parts II.C.1, II.C.2.

<sup>152</sup> See *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700, 703 (E.D. Va. 2004) (finding Judge Batts' decision in *1-800 Contacts, Inc. v. WhenU.com* "better reasoned" than the *U-Haul* and *Wells Fargo* cases); see also *Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2005 U.S. Dist. LEXIS 6228 (N.D. Cal. Mar. 30, 2005) (denying Google's motion to dismiss trademark infringement claims because its Adwords program does not use American Blind's trademarks in commerce, noting its approach is consistent with that taken by the Eastern District of Virginia in *Government Employees Insurance Co. v. Google, Inc.*).

### III. WHY THE INITIALLY CONFUSED SHOULD GET A CLUE

The Internet is a unique and wholly new medium of worldwide human communication. The parties and the Court are conversant with the workings of the Internet, as well as with the constantly expanding body of law that seeks to craft a legal contour for it. The Court is mindful of the difficulty of applying well-established doctrines to what can only be described as an amorphous situs of information, anonymous messenger of communication, and seemingly endless stream of commerce. Indeed, the very vastness, and manipulability, of the Internet forms the mainspring of plaintiff's lawsuit.<sup>153</sup>

The above cases illustrate the judiciary's attempt to reconcile the new technology of the Internet with longstanding legal doctrines. However, if what is legal in brick-and-mortar is made illegal online, perhaps courts have inadvertently changed, rather than adapted, jurisprudence in response to new technologies.

#### A. *The Danger of Liberal Findings of Trademark Use in Commerce*

The Lanham Act clearly states that liability results from the "use in commerce" of a mark that "is likely to cause confusion."<sup>154</sup> The first two WhenU cases discussed interpreted use in commerce as requiring trademark use that identifies the source of goods or services. If the ordinarily prudent purchaser, as a result of such source identifying use, is likely to be confused regarding the true origin of the good or service, trademark infringement is found, barring a proper fair use defense.<sup>155</sup> Judge Batts in *1-800 Contacts, Inc. v. WhenU.com* disagreed, finding actionable use in commerce that not only lacked a source identifying function, but was not even cognizable to the ordinarily prudent purchaser.<sup>156</sup>

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<sup>153</sup> *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 55 F. Supp. 2d 1070, 1073-74 (C.D. Cal. 1999) (internal quotations and citation omitted).

<sup>154</sup> 15 U.S.C. § 1114 (2000).

<sup>155</sup> See *supra* Part II.C.1.

<sup>156</sup> See *supra* Part II.C.2.

Recall Judge Berzon's concurrence in *Playboy Enterprises, Inc. v. Netscape Communications* where she analogized Netscape's banner advertisements to a Macy's department store customer faced with choices between competing brands.<sup>157</sup> If it could be shown that Charter Club selected its display location by noting where the Calvin Klein display was, in other words by "using" the Calvin Klein trademark to position itself nearby, would that constitute actionable use in commerce?<sup>158</sup> Charter Club does not feature the Calvin Klein logo on any of its clothing or displays. But, use in commerce may be found by virtue of its strategic placement near Calvin Klein, and consumers see both brands simultaneously.<sup>159</sup> Now, the only prerequisite left for infringement is proving likelihood of confusion, and only a minimal amount of evidence demonstrating actual confusion is required to do so.<sup>160</sup> Therefore, should trademark law *ever* require Charter Club to select floor space based only on the generic department (e.g. men's clothing), and remain completely ignorant of the precise locales of specific brands? Certainly not.

The above scenario illustrates how irrationally a liberal use in commerce doctrine transcribes to the brick-and-mortar world and why non-source identifying use in commerce is unique to the Internet. From a policy standpoint, having different standards for what constitutes use in commerce online versus offline does not promote the fundamental goals of the Lanham Act because it does nothing to "protect the ability of consumers to distinguish among competing producers."<sup>161</sup> In fact, this harms rather than protects consumers because it deprives them of the right to see competing producers at all.

