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E-Commerce: Legal Issues Of The Online Retailer In Virginia

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E-COMMERCE: LEGAL ISSUES OF THE ONLINE RETAILER IN VIRGINIA

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I. INTRODUCTION[***]

[1] The popularity and growth of online retailing, now in its tenth year, has shattered experts' expectations. "Online sales in the United States grew twenty-four percent last year, to about $90 billion, and online retailing now accounts for nearly five percent of all retail sales."[1]

[2] This new sales channel brings new advertising opportunities; both online retailers and traditional "brick and mortar" establishments[2] have flocked to the Internet to advertise their goods and services. In targeting Internet consumers, retailers have sponsored individual websites and placed virtual billboards, in the form of banner advertisements and pop-

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[1] Leslie Walker, *Surf's Up on Web Shopping*, WASH. POST, July 17, 2005, at F1. In 2004, nine companies had online sales exceed one billion dollars, with nine more exceeding five hundred million dollars in online sales. *Id.* In all, "a total of 75 retailers had online sales exceeding $100 million, and 208 had more than $20 million." *Id.* Amazon.com alone is expected to have net sales exceeding $8 billion this year. Antone Gonsalves, *Amazon Sales Up, Profits Down*, INTERNETWEEK, July 26, 2005, *available at* http://internetweek.cmp.com/news/166402777.
[2] *See* Sharon Billington, *Relief from Online Used Book Sales During New Book Launches*, 29 COLUM. J.L. & ARTS 497, 497 (2006).

ups, throughout cyberspace. They have used Internet-based communications, such as e-mail and instant messaging, to advertise their goods and services and have paid particular attention to the way Internet users locate the goods and services in which they are interested.

[3] With these new opportunities come new risks as the law strives to keep pace with the evolving use of technology for commercial transactions. This Article is meant to touch on some of the legal issues attendant to online sales and marketing and serve as a resource for online retailers and consumers.

II. Liability for Sending Unsolicited Electronic Mail

A. The CAN-SPAM Act of 2003

[4] In 2003, Congress passed the Controlling the Assault of Non-Solicited Pornography and Marketing Act, otherwise known as the CAN-SPAM Act of 2003 (the "Act"),[3] which prohibits the distribution of certain unsolicited electronic mail, or "spam."[4] The Act imposes both monetary penalties and incarceration upon violators[5] but does not create a private cause of action on the part of the recipient of spam.[6]

[5] The Act makes it a crime to send unsolicited commercial electronic mail containing fraudulent header information and prohibits certain methods of generating electronic mail address lists.[7] The Act further

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[3] Controlling the Assault of Non-Solicited Pornography and Marketing Act, 15 U.S.C. §§ 7701–7713 (2003).

[4] SPAM, in upper case letters, is spiced pork and ham and is the registered trademark of Hormel Foods. On the other hand, the term "spam" in lower case letters is defined as "an unsolicited, often commercial, message transmitted through the Internet as a mass mailing to a large number of recipients." MICROSOFT ENCARTA COLLEGE DICTIONARY 1383 (2001). The term "spam" is believed to derive from a comedy sketch performed by the British comedy troupe Monty Python, where a group of Vikings chant the word "spam" in a café which serves nothing but SPAM all day. *See Monty Python's Flying Circus*, *Just the Words*, Episode 25 (1970).

[5] *See* 18 U.S.C. § 1037 (2003).

[6] Instead, the Act is enforced by a combination of Federal Trade Commission proceedings, criminal prosecution, state attorney general actions, and private lawsuits brought by internet service providers. 15 U.S.C § 7706(b)–(f) (2003).

[7] *Id*. § 7704(b); 18 U.S.C. § 1037 (2003).

prohibits the transmission of commercial electronic mail to recipients who have "opted out" of receiving such communications from the sender.[8] It also creates a regulatory scheme by which certain identifying information is required in all commercial electronic mail and "directs the Federal Trade Commission (FTC) to develop a plan for implementing a national Do-Not-E-Mail registry."[9] The Act is enforced through a combination of criminal penalties, authorized civil actions by state authorities, FTC action, and civil actions filed by Internet Service Providers ("ISPs").[10]

1. CRIMINAL PENALTIES

[6] As stated in a recent *New England Law Review* article,

> The CAN-SPAM Act criminalizes certain techniques adopted by spammers to evade software filters and to conceal their identities. Specifically, the Act outlaws five methods of bypassing anti-spam technology. First, the Act prohibits spammers from hacking into another person's computer, either by a password, or by means of software installed on the remote computer via a Trojan Horse, and sending spam from the remote computer's Internet Protocol (IP) address. Second, [the Act makes it a crime] to take advantage of an "open" network server for the purpose of relaying spam with the intent of deceiving ISP's or recipients as to the origin of the message. Third, spammers may not materially falsify the header information on multiple commercial e-mail messages. Fourth, the statute bans the practice of creating multiple e-mail accounts or domain names, or using information that materially falsifies the identity of the registrant, for the purpose of sending multiple unsolicited commercial e-mails. Finally the Act prohibits falsely representing oneself as the authorized user

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[8] 15 U.S.C. § 7704(a)(4).

