

## Appellate Court Clears the Way for Competitive Pop-Up Ads

The Second Circuit Court of Appeals impedes trademark owners trying to restrict online pop-up advertising that appears when consumers visit the trademark owners' websites.

In 2002, online contact lens distributor 1-800 Contacts ("1-800") filed suit in the U.S. District Court for the Southern District of New York against WhenU.com, Inc. ("WhenU"), a marketing company that monitors online activity of Internet users to provide relevant pop-up advertisements. 1-800 claimed that WhenU infringed its trademarks by triggering competitors' pop-up ads when web users visited 1-800's website. The district court agreed with 1-800, preliminarily enjoining WhenU from such activity. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003). However, 1-800 appealed the ruling to the Second Circuit Court of Appeals, and on June 27, 2005, the appellate court overturned the injunction and dismissed the trademark infringement claims against WhenU. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 2005 U.S. App. Lexis 12711 (2d Cir. 2005).

Relying on two prior decisions involving claims against WhenU for support, the Second Circuit's holding mirrors those rulings. See *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003); *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003). In those cases, the district courts concluded that the inclusion of the plaintiffs' website addresses in WhenU's directory of terms, used to assess an Internet user's activity and select appropriate ads to display on the user's computer, did not constitute "use" under the Lanham Act.

The Second Circuit Court of Appeals first held that the inclusion by WhenU of 1-800's website address in the WhenU directory does not constitute trademark use. The court noted that WhenU does not place 1-800's marks on goods or services offered for sale, reproduce 1-800's marks, or cause the marks to be displayed at all. The WhenU directory is used only internally, which cannot lead to consumer confusion. Moreover, only the 1-800 website address, and not any trademark of WhenU, was included in the directory.

The Court of Appeals subsequently held that displaying pop-up ads on a user's computer screen in front of, behind, or next to the 1-800 website does not constitute trademark use. The pop-up ads do not affect the 1-800 website, alter the results a user would obtain when searching for 1-800 in a search engine, or otherwise divert consumers from 1-800's site. Additionally, and unlike Google's Adwords Keyword Advertising program, WhenU does not sell trademarked keywords or link trademarks to particular competitors' ads. Because there is no trademark use of 1-800's trademarks, there can be no trademark infringement, the court emphasized.

The greater effect of this ruling should be interesting to watch. The case might help provide invaluable legal guidance to future creators of emerging technologies for advertising software that use trademarks, company names, or website addresses to sell and display advertising. The impact on similar cases brought against Google also bear attention, but unlike 1-800, Google does sell trademarks as keywords and links them to particular competitors ads.

The decision could lead to greater choices for consumers, who may be better informed of available products similar to trademarked products initially sought after. On the other hand, the holding could lead to a much greater amount of unwanted pop-up ads, viewed as an annoyance or worse by many consumers.