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Pop-Up Ads, Trademark Law and the Meaning of "Use"

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Is it possible to infringe a trademark when you never display it to the public, but use it only as a hidden trigger for pop-up ads? Three federal courts have struggled with this question in the last seven months, but have been unable to unanimously agree on the answer. These cases represent the newest issue to confront the courts in the battle over trademark protection on the Internet, and illustrate how technological developments on the Internet continue to outstrip the ability of the law to keep pace.

The World Wide Web is a network built upon links, and since the Internet first went mainstream in the mid-1990s, there has been no shortage of cases brought by content owners attempting to impose "linking liability" on those who profit at their expense. Legal theories behind these cases have included trademark infringement, dilution, cybersquatting, copyright infringement and violations of the Digital Millennium Copyright Act. Factual scenarios have varied from claims of trademark infringement based on "deep linking" to allegations of copyright infringement for linking to an unauthorized copy of a secret religious text. The fact is, as the Web grows and the software technologies supporting it become more sophisticated, so do the linking technologies and the legal theories devised in attempts to counter them.

The most recent example has arisen in the context of interactive pop-up ads distributed by WhenU.com. WhenU distributes a downloadable software program called "SaveNow." SaveNow is bundled with free software such as screensaver programs. However, nothing comes without a cost, and in order to install the "free" software, users must agree to install SaveNow as well. As explained in WhenU's clickwrap license agreement, the SaveNow software will continuously monitor (invisibly, to the user) the user's Internet browser to determine whether content accessed by the user matches key words stored in WhenU's client directory. When the software finds a match for an associated key word – often a trademark or service mark – it triggers the SaveNow program to transmit a WhenU-branded pop-up ad to the user's computer. The pop-up ad is selected from a list supplied by WhenU's advertising clients, and may be a competitor of the owner of the mark that triggered the pop-up. The pop-up ad provides a hyperlink to the web site of WhenU's client that, if the user chooses to click on, results in the competitor's web site opening on the user's computer.

> The pop-up ad cases illustrate how technological developments on the Internet continue to outstrip the ability of the law to keep pace.

To date, WhenU has been sued by U-Haul, 1-800 CONTACTS, and Wells Fargo for trademark infringement as well as other claims. Each of these companies has brought suit separately, in a different federal court. The suit brought by U-Haul illustrates how the WhenU software works in practice. If a user who has installed SaveNow goes to the U-Haul web site, the SaveNow software matches the term "U-Haul" against 40,000 elements (including URLs, search terms and key word algorithms) contained in the SaveNow directory, located on a web server controlled by WhenU. The SaveNow software will recognize that the user is interested in the "do-it-yourself moving" category, and select a pop-up advertisement from (for example) U-Haul's competitor, Budget Truck Rental. Budget (which is hypothetical in this example) will have paid WhenU to launch this pop-up ad when users access the do-it-yourself moving category. The user may decide to click on the link in the pop-up ad, which would direct her to Budget's site, possibly causing U-Haul to lose a sale to Budget. Of course, the user also has the choice of closing the pop-up ad.

U-Haul argued that use of its trademark in this manner was a violation of its trademark rights.

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Trademark law is premised on consumer confusion, and U-Haul argued that the user might mistakenly think that the Budget pop-up ad was sponsored by U-Haul, and that U-Haul wanted to encourage the user to go to the Budget web site.

While former President Clinton may go down in history for quibbling over the meaning of the word "is," the key question in the WhenU cases has revolved around the meaning of the word "use." Federal trademark law requires that an infringer must have "used" an infringing mark "in commerce." The federal trademark statute is clear that "use" means putting the trademark on goods, or their containers, or on displays, tags, labels or documents associated with the goods. Nothing in the law appears to support the argument that use of a trademark in a proprietary database, which is never viewed by consumers, constitutes a "use" that would violate the rights of a trademark owner.

In the first two cases brought against it – the cases brought by U-Haul and Wells Fargo – WhenU used this argument successfully. It argued that its use of trademarks in a database for the purpose of triggering a pop-up ad (a practice WhenU characterized as "comparative advertising"), was not a "use" under federal trademark law. WhenU argued that it used the trademarks "U-Haul" and "Wells Fargo" solely for their "machine-linking function," that it never displayed these trademarks to the users of SaveNow, and that therefore it never made "use" of the U-Haul or Wells Fargo trademarks in a way that could give rise to trademark infringement. The public might be confused by the source of the pop-up ad, but this was not confusion actionable under trademark law.

While this defense succeeded in the cases brought in Virginia and Michigan, the third federal judge to hear the issue brushed it aside with almost no discussion at all. This case was brought in New York by online contact lenses retailer 1-800 CONTACTS. The New York federal judge issued a preliminary injunction against WhenU, holding that WhenU had, in fact, illegally "used" the 1-800 CONTACTS trademark. The court held that the mere fact that WhenU included "www.1800contacts.com" in the WhenU database was enough to constitute an illegal use of the 1-800 CONTACTS trademark. The court also held that the act of triggering a pop-up ad when users attempt to access the 1-800 CONTACTS URL constituted an illegal use of the trademark.

