

1 UNITED STATES COURT OF APPEALS
2 FOR THE SECOND CIRCUIT
3

4 August Term 2003

5 (Argued April 5, 2004 Decided June 27, 2005)

6 Docket Nos. 04-0026-cv(L), 04-0446-cv(CON)

7 -----x

8
9 1-800 CONTACTS, INC.,

10
11 Plaintiff-Appellee,

12
13 - v. -
14

15 WHENU.COM, INC. and VISION DIRECT, INC.,

16
17 Defendants-Appellants.

18
19 -----x

20
21 B e f o r e : WALKER, Chief Judge, and STRAUB, Circuit Judge.¹

22 Interlocutory appeal in a trademark infringement action
23 challenging the district court's issuance of a preliminary
24 injunction that, inter alia, enjoins defendant from causing
25 "pop up" advertisements to appear on computer screens
26 contemporaneously with the appearance of plaintiff's internet
27 website or otherwise using plaintiff's trademarks.

28 REVERSED and REMANDED with instructions.

1 ¹The Honorable Ellsworth Van Graafeiland, of the United
2 States Court of Appeals for the Second Circuit, was part of
3 this panel, but passed away following oral argument. The
4 appeal is being decided by the remaining two members of the
5 panel, who are in agreement. See 2d Cir. R. § 0.14(b).

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1 Electronic Frontier Foundation urging
2 reversal of the district court
3

4 JOHN M. WALKER, JR., Chief Judge:

5 Defendant-appellant WhenU.com, Inc. ("WhenU") is an
6 internet marketing company that uses a proprietary software
7 called "SaveNow" to monitor a computer user's internet
8 activity in order to provide the computer user ("C-user")
9 with advertising, in the form of "pop-up ads," that is
10 relevant to that activity. Plaintiff-appellee 1-800
11 Contacts, Inc. ("1-800") is a distributor that sells contact
12 lenses and related products by mail, telephone, and internet
13 website. At the time 1-800 filed this action in the United
14 States District Court for the Southern District of New York
15 (Deborah A. Batts, District Judge), it owned a registered
16 trademark in the service mark "WE DELIVER. YOU SAVE." and had
17 filed applications with the United States Patent and
18 Trademark Office on July 8, 1999, to register the service
19 mark "1-800CONTACTS",² and on October 2, 2000, to register the
20 service mark of "1-800CONTACTS" in a specific color-blocked
21 design logo.³

1 ²1-800 obtained registration for this service mark on
2 January 21, 2003.

1 ³This service mark was described as follows:

2
3 Applicant claims the colors yellow, blue and white
4 as part of the mark. The box behind the word
5 CONTACTS is yellow. The border around the yellow

1 1-800 filed a complaint alleging, inter alia,⁴ that WhenU
2 was infringing 1-800's trademarks, in violation of the Lanham
3 Act, 15 U.S.C. §§ 1114(1), 1125(a)(1), by causing pop-up ads
4 of 1-800's competitors to appear on a C-user's desktop when
5 the C-user has accessed 1-800's website. In an Opinion
6 entered January 7, 2004, the district court granted 1-800's
7 motion for a preliminary injunction as it related to 1-800's
8 trademark claims,⁵ and enjoined WhenU from using or otherwise
9 displaying 1-800's trademarks, or anything confusingly
10 similar to such trademarks, in connection with WhenU's
11 contextually relevant advertising. 1-800 Contacts, 309 F.
12 Supp. 2d 467 (S.D.N.Y. 2003). WhenU has filed this

1 box behind the word CONTACTS is blue. The box
2 behind the term "800" is blue. The number one and
3 the word CONTACTS are written in blue. The term
4 "800" is written in white.

1 ⁴In addition to the trademark claims, 1-800 asserts
2 claims for (1) unfair competition, false designation of
3 origin, trademark dilution, and cybersquatting, in violation
4 of § 43 of the Lanham Act, 15 U.S.C. § 1125; (2) copyright
5 infringement and contributory copyright infringement, in
6 violation of the Federal Copyright Act, 17 U.S.C. §§ 101, et
7 seq.; and (3) state law claims for trademark dilution and
8 injury to business reputation, in violation of N.Y. Gen. Bus.
9 L. § 360-1; and (4) common law claims for unfair competition
10 and tortious interference with prospective economic advantage.
11 Several claims name Vision Direct, Inc., one of the 1-800
12 competitors whose advertisements were featured in WhenU's pop-
13 up ads, as either defendant or co-defendant with WhenU.

1 ⁵The district court denied part of 1-800's motion, which
2 related to 1-800's copyright claims.

1 interlocutory appeal.⁶

2 We hold that, as a matter of law, WhenU does not “use”
3 1-800’s trademarks within the meaning of the Lanham Act, 15
4 U.S.C. § 1127, when it (1) includes 1-800’s website address,
5 which is almost identical to 1-800’s trademark, in an
6 unpublished directory of terms that trigger delivery of
7 WhenU’s contextually relevant advertising to C-users; or (2)
8 causes separate, branded pop-up ads to appear on a C-user’s
9 computer screen either above, below, or along the bottom edge
10 of the 1-800 website window. Accordingly, we reverse the
11 district court’s entry of a preliminary injunction and remand
12 with instructions to (1) dismiss with prejudice 1-800’s
13 trademark infringement claims against WhenU, and (2) proceed
14 with 1-800’s remaining claims.

