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Trademarks - Internet Pop-Up Advertisement Triggered by Competitor's Trademarks is Not Infringing Use in Commerce of the Marks

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TRADEMARKS—INTERNET POP-UP ADVERTISEMENT TRIGGERED BY COMPETITOR'S TRADEMARKS IS NOT INFRINGING "USE IN COMMERCE" OF THE MARKS

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IN the recent case *U-Haul International, Inc. v. WhenU.com, Inc.*, the Eastern District of Virginia held that pop-up advertisements that obscured the website of a competing product did not infringe on the website owner's trademarks.[1] In reaching this decision, the court departed from previous developments in the law of the Internet with regard to trademarks. Additionally, the court permitted blatant usage of trademarks for advertising competing services, in direct contravention of the purposes of trademark protection, leaving a trademark holder unprotected from opportunistic use of its consumer recognition and goodwill.

WhenU.com, Inc. ("WhenU.com") creates and distributes an Internet advertising program called SaveNow.[2] Computer users typically download SaveNow along with another program, often a screensaver offered for free on the Internet.[3] After the user accepts a licensing agreement, both the free program and SaveNow are installed.[4] SaveNow monitors the user's Internet activity, constantly comparing keywords in its directory with the website addresses ("URLs") visited, terms entered in search programs, and the underlying programming code ("HTML") of webpages visited.[5] If any of these triggering phrases matches a SaveNow keyword, the program generates a pop-up advertisement related to the keyword.[6] The pop-up ad appears in a separate window in front of the Internet browser window the user is viewing.[7] If the user clicks within the pop-up window, the original browser window switches to the advertiser's website. Conversely, the user can click the "close" button of the pop-up

1. 279 F. Supp. 2d 723, 731 (E.D. Va. 2003).
2. *Id.* at 725.
3. *Id.* The entertainment program is "the lure that hooks the user into downloading the bundled software." 1-800 Contacts, Inc. v. WhenU.com, Inc., 309 F. Supp. 2d 467, 477 n.19 (S.D.N.Y. 2003).
4. *1-800 Contacts*, 309 F. Supp. 2d at 477 n.21.
5. *Id.* at 476.
6. *U-Haul*, 279 F. Supp. 2d at 726.
7. *Id.*

window to return to the original website.[8] SaveNow's directory of keywords included U-Haul International, Inc.'s ("U-Haul") trademark "U-Haul" as well as its trademarked URL, "www.uhaul.com."[9] When a computer user with the SaveNow program installed on his or her computer visited U-Haul's website, the SaveNow program generated a pop-up for a U-Haul competitor that appeared in front of U-Haul's website.[10]

U-Haul sued WhenU.com alleging trademark infringement, unfair competition, trademark dilution, copyright infringement, contributory copyright infringement, misappropriation, interference with prospective business advantage, unjust enrichment, and other violations of Virginia state law.[11] U-Haul later amended the complaint to add another defendant, an alleged agent of WhenU.com.[12] Both U-Haul and WhenU.com filed motions for summary judgment. U-Haul then filed a motion to vacate the trial date and to have the matter resolved solely on the basis of the parties' summary judgment motions.[13] Regarding the trademark claims, U-Haul argued that WhenU.com's use of U-Haul's trademark was "use in commerce" sufficient to state a claim for infringement under the Lanham Act because 1) WhenU.com's ads appear as part of a single visual presentation of U-Haul's website, 2) WhenU.com uses U-Haul's trademarks "U-Haul" and "www.uhaul.com" in its directory of keywords that trigger ads, and 3) the pop-up ads interfere with U-Haul customers' use of its website.[14] The district court held that none of U-Haul's arguments constituted "use in commerce," and therefore U-Haul could not sustain a claim for trademark infringement. The court granted summary judgment on all claims in favor of WhenU.com.[15]

Under the Lanham Act, trademark infringement is shown when the defendant, without the trademark holder's consent, engages in "use in commerce 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, or to cause mistake, or to deceive."[16] "Use in commerce" occurs with respect to goods when the trademark is "placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto or . . . on the documents associated with the goods or their sale."[17] "Use in commerce" occurs with respect to services when the trademark is "used or displayed in the sale or advertising of services and the services are rendered in com-

8. *1-800 Contacts*, 309 F. Supp. 2d at 477.
9. *U-Haul*, 279 F. Supp. 2d at 728.
10. *Id.* at 726.
11. *Id.* at 726-27.
12. *Id.* at 726.
13. *Id.*
14. *Id.* at 727.
15. *Id.* at 729.
16. 15 U.S.C. § 1114(1)(a) (2000).
17. 15 U.S.C. § 1127 (2000).