[9] Adam Hamel, Note, *Will the Can-Spam Act of 2003 Finally Put a Lid on Unsolicited E-Mail?*, 39 NEW. ENG. L. REV. 961, 976 (2004) (citing 15 U.S.C. §§ 7704(b), 7708).

[10] 15 U.S.C. § 7706 (b)–(f) (2003).

> of a block of IP addresses for the purpose of using those addresses for the transmission of spam.[11]

[7] According to 18 U.S.C. § 1037, distributors of spam may be fined and imprisoned for up to five years if the violation was committed in "furtherance of a felony,"[12] or if the defendant had previously been convicted of sending spam either under the Act or any state law.[13] A court may impose either a fine, imprisonment of up to five years, or both,[14] if the offense involves: (1) access to a computer without authorization and intentionally sending spam from it; (2) twenty or more falsified e-mail accounts; (3) ten or more false domain names; (4) a volume of messages exceeding 2,500 during any twenty-four hour period, 25,000 during any thirty-day period, or 250,000 during any one-year period; (5) causing loss to one or more persons aggregating $5,000 or more during any one-year period; or (6) the concerted action of the defendant with three or more other persons organized or led by the defendant.[15]

2. State Attorney General Actions

[8] When a state attorney general or an official of a state agency has reason to believe that the residents of his or her state are being harmed or threatened by certain violations of the Act, he or she may bring a civil action on behalf of those residents.[16]

> Any state authority suing under the Act must first notify the FTC . . . and the FTC has a right to intervene in any action brought by a state authority. Also, no state actor may bring an action against a defendant named in an action brought by the FTC while that [FTC] action is pending.[17]

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[11] Hamel, *supra* note 9, at 979–80.
[12] 18 U.S.C. § 1037(b)(1)(A) (2003).
[13] *Id.* § 1037(b)(1)(A)–(B) (2003).
[14] *Id.* § 1037 (b)(1).
[15] *Id*. § 1037(b)(2)(A)–(F).
[16] 15 U.S.C. § 7606(f)(1) (2003).
[17] Hamel, *supra* note 9, at 988.

3. Private Actions by Internet Service Providers

[9] Under the Act, an Internet Service Provider who has been adversely affected by violations listed in Section 7704[18] may bring a civil action seeking injunctive relief or damages for either: (1) the actual monetary loss suffered by the provider or (2) statutory damages as set out in the Act.[19] If the violations of the Act were committed willingly and knowingly, or if the violation included harvesting email addresses or the automatic creation of electronic mail addresses, the court may treble the damages awarded.[20]

B. Virginia State Law

[10] The Act "supersedes any statute, regulation, or rule of a state or political subdivision of a state that expressly regulates the use or transmission of spam, except to the extent that any such state, regulation, or rule prohibits falsity or deception in any portion of spam or information attached thereto."[21] The Act does not, however, pre-empt state laws that are not specific to spam, "including state trespass, contract, or tort law."[22] Similarly, it does not pre-empt states laws that "relate to acts of fraud or computer crimes."[23]

[11] For instance, Virginia Code Section 18.2-152.3:1, which prohibits the knowing falsification of "electronic mail information or routing information" and the sale or other distribution of software intended to falsify such information,[24] is not pre-empted. This statute prohibits such conduct where

[18] 18 U.S.C. §7704 (2001).
[19] 15 U.S.C. § 7706(g) (2003).
[20] *Id.* § 7706(f)(3)(c).
[21] 15 U.S.C. § 7707(b)(1) (2003).
[22] *Id.* § 7707 (b)(2)(A).
[23] *Id.* § (b)(2)(B). Virginia has specifically recognized that under certain circumstances, the transmission of unsolicited bulk e-mail (i.e., spam) through a computer system can constitute the tort of trespass to chattel. *See, e.g.* America Online v. LCGM, 46 F. Supp. 2d 444, 451–52 (E.D. Va. 1998). For a good discussion of the effects of and remedies to spam, see generally Dianne Plunkett Latham, *Spam Remedies*, 27 Wm. Mitchell L. Rev. 1649 (2001).
[24] Va. Code Ann. § 18.2-152.3:1 (2004).

> (1) the volume of mail transmitted exceeds 10,000 attempted recipients in any twenty-four hour period, 100,000 attempted recipients in any thirty-day period, or 1,000,000 attempted recipients in any one-year period, or (2) the revenue generated from a specific mail transmission exceeds $1,000 or the total revenue generated from all mail transmitted to any electronic mail service provider exceeds $50,000.[25]

Violators are guilty of a Class 6 Felony as are those who knowingly hire, employ, use, or permit any minor to assist in the transmission of unsolicited bulk electronic mail as described in the statute.[26]

III. Keyword Advertising and Potential Liability for Trademark Infringement

A. Utility and Methods

[12] Early on, online marketers' focus on the way users of the Internet located the goods and services in which they were interested guided companies' choices of domain names, leading some retailers to adopt the trademarks of competitors as domain names or use those marks within the hidden code generating their websites.[27] Now, as Internet users have become more sophisticated, online retailers target consumers using the same search engines those consumers use to find information on the Internet.