15 BACKGROUND

16 I. The Internet and Windows

17 By way of introduction to this case we incorporate the
18 district court’s helpful tutorial on the internet and the
19 Microsoft Windows operating environment as it pertains to
20 this litigation:

1 ⁶Vision Direct, Inc., also appealed the district court’s
2 decision and was a party to this consolidated appeal. See
3 Docket No. 04-0446(CON). Following oral argument, however, 1-
4 800 and Vision Direct filed a stipulation of dismissal with
5 respect to all of 1-800’s claims against Vision Direct.
6 Accordingly, we do not address those claims or Vision Direct’s
7 arguments on appeal. Id.

1 The Internet is a global network of millions of
2 interconnected computers. . . . [A C-user] can
3 access . . . information that is stored on the
4 Internet in repositories called "servers." Much of
5 the information stored in servers on the Internet can
6 be viewed . . . in the form of "webpages," which are
7 collections of pictures and information, retrieved
8 from the Internet and assembled on the [C-user]'s
9 computer screen. "Websites" are collection[s] of
10 [related] webpages that are organized and linked
11 together to allow a [C-user] to move from webpage to
12 webpage easily. . . .

13
14 [A C-user] generally connects to the Internet
15 using an internet service provider ("ISP")¹⁰ . . . ,
16 which allows the [C-user]'s computer to communicate
17 with the Internet. Once a connection to the Internet
18 has been established . . . , a [C-user] may "browse"
19 or "surf" the Internet by using a software program
20 called an Internet browser ("browser"). Microsoft
21 Internet Explorer is one example of a browser
22 program.¹¹ . . .

23
24 [FN.]10 Examples of ISPs include
25 Earthlink, Verizon, NetZero, America
26 Online.

27
28 [FN.]11 Other examples of browser programs
29 include Netscape Navigator, Opera, and
30 Mozilla; in addition, many residential
31 ISPs like Earthlink and America Online
32 provide their own proprietary browsers.

33
34 To retrieve information from the Internet, a [C-
35 user] may type [a specific] address[, called a domain
36 name,]¹³ of a website into the [address line of a]
37 web browser

38
39 [Fn.]13 Sporty's Farm L.L.C. v.
40 Sportsman's Market, Inc., 202 F.3d 489,
41 492-93 (2d Cir. 2000) [providing detailed
42 explanation of domain names].

43
44

45
46 [Alternatively,] . . . a [C-user] can use [a
47 "search engine"] to find information [by] . . .
48 typ[ing] in a word or words describing what is

1 sought, and the search engine will identify websites
2 and webpages that contain those words.

3 1-800 Contacts, 309 F. Supp. 2d at 474-75 (internal citations
4 and some footnotes omitted).

5 The district court further explained that

6 [m]any [C-users] access the Internet with computers
7 that use the Microsoft Windows operating system
8 ("Windows"). Windows allows a [C-user] to work in
9 numerous software applications simultaneously. In
10 Windows, the background screen is called the
11 "desktop." When a software program is launched, a
12 "window" appears on the desktop, within which the
13 functions of that program are displayed and
14 operate. A [C-user] may open multiple windows
15 simultaneously, allowing the [C-user] to launch and
16 use more than one software application at the same
17 time. Individual windows may be moved around the
18 desktop, and because the computer screen is
19 two-dimensional, one window may obscure another
20 window, thus appearing to be "in front of" another
21 window.

22 Id. at 475 (internal citations omitted). Some programs on a
23 C-user's computer, such as a calendar or e-mail application,
24 may cause windows to open on the C-user's desktop
25 independently of any contemporaneous action by the C-user.

26 See Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d
27 734, 743 ¶ 53 (E.D. Mich. 2003); see generally id. at 740-43
28 (providing in-depth description of how software applications
29 and web browsers operate in the Windows environment, and
30 noting that Windows is currently used on approximately 95% of
31 personal computers).

32

1 II. The Challenged Conduct

2 The specific conduct at issue in this case has been
3 described in detail by the district court, see 1-800
4 Contacts, 309 F. Supp. 2d at 476-78, as well as other courts
5 that have addressed similar claims against WhenU, see Wells
6 Fargo, 293 F. Supp. 2d at 738-40, 743-46; U-Haul Int'l, Inc.
7 v. WhenU.com, Inc., 279 F. Supp. 2d 723, 725-26 (E.D. Va.
8 2003). Accordingly, we recite only those facts relevant to
9 this appeal.

10 WhenU provides a proprietary software called "SaveNow"
11 without charge to individual C-users, usually as part of a
12 bundle of software that the C-user voluntarily downloads from
13 the internet. "Once installed, the SaveNow software requires
14 no action by the [C-user] to activate its operations;
15 instead, the SaveNow software responds to a [C-user]'s
16 'in-the-moment' activities by generating pop-up advertisement
17 windows" that are relevant to those specific activities. 1-
18 800 Contacts, 309 F. Supp. 2d at 477. To deliver
19 contextually relevant advertising to C-users, the SaveNow
20 software employs an internal directory comprising
21 "approximately 32,000 [website addresses] and [address]
22 fragments, 29,000 search terms and 1,200 keyword algorithms,"
23 Wells Fargo, 293 F. Supp. 2d at 743 ¶ 58, that correlate with
24 particular consumer interests to screen the words a C-user

1 types into a web browser or search engine or that appear
2 within the internet sites a C-user visits.

