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Note From the Chair

The Computer Law Section held its first regular meeting of the year on November 11. We had a report from Kim Paulson of Miller Canfield on the annual Computer Law seminar that takes place at the University of Dayton in the Spring, which engendered some lively debate on some hot computer law issues, such as those involving “g-mail”. We also found out a bit more about the every day work life of 2 of our Officers who focus on patent matters, which gave those attending a chance to ask some questions in that field. We also received reports on Committee activity from the following Committees:



- | | |
|----------------|-------------------------------|
| Annual Meeting | Proprietary Rights |
| Membership | Spring Networking Luncheon |
| Newsletter | Computer Law Theme Issue |
| Publicity | of the Michigan Bar Journal |
| Survey | Edward F. Langs Writing Award |

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Matthew M. Jakubowski
Brooks Kushman, PC
1000 Town Center
Floor 22, Suite 2200
Southfield, MI 48075-1183
E-Mail: mjakubowski@brookskushman.com

I list these in the hopes that you will see something that peaks your interest and volunteer to help out. If you would like further information about any of the committees, please send me an email at: tekadr@hotmail.com and I will connect you with the Committee Chairperson.

Look elsewhere in the newsletter for meeting information for January 19, and keep March 25 open for the next meeting after that. In the meantime, we wish you Happy Holidays and a prosperous New Year!

Sandy Franklin

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Recent Developments: Trademark Law and Contextual Marketing Programs

By: Erica J. Bledsoe

(2004 Edward Langs Writing Contest 2nd Place Winner)

This document looks at the recent development of contextual marketing programs in connection with trademark law and examines the efficacy of such programs in the computer law world. Additionally, it applies the rationale in *1-800 Contacts*¹ to recent district court rulings and discusses whether that particular court was “correct” in their holding and, if not, argues why a different result is more desirous. The first section presents some background of the Internet, contextual advertising, what constitutes a proprietary software program, and how such programs are distributed to computer users worldwide. The next section discusses the applicable trademark law that is used in connection with contextual marketing programs and also lists the arguments plaintiffs use in these types of cases. The *1-800 Contacts* case is discussed in detail in the next section followed by an overview of recent district court decisions that adhere to the *1-800-Contacts* rationale. After this, recent decisions which are contrary to the *1-800-Contacts* case are discussed along with why these holdings are in error and an explanation as to why these holdings should be reversed. In closing, the document summarizes the various arguments a company can use when their trademark is infringed by a proprietary software program.

To fully understand the complex factual presentations in the following cases and the legal questions presented by both plaintiffs and defendants, one needs a brief history of both the Internet and the issues surrounding “contextual marketing.” It is hoped that by engaging in this exercise, the reader will better understand what contextual marketing is, be able to identify examples of computer software that comprise contextual marketing and recognize how these programs are distributed among computer users.

The Internet is “a global network of interconnected computers which allows individuals and organizations around the world to communicate and to share information with one another.”² It is not “a physical or tangible entity, but rather a giant network which interconnects innumerable smaller groups of linked computer networks.”³ The Web is a “collection of information resources contained in documents located on individual computers around the world and is the most widely used and fastest growing part of the Internet except perhaps for electric mail.”⁴ One of the surprises of the Internet is that it is one of the fastest growing commercial media in recent years.⁵ Web pages are now used by companies to provide information about their products in a much more detailed fashion than can be done

through a standard advertisement.⁶ In fact, many consumers and businesses now order goods and services directly from company web pages.⁷ The commercial potential of this technology is limitless because “Internet sales are paperless and have lower transaction costs than other types of retail sales.”⁸

WhenU.com’s Method of Advertising

Many companies, such as WhenU.com (herein referred to as WhenU), try to take advantage of the Internet’s commercial capacity by delivering “online ‘contextual marketing’ to computers.”⁹ Contextual marketing technology “endeavors to market products and services to consumers who have a demonstrable interest in those products and services.”¹⁰ Traditionally, this type of marketing “has been conducted by assembling large databases containing a wide variety of personal information about individual potential customers and their past purchasing behavior.”¹¹ WhenU’s software “allows [it] to deliver contextually relevant advertising at the moment the consumer demonstrates an interest in the product or service, without any knowledge of the consumer’s past history or personal characteristics.”¹² By simply entering a company’s website, these customers “receive contextually relevant advertisements, delivered to their computer screens.”¹³ Examples of these advertisements include dollars off, percentage off, and other savings coupons for products and services at hundreds of online retail merchants.¹⁴

How WhenU Distributes its Software

WhenU offers its contextual advertising software under two brand names: “Save” and “SaveNow.”¹⁵ Consumers typically download each type of software in return for obtaining a free software application.¹⁶ In some cases, “consumers are offered a choice between paying for a ‘premium’ version of the desired application, or obtaining the desired application for free, but bundled with Save.”¹⁷ The SaveNow software “is also typically obtained as part of a ‘bundle’ with another software program.”¹⁸ Prior to downloading the SaveNow software “some user assent is required,” but this assent is questionable.¹⁹ Users who do not wish to have the SaveNow program on their computer may choose to uninstall it.²⁰

The SaveNow Program

The SaveNow program is computer software that only operates in the Microsoft Windows operating system.²¹ If a computer user installs the program, it resides on the user’s computer desktop.²² When a computer user who has installed the SaveNow software browses the Internet, the software scans the activity conducted within the SaveNow user’s Internet browser by comparing URLs (uniform resource locator), website addresses, search terms and webpage content accessed by the SaveNow user with a proprietary directory using algorithms contained in the software.²³ Entering a URL into the browser can trigger the SaveNow software to deliver a “pop-up” advertisement.²⁴ As an example, when a user types a search word or URL into the Internet browser, the SaveNow software looks to see what category of products or services the address belongs to.²⁵ In general, if the SaveNow user’s Internet usage “matches” information contained in the SaveNow directory, the SaveNow software will determine that an ad should be shown, will retrieve the pop-up advertisement from a server over the Internet, and will display that ad in a new window appearing on the user’s computer screen.²⁶ The contents of the SaveNow software are automatically updated without any prompting or conscious choice by the user.²⁷