1. Search Marketing

[13] Internet search engines, such as Google and Yahoo assist users in locating specific websites by displaying a list of sites that contain search terms or keywords entered by the user. Search engines create this list of websites using an algorithm to process and match the user-defined

[25] *Id.*
[26] *Id.*
[27] Such practices have been forbidden by federal legislation. *See, e.g.*, Melissa Klipp & Michael Zogby, *Caveat Venditor: Using a Competitor Brand to Drive Traffic to Your Site*, 14 N.J. LAW.: WKLY. NEWSPAPER, May 16, 2005, at A8.

keywords to text on various sites, ordinarily listing links to these websites in order of decreasing relevance to the user's search.[28] The order in which the listed websites appear takes on particular importance in light of the view that "only the top few sites on the . . . [search results page] will be visited by [search engine] users."[29] Accordingly, aggressive online marketing techniques often focus on increasing the likelihood that a specific website will appear near the top of the search results generated.

[14] Online retailers typically use two methods to increase their visibility to search engine users: (1) search engine optimization and (2) keyword advertising.[30] Search engine optimization involves an analysis of the software used by search engines "in order to 'tweak' a website so that it comes as high up" on a search results page as possible.[31] Such optimization often includes the use of particular terms in the hidden text of the website code[32] known as "metatags."[33] Keyword advertising, or "keying," "involves identifying the main keywords people type in when searching the Web and 'buying' those keywords deemed most likely to lead consumers to the [advertiser's] website."[34]

[15] Used properly, search marketing can directly increase the number of visitors to, and sales by, a particular website.[35] The power of search advertising is evidenced by the fact that it has spawned an entirely new

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[28] *Id*.
[29] *Id.*
[30] *Special Report – Online: Search and Ye Shall Find*, MARKETING WK., Jan. 20, 2005, at 43.
[31] *Id.*
[32] *Id*.

> [M]arketers can "hijack" users searching for rivals' brand names in various ways. For example, a website for Company A could hide Company B's brand names or advertising slogans in the underlying computer code [for Company A's website]. While ordinary [Web] surfers never see this code, the software the search engines use to catalogue the Web do: so Company A's site will be deemed to be more 'relevant' [to the surfer's search] despite actually pushing rival brands.

Id.
[33] *See* Terrell W. Mills, *Seeking to Evade User Detection and the Lanham Act*, 6 RICH. J.L. & TECH. 22, *3 (2000).
[34] *Id.*
[35] *Id.*

Internet-based industry whose focus is helping online retailers maximize their visibility to consumers who use Internet search engines.[36]

2. KEYWORD ADVERTISING

[16] Keyword advertising is a growing marketing method for online retailers and a growing revenue source for Internet search engines.[37] The success of keyword advertising, coupled with aggressive marketing approaches involving the use of trademarks owned by competing businesses, has resulted in a recent flood of litigation testing the application of traditional trademark principles to this new form of advertising.[38] It is imperative that online retailers appreciate not only the value of keyword advertising but also the potential legal exposure attendant to its use.

[17] The power of keyword advertising as a marketing tool and its position as the leading revenue generator among Internet search engines has led to a noticeable increase in its use.[39] A majority of the most popular Internet search engines, including Google and Yahoo, offer this sort of "paid placement" advertising program in which advertisers are permitted "to purchase search terms, which either trigger the advertiser's site to appear at the top of a [search results page], . . . highlight a link to the site as a sponsored or featured ad," or display the advertiser's banner advertisement.[40] As explained in a recent article, "[t]he process is simple: advertisers bid on and purchase those search terms that they believe will attract the most users to their sites. Such search terms can be descriptive words, product names or, in some instances, the brand names [or trademarks] of a competitor."[41]

[36] Websites such as "http://www.searchenginerankingservice.com" advertise relationships with hundreds of thousands of Internet search engines and offer to assist online retailers in increasing the visibility of their website.
[37] *See* Sarah J. Givan, *Using Trademarks as Location Tools on the Internet: Use in Commerce?* 2005 UCLA J. L. & TECH. 4 (2005).
[38] *Id.*
[39] *See, e.g.*, Michelle Kaiser Bray, *Search Engine Practices Create Intriguing Legal Issues*, INDIANAPOLIS BUS. J., April 26, 2004, at 25 ("According to some analysts, the [keyword advertising] . . . business accounts for nearly 75 percent of search engine revenue, a figure likely to exceed $2 billion this year [2004].").
[40] Klipp, *supra* note 27, at A8.
[41] *Id.*

B. GENERAL TRADEMARK CONCEPTS

1. TRADEMARK LAW

[18] A trademark is "any word, name, symbol, or device, or any combination thereof . . . used by a person, or . . . [intended for use in commerce] . . . to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."[42] As explained by Professor Kurt Saunders, "a trademark serves as an indicator of source for consumers, allowing them to associate the product with its manufacturer."[43] By indicating the source of goods, trademarks also serve as an indicator of quality and may serve as an indicator of sponsorship or authorized distribution.[44]

[19] The Lanham Trademark Act provides federal protection for both registered and unregistered trademarks,[45] with the greatest protection being afforded to highly distinctive marks.[46] The Lanham Act prohibits both infringement and dilution, permitting trademark owners to obtain injunctions, and in some cases monetary damages, for the improper use of their marks.[47]

