

# TRADEMARK INFRINGEMENT AND POP-UP ADS: TAILORING THE LIKELIHOOD OF CONFUSION ANALYSIS TO INTERNET USES OF TRADEMARKS

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In the 1950s—Surveys showed that people preferred their daughters not to marry advertising men.<sup>1</sup>

No surveys have been conducted, but one can confidently assert that most people prefer that their sons, daughters, and distant relatives not marry pop-up advertisers. Despite their negative public image, online marketing companies that use pop-up ads are profiting and working to establish themselves as reputable businesses that will revolutionize marketing. Recently, law suits brought by website-owning businesses have threatened to topple these companies. Thus far, trademark infringement is the only cause of action that may require pop-up advertisers to change their business methods. The district courts have been divided in their approach to the pop-up ad cases. While one court granted a preliminary injunction for trademark infringement,<sup>2</sup> two other courts declined to apply trademark law.<sup>3</sup> Foreclosing the possibility of applying trademark law would likely lead to confusion and thus higher consumer search costs, but an overly stringent application of trademark law would likely stifle novel marketing methods, thus also increasing consumer costs.

This Note first discusses pop-up ad technology and the use of pop-up ads in commerce by online contextual and behavioral marketing companies, looking beyond these companies' negative public images to their innovative Internet marketing models. Part II reviews trademark infringement law in the Internet context and its role in three recent pop-up ad cases. Part III concludes that while one court correctly decided that pop-up ads are a "use in commerce" under the Lanham Act, courts should not apply the "likelihood of confusion" test too stringently. Otherwise, trade-

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1. The statement continues, "Government economists threatened federal control of advertising. A book calling advertisers 'The Hidden Persuaders' was on the best-seller list for two years." Charles K. Ramond, *How Advertising Became Respectable*, 28 J. MKTG. 1, 2 (1964) (envisioning that by 1999—35 years into the future—advertising would become respectable).

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

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

mark law will stifle new marketing models and technologies. In particular, courts should examine branding, disclaimers, and license agreements when deciding whether the use of trademarks to trigger pop-up ads causes a likelihood of confusion. Finally, this Note argues that courts should examine an additional factor, the “degree of confusion,” to assuage the harshness of the initial interest confusion doctrine.

## I. POP-UP ADVERTISERS: NOVEL BUSINESS STRATEGIES AND TECHNOLOGIES

Pop-up ads are advertisements that appear in separate windows on a computer user’s desktop while the user surfs the Internet. Typically, the window pops up without the user intentionally triggering the action.<sup>4</sup> The ads’ subject matter ranges from pornography to home mortgages to contact lenses. Some pop-up ads are triggered by the host website without the user’s explicit consent, as when the user visits a particular webpage. For example, a visit to [www.nytimes.com](http://www.nytimes.com) can render a pop-up ad displaying the phrase: “appreciation, negotiation, innovation” followed by an ad stating, “the New York Times subscribe today.” Other ads do not originate from the host site and are not triggered with the user’s consent.<sup>5</sup> Some pop-up advertisers have been highly successful in providing pop-up ads with user consent.

In their short history, pop-up ads have acquired notoriety. *Wired News* recently noted, “[M]ost experienced web surfers will tell you that the most annoying aspects of life on the internet are pop-up ads and spam.”<sup>6</sup> One legal article referred to pop-up advertisers as cyberswamp predators.<sup>7</sup> Even the trial judge in a recent pop-up ad case pondered: “Computer users, like this trial judge, may wonder what we have done to warrant the

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4. See *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 476 (S.D.N.Y. 2003).

5. A more menacing situation can occur when a user mistypes a web address and enters a “cybermaze,” an often pornographic “maze of pop-up advertising . . . which sends up even more ads when surfers click the ‘Back’ button on browsers or try to close the windows altogether.” Reuters, *Website Owner Nabbed in Porn Scam*, WIRED NEWS, Sept. 3, 2003 (reporting that federal authorities arrested a suspect for allegedly running “websites that use misspelled addresses to direct children looking for Disneyland or the Teletubbies to graphic sex instead”), at <http://www.wired.com/news/politics/0,1283,60279,00.html>.

6. Adam L. Penenberg, *Ads That Annoy Also Succeed*, WIRED NEWS, Sept. 8, 2004, <http://www.wired.com/news/business/0,1367,64807,00.html>.

7. Jason Allen 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).

punishment of seizure of our computer screens by pop-up advertisements for secret webcams, insurance, travel values, and fad diets.”<sup>8</sup>

Despite society’s predominantly negative perception of them, pop-up advertisers use novel technologies. Unlike spammers, they rely on a user consent model that notifies consumers that they will receive pop-up ads. They also deserve credit for using two novel business concepts, contextual and behavior marketing, that promise to help companies provide ads only when consumers most need them. Pop-up advertisers, embodied by WhenU and Claria (formerly Gator), are profitable as well as innovative. Admittedly, pop-up advertisers must work to confront public image and legal problems, but they are hardly predators or instigators of punishment.

WhenU and Claria rely on user consent to provide pop-up ads.<sup>9</sup> The two advertisers rely on similar methods for matching ads to specific consumers. They provide consumers with cost-free, proprietary software; in exchange, consumers install software that generates pop-up ads. Examples include: WhenU’s ClockSync, which synchronizes the Windows clock with the official standard time;<sup>10</sup> Claria’s KaZaA, a multimedia search feature;<sup>11</sup> or Claria’s ScreenScenes (nature-themed screensavers).<sup>12</sup> Claria and WhenU bundle their cost-free software with the pop-up ad software; a consumer cannot install one program without installing the other. Before downloading the bundled software package, consumers must agree to the terms of a licensing agreement. WhenU’s licensing agreement explains that by accepting the free software, the user agrees to install software that generates contextually relevant pop-up ads and coupons.<sup>13</sup>

Claria and WhenU’s pop-up ad software programs track a user’s web-surfing activities and trigger pop-up ads at designated moments. WhenU’s

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8. *U-Haul*, 279 F. Supp. 2d at 725.

9. Stefanie Olsen, *Adware Maker WhenU ‘Exploring’ Options*, CNET NEWS.COM, June 3, 2004 (“Industry analysts say WhenU and Claria are in the best position to capitalize on the burgeoning online ad market that specializes in targeting people based on their behavior.”), at [http://news.com.com/2102-1024\\_3-5226023.html](http://news.com.com/2102-1024_3-5226023.html). Other such companies include 180 Solutions, DirectRevenue, and Weatherbug. See Stefanie Olsen, *Adware Anxiety Gives Claria Cold Feet*, CNET NEWS.COM, Aug. 12, 2004 [hereinafter *Olsen, Adware Anxiety Gives Claria Cold Feet*], at [http://news.com.com/2102-1024\\_3-5307545.html](http://news.com.com/2102-1024_3-5307545.html).