merce."[18] The phrase encompasses a "sweeping reach" into all matters within Congress's Commerce Clause powers, meaning that any activity that Congress could legitimately reach under the Commerce Clause is considered "use in commerce" for the purposes of the Lanham Act.[19]

The court in *U-Haul* found that WhenU.com had not made "use in commerce" of U-Haul's mark.[20] First, the court found that the pop-up ads and U-Haul's website did not form a "single visual presentation."[21] Because the pop-up window is "separate and distinct" from the website window, a very common occurrence in the Windows operating environment, WhenU.com had not "used" U-Haul's mark.[22] Second, the fact that the pop-up ads appeared on the same screen as U-Haul's website did not represent "use in commerce" because that is how the Windows system operates.[23] The court indicated that this amounted to nothing more than "comparative advertising" that is acceptable even if "use" is established.[24]

Next, the court held that WhenU.com's inclusion of U-Haul's trademarks in its directory of triggering terms was not "use in commerce." The court relied partially on *DaimlerChrysler AG v. Bloom*, where the defendant used 1-800-MERCEDES as his telephone number but publicized it only by its numeric counterpart, 1-800-637-2333.[25] Although the defendant reaped the benefits from people who, mistakenly believing that he was affiliated with Mercedes called him, because he did not advertise it, he did not "use" the trademark.[26] The other case that guided the *U-Haul* court's decision was *Lockheed Martin Corp. v. Network Solutions, Inc.*, in which the court held that the use of a trademark as a URL did not amount to infringement when the website located at the URL had no connection "with the sale, distribution or advertising of goods or services."[27] The *U-Haul* court focused on the *Lockheed* designation that "in order to infringe . . . [domain names] must be used to identify the source of goods and services," which would require something more than a "pure machine-linking function."[28] Because WhenU.com used U-Haul's trademarks for such a "machine-linking function" and not for advertising

18. *Id.*
19. *See* Steele v. Bulova Watch Co., 344 U.S. 280, 283, 287 (1952).
20. *U-Haul*, 279 F. Supp. 2d at 729.
21. *Id.* at 727.
22. *Id.* at 727-28. A court facing identical facts came to the same conclusion on this point and described its rationale in greater detail. That court stated that users were not misled into believing that the pop-ups were part of the holder's website because the pop-ups appeared in a separate window that obscured part of the original site. The court felt it was therefore clear to users that the pop-up ad came from a different source than the website they were attempting to access. Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734, 760 (E.D. Mich. 2003).
23. *U-Haul*, 279 F. Supp. 2d at 728.
24. *Id.*
25. 315 F.3d 932, 938 (8th Cir. 2003).
26. *Id.* at 938-39.
27. 985 F. Supp. 949, 957 (C.D. Cal. 1997).
28. *U-Haul*, 279 F. Supp. 2d at 728 (quoting *Lockheed Martin*, 985 F. Supp. at 956).

U-Haul's marks, "use" did not occur.[29]

Additionally, the court found that there was no "use" arising from interference with U-Haul's website because users are not diverted from U-Haul's site when they visit www.uhaul.com or search for "U-Haul," and because SaveNow interacts only with users' computers, not with U-Haul's system.[30] U-Haul's website remains unaltered by the pop-up window, which can be closed or otherwise manipulated by the user.[31] Furthermore, the user is in control from the very beginning because they choose whether or not to download and install the SaveNow program, which the court likened to other user-installed programs that generate pop-up windows, like new message notifications from e-mail programs.[32] The court did not find U-Haul's cited authority persuasive with respect to interference, as the cases involved "cybersquatting" situations in which the URLs of the defendants' websites consisted of the plaintiffs' trademarks. Users would mistakenly go to those sites believing them to be the plaintiffs' and were thereby "prevented or hindered" from accessing the trademark holders' sites.[33] Therefore, because the court found that U-Haul could not establish that WhenU.com had used its trademarks in commerce, summary judgment was granted in favor of WhenU.com on the trademark claims.

In this decision, the Eastern District Court of Virginia erroneously applied the "use in commerce" requirement. Other courts have held that "use" is established when a search engine uses a trademark to trigger advertisements for companies that offer goods or services that are similar to those of the trademark holder, where the ads are included on the search engine's website along with the results of the search.[34] In the *U-Haul* case, WhenU.com's inclusion of "U-Haul" and "www.uhaul.com" as triggering terms in SaveNow's directory was "use in commerce" of the marks. The principle is the same as in the search engine cases: SaveNow uses the trademark to trigger an advertisement, and in so doing generates income from advertisers who pay to have their ads displayed.[35] It makes no difference that the search engine's ads appeared on its own site while WhenU.com's advertisements appeared as pop-up windows; in both cases, the trademark is "used . . . in the sale or advertising of services."[36]

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29. *U-Haul*, 279 F. Supp. 2d at 728.