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[42] 15 U.S.C. §1127 (2000).
[43] Kurt M. Saunders, *Confusion is the Key: A Trademark Law Analysis of Keyword Banner Advertising*, 71 FORDHAM L. REV. 543, 546–47 (2002).
[44] *Id.*
[45] Saunders, *supra* note 43, at 547 (citations omitted) (discussing 15 U.S.C. § 114 (2001)). The Lanham Trademark Act provides protection for registered trademarks (15 U.S.C. § 1051, *et seq.*) and unregistered trademarks (15 U.S.C. § 1125(a)(1) (2000). However, trademark owners who register their trademarks in accordance with the federal statute are afforded additional benefits not provided to the owners of unregistered marks. "Federal registration of a trademark creates a presumption of validity, ownership, and the right to use the mark, and allows the owner to prevent importation of products into the United States that may infringe the mark." Saunders, *supra* note 43, at n. 29.
[46] Saunders, *supra* note 43, at 547–49 ("Trademarks are classified in the order of their increasing distinctiveness: generic, descriptive, suggestive, arbitrary, and fanciful. The more distinctive the mark, the greater protection afforded by law.").
[47] *Id*. at 547–48.

2. Trademark Infringement

[20] Under the Lanham Act, "any person who shall, without the consent of the registrant use in commerce any 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, or to cause mistake, or to deceive" can be found liable for trademark infringement.[48] Thus, to prevail on such a claim, a trademark owner must demonstrate that: (1) it has a valid trademark, entitled to protection under the Lanham Act; (2) the infringer used the mark; (3) the infringer's use of the mark was in connection with the sale or advertising of goods or services; (4) the infringer's use of the mark occurred in commerce; (5) the infringer's use of the mark was likely to cause confusion as to the affiliation, connection, or association of the infringer with the trademark owner, or as to the origin, sponsorship, or approval of the infringer's goods, services, or commercial activities by the trademark owner; and (6) the infringer's use of the mark was without the consent of the trademark owner.[49]

3. Unfair Competition

[21] The Lanham Act also affords protection to unregistered trademarks, imposing liability for unfair competition where a person

[48] 15 U.S.C. § 1114(1)(a) (2000).

[49] 15 U.S.C. § 1125(a)(1)(A) (2000). To establish likelihood of confusion, the trademark owner,

> must show that there exists a likelihood that an appreciable number of ordinarily prudent purchasers are likely to be confused as to the source or sponsorship of the goods or services in question. The test for determining likelihood of confusion involves a weighing of factors, including the following: (1) the strength of the plaintiff's mark; (2) the degree of similarity between plaintiff's and defendant's marks; (3) the proximity of the products; (4) the likelihood that plaintiff will bridge the gap; (5) actual confusion; (6) defendant's good faith in adopting the mark; (7) the quality of defendant's product; and (8) the sophistication of the buyers.

Saunders, *supra* note 43, at 549–50.

> uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person without another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another . . . .[50]

The tests for infringement of registered and unregistered marks are nearly identical.

4. TRADEMARK DILUTION

[22] The Lanham Act protects trademarks from dilution, as well as infringement. Dilution "refers to the decreased capacity of a famous mark to identify and distinguish goods or services, regardless of competition between the parties or likelihood of confusion."[51]

> Trademark dilution usually takes the form of "blurring" or "tarnishment." Blurring occurs where consumers mistakenly associate the famous mark with goods and services of another's mark, thereby weakening the power of the famous mark owner to identify and distinguish its goods and services. . . . By contrast, tarnishment occurs "where an accused, junior mark is used on unwholesome or inferior goods or services that may [degrade or] create a negative association with the goods or services protected by the famous mark."[52]

In determining whether a mark is distinctive and famous, the federal dilution statute outlines eight factors for courts to use, along with other relevant factors:

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[50] 15 U.S.C. § 1125(a)(1) (2000).
[51] Saunders, *supra* note 43, at 550.
[52] *Id.* (citing THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:4 (4th ed. 2001)).

A. the degree of inherent or acquired distinctiveness of the mark;
B. the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
C. the duration and extent of advertising and publicity of the mark;
D. the geographical extent of the trading area in which the mark is used;
E. the channels for trade for the goods or services with which the mark is used;
F. the degree of recognition of the mark in the trading areas and channels of trade of the mark's owner and the [adverse party];
G. the nature and extent of use of the same or similar marks by third parties; and
H. whether the mark was registered . . .[53]

C. TRADEMARK ANALYSIS OF KEYWORD ADVERTISING

1. OVERVIEW OF THE SEMINAL CASES

A) PLAYBOY ENTERPRISES, INC. V. NETSCAPE COMMUNICATIONS CORPORATION

[23] The earliest case involving keyword advertising adjudicated[54] in the United States was *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, decided by the Ninth Circuit Court of Appeals in 2004.[55] The defendants in *Playboy* used various lists of keywords to which they keyed advertisers' Internet banner advertisements. The specific list at issue in the case contained a variety of terms related to sex and adult-oriented entertainment, including the terms "playboy" and "playmate," for which

[53] 15 U.S.C. § 1125(c)(1) (2000).
[54] Two of the earliest trademark cases involving keyword advertising were settled without adjudication. *See* Saunders, *supra* note 43, at 558 (citing Estee Lauder Inc. v. Fragrance Counter, Inc., 189 F.R.D. 269 (S.D.N.Y. 1999); Reed Elsevier, Inc. v. Innovator Corp., 105 F. Supp. 2d 816 (S.D. Ohio 2000)).
[55] Playboy Enters., Inc. v. Netscape Commc'ns Corp. 354 F.3d 1020 (9th Cir. 2004).