10. CLOCKS SYNC, WhenU, at [http://www.whenu.com/products\\_clocksync.html](http://www.whenu.com/products_clocksync.html) (last visited Mar. 12, 2005).

11. *How Can Kazaa Be Free?*, KaZaa, at [http://www.kazaa.com/us/help/faq/howis\\_kazaa\\_free.htm](http://www.kazaa.com/us/help/faq/howis_kazaa_free.htm) (last visited Mar. 12, 2005).

12. Software, Claria, at <http://www.claria.com/products/software> (last visited Mar. 12, 2005).

13. *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 739 (E.D. Mich. 2003).

SaveNow software collects URLs, website addresses, search terms, and webpage content and compares this information to the SaveNow directory using a matching algorithm. The algorithm then generates a content-appropriate pop-up ad. In a simple example, when a user types in "1800contacts.com," "the SaveNow software recognizes that the user is interested in the eye-care category, and retrieves from an Internet server a pop-up advertisement from that category."<sup>14</sup> The directory, housed on the user's computer, stays current because SaveNow automatically updates itself when the user is online. WhenU's software does not store individual user information.<sup>15</sup> In contrast, Claria's software tracks a user's long-term web-surfing habits by collecting and *storing* anonymous data.<sup>16</sup>

Such software makes highly-targeted contextual and behavioral marketing possible. On the Internet, contextual marketing is the targeting of users based on their *current* activity.<sup>17</sup> Avi Nader, Chief Executive Officer of WhenU, touted contextual marketing as "delivering something" to consumers "when they need it."<sup>18</sup> Online contextual marketing delivers ads to consumers when they need it, because the software knows when a consumer is interested in traveling to Hawaii or buying a car and has a directory of ads matching those categories. The model is "revolutionary," because it tracks "actual interests."<sup>19</sup> The approach solves several problems inherent in traditional print and television marketing campaigns: it avoids the need for complex demographic studies and the high cost of advertising to a large group to reach a smaller target audience.

Claria takes contextual marketing a step further to behavioral marketing. Behavioral marketing involves the "targeting of consumers based on their Web site behavior, rather than purely by the content of the pages they visit."<sup>20</sup> Thus, Claria is theoretically even better than WhenU at tracking actual interests, because it refines its targeting based on a growing database of individualized information.

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14. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 476 (S.D.N.Y. 2003).

15. The *1-800 Contacts* court found that SaveNow does not store individual user information or track the user's computer usage. *Id.* at 477.

16. Chang Yu, *Behavioral Marketing in Context*, CLICKZ, Aug. 11, 2004, at [http://www.clickz.com/experts/media/behavioral\\_marketing/article.php/3392701](http://www.clickz.com/experts/media/behavioral_marketing/article.php/3392701).

17. *Id.*

18. *1-800 Contacts*, 309 F. Supp. 2d at 481.

19. Avi Nader testified that WhenU was conceived to "revolutionize marketing from implied interest, interests that are deducted [sic] based on who a consumer is and what their personal information is, to actual interests, when you shop, when you travel, when you invest. And that's why we named the company WhenU.com." *Id.*

20. Yu, *supra* note 16.

The ability to determine consumers' actual interests has led WhenU and Claria to great success. They are successful largely because targeted pop-up ads are far more effective than bulk e-mail or other Internet ads.<sup>21</sup> One company claimed, "Pop-ups generate roughly 5 to 10 times the response rate of standard banner units,"<sup>22</sup> and Claria claimed rates 20-40 times higher.<sup>23</sup> Claria has a customer base of over 400 advertisers, including mainstream companies such as American Express and Target.<sup>24</sup> Claria filed for an initial public offering on April 8, 2004, and reported profits in 2003 of about \$35.6 million on revenue of about \$90 million.<sup>25</sup> WhenU's customer base includes J.P. Morgan Chase, Verizon Communications, T-Mobile, and Merck.<sup>26</sup> In June 2004, WhenU confirmed that it had hired an investment bank to explore strategic partnerships and investment options.<sup>27</sup>

Despite pioneering successful Internet marketing models, WhenU and Claria have recently confronted legal and public image problems. WhenU and Claria have become enmeshed in numerous lawsuits. This Note focuses on three recent lawsuits, all brought against WhenU. In August, 2004, Claria postponed its initial public offering, reflecting a lack of investor confidence amid lawsuits and controversy about its behavior-tracking methods.<sup>28</sup> Previously Claria had changed its name from Gator to Claria to distance itself "from a name that ha[d] become synonymous with 'spyware'—that is, ad-tracking software that can be installed surreptitiously."<sup>29</sup> Although Claria and WhenU's business models center on user consent, the extent to which consumers have consented to install their pop-up ad software is debatable. One recent study found that 87% of WhenU users and 75% of Claria users were unaware they had installed pop-up ad

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21. Penenberg, *supra* note 6.

22. *Id.* (quoting Michael Bailey, interactive media supervisor at GSD&M Advertising).

23. *Claria as a Leader in Behavioral Marketing*, Claria, at <http://www.claria.com/advertise> (last visited Mar. 12, 2004).

24. Olsen, *Adware Anxiety Gives Claria Cold Feet*, *supra* note 9.

25. *Id.*

26. Declan McCullagh, *Adware's Going Mainstream, Report Says*, CNET NEWS.COM, June 30, 2004 (reviewing a study prepared by Ben Edelman, a Harvard University graduate student), at [http://news.com.com/2102-1024\\_3-5253029.html](http://news.com.com/2102-1024_3-5253029.html).

27. Olsen, *Adware Anxiety Gives Claria Cold Feet*, *supra* note 9.

28. *Id.*

29. Stefanie Olsen, *Gator Sheds Skin, Renames Itself*, CNET NEWS.COM, Oct. 29, 2003, at [http://news.com.com/Gator+sheds+skin,+renames+itself/2100-1024\\_35099212.html](http://news.com.com/Gator+sheds+skin,+renames+itself/2100-1024_35099212.html).

software.<sup>30</sup> The perception that Claria and WhenU swindle users into installing pop-up generating software has marred their public images.

