

More Pop-Ups in our Future? WhenU Helps Keyword Companies See More Clearly

by *Douglas R. Wolf*

Many companies use keywords in some form to generate revenue, from search engines selling keywords to trigger banner ads to those often annoying pop-ups that come our way out of the blue. But the law has been murky at best in terms of what's permissible to use, especially in the case of pop-ups involving another company's logo. A recent circuit court decision however represents an important step in clarifying such keywords law.

The case of 1-800 Contacts, Inc. v. WhenU.com is particularly important for such companies as Google, since keyword sales represent a substantial portion of revenue and since obtaining legal precedent supporting this kind of business has been inconsistent. The WhenU decision, issued from the Court of Appeals for the Second Circuit, may be the boost many companies seek. While this case holding appears relatively narrow, the Court did provide ammunition to keyword supporters in their attempts to expand its impact.

WhenU provides a free down-loadable program called SaveNow. It has a hidden database or directory – inaccessible by the user - composed of 60,000-plus website addresses, fragments, and “keyword algorithms.” Its content collection is proprietary, even from WhenU's advertising customers, and is grouped in categories such as hotel travel, air travel, and eye care. Advertisers pay WhenU to be associated with certain categories under one of several arrangements, such as the number of advertisements delivered, click-throughs, or purchases at the advertiser's site.

SaveNow monitors the user's web usage, and based on the words and terms used, web addresses, and even terms that appear on visited websites, automatically generates advertisements of WhenU customers of the appropriate categories. Advertisements may

be either a pop-up or a banner.

In this case, 1800contacts.com is one of the addresses in the WhenU database. When a SaveNow user searches for a term such as “contacts” or “eye care,” or even directly visits the 1800contacts.com site, the SaveNow program triggers an advertisement from its “eye care” advertising clients.

1-800 Contacts' primary complaint was that WhenU was trading upon the goodwill of its trademark, thereby causing confusion in the marketplace as to the association of WhenU advertisers with 1-800 Contacts. The Southern District of New York found in favor of 1-800 Contacts and issued a preliminary injunction precluding WhenU from triggering advertisements caused by 1800contacts.com.

The Court of Appeals reviewed whether the elements for trademark infringement had been met: Did 1-800 Contacts demonstrate that (1) it has a valid mark, (2) WhenU used that mark, (3) in commerce, (4) as part of WhenU's sale of goods and services, and (5) without 1-800 Contacts' consent? Focusing on elements 2 and 3, the Court ruled that “use” was not satisfied and reversed the District Court's decision. There was no allegation that WhenU actually stored the trademark 1-800 CONTACTS in its database, rather only housed the 1800contacts.com address. The District Court found that there were two forms of trademark use by WhenU: keeping 1800contacts.com in its database and triggering ads off of that, and the contemporaneous appearance of a WhenU customer advertisement with a website including the 1-800 Contacts' trademark.

The Court found that the WhenU database could not be the source of trademark infringement, since it did not “use” any trademark of the plaintiff. As such, WhenU's database did not trigger advertisements in

response to use of the trademark 1-800 CONTACTS, rather only the website address. The Court also found that having a WhenU customer pop-up appear simultaneous with another's website is not use of that other's trademark. The Court strictly read “use” to require that the pop-up actually include the trademark of the complaining party.

Equally important to the Court was that WhenU customers could not manipulate or purchase any of the keywords in the database. There was no direct linking between an advertisement and a term, trademark, or website. WhenU customers made purchasing decisions to align themselves with categories only.

The prescription for success based on the holding of WhenU suggests avoiding direct use of trademarks. The distinction between trademarks and domain names has been often treated as trivial, but the Court ruled that a trademark owner may not take away a domain name from common use, irrespective of the overlap of the second level term in the domain name with that of a trademark right.



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It is hard to tell how far this Court could move the law of keyword usage. The footnote for the Court's decision should not be read as precluding use of trademarks since keywords only serve to create future fodder. Clearly, the defense of having a domain name in a keyword database instead of a trademark would be lost, but the footnote suggests that WhenU at least needed to include a trademark in the database to create "use."

At a minimum, we have a Court which has provided guidelines on types of keyword Internet usage. Whether this decision can be extrapolated into more direct keyword purchase businesses remains to be seen, although the Court has distinguished those types of cases. For now, all we can do is to wait.

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