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<sup>157</sup> See *supra* note 86 and accompanying text.

<sup>158</sup> *Cf. supra* Part II.C.2 (finding trademark use because Vision Direct used 1-800 Contacts' trademark to launch its advertisement alongside the 1-800 Contacts webpage).

<sup>159</sup> *Cf. supra* note 122 and accompanying text (finding trademark use because Vision Direct's advertisement appears alongside the 1-800 Contacts website "on which [its] trademark appears").

<sup>160</sup> See *supra* note 80 and accompanying text. Just as search engine users may not understand the difference between normal query results and paid advertising and assume one is sponsored or endorsed by the other, see *infra* note 145, Macy's customers might mistakenly believe that Charter Club is another brand name distributed under Calvin Klein's parent company, Phillips-Van Heusen Corporation.

<sup>161</sup> See *supra* note 39 and accompanying text.

If use in commerce does not even have to identify or distinguish products or services, then such use can be found in virtually every software program that maps brands to product categories. Any court with the patience to read source-code can find use in commerce, effectively eliminating it as a prerequisite for infringement. Under such a scenario, the initially confused really must get a clue because their ignorance can single-handedly determine whether a defendant is liable for trademark infringement or unfair competition.<sup>162</sup>

*B. What About Fair Use?*

Trademark use that is embedded within a program to trigger contextual advertisements does not satisfy the requirements of either classic or nominative fair use.<sup>163</sup> Such use does not qualify as classic fair use because the trademarks are used within hidden software code to map brands to general product or service categories, not to describe the overall software itself.<sup>164</sup> It also fails the first prong of the nominative fair use test which requires that the product or service not be readily identifiable without the trademark.<sup>165</sup> For example, Google does not need to refer to every trademark used within Adword's code to describe its function or purpose—the contextual advertising service and the technical underpinnings behind it are completely distinct.

These fair use exceptions clearly were not established with non-source identifying trademark use in mind, and will not provide a defense against the initially confused. This is not surprising because what constitutes trademark use in commerce online has been broadened from the doctrine's offline counterpart. As the

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<sup>162</sup> A recent survey suggests that Web users are still not particularly adept at distinguishing unbiased search results and paid advertising. See WIRED.COM, at <http://www.wired.com/news/culture/0,1284,66374,00.html> (Jan. 23, 2005) (“[O]nly 38 percent of web searchers even know of the distinction [between unbiased and paid advertising], and of those, not even half—47 percent—say they can always tell which are paid. That comes out to only 18 percent of all web searchers knowing when a link is paid.”).

<sup>163</sup> See *supra* Part II.A.3.

<sup>164</sup> Classic fair use is trademark use that only describes the good or service of the party accused of infringement. See *supra* Part II.A.3.

<sup>165</sup> See *supra* Part II.A.3.



Charter Club and Calvin Klein hypothetical demonstrates, non-source identifying use in commerce is nonsensical in the brick-and-mortar world.<sup>166</sup> Therefore, any fair use exceptions to non-source identifying use will be inapposite because such use should not be considered actionable in the first place.

*C. How Much Goodwill Does it Take to Click an Ad?*

The *Brookfield* analogy has been heavily criticized as being inapplicable to the realities of the Internet. According to the court in *Bihari v. Gross*,

The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, resuming one's search for the correct website is relatively simple. With one click of the mouse and a few seconds delay, a viewer can return to the search engine's results and resume searching for the original website.<sup>167</sup>

Supporters of the billboard analogy may argue that liability under the Lanham Act should not be contingent on how convenient it is for a consumer to resume his or her initial search. The misappropriation of goodwill should not be excused online, but punished elsewhere. However, the difference in the relative hardship between driving back onto the highway versus clicking the browser back button is relevant. Because clicking back and forth between links, webpages, and other browser windows is so effortless, the decision to click a pop-up or banner advertisement does not usually give rise to the same level of conscious decision-making that exiting a highway does. Clicking on a hyperlink takes about as much exertion as changing the television station with a remote control. Conversely, most individuals do not casually exit a highway without good reason.