## II. POP-UP ADS AND TRADEMARK LAW

In the lawsuits led by online media companies and website-owning businesses, plaintiffs have used numerous legal theories against pop-up advertisers, including copyright infringement and contributory infringement, trademark dilution, unfair competition, and various state law claims. With one exception, the only theory capable of affecting the pop-up advertisers and their customers is trademark infringement.<sup>31</sup> Yet courts are divided on whether pop-up ads violate trademark laws. Much of the discussion has focused on trademark's "use in commerce" requirements. This Note first explains the requirements for trademark infringement and then discusses three recent cases: *U-Haul International v. WhenU.com*,<sup>32</sup> *Wells Fargo & Co. v. WhenU.com*,<sup>33</sup> and *1-800 Contacts, Inc. v. WhenU.com*.<sup>34</sup>

### A. Trademark Infringement in the Internet Age

The Lanham Act, passed in 1946, protects trademarks used in commerce.<sup>35</sup> The Act serves two intertwining objectives: to prevent consumer confusion, thereby reducing search costs and promoting competition; and to protect trademark owners' goodwill, thereby creating incentives for such owners to maintain quality standards for the goods and services they offer.<sup>36</sup> The twin goals of trademark law are potentially harmonious. However, some scholars have suggested that when courts overemphasize the goodwill component, they stifle the goal of competition.<sup>37</sup>

The Lanham Act states that any person who, without permission, uses a mark in commerce "in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with

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30. *Eighty-Seven Percent of WhenU Users Are Unaware They Are Using It*, PC PIT-STOP, at <http://www.pcpitstop.com/spycheck/whenu.asp> (last visited Mar. 12, 2005).

31. The exception to this was *Washingtonpost.newsweek Interactive Co. v. Gator Corp.*, which in a very brief opinion granted the plaintiff's motion for a preliminary injunction for various reasons, including copyright infringement. No. 02-909-A, 2002 U.S. Dist. LEXIS 20879, at \*1-\*2 (E.D. Va. July 16, 2002).

32. 279 F. Supp. 2d 273 (E.D. Va. 2003).

33. 293 F. Supp. 2d 734 (E.D. Mich. 2003).

34. 309 F. Supp. 2d 467 (S.D.N.Y. 2003).

35. 15 U.S.C. §§ 1051-1141 (2000).

36. ROBERT P. MERGES ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGY AGE* 529-30 (3d ed. 2003).

37. See Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 788 (2004).

which such use is likely to cause confusion, or to cause mistake, or to deceive” is liable for trademark infringement.<sup>38</sup> A party alleging trademark infringement bears the burden of proving that: 1) it possesses a mark; 2) the allegedly infringing party used the mark or a similar mark in connection with the sale, offering for sale, distribution, or advertising of goods or services; 3) such use of the mark occurred in commerce; and 4) the allegedly infringing party used the mark in a manner likely to confuse consumers.<sup>39</sup>

Although recent Internet cases have focused on the meaning of “use in commerce,” the “likelihood of confusion” prong remains the “core” of a trademark infringement action.<sup>40</sup> An “appreciable number of ordinarily prudent purchasers” must be confused to invoke the Lanham Act.<sup>41</sup> The federal courts assess likelihood of confusion by examining various factors. Each circuit has its own list of factors, but these factors tend to overlap and are often identical.<sup>42</sup> For instance, the *1-800 Contacts* court applied the eight-factor *Polaroid* test.<sup>43</sup> The *Wells Fargo* court applied the similar

38. Lanham Act § 32, 15 U.S.C. § 1051; *see also* Lanham Act § 2(d), 15 U.S.C. § 1052 (prohibiting the registration of a mark “which so resembles” a senior mark “as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive . . .”); Lanham Act § 43, 15 U.S.C. § 1125 (making liable in a civil action “any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or misleading representation of fact which (A) is likely to cause confusion, or to cause mistake, or to deceive . . .”).

39. *See* *U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 727 (E.D. Va. 2003).

40. *Brookfield Communications, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1053 (9th Cir. 1999) (“The core element of trademark infringement is the likelihood of confusion, i.e., whether the similarity of the marks is likely to confuse customers about the source of the products.” (citation omitted)); *accord* *Nautilus Group, Inc. v. ICON Health & Fitness, Inc.*, 372 F.3d 1330, 1344 (quoting *What-A-Burger, Inc. v. Whataburger, Inc.*, 357 F.3d 441, 450 (4th Cir. 2004) (“The keystone of infringement is the likelihood of confusion.”) (internal quotation marks omitted)); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1089 (10th Cir. 1999) (“Likelihood of confusion forms the gravamen for a trademark infringement action.”); *E&J Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir. 1992)).

41. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 490 (S.D.N.Y. 2003).

42. *See* 2-5 JEROME GILSON & ANNE GILSON, *TRADEMARK PROTECTION AND PRACTICE* § 5.01 n.19 (2004) (emphasizing the overlap between circuits and comparing the First, Second, Seventh, Ninth, and Eleventh Circuits).

43. *1-800 Contacts*, 309 F. Supp. 2d at 494. According to the *1-800 Contacts* court, the *Polaroid* factors are:

1) the strength of Plaintiff’s Mark;

eight-factor *Frisch* test, which looks at “the marketing channel used,” but not at the quality of the defendant’s mark.<sup>44</sup> The circuits agree that these factors are not exhaustive.<sup>45</sup>

In proving likelihood of confusion, a plaintiff need not show actual confusion.<sup>46</sup> The absence of actual confusion does not necessarily prove that confusion is unlikely.<sup>47</sup> Nevertheless, evidence of actual confusion “is highly probative of the likelihood of consumer confusion.”<sup>48</sup>

Likelihood of confusion can exist at the point of sale, or at a point prior or subsequent to the sale. Much of the controversy surrounding trademark use on the Internet has involved initial interest confusion.<sup>49</sup> The recent *PETA* case illustrates how the initial interest confusion doctrine has been applied in an Internet context.<sup>50</sup> A person entering “www.peta.org” and finding the “People Eating Tasty Animals” website could not mistake the site for the People for Ethical Treatment of Animals (PETA) website, yet the Fourth Circuit found that a likelihood of initial interest confusion

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

*Id.* (quoting *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

44. *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 764 (E.D. Mich. 2003) (citing to the factors articulated in *Frisch’s Rest., Inc. v. Elby’s Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982)).

45. See *1-800 Contacts*, 309 F. Supp. 2d at 494 (explaining that the “*Polaroid* factors are not always dispositive” and courts “may consider other variables” and ignore “irrelevant factors”); *Wells Fargo*, 293 F. Supp. 2d at 764 (“These factors are not exhaustive and courts may consider some or none of them, or expand upon them.”).

46. See *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 464 (4th Cir. 1996) (“Evidence of actual confusion is unnecessary.”).

47. See *PACCAR, Inc. v. TeleScan Techs., L.L.C.*, 319 F.3d 243, 252 (6th Cir. 2003) (“[T]he absence of actual confusion evidence is inconsequential.”).

48. See *Duncan McIntosh Co. v. Newport Dunes Marina, L.L.C.*, 324 F. Supp. 2d 1078, 1085 (C.D. Cal. 2004) (stating that any evidence of actual confusion is substantial evidence that confusion is likely); *1-800 Contacts*, 309 F. Supp. 2d at 499 (“Proof of actual confusion, in the form of [fair and relevant] market research survey evidence, is highly probative of the likelihood of consumer confusion.”).

