SPYWARE AND COOKIES

Discussion Points:

a. Client's business online is supported entirely by advertising revenue. It can triple its advertising income if it can assure advertisers that users of its online database and search system will see the advertisers' ads only when looking for similar products through client's service. What legal issues arise and how can Client deal with them in light of the following?

b. Client desires to set up a business that will place advertising on Internet environments by placing use-sensitive ad software on end user computers. The software will trigger a pop-up ad when an end user keys in a relevant word in the user's search engine. What legal issues arise and how can Client deal with them in light of the following?

1-800 Contacts, Inc. v. WhenU.com, Inc.
2005 WL 1524515 (2nd Cir. 2005)

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

1-800 filed a complaint alleging, that WhenU was infringing 1-800's trademarks, in violation of the Lanham Act, 15 U.S.C. § § 1114(1), 1125(a)(1), by causing pop-up ads of 1-800's competitors to appear on a C-user's desktop when the C-user has accessed 1-800's website. In an Opinion entered January 7, 2004, the district court granted 1-800's motion for a preliminary injunction as it related to 1-800's trademark claims, and enjoined WhenU from using or otherwise displaying 1-800's trademarks, or anything confusingly similar to such trademarks, in connection with WhenU's contextually relevant advertising. *1-800 Contacts, Inc. v. WhenU.com,* 309 F.Supp.2d 467 (S.D.N.Y.2003) ("*1-800 Contacts*"). WhenU has filed this interlocutory appeal. [FN6]

We hold that, as a matter of law, WhenU does not "use" 1-800's trademarks within the meaning of the Lanham Act, 15 U.S.C. § 1127, when it (1) includes 1-800's website address, which is almost identical to 1-800's trademark, in an unpublished directory of terms that trigger delivery of WhenU's contextually relevant advertising to C-users; or (2) causes separate, branded pop-up ads to

appear on a C-user's computer screen either above, below, or along the bottom edge of the 1-800 website window. Accordingly, we reverse the district court's entry of a preliminary injunction and remand with instructions to (1) dismiss with prejudice 1-800's trademark infringement claims against WhenU, and (2) proceed with 1-800's remaining claims.

BACKGROUND

I. The Internet and Windows ….

II. The Challenged Conduct

The specific conduct at issue in this case has been described in detail by the district court, as well as other courts that have addressed similar claims against. Accordingly, we recite only those facts relevant to this appeal.

WhenU provides a proprietary software called "SaveNow" without charge to individual C-users, usually as part of a bundle of software that the C-user voluntarily downloads from the internet. "Once installed, the SaveNow software requires no action by the [C-user] to activate its operations; instead, the SaveNow software responds to a [C-user]'s 'in-the-moment' activities by generating pop-up advertisement windows" that are relevant to those specific activities. To deliver contextually relevant advertising to C-users, the SaveNow software employs an internal directory comprising "approximately 32,000 [website addresses] and [address] fragments, 29,000 search terms and 1,200 keyword algorithms," that correlate with particular consumer interests to screen the words a C-user types into a web browser or search engine or that appear within the internet sites a C-user visits.

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

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

1-800 Contacts, 309 F.Supp.2d at 478. Each type of ad appears in a window that is separate from the particular website or search-results page the C-user has accessed. *Id.* In addition, a label stating "A WhenU Offer--click ? for info." appears in the window frame surrounding the ad, together with a button on the top right of the window frame marked "?" that, when clicked by the C-user, displays a new window containing information about WhenU and its ads, [FN7] as well as instructions for uninstalling the resident SaveNow software.

> Usually there is a "few-second" delay between the moment a user accesses a website, and the point at which a SaveNow pop-up advertisement appears on the [C-user]'s screen.
>
> If a SaveNow user who has accessed the 1-800 Contacts website and has received a WhenU.com pop-up advertisement does not want to view the advertisement or the advertiser's website, the user can click on the visible

> portion of the [1-800] window ..., [which will move] the 1-800 Contacts website ... to the front of the screen display, with the pop-up ad moving behind the website window. Or, ... the [C-user] can close the pop-up website by clicking on its "X," or close, button. If the user clicks on the pop-up ad, the main browser window (containing the 1-800 Contacts website) will be navigated to the website of the advertiser that was featured inside the pop-up advertisement.

***4** *Id.* at 476-77 (internal citations omitted).

In its complaint, 1-800 alleges that WhenU's conduct infringes 1-800's trademarks, in violation of Sections 32(1) and 43(a) of the Lanham Act, 15 U.S.C. § § 1114(1), 1125(a), by delivering advertisements of 1-800's competitors (*e.g.,* Vision Direct, Inc.) to C-users who have intentionally accessed 1-800's website. Although somewhat difficult to discern from the complaint, the allegations that pertain specifically to 1-800's trademark claims appear to be as follows: (1) WhenU's pop-up ads appear "on," "over," or "on top of" the 1-800 website without 1-800's authorization, and change its appearance; (2) as a result, the ads impermissibly "appear to be an integral and fully authorized part of [1-800's] website"; (3) in addition, WhenU's unauthorized pop-up ads "interfere with and disrupt the carefully designed display of content" on the website, thereby altering and hindering a C-user's access to 1-800's website; (4) WhenU is thereby "free-riding" and "trad[ing] upon the goodwill and substantial customer recognition associated with the 1- 800 Contacts marks"; and (5) WhenU is using 1-800's trademarks in a manner that creates a likelihood of confusion.