The SaveNow software obtains advertisements by allowing WhenU’s clients to “buy categories” of goods or services and pay for delivery of their ads or coupons to SaveNow users’ screens when the SaveNow users are working in relevant categories.²⁸ Under some of WhenU’s contracts, advertisers pay WhenU to deliver pop-up advertisements to SaveNow users’ screens; under other contracts, advertisers pay WhenU based on the number of people who click on the pop-up advertisements; still other advertisers pay WhenU based on the number of actual purchases made by SaveNow users from pop-up ads that have been delivered to their computers.²⁹ Thus, WhenU has a fee relationship with the advertisers who pay it to deliver pop-up advertisements, and a free relationship with consumers who install the SaveNow software on their computers, but no relationship with the companies on whose websites the pop-up advertisements appear.³⁰

The *Lanham Act* is also known as the *Federal Trademark Act* and was enacted to give parties a cause of action when their trade or service marks are used unlawfully by another party. This is the statute most, if not all, plaintiffs turn to when alleging causes of action in cases concerning the use of contextual marketing programs.³¹ Many of these plaintiffs will seek remedies in the *Lanham Act* through 15 U.S.C. § 1114, which provides for trademark infringement, and 15 U.S.C. § 1125(a) and (c), which provide for confusion and dilution respectively. Some plaintiffs will also try to seek remedies under state causes of action as well but all plaintiffs first allege causes of action in the federal statute.

A party alleging trademark infringement under § 1114 must prove that:

1. It possesses the mark;
2. The defendant used the mark;
3. The defendant's use of the mark occurred in commerce;
4. The defendant used the mark in connection with the sale, offering for sale, distribution, or advertising of goods and services; and
5. The defendant used the mark in a manner likely to confuse consumers.³²

A "fundamental prerequisite for claims of trademark infringement pursuant to 15 U.S.C. §1114 and . . . 15 U.S.C. § 1125(a) is proof that the defendant used one of the plaintiff's protected marks in commerce."³³ A mark is "used in commerce" in connection with goods when

the mark 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 on the documents associated with the goods or their sale.³⁴

A mark is used in connection with services when

it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.³⁵

Some courts have held that the "in connection with" requirement "is not only met by use of the mark in connection with goods or services distributed or advertised by the alleged infringer, it may also be met by the use in connection with the goods or services distributed by the trademark holder."³⁶

As stated earlier, another possible source of relief for a plaintiff is confusion, which may be shown if

there is a likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question or where consumers are likely to believe that the challenged use of a trademark is somehow sponsored, endorsed or authorized by its owner.³⁷

Although a plaintiff "must show a probability, not just a possibility of confusion, a likelihood of confusion is actionable even absent evidence of actual confusion."³⁸ Additionally, confusion need not be limited to the point of sale to be actionable because confusion that occurs prior to a sale may also be actionable under the *Lanham Act*.³⁹ An eight factor test⁴⁰ has developed for determining whether a mark is likely to cause confusion. A court assesses

1. The strength of plaintiff's mark;
2. The similarity between plaintiff's and defendant's marks;
3. Proximity of the parties' services
4. The likelihood that one party will "bridge the gap" into the other's product line;
5. The existence of actual confusion between the marks;
6. The good faith of the defendant in using the mark
7. The quality of the defendant's services
8. The sophistication of the consumers.⁴¹

These factors are not always dispositive, such that irrelevant factors may be abandoned, and courts may consider other variables in evaluating the likelihood of confusion.⁴² As always, "the unique facts of each case must be considered in evaluating the likelihood of confusion."⁴³

1-800-Contacts v. WhenU.com

This case is one of the preeminent cases in the area of trademark law as it relates to contextual marketing programs. Plaintiff, 1-800 Contacts, Inc., sells and markets replacement contact lenses and related products through its website, located at *http://www.1800contacts.com*, though it also takes orders via the telephone and mail.⁴⁴ The company has registered the “We Deliver, You Save” mark with the United States Patent and Trademark Office, and has filed for registration of the mark “1-800 Contacts” and the 1-800 Contacts logo.⁴⁵ Plaintiff is the sole owner of the 1-800Contacts.com website.⁴⁶

There were two defendants in this case, *Vision Direct and WhenU.com*. The former sells and markets replacement contact lenses and related products through its website located at *http://www.visiondirect.com*.⁴⁷ Vision Direct and 1-800 Contacts are competitors. The other defendant, WhenU, is the creator of the SaveNow computer software program. In this particular case, “when a user types in ‘1800contacts.com,’ [which is] the URL for plaintiff’s website, the SaveNow software recognizes that the user is interested in the eye-care category, and retrieves from an Internet server a pop-up advertisement from that category.”⁴⁸ SaveNow’s creator, Avi Naider, explained his program this way:

Essentially, [it] contains a directory of the Internet and . . . has over 40,000 elements in this directory. Elements such as URL’s, but many other elements, such as search terms. . . . All of those elements . . . are processed against this directory of 40,000 and growing, elements. And then a decision is made that says, OK, this user is engaged in activity in a particular category and the ad units themselves are basically associated with categories, such that if the software detects, by looking at these elements, activity in a category, it may display an ad that’s relevant to that category.⁴⁹

Plaintiff argued that it was harmed by the creation of an “impermissible affiliation between Plaintiff and Defendant,” since because of WhenU’s pop-up advertising, users are “likely to have the impression that the pop-up advertisements operate in cooperation with, rather than in competition against, the Plaintiff.”⁵⁰ Plaintiff also argued that “Defendants [were] free riding on the name, reputation, and goodwill that Plaintiff has worked so hard to attain” and that they altered plain-

tiff’s copyrighted website, and in so doing, infringed on plaintiff’s exclusive right to display its copyrighted works and prepare derivative works.⁵¹ Lastly, Plaintiff argued that WhenU’s pop-up advertising created a likelihood of confusion between Vision Direct and 1-800 Contacts, and that since 1-800 Contacts had a valid trademark, Vision Direct infringed 1-800 Contacts’ trademark.⁵²