49. See, e.g., Joseph Marra, Notes, *Playboy Enterprises, Inc. v. Netscape Communications Corp.: Making Confusion a Requirement for Online Initial Interest Confusion*, 20 BERKELEY TECH. L.J. 209 (2005).

50. *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001).

existed.<sup>51</sup> The court found that the defendant's use of the mark in the domain name was "likely to prevent users from reaching" the plaintiff's website, because "prospective users . . . may fail to continue to search for PETA's own home page, due to anger, frustration, or the belief that PETA's home page does not exist."<sup>52</sup> The Fourth Circuit found that this initial interest confusion constituted trademark infringement under the Lanham Act.

Almost all the federal circuits recognize initial interest confusion in situations where the defendant uses the plaintiff's trademark or a similar mark to lure away consumers.<sup>53</sup> Notably, the First Circuit only recognizes confusion surrounding a consumer's purchase decision. The First Circuit declines to recognize initial interest confusion that does not result in a consumer purchasing the defendant's goods or services.<sup>54</sup> The Sixth Circuit has neither adopted nor acknowledged the initial interest confusion doctrine in recent Internet cases, instead focusing not on when the confusion occurred but on whether "there is a likelihood of confusion between the parties' goods and services."<sup>55</sup>

## **B. Pop-up Advertisers' Methods May Violate Trademark Law**

At the end of 2003, three district courts considered the issue of whether WhenU's pop-up ads violate trademark law. Although two district court cases found that WhenU had not broken any laws, another district court issued a preliminary injunction for trademark infringement.<sup>56</sup> It remains to be seen which court's view will prevail.

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51. *Id.*

52. *Id.* (brackets omitted).

53. Most circuits have reasoned that when in 1962 Congress removed the "purchasers" from the Lanham Act, Congress meant to extend trademark protection to presale and post-sale confusion. Deborah F. Buckman, Annotation, *Initial Interest Confusion Doctrine Under Lanham Trademark Act*, 183 A.L.R. FED. 553, § 2 (2004).

54. See *Hasbro, Inc. v. Clue Computing, Inc.*, 232 F.3d 1, 2 (1st Cir. 2000) ("Certainly in a case involving such disparate products and services as this, the court's refusal to enter the 'initial interest confusion' thicket is well taken given the unlikelihood of 'legally significant' confusion."). But see *EMC Corp. v. Hewlett-Packard Co.*, 59 F. Supp. 2d 147, 151 (D. Mass. 1999) (asserting that the First Circuit does not reject the initial interest doctrine, because had it rejected it the First Circuit would likely have more thoroughly discussed it).

55. *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 764 (E.D. Mich. 2003).

56. The plaintiffs in these lawsuits also asserted various other causes of actions, with little success. For instance, U-Haul sued WhenU and others on nine counts that included trademark infringement, unfair competition, and trademark dilution under the Lanham Act, copyright infringement, misappropriation, interference with a prospective

1. U-Haul Int'l, Inc. v. WhenU.com, Inc.: *WhenU Prevails on All Counts*

U-Haul International (U-Haul) learned that consumers running WhenU's SaveNow software sometimes found more than U-Haul trucks, moving boxes, and services when visiting U-Haul's website. These consumers also found pop-up ads featuring Budget Rent-A-Car, Moversbay.com, and Door-to-Door Storage.<sup>57</sup> U-Haul sued WhenU and its customers (collectively WhenU for this Subsection) in the United States District Court for the Eastern District of Virginia, alleging, among other counts, trademark infringement. Both U-Haul and WhenU moved for summary judgment.<sup>58</sup> On September 5, 2003, the court granted WhenU's motion for summary judgment on the trademark infringement claim.<sup>59</sup>

The court found that U-Haul failed to meet the "use in commerce" element of the trademark infringement analysis.<sup>60</sup> U-Haul contended that WhenU used its mark in commerce in two ways. First, WhenU used U-Haul's trademark when its pop-up ads appeared in close proximity to the window containing U-Haul's website. Second, WhenU used the mark to trigger the pop-up ads.<sup>61</sup> U-Haul also argued that WhenU's system interfered with consumers' use of the U-Haul website.<sup>62</sup>

The court rejected WhenU's arguments. First, it found that the WhenU ad appeared in a branded window that was separate and distinct from the U-Haul window. It emphasized that use in commerce "is not established merely because trademarks are simultaneously visible to a consumer."<sup>63</sup> Second, it found that WhenU's inclusion of U-Haul's URL and mark into the SaveNow directory was not a use in commerce. Also, it found that WhenU's scheme did not interfere with a consumer's use of U-Haul's website, since SaveNow did not affect U-Haul's computer servers and the consumers had agreed to install the SaveNow software.<sup>64</sup> Having found that U-Haul failed to show a "use in commerce," the court granted the de-

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business advantage, unjust enrichment, and violations of the Virginia Conspiracy Act. However, when U-Haul and WhenU moved for summary judgment, the court dismissed all the claims. *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 726 (E.D. Va. 2003).

57. Plaintiff's Complaint, *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) (No. 02-1469).

58. *U-Haul*, 279 F. Supp. 2d at 726.

59. *Id.* at 726.

60. *Id.*

61. *Id.* at 727.

62. *Id.*

63. *Id.* at 728.

64. *Id.* at 727-28.

defendants' motion for summary judgment on the trademark infringement claim.<sup>65</sup>

2. Wells Fargo & Co. v. WhenU.com, Inc.: *WhenU Prevails Again*

WhenU won a second victory in the United States District Court for the Eastern District of Michigan. Wells Fargo<sup>66</sup> and Quicken Loans, Inc. (Quicken Loans) sought a preliminary injunction, claiming irreparable harm from trademark and copyright infringement.<sup>67</sup> Since a preliminary injunction is an "extraordinary" and "drastic" remedy,<sup>68</sup> the *Wells Fargo* plaintiffs faced a heavy burden. In deciding whether to issue a preliminary injunction, a court considers whether: 1) the movant has shown a strong likelihood of success on the merits; 2) the movant will suffer irreparable harm if the court fails to issue the injunction; 3) the issuance would cause substantial harm to others; and 4) issuing the injunction would serve the public interest.<sup>69</sup> The *Wells Fargo* court determined that all four factors favored WhenU. Thus, on November 19, 2004, the court denied the injunction, finding that: the plaintiffs were unlikely to prevail on the merits of the trademark infringement and copyright claims; that they had not suffered irreparable harm; and that the issuance of a preliminary injunction would harm WhenU, WhenU's customers, and consumers.<sup>70</sup>

The court began its analysis by finding that the plaintiffs failed to demonstrate a strong likelihood of success on the merits of their trademark infringement claim.<sup>71</sup> Like the *U-Haul* court, the *Wells Fargo* court found that WhenU had not used the plaintiffs' marks in commerce.<sup>72</sup> The court rejected the plaintiffs' arguments, which essentially reiterated U-Haul's "use in commerce" arguments.<sup>73</sup> First, the court reasoned that WhenU did not hinder access to plaintiffs' sites. Second, the court found that simulta-

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65. *Id.* at 729. For the same reason, the court granted summary judgment on the trademark dilution and unfair competition claims. To prove trademark dilution, the plaintiff must show that the defendant is making a commercial use of the mark in commerce. The unfair competition claim also required a showing of use in commerce as defined by the Lanham Act. *Id.* at 729.