Following an evidentiary hearing on 1-800's motion for a preliminary injunction, the district court held that 1-800 had demonstrated a likelihood of success on its trademark infringement claims and issued a preliminary injunction prohibiting WhenU from utilizing 1-800's trademarks. [FN8] *1- 800 Contacts,* 309 F.Supp.2d at 510. WhenU appeals the district court's decision.

DISCUSSION

WhenU challenges the district court's finding that WhenU "uses" 1-800's trademarks within the meaning of the Lanham Act, 15 U.S.C. § 1127. *See 1- 800 Contacts,* 309 F.Supp.2d at 489. In the alternative, WhenU argues that the district court erred in finding that WhenU's pop-up ads create a likelihood of both source confusion and "initial interest confusion," as to whether WhenU is "somehow associated with [1-800] or that [1-800] has consented to [WhenU's] use of the pop-up ad[s]." *Id.* at 494; *see id.* at 503-04. Because we agree with WhenU that it does not "use" 1-800's trademarks, we need not and do not address the issue of likelihood of confusion.

B. *Lanham Act*

***5** In order to prevail on a trademark infringement claim for registered trademarks, pursuant to 15 U.S.C. § 1114, [FN9] or unregistered trademarks, pursuant to 15 U.S.C. § 1125(a)(1), a plaintiff must establish that (1) it has a valid mark that is entitled to protection under the Lanham Act; and that (2) the defendant used the mark, (3) in commerce, (4) "in connection with the sale ... or advertising of goods or services," 15 U.S.C. § 1114(1)(a), (5), without the

plaintiff's consent. In addition, the plaintiff must show that defendant's use of that mark "is likely to cause confusion ... as to the affiliation, connection, or association of [defendant] with [plaintiff], or as to the origin, sponsorship, or approval of [the defendant's] goods, services, or commercial activities by [plaintiff]." 15 U.S.C. § 1125(a)(1)(A).

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

II. "Use" Under the Lanham Act

The Lanham Act defines "use in commerce," in relevant part, as follows:

> .... For purposes of this Chapter, a mark shall be deemed to be in use in commerce-
> (1) on goods when-
> (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and
> (B) the goods are sold or transported in commerce, and
> (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce ....

15 U.S.C. § 1127.

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

> use[s] [1-800]'s mark in two ways. First, in causing pop-up advertisements for Defendant Vision Direct to appear when SaveNow users have specifically attempted to access [1-800]'s website--on which Plaintiff's trademark appears--[WhenU is] displaying Plaintiff's mark "in the ... advertising of" Defendant Vision Direct's services ... [and, t]hus, ... [is] "using" Plaintiff's marks that appear on Plaintiff's website.
> ***6** Second, Defendant WhenU.com includes Plaintiff's [website address], < www.1800contacts.com>, [which incorporates 1-800's trademark,] in the proprietary WhenU.com directory of terms that triggers pop-up advertisements on SaveNow users' computers. In so doing, Defendant WhenU.com "uses" Plaintiff's mark ... to advertise and publicize companies that are in direct competition with Plaintiff.

Prior to the district court's decision, two other courts had addressed the

issue of "use" as it applies to WhenU's specific activities and reached the opposite conclusion. In *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F.Supp.2d 734 (E.D.Mich.2003), the district court denied Wells Fargo's motion for a preliminary injunction after finding that WhenU's inclusion of plaintiff Wells Fargo's trademarked website address in WhenU's proprietary directory of keywords was not "use" for purposes of the Lanham Act, and that WhenU did not alter or interfere with Wells Fargo's website in any manner. *Id.* at 757-61. The district court in *U-Haul International, Inc. v. WhenU.com, Inc.*, 279 F.Supp.2d 723 (E.D.Va.2003), employing a very similar analysis, granted summary judgment in favor of WhenU after concluding that WhenU's inclusion of U-Haul's trademarked website address in the SaveNow directory was not actionable because it was for a "pure machine-linking function" that was not "use" under the Lanham Act.

In the case before us, the district court's consideration of these two comprehensive decisions on the precise issue at hand was confined to a footnote in which it cited the cases, summarized their holdings in parentheticals, and concluded, without discussion, that it "disagree[d] with, and [was] not bound by these findings." Unlike the district court, we find the thorough analyses set forth in both *U-Haul* and *Wells Fargo* to be persuasive and compelling.

A. *The SaveNow Directory*

The district court held that WhenU's inclusion of 1-800's website address in the SaveNow directory constitutes a prohibited "use" of 1-800's trademark. *Id.* at 489. We disagree.

At the outset, we note that WhenU does not "use" 1-800's trademark in the manner ordinarily at issue in an infringement claim: it does not "place" 1-800 trademarks on any goods or services in order to pass them off as emanating from or authorized by 1-800. The fact is that WhenU does not reproduce or display 1-800's trademarks at all, nor does it cause the trademarks to be displayed to a C-user. Rather, WhenU reproduces 1-800's website address, Bwww.1800contacts.com.H, which is similar, but not identical, to 1-800's 1-800CONTACTS trademark.

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

Moreover, it is plain that WhenU is using 1-800's website address precisely because it is a website address, rather than because it bears any resemblance to 1-800's trademark, because the only place WhenU reproduces the address is in the SaveNow directory. Although the directory resides in the C-user's computer, it is inaccessible to both the C-user and the general public. *See id.* at 476 (noting that directory is scrambled to preclude access). Thus, the appearance of 1-800's website address in the directory does not create a possibility of visual confusion with 1-800's mark. More important, a WhenU pop-

up ad cannot be triggered by a C-user's input of the 1-800 trademark or the appearance of that trademark on a webpage accessed by the c-user. Rather, in order for WhenU to capitalize on the fame and recognition of 1-800's trademark--the improper motivation both 1-800 and the district court ascribe to WhenU--it would have needed to put the actual trademark on the list.