3 When the SaveNow software recognizes a term, it randomly
4 selects an advertisement from the corresponding product or
5 service category to deliver to the C-user's computer screen
6 at roughly the same time the website or search result sought
7 by the C-user appears. As the district court explained,

8 The SaveNow software generates at least three kinds
9 of ads--an ad may be a small 'pop-up' . . . [that
10 appears] in the bottom right-hand corner of a [C-
11 user]'s screen; it may be a 'pop-under'
12 advertisement that appears behind the webpage the
13 [C-user] initially visited; or it may be a
14 'panoramic' ad[] that stretches across the bottom
15 of the [C-user]'s computer screen.

16
17 1-800 Contacts, 309 F. Supp. 2d at 478. Each type of ad
18 appears in a window that is separate from the particular
19 website or search-results page the C-user has accessed. Id.
20 In addition, a label stating "A WhenU Offer--click ? for
21 info." appears in the window frame surrounding the ad,
22 together with a button on the top right of the window frame
23 marked "?", which, when clicked by the C-user, displays a new
24 window containing information about WhenU and its ads,⁷ as

1 ⁷Specifically, C-users are informed that
2
3 "[t]his offer is brought to you by WhenU.com,
4 through the SaveNow service. SaveNow alerts you to
5 offers and services at the moment when they are most
6 relevant to you. SaveNow does not collect any
7 personal information or browsing history from its
8 users. Your privacy is 100 percent protected. The

1 well as instructions for uninstalling the resident SaveNow
2 software. Id. at 478 nn.22 & 23.

3 Usually there is a "few-second" delay between the
4 moment a user accesses a website, and the point at
5 which a SaveNow pop-up advertisement appears on the
6 [C-user]'s screen.
7

8 If a SaveNow user who has accessed the 1-800
9 Contacts website and has received a WhenU.com
10 pop-up advertisement does not want to view the
11 advertisement or the advertiser's website, the user
12 can click on the visible portion of the [1-800]
13 window . . . , [which will move] the 1-800 Contacts
14 website . . . to the front of the screen display,
15 with the pop-up ad moving behind the website
16 window. Or, . . . the [C-user] can close the
17 pop-up website by clicking on its "X," or close,
18 button. If the user clicks on the pop-up ad, the
19 main browser window (containing the 1-800 Contacts
20 website) will be navigated to the website of the
21 advertiser that was featured inside the pop-up
22 advertisement.
23

24 Id. at 476-77 (internal citations omitted).

25 In its complaint, 1-800 alleges that WhenU's conduct
26 infringes 1-800's trademarks, in violation of Sections 32(1)
27 and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a),
28 by delivering advertisements of 1-800's competitors (e.g.,
29 Vision Direct, Inc.) to C-users who have intentionally
30 accessed 1-800's website. Although somewhat difficult to

1 offers shown to you by SaveNow are not affiliated
2 with the site you are visiting. For more about
3 SaveNow, click here or e-mail information at
4 WhenU.com. At WhenU, we are committed to putting
5 you in control of your Internet experience."
6

7 1-800 Contacts, 309 F. Supp. 2d at 478 n.22.

1 discern from the complaint, the allegations that pertain
2 specifically to 1-800's trademark claims appear to be as
3 follows: (1) WhenU's pop-up ads appear "on," "over," or "on
4 top of" the 1-800 website without 1-800's authorization, and
5 change its appearance; (2) as a result, the ads impermissibly
6 "appear to be an integral and fully authorized part of [1-
7 800's] website"; (3) in addition, WhenU's unauthorized pop-up
8 ads "interfere with and disrupt the carefully designed
9 display of content" on the website, thereby altering and
10 hindering a C-user's access to 1-800's website; (4) WhenU is
11 thereby "free-riding" and "trad[ing] upon the goodwill and
12 substantial customer recognition associated with the 1-800
13 Contacts marks"; and (5) WhenU is using 1-800's trademarks in
14 a manner that creates a likelihood of confusion.

15 Following an evidentiary hearing on 1-800's motion for a
16 preliminary injunction, the district court held that 1-800
17 had demonstrated a likelihood of success on its trademark
18 infringement claims and issued a preliminary injunction
19 prohibiting WhenU from utilizing 1-800's trademarks.⁸ 1-800

1 ⁸The district court's order stated, in relevant part:
2
3 [WhenU is] preliminarily enjoined from: 1)
4 including the 1-800 Contacts mark, and confusingly
5 similar terms, as elements in the SaveNow software
6 directory, and 2) displaying Plaintiff's mark "in
7 the . . . advertising of" Defendant Vision Direct's
8 services, by causing Defendant Vision Direct's
9 pop-up advertisements to appear when a computer user