66. Wells Fargo here is used to denote WFC Holding Corp. and Wells Fargo & Co.

67. *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 757, 769 (E.D. Mich. 2003).

68. *Id.* at 757.

69. *Id.* at 756-57.

70. *Id.* at 756-73.

71. Likewise, the court found that plaintiffs failed to show a likelihood of success on the copyright claims. *Id.* at 769.

72. *Id.* at 757-58.

73. *Id.* at 758.

neous visibility of trademarks in separate windows did not establish a use in commerce of the plaintiffs' marks. The court distinguished *Hard Rock Cafe International, Inc. v. Morton*, because in that case the Hard Rock Hotel logo bordered another webpage.<sup>74</sup> The court reasoned that, in contrast to *Hard Rock Cafe*, in this case there was no seamless presentation between the well-marked WhenU ads and the plaintiffs' webpages.<sup>75</sup> Third, it found that WhenU engaged in legitimate comparative advertising.<sup>76</sup> Lastly, the court found that the inclusion of trademark-containing URLs into the SaveNow directory did not violate the Lanham Act, because WhenU did not use the plaintiffs' marks to indicate anything about the source of the products and services it advertises.<sup>77</sup>

Though it was unnecessary to delve into the likelihood of confusion question, the *Wells Fargo* court explored the issue in dicta.<sup>78</sup> The court applied the *Frisch* test, but discussed only three factors that remained in dispute: evidence of actual confusion, marketing channels used, and likely degree of purchaser care.<sup>79</sup> The court found that the plaintiffs had relied on unconvincing survey evidence that weakened all three factors. Moreover, it found that the record suggested a relatively high degree of consumer sophistication, since even the plaintiffs' expert acknowledged that, "people who decide to obtain a mortgage online may be more knowledgeable about the Internet than ordinary users" and that consumers are likely to be attentive to financial affairs.<sup>80</sup> Additionally, the court found "good reason to believe that the typical SaveNow user" would not be confused, because these users were accustomed to receiving competing ads, WhenU branded its ads and displayed a prominent disclaimer, and the ads appeared in distinct windows.<sup>81</sup>

Having failed to prove a likelihood of success on the merits, the plaintiffs were not entitled to a presumption of irreparable harm.<sup>82</sup> The court then found that the plaintiffs had not "demonstrated irreparable or even substantial injury," because the fact that the plaintiffs waited a long time to seek an injunction indicated that there was no such threat.<sup>83</sup> Lastly, the

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74. *Id.* at 760-61.

75. *Id.*

76. *Id.* at 761-62.

77. *Id.* at 762-64.

78. *See id.* at 764.

79. *Id.* at 765.

80. *Id.* at 750, 767.

81. *Id.* at 749-50.

82. *Id.* at 771 (citing *Ronald Mayott & Assocs. v. MGC Bldg. Co.*, 885 F. Supp. 148, 153 (E.D. Mich. 1994)).

83. *Id.* at 771.

court found that a preliminary injunction would harm WhenU through loss of clients and staff, harm WhenU customers by preventing them from competing, and harm consumers by threatening comparative advertising.<sup>84</sup> Having prevailed on all the preliminary injunction elements, WhenU scored a clear victory.

3. 1-800 Contacts, Inc. v. WhenU.com, Inc.: *WhenU's Good Fortune Changes*

The third of the WhenU lawsuits marked an important shift in the fortunes of plaintiffs hoping to stop WhenU. In *1-800 Contacts, Inc. v. WhenU.com, Inc.* 1-800 Contacts, Inc. sought a preliminary injunction against its competitor, Vision Direct, and WhenU, alleging eight claims under the Lanham Act and Copyright Act and two state laws claims.<sup>85</sup> On December 22, 2003, the Southern District of New York granted a preliminary injunction enjoining WhenU from including the 1-800 Contacts mark in the SaveNow directory and from causing Vision Direct ads to appear when a user types the 1-800 Contacts mark into the URL bar or a search engine.<sup>86</sup>

Expressly stating that it disagreed with the *U-Haul* and *Wells Fargo* decisions,<sup>87</sup> the *1-800 Contacts* court found that WhenU had used the plaintiff's mark in commerce. The court found that two activities constituted "use in commerce": 1) a use in the SaveNow directory to trigger the pop-up ads, and 2) a use in causing competitors' ads to appear when consumers seeking another site enter a mark into a URL bar or search engine.<sup>88</sup> First, citing domain name cases, the court reasoned that inclusion of the defendant's mark in the directory of terms together with the purpose to advertise directly competing goods was a use in commerce.<sup>89</sup> Under the court's reasoning, the use of a trademark in a directory without more would not constitute a use in commerce, similar to the domain name cases, where registration, without more, does not constitute a use in commerce.<sup>90</sup> However, the added purpose of exhibiting directly competing goods made it trademark use. Second, the court reasoned that using a consumer's prior

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84. *Id.* at 772-73.

85. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 471-73 (S.D.N.Y. 2003).

86. *Id.* at 509-10.

87. *Id.* at 490 n.43 (stating that the court was not bound by the *Wells Fargo* and *U-Haul* findings that inclusion of the plaintiff's trademark in the SaveNow directory was not a "use").

88. *Id.* at 489.

89. *Id.*

90. *See id.* at 489-90.

knowledge of the plaintiff's trademark to exhibit its own directly competing goods or services constituted trademark use.<sup>91</sup> Further, the court emphasized that the defendant was capitalizing on the plaintiff's "reputation and goodwill."<sup>92</sup>

The court found a likelihood of source and initial interest confusion.<sup>93</sup> Having found a likelihood of success on the trademark infringement claim, the court presumed irreparable harm.<sup>94</sup> Thus, the court granted a preliminary injunction against the defendants.

### III. A BETTER APPROACH TO THE TRADEMARK INFRINGEMENT ANALYSIS FOR POP-UP ADS

Courts should continue to apply the use in commerce requirement broadly so as extend to Internet uses of trademarks. Likelihood of confusion should be the focus of the Internet cases. In applying the likelihood of confusion factors, courts should examine "other factors," specifically the existence of disclaimers and branding. Further, this Note suggests that courts should examine an additional factor, the "degree of confusion."