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

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

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

B. *The Pop-up Advertisements*

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

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

More important, the appearance of WhenU's pop-up ad is not contingent upon or related to 1-800's trademark, the trademark's appearance on 1-800's

website, or the mark's similarity to 1-800's website address. Rather, the contemporaneous display of the ads and trademarks is the result of the happenstance that 1-800 chose to use a mark similar to its trademark as the address to its web page and to place its trademark on its website. The pop-up ad, which is triggered by the C-user's input of 1-800's website address, would appear even if 1-800's trademarks were not displayed on its website. A pop-up ad could also appear if the C-user typed the 1-800 website address, not as an address, but as a search term in the browser's search engine, and then accessed 1-800's website by using the hyperlink that appeared in the list of search results. [FN13]

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

Exemplifying the conceptual difficulty that inheres in this issue, the district court's decision suggests that the crux of WhenU's wrongdoing--and the primary basis for the district court's finding of "use"--is WhenU's alleged effort to capitalize on a C-user's specific attempt to access the 1-800 website. As the court explained it,

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

Absent improper use of 1-800's trademark, however, such conduct does not violate the Lanham Act. Indeed, it is routine for vendors to seek specific "product placement" in retail stores precisely to capitalize on their competitors' name recognition. For example, a drug store typically places its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the store's less-expensive alternative. WhenU employs this same marketing strategy by informing C-users who have sought out a specific trademarked product about available coupons, discounts, or alternative products that may be of interest to them.

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

The cases relied on by 1-800 do not alter our analysis. As explained in detail by the court in *U-Haul,* they are all readily distinguishable because WhenU's conduct does not involve any of the activities those courts found to constitute "use." Significantly, WhenU's activities do not alter or affect 1-800's website in any way. Nor do they divert or misdirect C-users away from 1-800's

website, or alter in any way the results a C-user will obtain when searching with the 1-800 trademark or website address. *Id.* at 728-29. *Compare* *Playboy Enters., Inc. v. Netscape Communications Corp.,* 354 F.3d 1020, 1024 (9th Cir.2004) (holding that infringement could be based on defendant's insertion of unidentified banner ads on C-user's search-results page); *Brookfield Communications v. West Coast Entm't Corp.,* 174 F.3d 1036 (9th Cir.1999) (holding that defendant's use of trademarks in "metatags," invisible text within websites that search engines use for ranking results, constituted a "use in commerce" under the Lanham Act).

In addition, unlike several other internet advertising companies, WhenU does not "sell" keyword trademarks to its customers or otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory. *See, e.g.,* *GEICO,* 330 F.Supp.2d at 703-04 (finding that Google's sale to advertisers of right to use specific trademarks as "keywords" to trigger their ads constituted "use in commerce"). In other words, WhenU does not link trademarks to any particular competitor's ads, and a customer cannot pay to have its pop-up ad appear on any specific website or in connection with any particular trademark. *See* *id.* at 704 (distinguishing WhenU's conduct on this basis). Instead, the SaveNow directory terms trigger categorical associations (e.g., www.1800Contacts.com might trigger the category of "eye care"), at which point, the software will randomly select one of the pop-up ads contained in the eye-care category to send to the C-user's desktop.

***10** Perhaps because ultimately 1-800 is unable to explain precisely how WhenU "uses" its trademark, it resorts to bootstrapping a finding of "use" by alleging other elements of a trademark claim. For example, 1-800 invariably refers to WhenU's pop-up ads as "unauthorized" in an effort, it would seem, to establish by sheer force of repetition the element of unauthorized use of a trademark. Not surprisingly, 1-800 cites no legal authority for the proposition that advertisements, software applications, or any other visual image that can appear on a C-user's computer screen must be authorized by the owner of any website that will appear contemporaneously with that image. The fact is that WhenU does not need 1-800's authorization to display a separate window containing an ad any more than Corel would need authorization from Microsoft to display its WordPerfect word-processor in a window contemporaneously with a Word word-processing window. Moreover, contrary to 1-800's repeated admonitions, WhenU's pop-up ads *are* authorized--if unwittingly--by the C-user who has downloaded the SaveNow software.

1-800 also argues that WhenU's conduct is "use" because it is likely to confuse C-users as to the source of the ad. It buttresses this claim with a survey it submitted to the district court that purportedly demonstrates, *inter alia,* that (1) a majority of C-users believe that pop-up ads that appear *on* websites are sponsored by those websites, and (2) numerous C-users are unaware that they have downloaded the SaveNow software. 1-800 also relies on several cases in which the court seemingly based a finding of trademark "use" on the confusion such "use" was likely to cause. *See, e.g.,* *Bihari,* 119 F.Supp.2d at 318 (holding that defendant's use of trademarks in metatags constituted a "use in commerce"

under the Lanham Act in part because the hyperlinks "effectively act[ed] as a conduit, steering potential customers away from Bihari Interiors and toward its competitors"); *GEICO,* 330 F.Supp.2d at 703- 04 (finding that Google's sale to advertisers of right to have specific trademarks trigger their ads was "use in commerce" because it created likelihood of confusion that Google had the trademark holder's authority to do so). Again, this rationale puts the cart before the horse. Not only are "use," "in commerce," and "likelihood of confusion" three distinct elements of a trademark infringement claim, but "use" must be decided as a threshold matter because, while any number of activities may be "in commerce" or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the "use" of a trademark. 15 U.S.C. § 1114; *see People for the Ethical Treatment of Animals v. Doughney,* 263 F.3d 359, 364 (4th Cir.2001). Because 1-800 has failed to establish such "use," its trademark infringement claims fail.