Playboy Enterprises, Inc. ("PEI") holds trademarks.[56] Defendants required adult-oriented companies to link their advertisements to this set of terms so that when Internet surfers entered certain search terms such as "playboy," or "playmate," the search results page would display the defendants' banner advertisements.[57]

> On the parties' cross-motions for summary judgment, PEI introduced evidence that the adult-oriented banner ads displayed on defendants' search results pages are often graphic in nature and are confusingly labeled or not labeled at all. In addition, the parties do not dispute that buttons on the banner ads say "click here." When a searcher complies, the search results page disappears, and the searcher finds him or herself at the advertiser's website.[58]

Moreover, PEI introduced uncontroverted evidence that defendants used "click rate" statistics, measuring the "ratio between the number of times searchers click on banner ads and the number of times the ads are shown"[59] to persuade paying advertisers to renew their keyword advertising contracts.[60] The district court granted summary judgment in favor of the defendants.[61]

[24] On appeal, the Ninth Circuit reviewed both PEI's trademark infringement and dilution claims. As to the infringement claim, the court noted that PEI's strongest argument for likelihood of confusion was for a specific type of confusion known as "initial interest confusion."[62] As explained by the court, "[i]nitial interest confusion is customer confusion that creates initial interest in a competitor's product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement."[63]

[56] *Id.* at 1023.
[57] *Id.*
[58] *Id.*
[59] *Id.*
[60] *Id.*
[61] *Id.*
[62] *Id.* at 1024.
[63] *Id.* at 1025.

[25] The court noted that "the 'core element of trademark infringement,' the likelihood of confusion," was central to the determination of whether the defendants had infringed PEI's trademarks.[64] In applying the Ninth Circuit's eight-factor test originally described in *AMF v. Sleekcraft Boats* to determine likelihood of confusion,[65] the court explained that, in the Internet context, "courts must be flexible in applying the factors, as some may not apply" and specifically recognized "that some factors are more important than others."[66]

[26] In reviewing the record in light of the *Sleekcraft* factors, the court determined that factors one, two, three, four, six, seven, and eight favored PEI's position,[67] and factor five was "equivocal" but merited "little weight."[68] Accordingly, the court determined that a genuine issue of material fact existed as to the substantial likelihood of confusion and denied summary judgment on the "fair use" defense asserted by the defendants.[69]

[27] In examining PEI's dilution claim, the court found that PEI had established a genuine issue of material fact as to each disputed requirement of its claim: (1) the famousness of the subject marks; (2) the commercial use of the marks by defendants; and (3) the dilution of the distinctive quality of the marks.[70] Accordingly, the circuit court reversed

[64] *Id.* at 1024 (noting that no dispute existed "regarding the other requirements set forth by the statute: PEI clearly holds the marks in question and defendants used the marks in commerce without PEI's permission").
[65] AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979). The eight factors are: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *Id.*
[66] *Playboy Enterprises*, 354 F.3d at 1026 ("For example, a showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion.").
[67] *Id.* at 1026–29.
[68] *Id.* at 1028.
[69] *Id.* at 1029. In separate analyses, the court also denied defendants summary judgment on their nominative use and functional use defenses. *Id.* at 1029–31.
[70] *Id.* at 1031–33. The trial court rendered its decision before the Supreme Court clarified the standard for withstanding summary judgment on dilution claims in *Moseley v. V Secret Catalogue*, 537 U.S. 418 (2003).

the district court's grant of summary judgment in favor of defendants and remanded the matter for further proceedings.[71]

B) THE EARLY *WHENU.COM* CASES

[28] Though not directly involving keyword advertising programs, reported opinions pertaining to WhenU.com, Inc.'s Internet "pop-up" advertising program formed the basis for many later keyword advertising decisions. Three WhenU.com cases are worthy of note, with the first two being decided before a series of Google keyword advertising decisions that have helped to refine the analysis of these issues.[72]

(1) WELLS FARGO & COMPANY. V. WHENU.COM, INC.

[29] In *Wells Fargo & Company v. WhenU.com, Inc.*, the United States District Court for the Eastern District of Michigan reviewed the online "contextual marketing"[73] program of WhenU.com, Inc. ("WhenU") in the context of the plaintiff's complaint alleging trademark infringement and its motion for preliminary injunction.[74] WhenU delivers its online "contextual marketing" to computers via "SaveNow," its proprietary software product.[75] SaveNow delivers "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" based on the consumer's Internet browsing activity.[76] Relevant advertisements are then delivered directly to the consumer's computer screen, or "desktop."[77]

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[71] *Playboy Enterprises*, 354 F.3d at 1034.
[72] 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); 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400 (2d Cir. 2005).
[73] *Wells Fargo & Co.,* 293 F. Supp. 2d at 738 ("Contextual marketing technology endeavors to market products and services to consumers who have a demonstrable interest in those products and services . . . . Traditionally, contextual marketing has been conducted by assembling large databases containing a wide variety of personal information about individual potential customers and their past purchasing behavior.").
[74] *Id.* at 736.
[75] *Id.* at 738.
[76] *Id.*
[77] *Id.*