#### A. A Flexible "Use" Requirement

Contrary to commentary by scholars and the courts in the recent *Wells Fargo* and *U-Haul* cases, the use in commerce requirement is not an appropriate gatekeeping device to prevent trademark infringement law from reaching into pop-up ads.<sup>95</sup> Since the Internet's advent, most courts have applied the "use in commerce" concept flexibly. In contrast, *Wells Fargo* and *U-Haul* took a rigid view of use in commerce. One can envision many possibilities where such a rigid approach to use in commerce would allow competitors to confuse consumers. Rather, the focus of the analysis should reside in likelihood of confusion, the keystone of trademark infringement.

##### 1. *Courts Have Applied "Use in Commerce" Flexibly to Internet Cases*

When Congress passed the Lanham Act in 1946, it could not have foreseen today's Internet society. However, courts have found the statute's language sufficiently broad to permit applying the statute to Internet uses of trademarks. As new technologies have emerged, many federal courts

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91. *Id.*

92. *Id.*

93. *Id.* at 504-05.

94. *Id.*

95. See Dogan & Lemley, *supra* note 37, at 805-12.

have flexibly interpreted “use in commerce” as defined by the Lanham Act.

Courts have generally found that using another’s trademark name in a second-level domain name (the name before the “.com” or “.edu,” etc.) is a use in commerce.<sup>96</sup> While registration alone is insufficient for commercial use,<sup>97</sup> using a domain name can be infringing when the registrant also capitalizes on the domain name to promote his own ends. For example, in *Planned Parenthood Federation of America v. Bucci*, the court found a use in commerce where the defendant registered the domain name “plannedparenthood.com,” used it as the site address to promote his anti-abortion book, and used it in a way “likely to prevent some Internet users from reaching plaintiff’s own Internet site.”<sup>98</sup> Similarly, courts have found that “use in commerce” encompasses the use of trademarks in metatags, embedded software code that describes webpage content.<sup>99</sup>

## 2. *1-800 Contacts Provides the Right Approach to “Use in Commerce”*

The *1-800 Contacts* court applied a well-reasoned approach in holding that the defendants used 1-800 Contacts’ mark in commerce. Its approach is flexible yet reasonable. In contrast, the *U-Haul* and *Wells Fargo* courts rigidly approached trademark use. The plaintiffs in both cases presented similar rationales. They argued that the defendants used the mark by hindering Internet users from access to the plaintiffs’ websites by positioning the pop-up ads in close proximity to the plaintiffs’ websites and by using

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96. See, e.g., *OBH, Inc. v. Spotlight Mag., Inc.*, 86 F. Supp. 2d 176, 186 n.8 (W.D.N.Y. 2000).

97. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949 (C.D. Cal 1997), *aff’d*, 194 F.3d 980 (9th Cir. 1999).

98. No. 97 Civ. 0629, 1997 WL 133313, at \*4 (S.D.N.Y. Mar. 24, 1997), *aff’d*, 152 F.3d 920 (2d Cir. 1998).

99. Metatags are HTML code intended to describe the contents of the website. There are different types of metatags, but those of principal concern to us are the “description” and “keyword” metatags. The description metatags are intended to describe the website; the keyword metatags, at least in theory, contain keywords relating to the contents of the website. The more often a term appears in the metatags and in the text of the web page, the more likely it is that the web page will be “hit” in a search for that keyword and the higher on the list of “hits” the web page will appear.

*Brookfield Communications, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999).

their marks to trigger pop-up ads.<sup>100</sup> The courts separately examined each activity that might constitute a use in commerce. In *U-Haul*, the court reasoned that proximity was insufficient because WhenU used separate windows and simultaneously visible windows did not establish use. WhenU's inclusion of the marks in the SaveNow directory was not a trademark use, because WhenU did not sell the mark to customers or display the mark in pop-up ads. Lastly, the court reasoned that the pop-up scheme did not interfere with consumer use as in *PETA*, because here consumers had consented to install such a software program.<sup>101</sup> The *Wells Fargo* court made similar argument as to the first two points, but instead of focusing on consumer consent, the court reasoned that WhenU did not hinder access to the plaintiffs' websites because unlike in *PETA*, consumers still had access to the plaintiffs' webpages—to fully view the plaintiffs' websites, consumers needed only to close or minimize the pop-up window.<sup>102</sup>

Taking each reason separately, the *U-Haul* and *Wells Fargo* courts make persuasive arguments, but the courts failed to consider the entire scheme. WhenU did not randomly trigger an ad that was in close proximity to a competitor's website, nor did it place the plaintiff's mark and domain name in the SaveNow directory for any purpose other than to trigger directly competitive ads. WhenU combined these two uses of the plaintiffs' trademarks in a manner potentially confusing to consumers and with a scheme that potentially interferes with consumers' use of the plaintiff's website. If a consumer had believed that the ad was affiliated or sponsored by the desired website, then the consumer might have clicked on the link in the pop-up ad and found himself in another website, an experience that could discourage him from returning to the defendant's website. *U-Haul* and *Wells Fargo* took a narrow view of use in commerce, possibly to avoid the difficult case-by-case determination that the likelihood of confusion analysis requires.

## B. Likelihood of Confusion is the Keystone of the Analysis

Likelihood of confusion, not use in commerce, is the keystone of the trademark infringement analysis. Stacey L. Dogan and Mark Lemley suggest that the use in commerce doctrine furthers the "fundamental goal of lowering search costs."<sup>103</sup> A better way to lower consumer search costs,

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100. See *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 757-58 (E.D. Mich. 2003); *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 727 (E.D. Va. 2003).

101. *U-Haul*, 279 F. Supp. 2d at 727-29.

102. *Wells Fargo*, 293 F. Supp. 2d at 757-61.

103. Dogan & Lemley, *supra* note 37, at 810.

however, is through a stricter application of likelihood of confusion analysis. It would be unfair to trademark holders and consumers to interpret “use in commerce” so narrowly as to forgo the use of trademark law in situations where the defendant has made some use of the mark that may cause confusion.

1. 1-800 Contacts *Wrongly Found a Likelihood of Confusion*

Instead of employing “use in commerce” as a gate-keeping function, the *1-800 Contacts* court should have found that 1-800 Contacts failed to show a likelihood of succeeding on trademark infringement.<sup>104</sup> Several factors require discussion.

The *1-800 Contacts* court found that the “similarity between Plaintiff’s and Defendant’s mark” was great, because “[t]he website address, www.1800contacts.com, used by Defendants in the SaveNow proprietary directory of terms incorporates completely the Plaintiff’s trademark 1-800 CONTACTS” and “[a]s used in the WhenU.com directory, Plaintiff’s address, www.1800Contacts.com, differs from Plaintiff’s trademark only in the omission of spaces and grammatical marks, and in the addition of the ‘www’ and ‘.com.’”<sup>105</sup> In traditional cases—where, for example, a handbag manufacturer incorporates a mark very similar to the mark of a luxury handbag manufacturer—this factor makes sense. In pop-up ad cases, the use of the mark is more subtle, since the mark does not appear on the pop-up ad itself—it is hidden in the directory or appears in a separate window. Thus, the court’s finding that the mark used by the defendants was “extremely similar” to the plaintiff’s mark is not very relevant. This factor should only weigh slightly for the plaintiff, since in this situation the similarity of the marks itself does not cause confusion. Rather, it is the circumstances surrounding the use of this similar, if not exact, mark that might cause confusion.