CONCLUSION

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

Government Employees Insurance Co. v. Google, Inc., -- F.Supp2d -- (ED Va. 2004)

Plaintiff Government Employees Insurance Company ("GEICO") brings an eight-count complaint against defendants Google and Overture based on defendants' use of GEICO trademarks in selling advertising on defendants' Internet search engines. The first five claims in the complaint [FN1] allege, respectively, trademark infringement, contributory trademark infringement, vicarious trademark infringement, false representation, and dilution under the Lanham Act, 15 U.S.C. § 1051 *et seq.* Claim 6 alleges common law unfair competition, Claim 7 alleges tortious interference with prospective economic advantage, and Claim 8 alleges statutory civil business conspiracy, all under Virginia state law.

As alleged by plaintiff, Google and Overture operate Internet search engines, which are used by consumers to search the World Wide Web for, among other things, Websites offering products and services. The search engines work by comparing search terms entered by the Internet user with databases of Websites maintained by the search engine, generating a results page that lists the Websites matching the search term. A search term may be any term that the user believes may assist her in retrieving the information sought, from a proper name such as Anton Dvorak, a generic term such as "squirrel," or a trademark such as plaintiff's "GEICO" mark. Both Google and Overture also sell advertising linked to search terms, so that when a consumer enters a particular search term, the results page displays not only a list of

Websites generated by the search engine program using neutral and objective criteria, but also links to Websites of paid advertisers (listed as "Sponsored Links"). As the holder of trademark rights to marks incorporating the term "GEICO," [FN2] plaintiff alleges that defendants' practice of selling advertising linked to the trademarks directly violates the Lanham Act, contributes to third parties violating the Act, and also constitutes various state law torts.

Defendants move to dismiss, arguing that the practices alleged by GEICO in the complaint do not violate the Lanham Act as a matter of law, and that the state law claims are indequately pled.

II. Analysis

A. Lanham Act claims

A plaintiff alleging causes of action for trademark infringement and unfair competition must show 1) that it possesses a mark; 2) that the defendant used the mark; 3) that the defendant's use of the mark occurred "in commerce"; 4) that the defendant used the mark "in connection with the sale, offering for sale, distribution, or advertising" of goods and services; and 5) that the defendant used the mark in a manner likely to confuse customers. 15 U.S.C. §§ 1114, 1125(a); *People for the Ethical Treatment of Animals v. Doughney,* 263 F.3d 359, 364 (4th Cir.2001) (internal quotations omitted). [FN3]

1. *Trademark use*

Defendants argue that the facts alleged by plaintiff do not establish the third and fourth prongs of a Lanham Act cause of action. Specifically, defendants argue that the complaint fails to alleges facts supporting a claim that defendants use the marks "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of goods and services" (hereinafter "trademark use"), because the complaint does not allege that defendants used plaintiff's trademarks in a way that identifies the user as the source of a product or indicates the endorsement of the mark owner. Defendants further argue that because they only use the trademarks in their internal computer algorithms to determine which advertisements to show, this use of the trademarks never appears to the user. Therefore, the user cannot be confused as to the origin of goods.

Defendants support their argument as to the legal meaning of trademark use with cases that have found the use of trademarks by software companies to generate pop-up Internet advertisements not to constitute "trademark use" of those marks under the Lanham Act. Those cases are based on a finding that the marks were not used by the company making the pop-up software to identify the source of its goods or services. *See U-Haul Int'l, Inc. v. WhenU.com, Inc.,* 279 F.Supp.2d 723, 727 (E.D.Va.2003); *Wells Fargo & Co. v. WhenU.com, Inc.,* 293 F.Supp.2d 734, 762 (E.D.Mich.2003). In *U-Haul,* the court held that WhenU, the pop-up software company, did not place the U-Haul trademarks in commerce, it merely used them for a "pure machine-linking function." Defendants also rely upon *Interactive Products Corp. v. a2z Mobile Office Solutions,* 326 F.3d 687, 695 (6th Cir.2003), which held that the use of a trademark within a longer Web

address did not constitute a trademark use under the infringement test, distinguishing such a use from use of a trademark in the domain name itself. In *Interactive,* the trademark at issue was "LapTraveler," and the allegedly infringing address was "a2zsolutions.c om/desks/floor/laptraveler/dkfl-lt.htm." The court held that such use of the trademark was a purely technical use, rather than a "trademark use." However, if the trademark had been used in the heart of the domain name, for example as "www.laptraveler.com," the use would be a "trademark use," and could be infringing.

Plaintiff focuses on cases which have reached the opposite conclusion. In *1-800 Contacts, Inc. v. WhenU.com,* 309 F.Supp.2d 467 (S.D.N.Y.2003), on facts identical to those found in the *U-Haul* and *Wells Fargo* cases, the court found that WhenU was making "trademark use" of the plaintiff's trademark in two ways--by using plaintiff's mark in the advertising of competitor's Websites, and by including plaintiff's mark in the directory of terms that triggers pop-up advertisements. Similarly, on facts nearly identical to the facts pled by GEICO, the Ninth Circuit held that the use of plaintiff's trademarks as advertising keywords by the Netscape and Excite search engines potentially created the likelihood of confusion, and the court found no dispute that the defendants used the marks in commerce. *Playboy Enterprises, Inc. v. Netscape Comm. Corp.,* 354 F.3d 1020, 1024 (9th Cir.2004). In the Fourth Circuit's *PETA* decision, it specifically rejected the argument that the defendant's use of the PETA trademark in a domain name was not in connection with goods and services: "[the defendant] need only have prevented users from obtaining or using PETA's goods or services, or need only have connected the website to other's goods or services." 263 F.3d at 365. Similarly, courts have found that the use of trademarks in "metatags," which are invisible text within Websites that are used by search engines for indexing, constitute a use in commerce under the Lanham Act. *See Bihari v. Gross,* 119 F.Supp.2d 309 (S.D.N.Y.2000); *Playboy Enterprises, Inc. v. Asiafocus Int'l, Inc.,* 1998 WL 724000 (E.D.Va. April 10, 1998).