30. *Id.* at 728-29.

31. *Id.* at 729.

32. *Id.*

33. *Id.* at 728-29 (discussing PETA v. Doughney, 263 F.3d 359, 365 (4th Cir. 2001), and OBH, Inc. v. Spotlight Magazine, Inc., 86 F. Supp. 2d 176, 186 (W.D.N.Y. 2000)).

34. Gov't Employees Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 703-04 (E.D. Va. 2004) (advertisements generated as a result of a search using plaintiff's trademark is use of trademark sufficient to state a claim for trademark infringement); *see* Brief of Plaintiff-Appellee at 17, 1-800 Contacts, Inc. v. WhenU.com, Inc., 2004 WL 546931 (2d Cir. Mar. 3, 2004) (Nos. 04-0026(L), 04-0446(CON)) (citing Playboy Enters., Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1024 (9th Cir. 2004)).

35. *See Playboy*, 354 F.3d at 1024; *Gov't Employees*, 330 F. Supp. 2d at 703-04.

36. *See* 15 U.S.C. § 1127.

Furthermore, other courts have found that use is established when a defendant uses the plaintiff's trademark as his Internet address because it has the effect of discouraging users from accessing the plaintiff's true website.[37] Including a hyperlink to a defendant's site that is adjacent to the holder's trademark also constitutes use.[38] Additionally, use of another's trademark in the underlying code of a website, which may draw visitors who search the Internet for the mark, is another example of "use" that supports a cause for infringement.[39] Finally, when a trademark holder's mark appears in a browser frame around another's content, the court may find infringement.[40] In the latter case, the court emphasized several important factors in its finding of use constituting infringement: (1) computer users might not realize the inner frame was not part of the original website containing the trademark; (2) the URL location displayed in the browser window continued to indicate the original website; and (3) the user clicked on a link like all others on the original site to access the new site in a frame.[41]

Here, U-Haul can establish "use" because WhenU.com uses U-Haul's trademarks to discourage users from visiting U-Haul's website. WhenU.com's pop-up ads partially block U-Haul's website. If a user clicks in the WhenU.com window, even accidentally, the window with U-Haul's website navigates to the advertiser's site. As in the cases in which defendants were cybersquatting, this use of U-Haul's trademark to generate ads that divert users from U-Haul's site discourages users from accessing U-Haul's site.[42] This is also analogous to the use of trademarks in a webpage's underlying HTML, which may draw users away from the trademark holder's site.[43] Here, WhenU.com's use of U-Haul's trademarks in the underlying code of its advertising program generates pop-up ads that, if users click on them, pull users away from U-Haul's website and to the advertiser's site instead.

Finally, U-Haul can establish "use" because WhenU.com's pop-up ads appear together with U-Haul's trademarks. "Use" is found when a hyperlink is merely placed adjacent to the holder's trademark; WhenU.com's large pop-up ads, complete with text and images, next to U-Haul's

37. Planned Parenthood Fed'n of Am., Inc. v. Bucci, No. 97-CIV.0629, 1997 U.S. Dist. LEXIS 3338, at *15 (S.D.N.Y.), *aff'd*, 152 F.3d 920 (2d Cir. Mar. 19, 1997); PETA v. Doughney, 263 F.3d 359, 366 (4th Cir. 2001).

38. Courtenay Communications Corp. v. Hall, 334 F.3d 210, 214 n.1 (2d Cir. 2003).

39. Brookfield Communications, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1065 (9th Cir. 1999); Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 465-66 (7th Cir. 2000); Playboy Enters., Inc. v. Asiafocus Int'l, Inc., No. CIV.A 97-734-A, 1998 WL 724000, at *8 (E.D. Va. Apr. 10, 1998).

40. Hard Rock Cafe Int'l, Inc. v. Morton, No. 97CIV.9483(RPP), 1999 WL 717995, at *26 (S.D.N.Y. Sept. 9, 1999). Internet "frames" appear in the same browser window as part of a "single visual presentation," but each frame may be part of an entirely different webpage. *Id.* at *25.

41. *Id.* at *25.

42. *See Planned Parenthood*, 1997 U.S. Dist. LEXIS 3338, at *15; *PETA*, 263 F.3d at 366.