1 Contacts, 309 F. Supp. 2d at 510. WhenU appeals the district
2 court's decision.

3 DISCUSSION

4 WhenU challenges the district court's finding that WhenU
5 "uses" 1-800's trademarks within the meaning of the Lanham
6 Act, 15 U.S.C. § 1127. See 1-800 Contacts, 309 F. Supp. 2d
7 at 489. In the alternative, WhenU argues that the district
8 court erred in finding that WhenU's pop-up ads create a
9 likelihood of both source confusion and "initial interest
10 confusion," as to whether WhenU is "somehow associated with
11 [1-800] or that [1-800] has consented to [WhenU's] use of the
12 pop-up ad[s]." Id. at 494; see id. at 503, 504. Because we
13 agree with WhenU that it does not "use" 1-800's trademarks,
14 we need not and do not address the issue of likelihood of
15 confusion.

16 I. Legal Standards

17 A. Preliminary Injunction

18 To obtain a preliminary injunction,
19 a party . . . must demonstrate (1) the likelihood
20 of irreparable injury in the absence of such an

1 has made a specific choice to access or find
2 Plaintiff's website by typing Plaintiff's mark into
3 the URL bar of a web browser or into an Internet
4 search engine. Within 30 days of the date of this
5 Order, Defendants SHALL effect this injunction.

6
7 1-800 Contacts, 309 F. Supp. 2d at 510 (alteration in
8 original).

1 injunction, and (2) either (a) likelihood of
2 success on the merits or (b) sufficiently serious
3 questions going to the merits to make them a fair
4 ground for litigation plus a balance of hardships
5 tipping decidedly toward the party requesting the
6 preliminary relief.

7 Fed. Express Corp. v. Fed. Espresso, Inc., 201 F.3d 168, 173
8 (2d Cir. 2000). We review a district court's grant of a
9 preliminary injunction for abuse of discretion. S.C. Johnson
10 & Son, Inc. v. Clorox Co., 241 F.3d 232, 237 (2d Cir. 2001).
11 Such abuse will be found if a district court rests its
12 decision on a clearly erroneous finding of fact or makes an
13 error of law. Id.

14 B. Lanham Act

15 In order to prevail on a trademark infringement claim
16 for registered trademarks, pursuant to 15 U.S.C. § 1114,⁹ or

1 ⁹15 U.S.C. § 1114 provides, in relevant part,

2
3 (1) Any person who shall, without the consent of the
4 registrant--

5
6 (a) use in commerce any reproduction,
7 counterfeit, copy, or colorable imitation of a
8 registered mark in connection with the sale,
9 offering for sale, distribution, or advertising
10 of any goods or services on or in connection
11 with which such use is likely to cause
12 confusion, or to cause mistake, or to deceive
13 . . .

14 . . . ,

15
16
17 shall be liable in a civil action by the registrant
18 for the remedies hereinafter provided.

1 unregistered trademarks, pursuant to 15 U.S.C. § 1125(a)(1),¹⁰
2 a plaintiff must establish that (1) it has a valid mark that
3 is entitled to protection under the Lanham Act; and that (2)
4 the defendant used the mark, (3) in commerce, (4) "in
5 connection with the sale . . . or advertising of goods or
6 services," 15 U.S.C. § 1114(1)(a), (5) without the
7 plaintiff's consent. See Time, Inc. v. Petersen Publ'g Co.,
8 173 F.3d 113, 117 (2d Cir. 1999); Genesee Brewing Co., Inc.
9 v. Stroh Brewing Co., 124 F.3d 137, 142 (2d Cir. 1997). In

1 ¹⁰15 U.S.C. § 1125 provides, in relevant part,

2
3 (a) Civil action

4
5 (1) Any person who, on or in connection with any
6 goods or services, or any container for goods, uses
7 in commerce any word, term, name, symbol, or
8 device, or any combination thereof, or any false
9 designation of origin, false or misleading
10 description of fact, or false or misleading
11 representation of fact, which--

12
13 (A) is likely to cause confusion, or to cause
14 mistake, or to deceive as to the affiliation,
15 connection, or association of such person with
16 another person, or as to the origin,
17 sponsorship, or approval of his or her goods,
18 services, or commercial activities by another
19 person, or

20
21 (B) in commercial advertising or promotion,
22 misrepresents the nature, characteristics,
23 qualities, or geographic origin of his or her
24 or another person's goods, services, or
25 commercial activities,

26
27 shall be liable in a civil action by any person who
28 believes that he or she is or is likely to be
29 damaged by such act.

1 addition, the plaintiff must show that defendant's use of
2 that mark "is likely to cause confusion . . . as to the
3 affiliation, connection, or association of [defendant] with
4 [plaintiff], or as to the origin, sponsorship, or approval of
5 [the defendant's] goods, services, or commercial activities
6 by [plaintiff]." 15 U.S.C. § 1125(a)(1)(A); see also Estee
7 Lauder Inc. v. The Gap, Inc., 108 F.3d 1503, 1508-09 (2d Cir.
8 1997); Gruner + Jahr USA Publ'g v. Meredith Corp., 991 F.2d
9 1072, 1075 (2d Cir. 1993).