The *1-800 Contacts* court cited numerous sources holding that the “sophistication of consumers does not mitigate initial interest confusion, since sophisticated consumers are as likely to be initially confused as unsophis-

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104. The *1-800 Contacts* court found a likelihood of confusion, even though it was insufficient to meet the plaintiff’s burden. Since 1-800 Contacts was seeking the “drastic” remedy of a preliminary injunction, it needed to show a strong likelihood of success on the merits. The court found the eight-factor *Polaroid* test weighed in favor of 1-800 Contacts. Specifically it found that 1) strength of the mark; 2) similarity between plaintiff’s and defendant’s mark; 3) proximity of the parties’ services; 4) bad faith of the defendant in using the mark; and 5) consumer sophistication weighed in favor of the plaintiff. The court also rejected WhenU’s arguments that branding and consent weighed in its favor. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 495-504 (S.D.N.Y. 2003).

105. *Id.* at 497.

ticated consumers.”<sup>106</sup> In the context of pop-up ads, however, this rationale does not apply. Sophisticated users likely know that pop-up ads do not always originate from the website they are visiting. Moreover, the court never looked at what type of Internet users buy contact lenses.

Lastly, the *1-800 Contacts* court too easily dismissed the “other factors”: branding and disclaimers.<sup>107</sup> Branding and disclaimers can greatly reduce or eliminate the likelihood of confusion. The WhenU pop-up ads were branded with a green “\$” and the text “SaveNow!”,<sup>108</sup> and also contained a disclaimer stating, “A WhenU offer—click? for info.”<sup>109</sup> The court failed to discuss the clearest disclaimer of all: the software licensing agreement to which the user consented. Although the burden on the defendant to “come forward with evidence sufficient to demonstrate that its disclaimers would significantly reduce the likelihood of consumer confusion is a heavy one,”<sup>110</sup> it would be inequitable to require the defendant to show actual effectiveness when the plaintiff need not show actual confusion. Branding and disclaimers, if conspicuous, should weigh in the defendant’s favor.

Moreover, the *1-800 Contacts* court stated, “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>111</sup> To support its argument, the court cited meta-tag cases where consumers could not read disclaimers until they arrived at the defendant’s website.<sup>112</sup> Here, the SaveNow users received the information before arriving at the defendant’s website and while they still had the plaintiff’s website in view. Thus, WhenU’s branding and disclaimers should have countered the plaintiff’s showing of the likelihood of initial interest confusion.

The *1-800 Contacts* court’s notion that WhenU and Vision Direct were bad actors may have influenced the court’s application of the *Polaroid*

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106. *Id.* at 503 (quoting *N.Y. State Soc’y of Certified Pub. Accountants v. Eric Louis Assocs., Inc.*, 79 F. Supp. 2d 331, 341-42 (S.D.N.Y. 1999)).

107. *Id.* at 504.

108. *Id.*

109. *Id.* After the lawsuit commenced, WhenU added a more thorough disclaimer; however, the court considered only the disclaimer used at the time the lawsuit was filed. *Id.* at 504 n.55.

110. *Id.* at 504 (internal citations omitted).

111. *Id.* (citing *OBH, Inc. v. Spotlight Magazine Inc.*, 86 F. Supp. 2d 176, 190 (W.D.N.Y. 2000); *N.Y. State Soc’y of Certified Publ. Accountants v. Eric Louis Assocs.*, 79 F. Supp. 2d 331 (S.D.N.Y. 1999); *Planned Parenthood Fed’n of Am., Inc. v. Bucci*, No. 97 Civ. 0629, 1997 WL 133313 (S.D.N.Y. Mar. 24, 1997)).

112. *Id.*

test. The court found that the “bad faith” factor weighed in favor of 1-800 Contacts, since the defendants intentionally capitalized on Vision Direct’s “reputation and goodwill,” by purposely selecting 1-800 Contacts’ mark for its SaveNow directory.<sup>113</sup> Additionally, the court found that 1-800 Contacts had a likelihood of success for its cybersquatting claim against Vision Direct, which had registered and maintained the “www.1800Contacts.com” domain name with bad faith—a name “almost identical” to 1-800 Contact’s “www.1-800Contacts.com” domain name.<sup>114</sup>

## 2. Wells Fargo Better Applied the Likelihood of Confusion Factors

On very similar facts, the *Wells Fargo* court reached a different result for likelihood of confusion when evaluating the plaintiff’s request for a preliminary injunction. Although it noted that its finding of no “use in commerce” made it unnecessary to reach the issue of likelihood of confusion, the *Wells Fargo* court proceeded with the analysis.<sup>115</sup> Applying the *Frisch* test, the court found that Wells Fargo failed to show a likelihood of confusion. The court stated that the only factors in dispute were actual confusion, marketing channels used, and likely degree of purchaser care. For each of those factors, *Wells Fargo* had relied on survey evidence, the same evidence that appeared in *1-800 Contacts*. The *Wells Fargo* and *1-800 Contacts* courts agreed that the survey evidence was unpersuasive.

More importantly, *Wells Fargo* approached the sophistication factor differently than in *1-800 Contacts*. Noting that “there are obvious differences between conducting financial transactions online and buying contact lenses online,” the court found the record suggested “a relatively high degree of sophistication on the part of plaintiffs’ customers, both with respect to the Internet and financial services.”<sup>116</sup> Although the court questioned the sophistication of contact lenses buyers, it at least considered the sophistication of the consumer group and relied on evidence rather than supposition.

## 3. The Solution: Other Factors for Internet Cases

The circuits agree that the factors of the “likelihood of confusion” tests are not dispositive. The *1-800 Contacts* court did not reject that disclaimers and branding may factor into the analysis, but did not find strong evi-

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113. *Id.* at 501-02.

114. *Id.* at 505-07.

115. *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 764 (E.D. Mich. 2003).

116. *Id.* at 767.

dence that they weighed in the defendants' favor, possibly because it felt defendants were bad actors. However, disclaimers and branding, when used effectively, should weigh heavily in favor of the defendants. In finding effectiveness of disclaimers or branding, the courts should not require defendants to show survey evidence, because they do not require that of the plaintiffs who bear the ultimate burden of showing confusion. Moreover, in the context of pop-up ads and similar online tools, disclaimers and branding can reduce the likelihood of initial interest confusion because these devices inform consumers of the ad's source before they enter a competing website.