In first analyzing the facts to see if WhenU infringed on 1-800 Contact’s trademark, the Southern District of New York noted “the *Lanham Act* prohibits the use in commerce, without consent, of any registered mark in connection with the sale, offering for sale, distribution or advertising of any goods, in a way that is likely to cause confusion.”⁵³ The court found that WhenU used 1-800 Contact’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 Plaintiff’s website, on which Plaintiff’s trademark appears, Defendants are displaying Plaintiff’s mark ‘in the . . . advertising of’ Defendant Vision Direct’s services.”⁵⁴ The court noted that both 1-800 Contacts and Vision Direct are retail providers and “are unquestionable providing services ‘rendered in commerce.’”⁵⁵ The court also noted that “SaveNow users that type Plaintiff’s website address into their browsers are clearly attempting to access Plaintiff’s website because of prior knowledge of the website, knowledge that is dependent on Plaintiff’s reputation and good will.”⁵⁶ The court concluded that “by causing pop-up advertisements to appear when SaveNow users have specifically attempted to find or access Plaintiff’s website, Defendants are ‘using’ Plaintiff’s marks that appear on Plaintiff’s website.”⁵⁷ Secondly, the court determined that “Defendant WhenU.com includes Plaintiff’s URL in the proprietary WhenU.com directory of terms that triggers pop-up advertisements on SaveNow users’ computers.”⁵⁸

Next, the court turned to confusion under the *Lanham Act*. Plaintiff argued it was injured under the doctrine of initial interest confusion and the court agreed noting

the harm to Plaintiff from initial interest confusion lies not in the loss of Internet users who are unknowingly whisked away from Plaintiff’s website; instead, harm to the Plaintiff from initial interest confusion lies in the possibility that, through the use of pop-up advertisements Defen-

dant Vision Direct ‘would gain crucial credibility during the initial phases of a deal.’⁵⁹

In support of this holding, the court analyzed the eight factors of likelihood of confusion as set forth in *Polaroid* though it was most impressed by factors 1 (strength of plaintiff’s mark); 3 (proximity of the parties’ services); 5 (existence of actual confusion between the marks); and 8 (sophistication of the consumer).

In addressing the strength of plaintiff’s mark, the court noted “Plaintiff has established distinctiveness in the marketplace” through the amount of advertising they engaged in.⁶⁰ Additionally, the court was impressed with the strength of Plaintiff’s mark which was “apparent from the fact that Defendant WhenU.com uses Plaintiff’s trademarked name in its directory of terms that will ‘trigger’ a pop-up advertisement for eye-care products.”⁶¹

In examining the proximity of the parties’ services, the court noted that “the service offered by Plaintiff is identical to the service offered by Defendant Vision Direct – both offer replacement contact lenses to consumers over the Internet.”⁶² The court also found evidence that “WhenU’s SaveNow software relies on the close similarity between Plaintiff’s services and those of Defendant Vision Direct.”⁶³ Taking into account the method by which the pop-up ads appear, the court stated that “[c]learly, WhenU is intentionally benefiting from the fact that Defendant Vision Direct provides services that are substantially the same as Plaintiff’s services.”⁶⁴ The court noted that “the close proximity of services provided by Defendant Vision Direct and Plaintiff increases the likelihood that consumers, having clicked on the pop-up advertisements provided by the SaveNow software, would shift their interest from Plaintiff’s website and services to those of Vision Direct.”⁶⁵

With respect to the existence of actual confusion between the marks, the court noted that actual confusion is defined as “the likelihood of consumer confusion that enables a seller to pass off his goods as the goods of another,” though it noted that actual confusion need not be shown to prevail under the Lanham Act, since it is very hard to prove and “the Act only requires a likelihood of confusion as to source.”⁶⁶ In this case a survey was prepared by a Mr. Neal, which suggested the likelihood of initial interest confusion.⁶⁷ The court noted that “proof of actual confusion, in the form of market research survey evidence, is highly

probative of the likelihood of consumer confusion.”⁶⁸ Mr. Neal’s research indicated that

68% of 490 surveyed SaveNow users did not know that they had the SaveNow software on their computers, that 76% of those who knew the SaveNow software was on their computers were unaware of what the SaveNow software does, that 59% of SaveNow users believed that pop-up advertisements are placed on the website on which they appear by the owners of that website and 52% of all users believed pop-up advertisements have been pre-screened and approved by the website on which they appear.⁶⁹

The court noted that “it seems likely that a SaveNow user, thinking the Vision Direct pop-up advertisement generated by SaveNow was part of the 1-800-Contacts website, might be lured into clicking on the Vision Direct SaveNow pop-up advertisement.”⁷⁰ Thus, the survey was “supportive of the likelihood of initial interest confusion.”⁷¹

Lastly, the court examined the sophistication of the consumer. The court noted that “Internet shoppers have a specific product in mind when they go online and have the ability to navigate the Internet to get what they want.”⁷² The court also noted that when customers type “[p]laintiff’s 1-800 Contacts.com URL into the browser, [they] are clearly searching for contact lens products, and expect to be able to complete a transaction with Plaintiff in a short span of time, with little effort or transaction costs.”⁷³ The court noted that “whether . . . consumers of replacement contact lenses on the Internet are ‘sophisticated’ will not change the harm that flows from the initial interest confusion.”⁷⁴ Instead, the court noted that

Defendants’ pop-up advertisement for competing Internet contact lenses retailers appears shortly after a consumer types into the browser bar Plaintiff’s trademarked name and accesses Plaintiff’s homepage increases the likelihood that a consumer might assume Defendant’s pop-up advertisements are endorsed or licensed by Plaintiff, since the user will first see the 1-800 Contacts website, with logos and graphics, and then will see the pop-up advertisement.⁷⁵

After examining these and other factors, this court granted Plaintiff's preliminary injunction stating that WhenU could not use Plaintiff's mark or confusingly similar terms as an element in the SaveNow proprietary directory.⁷⁶

Cases in Support of 1-800-Contacts

Two other cases in particular support the holding in the *1-800 Contacts* case: *Planned Parenthood of America, Inc. v. Bucci*⁷⁷ and *OBH, Inc. v. Spotlight Magazine, Inc.*⁷⁸