[3] Of the two lines of cases cited by the parties, the Court finds that plaintiff's authorities are better reasoned. Under those cases, as well as an unstrained reading of the complaint, the Court finds that plaintiff has pled sufficient facts which, taken as true for purposes of this motion, allege "trademark use." Contrary to defendants' argument, the complaint is addressed to more than the defendants' use of the trademarks in their internal computer coding. The complaint clearly alleges that defendants use plaintiff's trademarks to sell advertising, and then link that advertising to results of searches. [FN4] Those links appear to the user as "sponsored links." Thus, a fair reading of the complaint reveals that plaintiff alleges that defendants have unlawfully used its trademarks by allowing advertisers to bid on the trademarks and pay defendants to be linked to the trademarks.

Under the analysis in *PETA*, defendants' offer of plaintiff's trademarks for use in advertising could falsely identify a business relationship or licensing agreement between defendants and the trademark holder. In other words, when defendants sell the rights to link advertising to plaintiff's trademarks, defendants

are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so. This is a critical distinction from the *U-Haul* case, because in that case the only "trademark use" alleged was the use of the trademark in the pop-up software-- the internal computer coding. WhenU allowed advertisers to bid on broad categories of terms that included the trademarks, but did not market the protected marks themselves as keywords to which advertisers could directly purchase rights.

Plaintiff further alleges that under theories of contributory and vicarious liability, defendants are liable when the advertisers themselves make "trademark use" of the GEICO marks by incorporating them into the advertisements, which are likely to deceive customers into believing that the advertisers provide accurate information about GEICO products or are somehow related to GEICO. Plaintiff also alleges that defendants exercise significant control over the content of advertisements that appear on their search results pages, and accordingly defendants are liable for Lanham Act violations by the advertisers. Accepting as true the facts alleged by plaintiff regarding the inclusion of the marks in advertisements and defendants' overall control of their advertising program, we find that plaintiffs have alleged facts sufficient to support their claims that advertisers make a "trademark use" of GEICO's marks, and that defendants may be liable for such "trademark use."

Accordingly, we find that plaintiff has sufficiently alleged that defendants used plaintiff's protected marks in commerce. This decision does not necessarily mean that defendants' use of plaintiff's trademarks violates either the Lanham Act or Virginia common law of unfair competition. That decision cannot be reached until discovery has been completed. "[W]here keyword placement of ... advertising is being sold, the portals and search engines are taking advantage of the drawing power and goodwill of these famous marks. The question is whether this activity is fair competition or whether it is a form of unfair free riding on the fame of well-known marks." J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 25:70.1 (2004). Whether defendants' uses are legitimate fair uses of the trademarks in competition, and whether they create a likelihood of confusion, are fact-specific issues not properly resolved through a motion to dismiss…..

UTAH Stat: 13-39-101 (2004)
'Spyware Control Act.'

13-39-102. Definitions.
As used in this chapter:
(1) 'Context based triggering mechanism' means a software based trigger or program residing on a consumer's computer that displays an advertisement according to:
(a) the current Internet website accessed by a user; or
(b) the contents or characteristics of the current Internet website accessed by a user.

…

(4) Except as provided in Subsection (5), 'spyware' means software residing on a computer that:

(a) monitors the computer's usage;

(b) (i) sends information about the computer's usage to a remote computer or server; or

(ii) displays or causes to be displayed an advertisement in response to the computer's usage if the advertisement:

(A) does not clearly identify the full legal name of the entity responsible for delivering the advertisement;

(B) uses a federally registered trademark as a trigger for the display of the advertisement by a person other than:

(I) the trademark owner;

(II) an authorized agent or licensee of the trademark owner; or

(III) a recognized Internet search engine;

(C) uses a triggering mechanism to display the advertisement according to the Internet websites accessed by a user; or

(D) uses a context based triggering mechanism to display the advertisement that partially or wholly covers or obscures paid advertising or other content on an Internet website in a way that interferes with a user's ability to view the Internet website; and

(c) does not:

(i) obtain the consent of the user, at the time of, or after installation of the software but before the software does any of the actions described in Subsection (4)(b):

(A) to a license agreement:

(I) presented in full; and

(II) written in plain language;

(B) to a notice of the collection of each specific type of information to be transmitted as a result of the software installation;

(C) to a clear and representative full-size example of each type of advertisement that may be delivered;

(D) to a truthful statement of the frequency with which each type of advertisement may be delivered; and

(E) for each type of advertisement delivered by the software, a clear description of a method by which a user may distinguish the advertisement by its appearance from an advertisement generated by other software services; and

(ii) provide a method:

(A) by which a user may quickly and easily disable and remove the software from the user's computer;

(B) that does not have other effects on the non-affiliated parts of the user's computer; and