43. *See Brookfield Communications*, 174 F.3d at 1065; *Eli Lilly*, 233 F.3d at 465-66; *Playboy*, 1998 WL 724000, at *8.

trademark as it is encompassed within its website, represent a far more egregious use.[44] The presentation of the pop-up advertisement in conjunction with U-Haul's website is therefore similar to the "framing" situation in *Hard Rock Cafe*.[45] The important factors the *Hard Rock Cafe* court emphasized are also implicated here: (1) computer users might not realize that the pop-up advertisement was not produced by U-Haul's website;[46] (2) U-Haul's URL continued to be displayed in the browser window as the location even after the pop-up window appeared; and (3) the user did not need to engage in any special activity to reach the pop-up window, which required even less action on their part than the *Hard Rock Cafe* users who at least had to click on a link inside the webpage to access the inner frame.[47] This is not the type of situation that *Hard Rock Cafe* contemplated, in which the "distinction between the two sources of material appearing on the screen might be clear to the computer user," a factor the *U-Haul* court found determinative, because in fact it is not clear to the user that the pop-up was generated by any source other than the U-Haul website.[48] In fact, in a 1-800 Contacts, Inc. survey conducted for trial, sixty-eight percent of computer users who had SaveNow installed on their computers were unaware of that fact.[49] Contrary to what the *U-Haul* court seems to indicate by its reference to e-mail notifications that may obscure another window, it is not sheer coincidence that WhenU.com's pop-up and U-Haul's website appear simultaneously to the user. This is precisely the effect WhenU.com intended its pop-ups to have, and as a result, WhenU.com has "used or displayed [U-Haul's trademarks] in the sale or advertising of services."[50]

Furthermore, the *U-Haul* court's findings in this case contribute to a split of authority among the district courts. In a case brought by a different plaintiff against WhenU.com, another district court determined that WhenU.com had used the plaintiff's trademark in such a way as to constitute infringement.[51] First, the court found that use had occurred because WhenU.com's advertisements appeared along with the trademark holder's website. Computer users accessed the holder's site or searched for it based on the strength of the holder's mark and, as a result, the pop-up ads that appeared "capitalized" on this. This is therefore "use in commerce" of the ads for the purpose of advertising the defendant's ser-

44. *See Courtenay Communications*, 334 F.3d at 214 n.1.

45. *See Hard Rock Cafe*, 1999 WL 717995, at *25.

46. *See* Brief of Plaintiff-Appellee at 8, 1-800 Contacts, Inc. v. WhenU.com, Inc., 309 F. Supp. 2d 467 (S.D.N.Y. 2003) (Nos. 04-0026(L), 04-0446(CON)) (plaintiff's survey of Internet users showed that "60% believe that 'pop-up advertisements are placed on the website on which they appear by the owners of that site' and 52% believe that 'pop-up advertisements have been pre-screened and approved by the website on which they appear'").

47. *See Hard Rock Cafe*, 1999 WL 717995, at *25.

48. *Id.* at *26 n.16.

49. Brief of Plaintiff-Appellee at 8, *1-800 Contacts* (Nos. 04-0026(L), 04-0446(CON)).

50. *See* 15 U.S.C. § 1127.

51. *1-800 Contacts, Inc.*, 309 F. Supp. 2d 467 at 489.

vices.[52] Second, "use" was established by WhenU.com's inclusion of the plaintiff's marks in its directory of terms for generating the ads.[53] The *1-800 Contacts* view is better aligned with one of trademark law's main goals, protecting trademark holders from competitors who seek to benefit from the trademark without expending time, money, and effort.[54] WhenU.com is clearly benefiting from U-Haul's goodwill and popularity, and a finding that insulates their use of U-Haul's trademarks, particularly given the intrusive nature of the pop-up ads that block U-Haul's website, serves to controvert the very purpose of the Lanham Act.

Although the *U-Haul* court strived to ensure that legitimate uses of another's trademark were not enjoined by an overly broad definition of "use in commerce," the court could nevertheless have recognized that WhenU.com's overt usage of U-Haul's trademarks in the advertising of its services constituted "use in commerce." By distinguishing between cases where windows unintentionally appear inside a window containing another's trademarks, and the situation here where the software deliberately places the pop-up ad in conjunction with the trademark, such legitimate uses would be left undisturbed. Instead, the *U-Haul* court came to the unwarranted determination that use of trademarks within a program to generate advertisements and the deliberate generation of pop-up windows that piggyback on the goodwill of the trademark holder's website, all for the purpose of advertising services, do not represent "use in commerce." Thus, the court leaves a trademark holder unprotected from infringement.

52. *Id.*
53. *Id.*
54. Neel Chatterjee and Connie E. Merriett, *Pop-Up Advertising as "Use in Commerce" Under the Lanham Act: A Case Analysis*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1113, 1129, 1131 (2004).

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