The facts in the *Planned Parenthood* case are as follows: Plaintiff, Planned Parenthood is a non-profit, reproductive health care organization.⁷⁹ Defendant, Richard Bucci, an active participant in the anti-abortion movement and the host of "Catholic Radio," registered the website, www.plannedparenthood.com.⁸⁰ If a user accessed this website, she would see the words "Welcome to the PLANNED PARENTHOOD HOME PAGE!"⁸¹ Defendant claims he "wanted his 'anti-abortion message to reach as many people as possible and particularly the people who do not think that abortion has an inimical effect on society.'"⁸² He conceded that "he was aware that by using plaintiff's mark to identify his web site, he was likely to draw in Internet users who are 'pro-abortion.'"⁸³

The Southern District of New York began its analysis by stating the standard for a preliminary injunction⁸⁴ and deciding whether the *Lanham Act* was applicable.⁸⁵ Justice Wood found that "defendant's use of plaintiff's mark [was] 'in commerce' within the meaning of the *Lanham Act*."⁸⁶ Although the defendant tried to argue otherwise, Justice Wood stated that "the scope of 'in commerce' . . . is broad and has a sweeping reach."⁸⁷ The court found the "in commerce" requirement of the *Lanham Act* applicable for two reasons.

First, the court noted that the "defendant's actions affect plaintiff's ability to offer plaintiff's services, which, as health and information services offered in forty eight states and over the Internet, are surely 'in-commerce.'"⁸⁸ Additionally, the court stated that even if "defendant's activities are not in interstate commerce for *Lanham Act* purposes, the effect of those activities on plaintiff's interstate commerce activities would place defendant within reach of the *Lanham Act*."⁸⁹ Secondly, the court found defendant's actions covered by the *Lanham Act* because "Internet users constitute a national . . . audience, who must use interstate telephone lines to access defendant's web site on the Internet."⁹⁰ Thus, "the nature of the Internet indicates that establish-

ing a typical home page on the Internet, for access to all users, would satisfy the *Lanham Act's* 'in commerce' requirement."⁹¹

In further support of granting a preliminary injunction the district court noted that "defendant's use of plaintiff's mark is 'in connection with the distribution of services' because it is likely to prevent some Internet users from reaching plaintiff's own Internet web site" and "has a connection to plaintiff's distribution of its services."⁹² The court also found there was a "significant likelihood of confusion that warrant[ed] the granting of a preliminary injunction."⁹³ This court was correct in finding that Bucci's actions were within the "in commerce" requirement of the *Lanham Act*. According to the *U-Haul*⁹⁴ case,

a mark is used 'in commerce' in connection with goods when the mark 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 on the documents associated with the goods or their sale.⁹⁵

Thus, a person who uses another's mark in connection with their business or on materials used in their business has used the mark in commerce. Bucci's business was promoting his cause and the books he advertised on "his" website and he used "Planned Parenthood," plaintiff's protected mark, in promoting both these things. The court was correct in claiming that Bucci used plaintiff's mark "in commerce" and even noted that "fundraising activities may bring a defendant's actions within the scope of the *Lanham Act*."⁹⁶

Even if the court did not mention fundraising activities, Bucci's actions are also within the "in commerce" requirement of the *Lanham Act* because his use of plaintiff's protected mark on his website hampered and impeded Plaintiff's ability to offer their services to the public. Customers trying to reach Plaintiff's website could accidentally, or not so accidentally, reach Defendant's website instead. If they assumed Plaintiff's website was www.plannedparenthood.com, then customers would be directed to Bucci's website and not Planned Parenthood's. Even if customers entered "Planned Parenthood" into a search engine, both parties' websites would be displayed in the results section. Customers could easily think the Bucci's address was actually Planned Parenthood's web address and enter this site while refusing to continue the search for Planned

Parenthood's real site. Defendant's unauthorized use of Planned Parenthood's website has the potential to confuse customers and prevent Planned Parenthood from conducting their legitimate business activities. Therefore, the district court was correct in granting an injunction to prevent Bucci from continuing to profit off Planned Parenthood's good name.

In *OBH, Inc. v. Spotlight Magazine, Inc.*, the District Court for the Western District of New York granted OBH's motion for a preliminary injunction.⁹⁷ The facts of this case were simple: Plaintiff was a holding company which owned subsidiaries, including The Buffalo News.⁹⁸ The trademark "The Buffalo News" was registered on December 23, 1980, but was transferred to Plaintiff on May 9, 1988.⁹⁹ Defendants, Claude Tortora and Spotlight Magazine, owned and operated an apartment rental guide called Apartment Spotlight Magazine.¹⁰⁰ On March 6, 1999, Defendant registered the internet domain name "*thebuffalonews.com*" to parody and provide a public forum for criticism of The Buffalo News.¹⁰¹ On August 13, 1999, The Buffalo News advised Defendant Tortora by letter that "The Buffalo News" was its registered trademark.¹⁰² After Plaintiff expressed its interest in obtaining Defendant's domain name, Tortora refused to transfer the domain name and continued to operate his web site at "*www.thebuffalonews.com*."¹⁰³

Plaintiff filed a lawsuit against both Defendants asserting, among other things, "1) trademark infringement and 2) trademark dilution . . ." ¹⁰⁴ The court first began its analysis by looking at the requirements of § 1114 of the Lanham Act and noted that

a plaintiff-trademark holder must show defendant's "use in commerce," without plaintiff's consent, of a "reproduction, counterfeit, copy or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution or advertising of any goods or services on or in connection with which such use is likely to cause confusion . . ." ¹⁰⁵

Next, the court determined what Congress meant by "in commerce" when it is used in the *Lanham Act*.¹⁰⁶ It found that "in commerce" is "not only met by use of the mark in connection with good or services distributed or advertised by the alleged infringer; it may also be met by use in connection with the goods or services distributed by the trademark holder."¹⁰⁷ After citing the statute, the court noted the Defendants met

the "use in commerce" requirement in three different ways. First, the court noted that Defendant's use of Plaintiff's trademark constitutes "use in commerce" because [Tortora's] web site contains a hyperlink that connects users to defendants' other web site, the online version of the Apartment Spotlight Magazine, which they operate for commercial purposes."¹⁰⁸ Second, the court found that "the national, and even international, nature of the Internet itself makes defendants' use of plaintiff's trademark as a domain name a 'use in commerce' for purposes of the *Lanham Act*."¹⁰⁹ Lastly, "defendant's use of plaintiff's trademark constitutes a 'use in commerce' as it affects plaintiff's ability to offer their services in commerce."¹¹⁰