(C) that uses obvious, standard, usual, and ordinary

methods for removal of computer software.
(5) Notwithstanding Subsection (4), 'spyware' does not include:
(a) software designed and installed solely to diagnose or resolve technical difficulties;
(b) software or data that solely report to an Internet website information previously stored by the Internet website on the user's computer, including:
(i) cookies;
(ii) HTML code; or
(iii) Java Scripts; or
(c) an operating system.
(6) 'Usage' means:
(a) the Internet websites accessed by a user;
(b) the contents or characteristics of the Internet websites accessed by a user;
(c) a user's personal information, including:
(i) a first and last name of a user, whether:
(A) given at birth or adoption;
(B) assumed; or
(C) legally changed;
(ii) any of the following with respect to a user's home or other physical address:
(A) the street name;
(B) the name of the city or town; or
(C) the zip code;
(iii) an electronic mail address;
(iv) a telephone number;
(v) a Social Security number;
(vi) any personal identification number;
(vii) a credit card number;
(viii) any access code associated with a credit card;
(ix) a date of birth, birth certificate number, or place of birth; or
(x) a password or access code; or
(d) a user's submission to forms or Internet websites.
(7) 'User' means:
(a) a computer owner; or
(b) a person who accesses an Internet website.

13-39-201. Prohibited conduct.
(1) A person may not:
(a) install spyware on another person's computer;
(b) cause spyware to be installed on another person's computer; or
(c) use a context based triggering mechanism to display an advertisement that partially or wholly covers or obscures paid advertising or other content on an Internet website in a way that interferes with a user's ability to view the Internet website.
(2) It is not a defense to a violation of this section that a user may remove or hide

an advertisement.

13-39-301. Private action.

(1) An action for a violation of this chapter may be brought:

(a) against a person who:

(i) violates this chapter; or

(ii) causes a violation of this chapter; and

(b) by any of the following who are adversely affected by a violation of this chapter:

(i) an Internet website owner or registrant;

(ii) a trademark or copyright owner; or

(iii) an authorized advertiser on an Internet website.

……

CALIFORNIA
CONSUMER PROTECTION AGAINST COMPUTER SPYWARE ACT

§ 22947. Short title

This chapter shall be known as and may be cited as the Consumer Protection Against Computer Spyware Act.

West's Ann. Cal. Bus. & Prof. Code § 22947, CA BUS & PROF § 22947

§ 22947.1. Definitions

For purposes of this chapter, the following terms have the following meanings:

(a) "Advertisement" means a communication, the primary purpose of which is the commercial promotion of a commercial product or service, including content on an Internet Web site operated for a commercial purpose.

(b) "Authorized user," with respect to a computer, means a person who owns or is authorized by the owner or lessee to use the computer. An "authorized user" does not include a person or entity that has obtained authorization to use the computer solely through the use of an end user license agreement.

(c) "Computer software" means a sequence of instructions written in any programming language that is executed on a computer.

(d) "Computer virus" means a computer program or other set of instructions that is designed to degrade the performance of or disable a computer or computer network and is designed to have the ability to replicate itself on other computers or computer networks without the authorization of the owners of those computers or computer networks.

(e) "Consumer" means an individual who resides in this state and who uses the computer in question primarily for personal, family, or household purposes.

(f) "Damage" means any significant impairment to the integrity or availability of data, software, a system, or information.

(g) "Execute," when used with respect to computer software, means the performance of the functions or the carrying out of the instructions of the

computer software.

(h) "Intentionally deceptive" means any of the following:

(1) By means of an intentionally and materially false or fraudulent statement.

(2) By means of a statement or description that intentionally omits or misrepresents material information in order to deceive the consumer.

(3) By means of an intentional and material failure to provide any notice to an authorized user regarding the download or installation of software in order to deceive the consumer.

(i) "Internet" means the global information system that is logically linked together by a globally unique address space based on the Internet Protocol (IP), or its subsequent extensions, and that is able to support communications using the Transmission Control Protocol/Internet Protocol (TCP/IP) suite, or its subsequent extensions, or other IP-compatible protocols, and that provides, uses, or makes accessible, either publicly or privately, high level services layered on the communications and related infrastructure described in this subdivision.

(j) "Person" means any individual, partnership, corporation, limited liability company, or other organization, or any combination thereof.

(k) "Personally identifiable information" means any of the following:

(1) First name or first initial in combination with last name.

(2) Credit or debit card numbers or other financial account numbers.

(3) A password or personal identification number required to access an identified financial account.

(4) Social Security number.

(5) Any of the following information in a form that personally identifies an authorized user:

(A) Account balances.

(B) Overdraft history.

(C) Payment history.

(D) A history of Web sites visited.

(E) Home address.

(F) Work address.

(G) A record of a purchase or purchases.

§ 22947.2. Unauthorized users

A person or entity that is not an authorized user, as defined in Section 22947.1, shall not, with actual knowledge, with conscious avoidance of actual knowledge, or willfully, cause computer software to be copied onto the computer of a consumer in this state and use the software to do any of the following:

(a) Modify, through intentionally deceptive means, any of the following settings related to the computer's access to, or use of, the Internet:

(1) The page that appears when an authorized user launches an Internet browser or similar software program used to access and navigate the Internet.

(2) The default provider or Web proxy the authorized user uses to

access or search the Internet.

(3) The authorized user's list of bookmarks used to access Web pages.

(b) Collect, through intentionally deceptive means, personally identifiable information that meets any of the following criteria:

(1) It is collected through the use of a keystroke-logging function that records all keystrokes made by an authorized user who uses the computer and transfers that information from the computer to another person.