10 The only issue before us on appeal is whether the
11 district court abused its discretion when it entered the
12 preliminary injunction against WhenU; specifically, whether
13 the district court erred in finding that 1-800 had
14 demonstrated a likelihood of success on its trademark claims.
15 As a result, the threshold of error required to reverse the
16 district court's decision is higher than it would be were we
17 reviewing a decision on 1-800's trademark claims themselves.
18 That higher threshold is met in this case, however, because
19 the district court erred as a matter of law in finding that
20 WhenU "uses" 1-800's trademark. Because 1-800 cannot
21 establish an essential element of its trademark claims, not
22 only must the preliminary injunction be vacated, but 1-800's
23 trademark infringement claims must be dismissed as well.

24 II. "Use" Under the Lanham Act

1 The Lanham Act defines “use in commerce,” in relevant
2 part, as follows:

3 For purposes of this Chapter, a mark
4 shall be deemed to be in use in commerce—

5
6 (1) on goods when—

7
8 (A) it is placed in any manner on the goods or
9 their containers or the displays associated
10 therewith or on the tags or labels affixed
11 thereto, or if the nature of the goods makes
12 such placement impracticable, then on
13 documents associated with the goods or their
14 sale, and

15
16 (B) the goods are sold or transported in
17 commerce, and

18
19 (2) on services when it is used or displayed in
20 the sale or advertising of services and the
21 services are rendered in commerce

22 15 U.S.C. § 1127.

23 In issuing the preliminary injunction, the district
24 court held that WhenU

25 use[s] [1-800]’s mark in two ways. First, in
26 causing pop-up advertisements for Defendant Vision
27 Direct to appear when SaveNow users have
28 specifically attempted to access [1-800]’s
29 website--on which Plaintiff’s trademark
30 appears--[WhenU is] displaying Plaintiff’s mark “in
31 the . . . advertising of” Defendant Vision Direct’s
32 services . . . [and, t]hus, . . . [is] “using”
33 Plaintiff’s marks that appear on Plaintiff’s
34 website.

35
36 Second, Defendant WhenU.com includes
37 Plaintiff’s [website address],
38 <www.1800contacts.com>, [which incorporates 1-800’s
39 trademark,] in the proprietary WhenU.com directory
40 of terms that triggers pop-up advertisements on
41 SaveNow users’ computers. In so doing, Defendant
42 WhenU.com “uses” Plaintiff’s mark . . . to

1 advertise and publicize companies that are in
2 direct competition with Plaintiff.

3 1-800 Contacts, 309 F. Supp. 2d at 489.

4 Prior to the district court's decision, two other courts
5 had addressed the issue of "use" as it applies to WhenU's
6 specific activities and reached the opposite conclusion. In
7 Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734
8 (E.D. Mich. 2003), the district court denied Wells Fargo's
9 motion for a preliminary injunction after finding that
10 WhenU's inclusion of plaintiff Wells Fargo's trademarked
11 website address in WhenU's proprietary directory of keywords
12 was not "use" for purposes of the Lanham Act, and that WhenU
13 did not alter or interfere with Wells Fargo's website in any
14 manner. Id. at 757-61. The district court in U-Haul
15 International, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723
16 (E.D. Va. 2003), employing a very similar analysis, granted
17 summary judgment in favor of WhenU after concluding that
18 WhenU's inclusion of U-Haul's trademarked website address in
19 the SaveNow directory was not actionable because it was for a
20 "pure machine-linking function" that was not "use" under the
21 Lanham Act. Id. at 728 (internal quotation marks omitted).

22 In the case before us, the district court's
23 consideration of these two comprehensive decisions on the
24 precise issue at hand was confined to a footnote in which it
25 cited the cases, summarized their holdings in parentheses,

1 and concluded, without discussion, that it “disagree[d] with,
2 and [was] not bound by these findings.” 1-800 Contacts, 309
3 F. Supp. 2d at 490 n.43. Unlike the district court, we find
4 the thorough analyses set forth in both U-Haul and Wells
5 Fargo to be persuasive and compelling.

6 A. The SaveNow Directory

7 The district court held that WhenU’s inclusion of 1-
8 800’s website address in the SaveNow directory constitutes a
9 prohibited “use” of 1-800’s trademark. Id. at 489. We
10 disagree.

11 At the outset, we note that WhenU does not “use” 1-800’s
12 trademark in the manner ordinarily at issue in an
13 infringement claim: it does not “place” 1-800 trademarks on
14 any goods or services in order to pass them off as emanating
15 from or authorized by 1-800. See U-Haul, 279 F. Supp. 2d at
16 728; cf. L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d
17 26, 32-34 (1st Cir. 1987); Societe Comptoir de L'Industrie
18 Cotonniere Etablissements Boussac v. Alexander's Dep't
19 Stores, Inc., 299 F.2d 33, 37 (2d Cir. 1962). The fact is
20 that WhenU does not reproduce or display 1-800’s trademarks
21 at all, nor does it cause the trademarks to be displayed to a
22 C-user. Rather, WhenU reproduces 1-800’s website address,
23 <<www.1800contacts.com.>>, which is similar, but not
24 identical, to 1-800’s 1-800CONTACTS trademark. See 1-800

1 Contacts, 309 F. Supp. 2d at 478-79.

2 The district court found that the differences between 1-
3 800's trademarks and the website address utilized by WhenU
4 were insignificant because they were limited to the addition
5 of the "www." and ".com" and the omission of the hyphen and a
6 space. See id. We conclude that, to the contrary, the
7 differences between the marks are quite significant because
8 they transform 1-800's trademark -- which is entitled to
9 protection under the Lanham Act -- into a word combination
10 that functions more or less like a public key to 1-800's
11 website.