This court was also correct in holding that a defendant's use of a plaintiff's trademark fell within the "in commerce" requirement of the *Lanham Act*. In *OBH, Inc.*, the defendant's use of the mark met the *Lanham Act* requirements because he used Plaintiff's registered trademark, "The Buffalo News," as a parody site and a website offering apartment searching services. The Defendant's use of Plaintiff's mark hindered their customers from reaching their website and accessing their apartment searching services. This harms Plaintiff's business in that current and potential customers may become frustrated when they learn that *www.thebuffalonews.com* is not owned by Plaintiff and is instead a parody site operated by Defendant. Additionally, the defendant offers the same services as Plaintiff, an online apartment search guide, and the customers may simply remain at the defendant's site rather than continue to search for plaintiff's site. Even the court noted that "prospective users of plaintiff's services who mistakenly access defendant's web site may fail to continue to search for plaintiff's web site due to confusion or frustration"¹¹¹ and "may instead opt to select one of the several other news-related hyperlinks contained in defendants' web site."¹¹² Thus, it was proper for the court find that the defendant was a trademark infringer and to allow a preliminary injunction.

Contrary Cases

The cases above are not the only opinions on the matter. As examples, the Eastern Districts of Virginia and Michigan have held that pop-up advertisements were not "use in commerce" as required by the *Lanham Act* for trademark infringement, unfair competition, and trademark dilution. Instead, these courts decided

against granting a preliminary injunction in favor of the trademark holder and allowed the alleged trademark “infringer” to continue their actions.

In *U-Haul, International v. WhenU.com, Inc.*¹¹³, plaintiff, U-Haul International, sued Defendant, WhenU.com and Avi Naidar claiming that Defendant WhenU’s pop-up advertising infringed upon U-Haul’s trademark, constituted copyright infringement and amounted to unfair competition.¹¹⁴ Although the facts are somewhat fuzzy, it appears that when a U-Haul customer tries to access the U-Haul website, “the computer screen fills with the advertisement of a U-Haul competitor.”¹¹⁵ The user “must then click and close the pop-up advertisement window in order to get to their destination.”¹¹⁶

In deciding to deny Plaintiff’s motion for a preliminary injunction, the district court held that “while pop-up advertisements seize the user’s computer screen with a window of advertisement, blocking out the object of [their] search and [their] document, requiring [them] to click several times to clear [their] computer screen, these advertisements do not consist [of] trademark or copyright infringement or unfair competition.”¹¹⁷ The court decided that “WhenU’s pop-up advertisement software resides in individual computer as a result of the invitation and consent of the individual computer user, and, thus, the advertisements do not use, alter, or interfere with U-Haul’s trademarks and copyrights.”¹¹⁸ Instead, the court concluded that “computer users must endure pop-up advertising along with her ugly brother unsolicited bulk e-mail ‘spam,’ as a burden of using the Internet.”¹¹⁹

The U-Haul court clearly erred in its decision. Defendant, WhenU, clearly used U-Haul’s trademark in commerce. WhenU used U-Haul’s name in its advertising directory and in so doing, interfered with Plaintiff’s business. As we learned above, WhenU’s operating method uses company names or commonly visited web sites in its advertising directory to make it easier for competing companies’ advertisements to appear. In the *U-Haul* case, when a computer user enters Plaintiff’s trademarked name, U-Haul, into the web address line, it automatically prompts the WhenU directory to look for offers from competing moving companies. This is surely a use in commerce as both U-Haul and their

competitors sell their services to customers. WhenU prevents U-Haul from conducting its business, and uses their trademarked name in the process. Customers who see the competing company’s advertisement may easily think it is sponsored by U-Haul. In addition, the advertisement may direct customers away from U-Haul. This would be fine, except that the advertisement only appears when customers are trying to reach U-Haul’s website and the only way the ad appears is when customers type in U-Haul’s trademarked name. This interferes with U-Haul’s ability to conduct its business and thus, subjects WhenU to the in commerce requirement of the *Lanham Act*.

The U-Haul court argued that “WhenU’s incorporation of U-Haul’s URL and ‘U-Haul’ in the Save Now program is not a trademark use because WhenU merely uses the marks for the ‘pure machine linking function’ and in no way advertises or promotes U-Haul’s address.”¹²⁰ This argument is fallacious for a couple of reasons. First, according to the OBH, Inc. court, a “use in commerce” means “use of a trademark on services when it is used or displayed in the sale or advertising of services.”¹²¹ WhenU used U-Haul’s mark to advertise the competing company’s services. In order for customers to even see the competing company’s advertisement, they had to type in U-Haul’s URL, of which the word “U-Haul” is trademarked. Thus, by using U-Haul’s URL in its advertising directory to promote and advertise competitor’s services, WhenU used the mark in commerce such that it is liable for trademark infringement.

The U-Haul court also noted that WhenU was not liable for trademark infringement because its “pop-up scheme does not interfere with the use of U-Haul’s web site by its customers and dealers because the SaveNow program does not interact with U-Haul’s computer servers or systems.”¹²² Again, this argument has no merit. The OBH, Inc. court noted that “defendant’s use of plaintiffs’ trademark constitutes a ‘use in commerce’ because as it affects plaintiffs’ ability to offer their services in commerce.”¹²³ WhenU is guilty of the same conduct in the U-Haul case. By allowing a competitor’s coupon or advertisement to appear in U-Haul’s window, WhenU is, at least momentarily, distracting U-Haul’s customers. This is actionable as