[30] WhenU sells its advertising on the basis of "sales categories, which are grouped into certain product and service categories."[78] The Advertising Operations team at WhenU receives a creative copy of an advertisement from an advertiser, then "maps" the advertisement "by determining the various categories . . . and keyword algorithms that will trigger the appearance of the advertisement, subject to priority and frequency limitations."[79] The data is then recorded in the WhenU Directory (the "Directory"), which is delivered to and saved on a participating consumer's desktop.[80]

[31] As provided in the court's decisions,

> As a participating consumer browses the Internet, the SaveNow software studies the user's browsing activity and compares it against the elements contained in the Directory. Simultaneously, the SaveNow software determines whether: (a) any of those elements are associated with a category in the Directory, and (b) whether those categories are associated with particular advertisements. If the software finds a match, it identifies the associated product or service category, determines whether appropriate ads are available to be displayed, and, if so, selects an ad based on the system's priority rules, subject to internal frequency limitations.[81]

[32] The advertisements displayed by SaveNow are displayed in "conspicuously branded" windows, specifically indicating that they are provided by WhenU and are not sponsored by any website the Internet user may be seeing.[82] The advertisements do not display any trademarks other than those owned by WhenU or the advertiser.[83] Web addresses and search terms are included in the Directory but are used only as an indicator of consumer interest.[84]

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[78] *Id.* at 744.
[79] *Id.* at 743.
[80] *Id.*
[81] *Id.*
[82] *Id.* at 745.
[83] *Id.* at 746–48.
[84] *Id.* at 743.

[33] After a review of the specific evidence presented in the case, the *Wells Fargo* court determined that WhenU had made no "use" of the plaintiff's trademarks under the Lanham Act.[85] In particular, the court noted that

> WhenU does not use any of plaintiffs' trademarks to identify goods or services, to indicate any sponsorship or affiliation with the goods or services advertised by WhenU, or to identify the source or origin of any goods or services advertised by WhenU.[86]

[34] The court also found that plaintiffs had failed to submit competent evidence of likelihood of confusion from the SaveNow advertisements, stating that there was "good reason to believe that the typical SaveNow user would not perceive a WhenU advertisement as sponsored or affiliated with the plaintiffs' websites."[87] In coming to this conclusion, the court noted that: (1) participating consumers are "accustomed to receiving offers from WhenU while surfing the Web"; (2) the advertisements produced by SaveNow are conspicuously labeled as originating from WhenU, with a disclaimer that they are not sponsored or affiliated with the website being viewed by the consumer; and (3) SaveNow advertisements appear in a separate window, "bear all of the indicia of a distinct software application, and do not relate in any way to any other window on the user's screen."[88]

(2) U-HAUL INTERNATIONAL, INC. V. WHENU.COM, INC.

[35] In the fall of 2003, around the same time as the *Wells Fargo* decision, the United States District Court for the Eastern District of Virginia was deciding *U-Haul International, Inc. v. WhenU.com, Inc.*[89] In ruling on

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[85] *Id.* at 769.
[86] *Id.* at 747 ("The use of keyword terms in connection with the delivery of advertisements is a common practice on the Internet, and is a source of revenue for search engines such as Google, and other Internet companies.").
[87] *Id.* at 749.
[88] *Id.* at 749–50.
[89] U-Haul Int'l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723 (E.D. Va. 2003).

cross motions for summary judgment, the *U-Haul* court reviewed the same SaveNow software at issue in *Wells Fargo*.[90]

[36] The court granted summary judgment for WhenU, holding that SaveNow made no impermissible "use" of plaintiff's trademarks.[91] In particular, the *U-Haul* court pointed out that

> "use" is not established merely because trademarks are simultaneously visible to a consumer. Such comparative advertising does not violate trademark law, even when the advertising makes use of a competitor's trademark. . . . Thus, the appearance of WhenU's ads on a user's computer screen at the same time as the U-Haul web page is a result of how applications operate in the Windows environment and does not consist of "use" pursuant to the Lanham Act.[92]

The court further found that WhenU's inclusion of the U-Haul web address and trademark "U-Haul" in the Directory did not constitute "use in commerce" under the Lanham Act because neither the web address nor the trademark were displayed to consumers, but were only used internally, by the SaveNow software.[93]

C) The Google Cases

[37] The success and visibility of Google's keyword advertising program has made it a recent target of trademark litigation in various courts around the world. The United States cases involving Google help shed some light on the current state of trademark law as it is applied to keyword advertising.

[90] *Id.* at 724–25.
[91] *Id.* at 729.
[92] *Id.* at 728 (citations omitted).
[93] *Id.* at 727.

(1) GOVERNMENT EMPLOYEES INSURANCE COMPANY V. GOOGLE, INC.