12 Moreover, it is plain that WhenU is using 1-800's
13 website address precisely because it is a website address,
14 rather than because it bears any resemblance to 1-800's
15 trademark, because the only place WhenU reproduces the
16 address is in the SaveNow directory. Although the directory
17 resides in the C-user's computer, it is inaccessible to both
18 the C-user and the general public, see id. at 476 (noting
19 that directory is scrambled to preclude access). Thus, the
20 appearance of 1-800's website address in the directory does
21 not create a possibility of visual confusion with 1-800's
22 mark. More important, a WhenU pop-up ad cannot be triggered
23 by a C-user's input of the 1-800 trademark or the appearance
24 of that trademark on a webpage accessed by the c-user.

1 Rather, in order for WhenU to capitalize on the fame and
2 recognition of 1-800's trademark – the improper motivation
3 both 1-800 and the district court ascribe to WhenU – it would
4 have needed to put the actual trademark on the list.¹¹

5 In contrast to some of its competitors, moreover, WhenU
6 does not disclose the proprietary contents of the SaveNow
7 directory to its advertising clients nor does it permit these
8 clients to request or purchase specified keywords to add to
9 the directory. See GEICO v. Google, Inc., 330 F. Supp. 2d
10 700, 703-04 (E.D. Va. 2004) (distinguishing WhenU's conduct
11 from Gator's practice of selling "keywords" to its
12 advertising clients), claim dism'd, Order, Dec. 15, 2004
13 (dismissing Lanham Act claim following bench trial on finding
14 no likelihood of confusion); see also U-Haul, 273 F. Supp.
15 2d at 728 (discussing other practices).¹²

16 A company's internal utilization of a trademark in a way

1 ¹¹This observation, however, is not intended to suggest
2 that inclusion of a trademark in the directory would
3 necessarily be an infringing "use." We express no view on
4 this distinct issue.

1 ¹²We think it noteworthy that prior to filing its lawsuit
2 against WhenU, 1-800 entered into agreements with WhenU
3 competitors Gator and Yahoo! to have its own pop-up and banner
4 ads delivered to C-users in response to the C-users' input of
5 particular website addresses and keywords that were specified
6 by 1-800. Included in the list 1-800 provided to Gator, for
7 instance, were the website addresses for several of 1-800's
8 competitors, including defendant-appellee Vision Direct,
9 Coastal Contacts, and Lens Express.

1 that does not communicate it to the public is analogous to a
2 individual's private thoughts about a trademark. Such
3 conduct simply does not violate the Lanham Act, which is
4 concerned with the use of trademarks in connection with the
5 sale of goods or services in a manner likely to lead to
6 consumer confusion as to the source of such goods or
7 services. See 15 U.S.C. § 1127; see also Louis Altman, 4
8 Callmann on Unfair Competition, Trademarks and Monopolies
9 § 22:25 n.1 (4th ed. 2004) ("A fortiori, a defendant who does
10 not sell, but merely uses internally within his own company,
11 the trademarked product of another, is not a trademark
12 infringer or unfair competitor by virtue of such use.").

13 Accordingly, we conclude that WhenU's inclusion of the
14 1-800 website address in its SaveNow directory does not
15 infringe on 1-800's trademark.

16 B. The Pop-up Advertisements

17 The primary issue to be resolved by this appeal is
18 whether the placement of pop-up ads on a C-user's screen
19 contemporaneously with either the 1-800 website or a list of
20 search results obtained by the C-user's input of the 1-800
21 website address constitutes "use" under the Lanham Act, 15
22 U.S.C. §§ 1114(1), 1125(a). The district court reasoned that
23 WhenU, by "causing pop-up advertisements for Defendant Vision
24 Direct to appear when SaveNow users have specifically

1 attempted to access [1-800]'s website, . . . [is] displaying
2 [1-800]'s mark in the . . . advertising of . . . Vision
3 Direct's services." 1-800 Contacts, 309 F. Supp. 2d at 489.

4 The fatal flaw with this holding is that WhenU's pop-up
5 ads do not display the 1-800 trademark. The district court's
6 holding, however, appears to have been based on the court's
7 acceptance of 1-800's claim that WhenU's pop-up ads appear
8 "on" and affect 1-800's website. See, e.g., id. at 479
9 (stating that WhenU has "no relationship with the companies
10 on whose websites the pop-up advertisements appear")
11 (emphasis omitted) (emphasis added). As we explained above,
12 the WhenU pop-up ads appear in a separate window that is
13 prominently branded with the WhenU mark; they have has
14 absolutely no tangible effect on the appearance or
15 functionality of the 1-800 website.