(2) It includes all or substantially all of the Web sites visited by an authorized user, other than Web sites of the provider of the software, if the computer software was installed in a manner designed to conceal from all authorized users of the computer the fact that the software is being installed.

(3) It is a data element described in paragraph (2), (3), or (4) of subdivision (k) of Section 22947.1, or in subparagraph (A) or (B) of paragraph (5) of subdivision (k) of Section 22947.1, that is extracted from the consumer's computer hard drive for a purpose wholly unrelated to any of the purposes of the software or service described to an authorized user.

(c) Prevent, without the authorization of an authorized user, through intentionally deceptive means, an authorized user's reasonable efforts to block the installation of, or to disable, software, by causing software that the authorized user has properly removed or disabled to automatically reinstall or reactivate on the computer without the authorization of an authorized user.

(d) Intentionally misrepresent that software will be uninstalled or disabled by an authorized user's action, with knowledge that the software will not be so uninstalled or disabled.

(e) Through intentionally deceptive means, remove, disable, or render inoperative security, antispyware, or antivirus software installed on the computer.

§ 22947.3.

A person or entity that is not an authorized user, as defined in Section 22947.1, shall not, with actual knowledge, with conscious avoidance of actual knowledge, or willfully, cause computer software to be copied onto the computer of a consumer in this state and use the software to do any of the following:

(a) Take control of the consumer's computer by doing any of the following:

(1) Transmitting or relaying commercial electronic mail or a computer virus from the consumer's computer, where the transmission or relaying is initiated by a person other than the authorized user and without the authorization of an authorized user.

(2) Accessing or using the consumer's modem or Internet service for the purpose of causing damage to the consumer's computer or of causing an authorized user to incur financial charges for a service that is not authorized by an authorized user.

(3) Using the consumer's computer as part of an activity performed by a group of computers for the purpose of causing damage to another computer, including, but not limited to, launching a denial of service attack.

(4) Opening multiple, sequential, stand-alone advertisements in the consumer's Internet browser without the authorization of an authorized user and

with knowledge that a reasonable computer user cannot close the advertisements without turning off the computer or closing the consumer's Internet browser.

(b) Modify any of the following settings related to the computer's access to, or use of, the Internet:

(1) An authorized user's security or other settings that protect information about the authorized user for the purpose of stealing personal information of an authorized user.

(2) The security settings of the computer for the purpose of causing damage to one or more computers.

(c) Prevent, without the authorization of an authorized user, an authorized user's reasonable efforts to block the installation of, or to disable, software, by doing any of the following:

(1) Presenting the authorized user with an option to decline installation of software with knowledge that, when the option is selected by the authorized user, the installation nevertheless proceeds.

(2) Falsely representing that software has been disabled.

(d) Nothing in this section shall apply to any monitoring of, or interaction with, a subscriber's Internet or other network connection or service, or a protected computer, by a telecommunications carrier, cable operator, computer hardware or software provider, or provider of information service or interactive computer service for network or computer security purposes, diagnostics, technical support, repair, authorized updates of software or system firmware, authorized remote system management, or detection or prevention of the unauthorized use of or fraudulent or other illegal activities in connection with a network, service, or computer software, including scanning for and removing software proscribed under this chapter.

§ 22947.4. Prohibited activities regarding consumer computers

(a) A person or entity, who is not an authorized user, as defined in Section 22947.1, shall not do any of the following with regard to the computer of a consumer in this state:

(1) Induce an authorized user to install a software component onto the computer by intentionally misrepresenting that <u>installing software is necessary for security or privacy reasons or in order to open, view, or play a particular type of content.</u>

(2) Deceptively causing the copying and execution on the computer of a computer software component with the intent of causing an authorized user to use the component in a way that violates any other provision of this section.

TEXAS CONSUMER PROTECTION AGAINST COMPUTER SPYWARE ACT OF 2005

§ 48.002. Definitions

In this chapter:

(1) "Advertisement" means a communication that includes the promotion of a commercial product or service, including communication on an Internet website operated for a commercial purpose.
(2) "Cause computer software to be copied" means to distribute or transfer computer software or a component of computer software. The term does not include:
(A) the transmission or routing of computer software or a component of the software;
(B) the provision of intermediate temporary storage or caching of software;
(C) the provision of a storage medium such as a compact disk;
(D) a website;
(E) the distribution of computer software by a third party through a computer server; or
(F) the provision of an information location tool, such as a directory, index, reference, pointer, or hypertext link, through which the user of a computer is able to locate computer software.
(3) "Computer software" means a sequence of instructions written in a programming language that is executed on a computer. The term does not include:
(A) a web page; or
(B) a data component of a web page that cannot be executed independently of that page.
(4) "Damage," with respect to a computer, means significant impairment to the integrity or availability of data, computer software, a system, or information.
(5) "Execute," with respect to computer software, means to perform a function or carry out instructions.
(6) "Keystroke-logging function" means a function of a computer software program that records all keystrokes made by a person using a computer and transfers that information from the computer to another person.
(7) "Owner or operator of a computer" means the owner or lessee of a computer or an individual using a computer with the authorization of the owner or lessee of the computer. If a computer was sold at retail, the phrase "owner of a computer" does not include the person who owned the computer before the date on which the computer was sold.
(8) "Person" means any individual, partnership, corporation, limited liability company, or other organization, or a combination of those organizations.
(9) "Personally identifiable information," with respect to an individual who is the owner or operator of a computer, means:
(A) first name or first initial in combination with last name;
(B) a home or other physical address, including street name;
(C) an electronic mail address;
(D) a credit or debit card number;
(E) a bank account number;
(F) a password or access code associated with a credit or debit card or bank account;

(G) a social security number, tax identification number, driver's license number, passport number, or other government-issued identification number; or
(H) any of the following information if the information alone or in combination with other information personally identifies the individual:
(i) account balances;
(ii) overdraft history; or
(iii) payment history.