[38] In *Government Employees Insurance Co. v. Google, Inc.*,[94] Government Employees Insurance Company ("GEICO") filed an eight-count complaint against defendants Google and Overture alleging trademark infringement, contributory trademark infringement, vicarious trademark infringement, false representation, and dilution under the Lanham Act[95] based upon the "defendants' use of GEICO trademarks in selling [keyword] advertising on defendants' Internet search engines."[96] The defendants filed a motion to dismiss under Rule 12(b)(6)[97] of the Federal Rules of Civil Procedure, asserting, among other arguments, that the defendants' use of the GEICO trademarks did not occur "in commerce" or "in connection with the sale, offering for sale, distribution, or advertising of goods and services."[98]

[39] In ruling on the motion to dismiss, the court first outlined the elements of trademark and unfair competition claims before reviewing the authorities cited by each party.[99] Among other authorities, defendants cited to *U-Haul* to support their proposition that their use of the GEICO trademarks was not a "trademark use of those marks under the Lanham Act."[100] In opposing the motion to dismiss, GEICO focused on cases reaching the opposite conclusion, such as *Playboy* and the district court opinion in *1-800 Contacts, Inc. v. WhenU.com*,[101] and directed the court to

[94] Gov't Employees Ins. Co. v. Google Inc., 330 F. Supp. 2d 700 (E.D. Va. 2004).
[95] 15 U.S.C. § 1051 (2000).
[96] *Gov't Employees Ins. Co.*,330 F. Supp. 2d at 701.
[97] FED. R. CIV. P. 12(b)(6).
[98] *Gov't Employees Ins. Co.* 330 F. Supp. 2d at 702.
[99] *Id.* ("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.").
[100] *Id.* at 703.
[101] 1-800 Contacts, Inc. v. WhenU.com, Inc., 309 F. Supp. 2d 467 (S.D.N.Y. 2003), *rev'd* 414 F.3d 400 (2d Cir. 2005); *see also infra* § III(C)(1)(d).

decisions holding that the use of trademarks in metatags "constitute a use in commerce under the Lanham Act."[102]

[40] The court viewed the authorities cited by GEICO as better reasoned and denied the motion to dismiss as to GEICO's federal claims, stating that

> [t]he complaint clearly alleges that defendants use plaintiff's trademarks to sell advertising, and then link that advertising to results of searches. 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.[103]

The court further noted that,

> 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.[104]

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[102] *Gov't Employees Ins. Co.*330 F. Supp. 2d at 703 (citing Bihari v. Gross, 119 F. Supp. 2d 309 (S.D.N.Y. 2000); Playboy Enters. Inc. v. Aisia Focus Int'l, No. Civ.A. 97-734-A, 1998 WL 724000 (E. D. Va. 1998)).
[103] *Gov't Employees Ins. Co.*330 F. Supp. 2d at 703–04.
[104] *Id.* at 704.

[41] Based on this analysis, the court held that GEICO had "sufficiently alleged that defendants used its marks 'in commerce.'"[105] The court further rejected Google's argument for the dismissal of the contributory and vicarious trademark infringement claims, holding that GEICO had properly alleged that "the advertisers made 'use in commerce' of the trademarks by using marks as source identifiers in the advertising links posted on Google's search results page."[106]

(2) GOOGLE, INC. V. AMERICAN BLIND & WALLPAPER FACTORY, INC.

[42] The United States District Court for the Northern District of California heard a similar case in *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*[107] Like *GEICO*, *American Blind & Wallpaper* involved trademark claims based upon allegations that Google "sold to American Blind's competitors keywords comprised, in whole or part, of American Blind [trademarks] . . . ."[108] Like *GEICO*, the reported opinion in *American Blind & Wallpaper* addressed a motion to dismiss filed by the defendant "on the grounds that the plaintiff had failed to allege an actionable trademark 'use.'"[109]

[43] After reviewing the relevant case law, including *U-Haul*, *Wells Fargo*, and *Playboy*, the court noted that the state of the law in this area was "uncertain" and that, under the fairly liberal standard applicable to motions to dismiss, the court must permit the plaintiff to proceed on its claims.[110] Though the court referenced the liberal standard applicable to motions to dismiss, it was clearly persuaded by the opinion in *Playboy*.[111]

D) 1-800 CONTACTS, INC. V. WHENU.COM, INC.

[44] In June 2005, the United States Court of Appeals for the Second Circuit decided *1-800 Contacts, Inc. v. WhenU.com, Inc*. The court

[105] *Id.*
[106] *Id.* at 705.
[107] Google, Inc. v. Am. Blind & Wallpaper Factory, Inc., No. C 03-05340JF, 2005 WL 832398 (N.D. Cal. Mar. 30, 2005).
[108] *Id.* at *2.
[109] *Id.* at *4.
[110] *Id.* at *4–5.
[111] *Id.* at *5–6.

reviewed the district court's granting of plaintiff's motion for preliminary injunction against WhenU for the same conduct described in *Wells Fargo* and *U-Haul*.[112]

[45] Plaintiff alleged that WhenU infringed plaintiff's trademarks "by delivering advertisements to Internet users who intentionally accessed the plaintiff's website."[113] Following an evidentiary hearing, the district court granted plaintiff's motion for a preliminary injunction, holding that the plaintiff had "demonstrated a likelihood of success on the merits of its trademark infringement claims."[114] WhenU appealed the district court decision.[115]

[46] Once again, the central issue in the court's determination became whether WhenU "used" the 1-800 Contacts trademarks within the meaning of the Lanham Act.[116] After reviewing the Lanham Act's definition of "use in commerce," the court reviewed the previous two *WhenU.com* decisions, which it found to be "persuasive and compelling."[117]