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use in commerce because, as explained earlier, WhenU used U-Haul's mark for the competitor's ad to pop-up. The *1-800-Contacts* case allowed for a preliminary injunction under the theory of initial interest confusion, which stated that because 1-800-Contact's customers were even momentarily confused as to the source of the advertisement or the advertisement itself, 1-800 Contacts was allowed recovery.¹²⁴ The same rationale should be used in the U-Haul case. Because U-Haul's customers were distracted, even for a moment, U-Haul lost business. The customers could have investigated the competitor's website; left U-Haul's web site because they were angry or frustrated at U-Haul, whom they thought sponsored the web site, or looked at the coupon, thought about it, then continued to U-Haul's web site. As the 1-800 Contacts case stated

the harm to Plaintiff from initial interest confusion lies not in the loss of Internet users who are unknowingly whisked way from Plaintiff's website; instead, the harm to the Plaintiff from initial interest confusion lies in the possibility that, through the use of pop-up advertisements Defendant [] would gain crucial credibility during the initial phases of a deal.¹²⁵

As noted above, the U-Haul case is not the only case to support a Defendant in a pop-up advertisement case. In *Wells Fargo v. WhenU.com, Inc.*,¹²⁶ Wells Fargo and Quicken Loans registered their respective trademarks in the Patent and Trademark Office and filed for copyright protection of their marks in early 2003.¹²⁷ Both companies operate web sites through which certain financial services are offered.¹²⁸ Defendant, WhenU.com, used *www.wellsfargo.com* in the "finance.mortgage" category of its advertising directory.¹²⁹ The district court denied Plaintiffs' motion for a preliminary injunction because "plaintiffs have failed to come forward with concrete evidence of even a single customer or potential customer who failed to purchase products or services from them because of WhenU."¹³⁰

As seen in the *1-800 Contacts*, *Bucci* and *OBH, Inc.* cases, this type of harm does not have to be shown. It is enough if a plaintiff can show that their customers were initially confused as the source or content of the advertisement. Whether the customers were actually harmed does not matter. According to *1-800 Contacts*, the "damage to the first user manifest in three ways: the original diversion of the prospective customer's inter-

est; . . . and the initial credibility which may be accorded by the interested buyer to the junior user's products."¹³¹ Thus, it is enough if Wells Fargo or Quicken Loans customers' attention was diverted or either company's credibility questioned. The former action surely occurred and the latter probably did as well.

In denying Plaintiffs' motion for a preliminary injunction, the Wells Fargo court also noted that "WhenU only uses plaintiffs' marks in its directory, to which the typical consumer does not have access, in order to determine what advertisements to direct to consumers."¹³² WhenU engaged in the same conduct in the *1-800 Contacts* case as did the defendants in the *Bucci* and *OBH* cases. For those courts, the location of the protected mark did not matter; rather, it was the use of the protected mark that mattered. Those three courts focused on whether the defendant used the mark "in commerce" and whether this use affected the plaintiff's ability to serve their customers. This same rationale should be applied in the *Wells Fargo* case. It is immaterial where WhenU uses a plaintiff's mark, so long as it uses a federally registered and protected mark in commerce. It did exactly that in the *Wells Fargo* case. By using both Wells Fargo and Quicken Loans, which are federally trademarked names, to instruct the SaveNow program to pull competitor's advertisements, WhenU used the marks in commerce. WhenU used both Plaintiffs' trademarked names to promote and advertise competitor's services when Plaintiffs' customers were attempting to use Plaintiff's services. This is not something WhenU can legally do. Although the district court noted that "[p]laintiffs present no evidence to suggest that consumers are unable to reach their sites as a result of the simultaneous appearance of WhenU's advertisements on their computer screens,"¹³³ this does not matter. It is immaterial that the customers can still reach plaintiffs' web sites as this does not relieve WhenU from liability (though it does bode well for plaintiffs' arguments regarding initial interest confusion). The fact is that WhenU used both Plaintiffs' federally protected trademarks in an effort to advertise another's services (and whose services are rendered in commerce). Because WhenU is guilty of using both Wells Fargo and Quicken Loans' trademarks in this manner, Plaintiffs' motion for a preliminary injunction should have been granted.

The court argued that "the SaveNow software only uses URLs to identify the website itself, just like one would have to use the word 'Macy's' to describe the Ma-

cy's department store."¹³⁴ This argument is fallacious. Of course a person simply using "Macy's" to describe the department store would not incur any legal liability. For example, saying Macy's is a high end department store with many different types of clothes simply identifies the genre of store. However, when that same person uses the mark "Macy's" to describe or sell their services, they would be liable for use in commerce under trademark law. In the case at bar, WhenU was not simply using Wells Fargo and Quicken Loans' URLs to describe each company's business. WhenU did not say that Quicken Loans or Wells Fargo are financial institutions; instead, WhenU used the URLs, which contained trademarked terms, to promote and advertise another company's services. This WhenU is not allowed to do because this action (not the "analogous" action described by the District Court) incurs liability under the "use in commerce" requirement of trademark law.

Conclusion

This paper has tried to give a brief history of the Internet, the rise of contextual marketing programs, how those programs operate, and why they are such problems in the computer world of trademark law. As you can see, there is a split of opinion in this country as to how such programs should be treated. Everyone agrees that contextual marketing programs are trademark issues, but not everyone agrees there should be remedies. Some courts believe that the use of another's trademarked name in an advertising directory constitutes "use in commerce." However, other courts do not adhere to this opinion and instead find no "use in commerce" and no liability under the *Lanham Act*.

I believe there is no other way around it. If a company has registered their name in the Patent and Trademark Office, then any use of that name in an advertising directory is a use in commerce. The advertising directories use URLs, commonly searched terms and phrases in order to trigger the server to pull a competitor's advertisement. Many company names are included in the URLs and web addresses. If the URL or web address is used in the advertising directory, then there is a use in commerce and liability under the *Lanham Act*. However, if the advertisements "pop-up" simply because of a search term such as "contact" or "lens", and not a trademarked company name or URL, then there is no liability under the *Lanham Act*. Nonethe-

less, because of the frequency of contextual marketing companies such as WhenU to use a company's URL or trademarked name in the advertising directory, liability under the "in commerce" section of the *Lanham Act* should be found more frequently.