16 More important, the appearance of WhenU's pop-up ad is
17 not contingent upon or related to 1-800's trademark, the
18 trademark's appearance on 1-800's website, or the mark's
19 similarity to 1-800's website address. Rather, the
20 contemporaneous display of the ads and trademarks is the
21 result of the happenstance that 1-800 chose to use a mark
22 similar to its trademark as the address to its web page and
23 to place its trademark on its website. The pop-up ad, which
24 is triggered by the C-user's input of 1-800's website

1 address, would appear even if 1-800's trademarks were not
2 displayed on its website. A pop-up ad could also appear if
3 the C-user typed the 1-800 website address, not as an
4 address, but as a search term in the browser's search engine,
5 and then accessed 1-800's website by using the hyperlink that
6 appeared in the list of search results.¹³

7 In addition, 1-800's website address is not the only
8 term in the SaveNow directory that could trigger a Vision
9 Direct ad to "pop up" on 1-800's website. For example, an ad
10 could be triggered by a C-user's search for "contacts" or
11 "eye care," both terms contained in the directory, and then
12 clicked on the listed hyperlink to 1-800's website.

13 Exemplifying the conceptual difficulty that inheres in
14 this issue, the district court's decision suggests that the
15 crux of WhenU's wrongdoing -- and the primary basis for the
16 district court's finding of "use" -- is WhenU's alleged
17 effort to capitalize on a C-user's specific attempt to access

1 ¹³The Second Circuit has defined the term "search engine"
2 operationally:

3
4 A search engine will find all web pages on the
5 Internet with a particular word or phrase. Given
6 the current state of search engine technology, that
7 search will often produce a list of hundreds of web
8 sites through which the [C-user] must sort in order
9 to find what he or she is looking for.

10
11 Sporty's Farm L.L.C. v. Sportsman's Market, Inc., 202 F.3d
12 489, 493 (2d Cir. 2000).

1 the 1-800 website. As the court explained it,

2 WhenU.com is doing far more than merely
3 "displaying" Plaintiff's mark. WhenU's
4 advertisements are delivered to a SaveNow user when
5 the user directly accesses Plaintiff's
6 website--thus allowing Defendant Vision Direct to
7 profit from the goodwill and reputation in
8 Plaintiff's website that led the user to access
9 Plaintiff's website in the first place.

10 1-800 Contacts, 309 F. Supp. 2d at 490. Absent improper use
11 of 1-800's trademark, however, such conduct does not violate
12 the Lanham Act. See TrafFix Devices, Inc. v. Mktg. Displays,
13 Inc., 532 U.S. 23, 29 (2001); Kellogg Co. v. Nat'l Biscuit
14 Co., 305 U.S. 111, 122 (1938) (holding that Kellogg's sharing
15 in the goodwill of the unprotected "Shredded Wheat" market
16 was "not unfair"); see also William P. Kratzke, Normative
17 Economic Analysis of Trademark Law, 21 Memphis St. U. L. Rev.
18 199, 223 (1991) (criticizing importation into trademark law
19 of "unjust enrichment" and "free riding" theories based on a
20 trademark holder's goodwill). Indeed, it is routine for
21 vendors to seek specific "product placement" in retail stores
22 precisely to capitalize on their competitors' name
23 recognition. For example, a drug store typically places its
24 own store-brand generic products next to the trademarked
25 products they emulate in order to induce a customer who has
26 specifically sought out the trademarked product to consider
27 the store's less-expensive alternative. WhenU employs this
28 same marketing strategy by informing C-users who have sought
29

1 out a specific trademarked product about available coupons,
2 discounts, or alternative products that may be of interest to
3 them.

4 1-800 disputes this analogy by arguing that unlike a
5 drugstore, only the 1-800 website is displayed when the pop-
6 up ad appears. This response, however, ignores the fact that
7 a C-user who has installed the SaveNow software receives
8 WhenU pop-up ads in a myriad of contexts, the vast majority
9 of which are unlikely to have anything to do with 1-800 or
10 the C-user's input of the 1-800 website address.¹⁴

11 The cases relied on by 1-800 do not alter our analysis.
12 As explained in detail by the court in U-Haul, they are all
13 readily distinguishable because WhenU's conduct does not
14 involve any of the activities those courts found to
15 constitute "use." U-Haul, 279 F. Supp. at 728-29 (collecting
16 cases). Significantly, WhenU's activities do not alter or
17 affect 1-800's website in any way. Nor do they divert or
18 misdirect C-users away from 1-800's website, or alter in any
19 way the results a C-user will obtain when searching with the

1 ¹⁴Indeed, although we do not address the district court's
2 finding of a likelihood of confusion, we note that 1-800's
3 claim that C-users will likely be confused into thinking that
4 1-800 has sponsored its competitor's pop-up ads is fairly
5 incredulous given that C-users who have downloaded the SaveNow
6 software receive numerous WhenU pop-up ads -- each displaying
7 the WhenU brand -- in varying contexts and for a broad range
8 of products.