TLB Comment: *The expression "hard cases make bad law" may be a legal cliché, but it seems to be the best way to describe the law that has rapidly evolved on the treatment of pop-up ads. The types of legal issues raised in the WhenU cases could not have been envisioned when the trademark laws were enacted, and therefore the courts are forced to fit a square peg in a round hole, with imperfect results.*

The issue of "confusion in the marketplace" is the driving force behind trademark law, and although not expressly addressed in any of these cases, WhenU's means of delivering its software to users likely was a concern for all of the judges. Although WhenU argued that every user of its software consented to the installation of the SaveNow software when he or she first downloaded it and installed the free screensaver – and therefore understood that the pop-up ads were being generated by the SaveNow software – user consent is mostly an illusion in this context. How many users can be expected to read a clickwrap license and understand that they are agreeing to intrusive pop-up ads? Once the software is installed, how many users are capable of removing the software from their systems? One can presume that as WhenU devised its business model it gambled that the answers to both questions are, "few or none."

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WhenU has appealed the New York decision, but the outcome of that appeal is difficult to predict. The Second Circuit could either uphold the decision by interpreting the trademark statute to accommodate the facts of this case (a difficult stretch, in our opinion), or apply the law conventionally and reverse the decision in favor of WhenU. Either way, as soon as legal doctrine on this technology becomes settled, there is certain to be a new technology the courts will be asked to figure out all over again.

Second Circuit Takes a Step Toward Enforcement of Browsewrap Agreements

Lee Gesmer

On the Internet, a "click-wrap agreement" requires the user to click a link or icon to indicate assent. A "browsewrap agreement" is an online agreement that appears on a web site, but does not require the user to take any action to express consent. The courts have been willing to enforce the former, but not the latter.

A recent decision by the influential U.S. Court of Appeals for the Second Circuit in New York puts a new spin on browsewrap agreements, and may be a significant step toward their enforceability. In this case, *Register.com v. Verio,* the court held that under certain conditions an online contract could be formed even if the terms are not disclosed until after the transaction has been completed and the party to be bound has not formally assented to the transaction, so long as the party to be bound was "aware" of the terms.

Register is an Internet registrar authorized to sell Internet domain names. Verio sells web site design and development services. Register accused Verio of using an automated software program to submit daily WHOIS queries to Register in order to collect information on new domain name registrants. Verio then solicited business from these new domain owners.

Register complained that Verio's actions violated an online contract that was formed every time that Verio queried Register's database over the Internet. Specifically, Register's terms and conditions provided that a person submitting a query could not use the data for any form of commercial advertising or solicitations. However, the terms of use containing this restriction were provided only upon receipt of the WHOIS query results.

The timing of offer and acceptance has been critical to decisions regarding the formation of online contracts. Verio argued that because it was only told the terms of the proposed contract after the transaction had been completed, there was no mutual assent, and therefore no contract had been formed. Verio noted that this case did not involve a "clickwrap" license, since Register did not withhold access to the WHOIS information until after an end-user manifested assent by clicking on an icon or link.

Register argued that Verio's course of conduct – repeatedly submitting queries while being aware of the proposed terms – objectively demonstrated Verio's assent to be bound by Register's terms. Verio responded that even though it knew the terms, it implicitly rejected them and never manifested assent.

The court analogized the facts of this case to a roadside fruit stand, where a visitor takes an apple and, after biting into it, turns around and sees a sign, "Apples, 50 cents." The visitor then returns, every day, several times a day, and takes an apple without paying for it. When the fruit stand owner demands payment, the visitor states that on no occasion did he see the price until after he'd bitten into the apples. While this defense might be effective the first time, the visitor cannot continue to take apples for free, knowing full well that the fruit stand is offering them only in exchange for 50 cents in compensation.

The court held Verio's situation to be much the same: Verio was repeatedly drawing on Register's data, and each day, upon receiving the requested data, Verio received Register's terms and conditions containing restrictions on solicitation. Verio was aware of these terms, and therefore it could no more deny that it was bound by them than the visitor to the fruit stand could claim that she was entitled to an unlimited supply of free apples.

TLB Comment: *Until now, the enforceability of browsewrap agreements was in doubt. The few courts that had considered the issue had expressed significant reservations as to their enforceability. The Register case may be a significant step toward liberalizing the enforceability of these types of agreements. In the Second Circuit and in those states that choose to follow the holding of this influential court, browsewrap agreements will be held enforceable if the user is "aware" of the terms and conditions posted on the site. How far the courts will choose to take this principle – for example, under precisely what circumstances a user will be presumed to be aware of terms and conditions – remains to be seen.*

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