Another factor, which the courts have not considered, may help solve a problem inherent in the current likelihood of confusion analysis. Although a person's attention span is shorter on the Internet, the proposition that one second's worth of initial interest confusion is sufficient is problematic. The problem arises because the plaintiff has suffered little damage, and consumers have incurred minimal additional search costs. Dogan and Lemley explain the rationale underlying the likelihood of confusion analysis: "[C]onfusion diverts customers to a competitor of the trademark holder and 'switching costs' keep them there, uncertainty enters the trademark-product connection, which ultimately increases consumer search costs."<sup>117</sup> They correctly point out that in the online context, "switching costs are minimal, confusion is frequently speculative, and many defendants have persuasive arguments that their uses bring benefits to consumers."<sup>118</sup> One of their main solutions, requiring competitive proximity, is not helpful in the pop-up ad cases, because in these cases competitive proximity exists yet the switching costs remain low.<sup>119</sup>

A more workable approach to the problem would be to limit initial interest confusion by evaluating the "degree of confusion." This factor would involve looking at the diversion's length of time, the difficulty in returning to one's target website, and the likelihood that the same person would be confused again. This factor would weigh heavily in favor of pop-up advertisers, because the diversion might be a fraction-of-a-second glance at the pop-up window. This factor would be less favorable to defendants in domain name or metatag cases, since consumers might spend more time dispelling the confusion, especially since these situations are less predictable. A consumer usually expects that entering the business's name into the web address will lead to that business's site. In contrast, as

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117. Dogan & Lemley, *supra* note 37, at 814.

118. *Id.* at 815.

119. *Id.* at 826-27.

competitive advertising through pop-up ads becomes more common, consumers will know that pop-up ads do not always originate from the underlying website. A “degree of confusion” factor would inject common sense into the initial interest confusion analysis, because it would take into account the “switching costs” that motivate the initial interest confusion doctrine.

4. *A “Degree of Confusion” Factor Would Preserve Innovative New Technologies and Business Methods that Foster Competition*

Already, courts have developed a doctrine that permits at least some confusion. As the *Wells Fargo* court emphasized, WhenU is engaged in legitimate comparative advertising. The court stated, “In accusing WhenU of ‘free riding’ on their trademarks, plaintiffs ignore the fact that trademark laws are concerned with source identification. They are not meant to protect consumer good will [sic] created through extensive, skillful, and costly advertising.”<sup>120</sup> Further, comparative advertisers may make use of the trademark holder’s mark.<sup>121</sup> The Seventh Circuit even held that some confusion is acceptable when the defendant is engaged in competitive advertising, explaining that “some [consumers] are bound to misunderstand no matter how careful a producer is.”<sup>122</sup> Likewise, some SaveNow users are bound to misunderstand no matter how careful WhenU is, but many users will benefit from ads and coupons that appear right at the moment they are searching for them. This is especially true because the technology that SaveNow employs is still nascent.

Allowing some confusion invites some free-riding. One scholar suggests that the cost of decreased “producers’ incentives to conduct business online and to provide customers with high-quality online services . . . militates in favor of applying the initial interest confusion doctrine” broadly on the Internet.<sup>123</sup> Arguably, the benefit of increased competition outweighs the negative economic costs.<sup>124</sup> The cost-benefit analy-

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120. *Wells Fargo*, 293 F. Supp. 2d at 761 (internal citations omitted and alteration in original).

121. *Id.*

122. *Id.* (quoting *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 618 (7th Cir. 1995)).

123. Note, *Confusion in Cyberspace: Defending and Recalibrating the Initial Interest Confusion Doctrine*, 117 HARV. L. REV. 2387, 2401 (2004).

124. Further, trademark law has permitted some free-riding in the marketplace. With little fear of the trademark laws, an aspiring restaurateur can open an Italian restaurant next door to a trendy Italian restaurant. Trademark law stops free-riding of a competitor’s goodwill only when there is a likelihood of confusion.

sis indicates that if switching costs are low, there will be little economic effect to the competitor. Moreover, the online business will benefit from offering high-quality Internet services, since it is precisely this type of better service that will motivate the consumer to click back to the trademark holder's page.

A "degree of confusion" factor would further prevent courts from crushing technologies and business methods in their infancy. In *1-800 Contacts*, WhenU's expert, Harvard Professor John Deighton, testified that a preliminary injunction in the case would have long-term chilling impacts.<sup>125</sup> This August, Claria put its initial public offering on hold, and other companies may soon feel a chilling effect on their efforts.

Moreover, the legal holdings of these pop-up ad cases will likely have implications far beyond pop-up ads. The recent *Government Employees Insurance Co. (GEICO) v. Google, Inc.* decision demonstrates the possibility of widespread effects.<sup>126</sup> The *GEICO* court relied on *1-800 Contacts* in determining that GEICO sufficiently alleged that the defendants used its protected marks in commerce.<sup>127</sup> The court noted that *1-800 Contacts* was better reasoned than *WhenU* and *Wells Fargo*.<sup>128</sup> The court found that Google's use of the trademarks in its internal computer coding together with its use of GEICO's trademarks to sell advertising and then to link that advertising to results of searches constituted a "use in commerce."<sup>129</sup> Thus, the implications of the use in commerce test have already been felt in an important keyword advertising case.

#### IV. CONCLUSION

Although WhenU and Claria specialize in marketing, they have a public image problem. Web surfers generally find pop-up ads annoying, scholars paint WhenU and Claria as predators, and one court finding in favor of WhenU even questioned what society had done to warrant such punishment. One can tell a different story about these companies. In this story, their online behavioral and contextual marketing models are revolutionary, lowering costs for advertisers and allowing consumers to receive ads when they most want them.<sup>130</sup> These online marketing companies are

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125. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 482 (S.D.N.Y. 2003).

126. No. 1:04CV507, 2004 U.S. Dist. LEXIS 18415 (E.D. Va. Aug. 25, 2004).

127. *Id.* at \*8-\*9.

128. *Id.* at \*9.

129. *Id.* at \*10.

130. The *Wells Fargo* court even found that Quicken Loans "actually benefited from SaveNow." *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 755 (E.D.

profitable and help spur competition, thus lowering costs for consumers. A 1964 article envisioned that traditional marketing companies would be respectable by 1999, and they are.<sup>131</sup> A 2004 note envisions that online behavioral and contextual marketers might be respectable in the future, an outcome which is only feasible if the legal system properly balances society's interest in maintaining competition with its interest in preventing consumer confusion.

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Mich. 2003) (finding Quicken Loan's parent company owns TurboTax, a WhenU customer, and that Quicken Loans has been involved in joint marketing campaigns with TurboTax).

131. Ramond, *supra* note 1.