Therefore, affording a competitor with "crucial credibility during the initial phases of the deal," may not depend upon the misappropriation of anything besides screen space.<sup>168</sup> If courts continue to insist that use in commerce does not have to be either

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<sup>166</sup> See *supra* Part II.A.

<sup>167</sup> 119 F. Supp. 2d 309, 320 n.15 (S.D.N.Y. 2000).

<sup>168</sup> See *supra* note 61.

source-identifying<sup>169</sup> or cognizable to the ordinarily prudent purchaser,<sup>170</sup> the initial interest confusion inquiry should at least acknowledge the realities of Web browsing habits and assess whether it is misappropriated goodwill or merely halfhearted clicking that diverts potential customers. Trademark law should only be interested in policing the former.

*D. Why the Metatag Cases Properly Adapt the Lanham Act to the Internet*

It is worth noting that the metatag cases are distinguishable from the banner ad and pop-up cases because of what metatags are: code describing the contents of a webpage that “serve[s] as a cataloging system for a search engine.”<sup>171</sup> Therefore, using a competitor’s trademark in a metatag is the online equivalent of an independent video rental store posting a “Blockbuster” sign in its window.<sup>172</sup> Because this is actionable in the brick-and-mortar world, it should be actionable online.<sup>173</sup>

Consider the *Niton Corp. v. Radiation Monitoring Devices, Inc.* case where Radiation Monitoring Devices, Inc. (“RMD”) copied Niton’s metatags verbatim.<sup>174</sup> As a result, entering the phrase “home page of Niton Corporation” on a search engine generated a query results list that included more of RMD’s websites than Niton’s.<sup>175</sup> The trademark use in commerce by RMD was not a “pure machine linking function,” but did “identify or distinguish products or services” because this is precisely what metatags do. Therefore, this was a proper adaptation of the Lanham Act to metatags; what is illegal offline was held illegal online.

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<sup>169</sup> See *supra* Part II.C.2.

<sup>170</sup> See *supra* Part II.B.2, note 126.

<sup>171</sup> See *supra* notes 57–59 and accompanying text.

<sup>172</sup> Furthermore, although the trademarks within the metatags are facially hidden like those in the banner ad and pop-up cases, the use of the trademarks is targeted to and recognized by the Web user: each website in the query results list claims to be categorically similar to the user’s trademark search term which is prominently displayed at the top of the list.

<sup>173</sup> Of course, this is actionable only upon a showing of likelihood of confusion.

<sup>174</sup> See, 27 F. Supp. 2d 102 (D. Mass. 1998).

<sup>175</sup> *Id.* at 104.

## CONCLUSION

As technology continues to replicate in-person shopping experiences online, courts should similarly replicate in-person jurisprudence online. When the legality of trademark use differs depending upon the underlying technology, courts should query whether such a result is consistent with the goals of the Lanham Act.

If courts find actionable trademark use online that is hidden or lacks a source-identifying function, likelihood of confusion can be the result of anything, including unfamiliarity with new technologies. For example, many consumers cannot discern the difference between paid search engine advertising and unbiased search results.<sup>176</sup> However, consumer confusion regarding how search engines generate and display results should not be actionable under the Lanham Act. Unless consumers familiarize themselves with the underlying technology, they can be genuinely confused, and as a result, companies like Google will be held to infringe and competition will be stifled.

Therefore, by adapting the “use in commerce” prerequisite to the Internet in such a way that it is essentially superfluous, the ordinarily prudent purchasers take center stage and their initial confusion can decide cases. This is a reckless departure from well-established jurisprudence that could devastate online contextual advertising and deprive the Web user of brand alternatives. Until the Supreme Court precludes courts from finding actionable trademark use that is hidden or has no source-identifying function whatsoever, consumer confusion resulting from anything *except* cognizable trademark use will shut down these ads and the revenue-generating software programs behind them.

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<sup>176</sup> See *supra* note 162.