Endnotes

- ¹ *1-800 Contacts, Inc. v. WhenU.com, et. al.*, F.Supp.2d , 2003 WL 22999270 (S.D.N.Y.2003).
- ² *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F.Supp.2d 176, 178-9 (W.D.N.Y. 2000). See also, *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1044 (9th Cir.1999).
- ³ *OBH, Inc.*, 86 F.Supp.2d at 179.
- ⁴ *Id.* An Internet user can move from one web page to another with just a click of the mouse. *Id.*
- ⁵ *Id.*
- ⁶ *Id.*, citing *Sporty's Farm, L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489, 490 (2d Cir.2000).
- ⁷ *OBH, Inc.*, 86 F.Supp.2d at 179. Thus, businesses are racing to stake out a spot on the Web in order to sell their goods and services. *Id.*
- ⁸ *Id.*
- ⁹ *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F.Supp.2d 734, 738 (E.D.Mich. 2003). WhenU accomplishes this via its proprietary software product, "SaveNow." *Id.*
- ¹⁰ *Id.*
- ¹¹ *Id.*
- ¹² *Id.*
- ¹³ *Id.* These advertisements are selected by SaveNow, based on a proprietary analysis of the consumer's immediate interests, as reflected by the consumer's Internet browsing activity. *Wells Fargo*, 293 F.Supp.2d at 738.
- ¹⁴ *Id.* at n.4. These coupons might remind a consumer of a free shipping offer which is only available by using a particular product code when purchasing the product. *Id.*
- ¹⁵ *Id.* at 738. Both the "Save" and "SaveNow" products are identical in function; they differ only in their identifying descriptions and method of distribution. *Id.*
- ¹⁶ *Id.*
- ¹⁷ *Wells Fargo*, 293 F.Supp.2d at 739.
- ¹⁸ *Id.* Such programs include Living Coral or Living Waterfall screen savers. *Id.*
- ¹⁹ *Id.* This "assent" may actually only be in the form of

a reflexive licensing agreement required for some other bundled program and not the SaveNow program itself. *Id.* (emphasis added).

²⁰ *1-800 Contacts, Inc.*, 2003 WL 22999270 at 5. If you have a Macintosh operating system, the SaveNow program would not work.

²¹ *Id.* at 3.

²² *Id.*

²³ *Id.* This directory is stored in the SaveNow user's computer as a part of the SaveNow application. *Id.* at n.17

²⁴ *Id.* at 4. Pop-up windows are windows containing notifications or advertisements that appear on the screen, usually without any triggering action by the computer user. *1-800 Contacts, Inc.*, 2003 WL 22999270 at n.18. SaveNow software generates at least three kinds of ads – an ad may be a small “pop-up” advertisement appearing in the bottom right hand corner of a user's screen; it may be a “pop-under” advertisement that appears behind the webpage the user initially visited; or it may be a “panoramic” advertisement that stretches across the bottom of the user's computer screen. *Id.* at 5.

²⁵ *Id.* at 4.

²⁶ *Id.* at 4. The pop-up advertisement windows generated by the SaveNow software are “branded” such that a green “\$” mark and the text “SaveNow!” are affixed to the top of the pop-up window. *Id.* at 5. On the upper right hand corner of the SaveNow ad windows, next to the “X” symbol, which typically closes the windows, is a “?” symbol that, when clicked, opens a new window containing a notice explaining the SaveNow software and a link to a page with more detailed information for removing the software. *Id.*

²⁷ *1-800 Contacts, Inc.*, 2003 WL 22999270 at 5.

²⁸ *Id.* at 6.

²⁹ *Id.*

³⁰ *Id.*

³¹ *See, 1-800 Contacts, Inc., v. WhenU.com*, F.Supp.2d , 2003 WL 22999270 (S.D.N.Y.2003); *Planned Parenthood v. Bucci*, 1997 WL 133313 (S.D.N.Y.1997); *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F.Supp.2d 176 (W.D.N.Y. 2000). *U-Haul International v. WhenU.com, Inc.*, 279 F.Supp.2d 723 (E.D.Va. 2003); and *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F.Supp.2d 734 (E.D.Mich. 2003).

³² *U-Haul International v. WhenU.com, Inc.*, 279 F.Supp.2d 723, 727 (E.D.Va. 2003).

³³ *Id.*

³⁴ *Id.*

³⁵ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 14.

³⁶ *OBH, Inc.*, 86 F.Supp.2d at 186.

³⁷ *Id.* Confusion for the Lanham Act includes “confusion of any kind, including confusion as to source, sponsorship, affiliation, connection or identification.” *Id.*

³⁸ *Id.*

³⁹ *Id.* This latter type of confusion is called initial interest confusion and occurs when potential consumers of one website will be diverted and distracted to a competing website. *Id.*

⁴⁰ This test was first announced by Justice Friendly in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.)

⁴¹ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 19.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.* at 2.

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 2.

⁴⁸ *Id.* at 4.

⁴⁹ *Id.*

⁵⁰ *Id.* at 6.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 14. The court noted that to prove confusion, a plaintiff must show 1) ownership of a valid mark that is entitled to protection under the Lanham Act and 2) Defendant's user of the mark is likely to cause confusion within the consuming public. *Id.*

⁵⁴ *Id.* at 15.

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 15. By doing this, Defendant “uses” Plaintiff's mark, by including a version of Plaintiff's 1-800 Contacts mark, to advertise and publicize companies that are in direct competition with Plaintiff. *Id.*

⁵⁹ *Id.* at 18.

⁶⁰ *Id.* at 19. In support of this position, the Court cited *Lois Sportswear, U.S.A. v. Levi Strauss and Co.*, 631 F.Supp 735, 741 (S.D.N.Y.1985) for evidence of widespread advertising and promotion of defendant's product that featured defendant's mark, con-

tinuous use of the mark for more than a century, and sales figures were all relevant to determination of the strength of the mark.

⁶¹ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 21,

⁶² *Id.* at 22

⁶³ *Id.*

⁶⁴ *Id.* At the preliminary injunction hearing, Avi Naider described how the SaveNow software operates to trigger pop-up advertisements – by identifying the category of services provided by 1-800 Contacts, and then retrieving and displaying a pop-up advertisement of a competitor who fits into the same category of services. *Id.*

⁶⁵ *Id.*

⁶⁶ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 23.