1 1-800 trademark or website address. Id. at 728-29.
2 Compare Playboy Enters., Inc. v. Netscape Communications
3 Corp., 354 F.3d 1020, 1024 (9th Cir. 2004) (holding that
4 infringement could be based on defendant's insertion of
5 unidentified banner ads on C-user's search-results page);
6 Brookfield Communications v. West Coast Entm't Corp., 174
7 F.3d 1036 (9th Cir. 1999) (holding that defendant's use of
8 trademarks in "metatags," invisible text within websites that
9 search engines use for ranking results, constituted a "use in
10 commerce" under the Lanham Act); see generally Bihari v.
11 Gross, 119 F. Supp. 2d 309 (S.D.N.Y. 2000) (discussing
12 Brookfield and similar cases).¹⁵

13 In addition, unlike several other internet advertising
14 companies, WhenU does not "sell" keyword trademarks to its
15 customers or otherwise manipulate which category-related
16 advertisement will pop up in response to any particular terms
17 on the internal directory. See, e.g., GEICO, 330 F. Supp. 2d
18 at 703-04 (finding that Google's sale to advertisers of right
19 to use specific trademarks as "keywords" to trigger their ads
20 constituted "use in commerce"). In other words, WhenU does
21 not link trademarks to any particular competitor's ads, and a

1 ¹⁵We note that in distinguishing cases such as
2 Brookfield, Playboy and Bihari, we do not necessarily endorse
3 their holdings. See Playboy, 354 F.3d at 1034-36 (Berzon,
4 C.J., concurring, noting disagreement with holding in
5 Brookfield).

1 customer cannot pay to have its pop-up ad appear on any
2 specific website or in connection with any particular
3 trademark. See id. at 704 (distinguishing WhenU's conduct on
4 this basis). Instead, the SaveNow directory terms trigger
5 categorical associations (e.g., www.1800Contacts.com might
6 trigger the category of "eye care"), at which point, the
7 software will randomly select one of the pop-up ads contained
8 in the eye-care category to send to the C-user's desktop.

9 Perhaps because ultimately 1-800 is unable to explain
10 precisely how WhenU "uses" its trademark, it resorts to
11 bootstrapping a finding of "use" by alleging other elements
12 of a trademark claim. For example, 1-800 invariably refers
13 to WhenU's pop-up ads as "unauthorized" in an effort, it
14 would seem, to establish by sheer force of repetition the
15 element of unauthorized use of a trademark. Not
16 surprisingly, 1-800 cites no legal authority for the
17 proposition that advertisements, software applications, or
18 any other visual image that can appear on a C-user's computer
19 screen must be authorized by the owner of any website that
20 will appear contemporaneously with that image. The fact is
21 that WhenU does not need 1-800's authorization to display a
22 separate window containing an ad any more than Corel would
23 need authorization from Microsoft to display its WordPerfect
24 word-processor in a window contemporaneously with a Word

1 word-processing window. Moreover, contrary to 1-800's
2 repeated admonitions, WhenU's pop-up ads are authorized -- if
3 unwittingly -- by the C-user who has downloaded the SaveNow
4 software.

5 1-800 also argues that WhenU's conduct is "use" because
6 it is likely to confuse C-users as to the source of the ad.
7 It buttresses this claim with a survey it submitted to the
8 district court that purportedly demonstrates, inter alia,
9 that (1) a majority of C-users believe that pop-up ads that
10 appear on websites are sponsored by those websites, and (2)
11 numerous C-users are unaware that they have downloaded the
12 SaveNow software. 1-800 also relies on several cases in
13 which the court seemingly based a finding of trademark "use"
14 on the confusion such "use" was likely to cause. See, e.g.,
15 Bihari, 119 F. Supp. 2d at 318 (holding that defendant's use
16 of trademarks in metatags constituted a "use in commerce"
17 under the Lanham Act in part because the hyperlinks
18 "effectively act[ed] as a conduit, steering potential
19 customers away from Bihari Interiors and toward its
20 competitors"); GEICO, 330 F. Supp. 2d at 703-04 (finding that
21 Google's sale to advertisers of right to have specific
22 trademarks trigger their ads was "use in commerce" because it
23 created likelihood of confusion that Google had the trademark
24 holder's authority to do so). Again, this rationale puts the

1 cart before the horse. Not only are “use,” “in commerce,”
2 and “likelihood of confusion” three distinct elements of a
3 trademark infringement claim, but “use” must be decided as a
4 threshold matter because, while any number of activities may
5 be “in commerce” or create a likelihood of confusion, no such
6 activity is actionable under the Lanham Act absent the “use”
7 of a trademark. 15 U.S.C. § 1114; see People for the Ethical
8 Treatment of Animals v. Doughney, 263 F.3d 359, 364 (4th Cir.
9 2001). Because 1-800 has failed to establish such “use,” its
10 trademark infringement claims fail.

11 III. 1-800’s Remaining Claims

12 In issuing the preliminary injunction, the district
13 court expressly confined its findings in support of the
14 injunction to 1-800’s trademark infringement. Accordingly,
15 1-800’s remaining claims, as to which we express no view,
16 will be the subject of further proceedings on remand.

17 CONCLUSION

18 For the foregoing reasons, we reverse the district
19 court’s entry of a preliminary injunction and remand with
20 instructions to (1) dismiss with prejudice 1-800’s trademark
21 infringement claims against WhenU, and (2) proceed with 1-
22 800’s remaining claims.