§ 48.003. Applicability of Chapter

(a) Section 48.052, other than Subdivision (1) of that section, and Sections 48.053(4) and 48.055 do not apply to a telecommunications carrier, cable operator, computer hardware or software provider, or provider of information service or interactive computer service that monitors or has interaction with a subscriber's Internet or other network connection or service or a protected computer for:

(1) network or computer security purposes;

(2) diagnostics, technical support, or repair purposes;

(3) authorized updates of computer software or system firmware;

(4) authorized remote system management; or

(5) detection or prevention of unauthorized use of or fraudulent or other illegal activities in connection with a network, service, or computer software, including scanning for and removing software proscribed under this chapter.

(b) This chapter does not apply to:

(1) the use of a navigation device, any interaction with a navigation device, or the installation or use of computer software on a navigation device by a multichannel video programming distributor or video programmer in connection with the provision of multichannel video programming or other services offered over a multichannel video programming system if the provision of the programming or other service is subject to 47 U.S.C. Section 338(i) or 551; or

(2) the collection or disclosure of subscriber information by a multichannel video programming distributor or video programmer in connection with the provision of multichannel video programming or other services offered over a multichannel video programming system if the collection or disclosure of the information is subject to 47 U.S.C. Section 338(i) or 551.

(c) In this section, "multichannel video programming distributor" has the meaning assigned by 47 U.S.C. Section 522(13).

§ 48.051. Unauthorized Collection or Culling of Personally Identifiable Information

If a person is not the owner or operator of the computer, the person may not knowingly cause computer software to be copied to a computer in this state and use the software to:

(1) collect, through intentionally deceptive means:

(A) personally identifiable information by using a keystroke-logging function; or

(B) personally identifiable information in a manner that correlates that information with information regarding all or substantially all of the websites visited by the owner or operator of the computer, other than websites operated by the person collecting the information; or

(2) cull, through intentionally deceptive means, the following kinds of personally identifiable information from the consumer's computer hard drive for a purpose wholly unrelated to any of the purposes of the software or service described to an owner or operator of the computer:

(A) a credit or debit card number;

(B) a bank account number;

(C) a password or access code associated with a credit or debit card number or a bank account;

(D) a social security number;

(E) account balances; or

(F) overdraft history.

§ 48.052. Unauthorized Access to or Modifications of Computer Settings; Computer Damage

If a person is not the owner or operator of the computer, the person may not knowingly cause computer software to be copied to a computer in this state and use the software to:

(1) modify, through intentionally deceptive means, a setting that controls:

(A) the page that appears when an Internet browser or a similar software program is launched to access and navigate the Internet;

(B) the default provider or web proxy used to access or search the Internet; or

(C) a list of bookmarks used to access web pages;

(2) take control of the computer by:

(A) accessing or using the computer's modem or Internet service to:

(i) cause damage to the computer;

(ii) cause the owner or operator of the computer to incur financial charges for a service not previously authorized by the owner or operator; or

(iii) cause a third party affected by the conduct to incur financial charges for a service not previously authorized by the third party; or

(B) opening, without the consent of the owner or operator of the computer, an advertisement that:

(i) is in the owner's or operator's Internet browser in a multiple, sequential, or stand-alone form; and

(ii) cannot be closed by an ordinarily reasonable person using the computer without closing the browser or shutting down the computer;

(3) modify settings on the computer that relate to access to or use of the Internet and protection of information for purposes of stealing personally identifiable information of the owner or operator of the computer; or

(4) modify security settings on the computer relating to access to or use of the Internet for purposes of causing damage to one or more computers.

….

§ 48.053. Unauthorized Interference With Installation or Disabling of Computer Software

If a person is not the owner or operator of the computer, the person may not knowingly cause computer software to be copied to a computer in this state and use the software to:

(1) prevent, through intentionally deceptive means, reasonable efforts of the owner or operator of the computer to block the installation or execution of or to disable computer software by causing computer software that the owner or operator has properly removed or disabled to automatically reinstall or reactivate on the computer;

(2) intentionally misrepresent to another that computer software will be uninstalled or disabled by the actions of the owner or operator of the computer;

(3) remove, disable, or render inoperative, through intentionally deceptive means, security, antispyware, or antivirus computer software installed on the computer;

(4) prevent the owner's or operator's reasonable efforts to block the installation of or to disable computer software by:

(A) presenting the owner or operator with an option to decline the installation of software knowing that, when the option is selected, the installation process will continue to proceed; or

(B) misrepresenting that software has been disabled;

(5) change the name, location, or other designation of computer software to prevent the owner from locating and removing the software; or

(6) create randomized or intentionally deceptive file names or random or intentionally deceptive directory folders, formats, or registry entries to avoid detection and prevent the owner from removing computer software.

§ 48.055. Other Prohibited Conduct

If a person is not the owner or operator of the computer, the person may not:

(1) induce the owner or operator of a computer in this state to install a computer software component to the computer by intentionally misrepresenting the extent to which the installation is necessary for security or privacy reasons, to open or view text, or to play a particular type of musical or other content; or

(2) copy and execute or cause the copying and execution of a computer software component to a computer in this state in a deceptive manner with the intent of causing the owner or operator of the computer to use the component in a manner that violates this chapter.