⁶⁷ *Id.* at 25.

⁶⁸ *Id.* at 23. Subject to the condition that the survey must . . . have been fairly prepared and its results directed to the relevant issues. *Id.*

⁶⁹ *Id.* at 25.

⁷⁰ *Id.*

⁷¹ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 25.

⁷² *Id.* at 27.

⁷³ *Id.*

⁷⁴ *Id.* Since the harm from initial interest confusion does not depend on actual confusion, the sophistication of consumers does not mitigate the likelihood of initial interest confusion. *Id.*

⁷⁵ *Id.* at 28.

⁷⁶ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 34.

⁷⁷ 1997 WL 133313 (S.D.N.Y.1997).

⁷⁸ 86 F.Supp.2d 176

⁷⁹ *Bucci*, 1997 WL 133313 at 1. The stylized service mark “Planned Parenthood” was registered on the Principal Register of the US Patent and Trademark Office on June 28, 1955 while the block service mark “Planned Parenthood” was registered on the Principal Register on September 9, 1975. *Id.*

⁸⁰ *Id.*

⁸¹ *Id.* Planned Parenthood’s website is actually www.ppfa.org.

⁸² *Id.* at 2.

⁸³ *Id.* In fact *Bucci* demonstrated full knowledge of plaintiff’s name and activities, and admitted to an understanding that using plaintiff’s mark as his domain name would attract “pro-abortion” Internet users to his web site because of their misapprehension as to the site’s origin. *Bucci*, 1997 WL 133313 at 2.

⁸⁴ *Id.* The factors are irreparable harm and either 1) likelihood of success on the merits or 2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary injunction. *Id.*

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *Bucci*, 1997 WL 133313 at 3.

⁸⁹ *Id.* (emphasis in original).

⁹⁰ *Id.*

⁹¹ *Id.*

⁹² *Id.* The court noted that prospective users of plaintiff’s services may fail to continue to search for plaintiff’s own home page, due to anger, frustration or the belief that plaintiff’s home page does not exist. *Id.*

⁹³ *Bucci*, 1997 WL 133313 at 10.

⁹⁴ 279 F.Supp.2d 723 (E.D.Va.2003).

⁹⁵ *Id.* at 727.

⁹⁶ *Bucci*, 1997 WL 133313 at 6.

⁹⁷ *OBH, Inc.*, 86 F.Supp.2d at 178.

⁹⁸ *Id.* at 181.

⁹⁹ *Id.*

¹⁰⁰ *Id.* at 182.

¹⁰¹ *Id.*

¹⁰² *Id.* at 184.

¹⁰³ *OBH, Inc.*, 86 F.Supp.2d at 184.

¹⁰⁴ *Id.* The other causes of action were false designation of origin, false description and unfair competition; trademark infringement and dilution in violation of New York state law; deceptive trade practices and use of a trade name with intent to deceive the public under New York law. *Id.*

¹⁰⁵ *Id.* at 185.

¹⁰⁶ *Id.* The court noted that the Lanham Act define the term “use in commerce” as use of a trademark on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services. *Id.*

¹⁰⁷ *OBH, Inc.*, 86 F.Supp.2d at 186

¹⁰⁸ *Id.* at 185-86.

¹⁰⁹ *Id.* at 186.

¹¹⁰ *Id.*

- ¹¹¹ *Id.*
¹¹² *Id.*
¹¹³ 279 F.Supp.2d 723 (E.D.Va.2003)
¹¹⁴ *Id.* at 724.
¹¹⁵ *Id.* at 725.
¹¹⁶ *Id.*
¹¹⁷ *Id.*
¹¹⁸ *Id.*
¹¹⁹ *U-Haul*, 279 F.Supp2d at 725.
¹²⁰ *Id.* at 728.
¹²¹ *OBH, Inc.*, 86 F.Supp.2d at 185.
¹²² *U-Haul*, 279 F.Supp.2d at 728. The court also noted that the SaveNow program is user installed such that the user has made a conscious decision to install the program.
¹²³ *OBH, Inc.*, 86 F.Supp.2d at 186.
¹²⁴ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 18.
¹²⁵ *Id.*
¹²⁶ 293 F.Supp.2d 734 (E.D.Mich.2003).
¹²⁷ *Id.* at 737.
¹²⁸ *Id.*
¹²⁹ *Id.* at 743-44. The same was done for Quicken Loans.
¹³⁰ *Id.*
¹³¹ *1-800-Contacts, Inc.*, 2003 WL 22999270 at 19, (*citing* *BigStar Entertainment, Inc. v. Next Big Star, Inc.*, 105 F.Supp.2d 185, 207 (S.D.N.Y.2000)).
¹³² *Wells Fargo*, 293 F.Supp.2d at 758.
¹³³ *Id.* at 759.
¹³⁴ *Id.* at 762.

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Dykema Gossett PLLC
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First Presentation

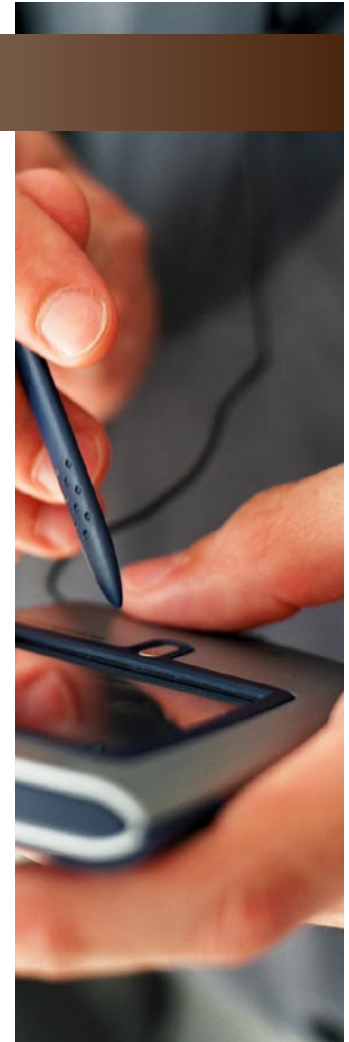
Cyber Risk Management
Peter Foster
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Data Loss
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Light refreshments,
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