[47] In stating that WhenU was not "using" the 1-800 Contacts trademarks in the manner ordinarily associated with an infringement claim, the court noted that "WhenU does not reproduce or display [the] trademarks at all, nor does it cause the trademarks to be displayed to a [user]. Rather, WhenU reproduces 1-800's website address, www.1800contacts.com,

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[112] 1-800-Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400, 404 (2d Cir. 2005) ("The specific conduct at issue in this case has been described in detail by the district court"). The district court decision can be found at *1-800-Contacts, Inc. v. WhenU.com, Inc.*, 309 F. Supp. 2d 467, 476–78 (S.D.N.Y. 2003). As previously discussed, other courts have also addressed similar claims against WhenU. *See* Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734, 738–40, 743–46 (E.D. Mich. 2003); U-Haul Int'l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723, 725–36 (E.D. Va. 2003).
[113] *1-800 Contacts*, 414 F.3d at 405.
[114] *Id.*
[115] *Id.* at 406.
[116] *Id.*
[117] *1-800 Contacts*, 414 F.3d at 407–08. The court noted with disapproval that "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.'" *Id.* at 408.

which is similar, but not identical, to [the plaintiff's] 1-800 Contacts trademark."[118] Though the district court found the differences between 1-800 Contacts' website address and trademark to be insignificant, the appellate court came to the opposite conclusion, holding that the addition of "www." and ".com" to the 1-800 Contacts trademark "transform[ed] [the] 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."[119]

[48] The court further contrasted WhenU's conduct with the conduct at issue in *GEICO*, noting that "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."[120] Accordingly, the court reversed the district court's granting of a preliminary injunction, holding that

> [a] company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to an 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.[121]

E) RECENT CASES

(1) MERCK & CO., INC. V. MEDIPLAN HEALTH CONSULTING, INC.; & EDINA REALTY, INC. V. THEMLSONLINE, INC.

[49] On March 30, 2006, the United States District Court for the Southern District of New York handed down a decision in *Merck & Co. Inc. v.*

[118] *Id.*
[119] *Id.* at 408–09.
[120] *Id.* at 409 (citing Gov't Employee Ins. Co. v. Google, Inc., 330 F. Supp. 2d 700, 703–04 (E.D. Va. 2004)).
[121] *Id.* at 409.

Mediplan Health Consulting, Inc.[122] The *Merck* decision is significant not so much for the actual ruling but because it serves to illustrate the continuing confusion in the application of trademark law to keyword advertising. For example, roughly one week before *Merck* was decided, a United States District Court in Minnesota came to a conclusion directly contrary to the *Merck* court.[123]

[50] *Merck* addressed the issue of trademark infringement in keyword advertising involving Merck & Co., Inc's blockbuster cholesterol drug Zocor. Similar to the cases previously discussed, Merck brought suit against various Canadian online pharmacies for not only using the Zocor mark and logo (often identifying their products as "generic Zocor") but also for purchasing "zocor" as a keyword advertisement from Google and Yahoo.[124] Merck alleged claims of trademark infringement, trademark dilution, and false advertising. The court held that Merck had stated a claim for trademark infringement as to most of the defendants based on their use of the marks on their websites.[125] At the same time, the court rejected the claim that purchasing keywords constituted trademark infringement on the grounds that keyword purchases are not sufficient to qualify as a trademark "use."[126] While the court specifically adopted the *1-800 Contacts* analysis,[127] it went on to acknowledge that the analysis was inconsistent with the holdings of the Google cases involving GEICO and American Blind.[128] The court concluded by stating that keyword purchases alone are not an "independent basis for a trademark infringement claim."[129]

[51] Roughly one week before the *Merck* decision, the United States District Court for Minnesota came to a contrary conclusion in *Edina*

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[122] Merck & Co., Inc. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402 (S.D.N.Y. 2006).
[123] *See* Edina Realty, Inc. v. TheMLSonline.com, No. Civ. 04-4371JRTFLN, 2006 WL 737064 (D. Minn. Mar. 20, 2006).
[124] *Merck*, 425 F. Supp. 2d at 406.
[125] *Id.* at 410–15.
[126] *Id.* at 415–16.
[127] *Id.* at 415.
[128] *Id.* at 415, n. 9.
[129] *Id.* at 416. Note that the court also held that Merck's allegations of trademark dilution were sufficient, however, to survive defendants' motion to dismiss. *Id.* at 416–17.

Realty, Inc. v. TheMLSonline.com.[130] While the *Merck* court relied on the simple reasoning that keyword purchases are invisible to consumers and therefore cannot constitute a trademark use "in commerce,"[131] the *Edina* court ruled that the invisible nature of keyword purchases is irrelevant and that the purchasing of search terms is a use in commerce under the plain meaning of the Lanham Act.[132] In coming to this conclusion, the *Edina* court relied in part on a 1999 decision by the United States Court of the Appeals for the Ninth Circuit in which the appellate court found that Internet metatags were a use in commerce.[133] It is especially important to note that the *Edina* decision serves as the first example of a U.S. court finding that buying competitors' trademarks as keywords, standing alone, could constitute a trademark infringement. At the same time, however, the *Merck* court, under similar facts, held that buying competitors' trademarks as keywords does not constitute trademark infringement. The conflicting rulings in *Merck* and *Edina* highlight the increasing confusion and discrepancy in keyword purchase case law. If nothing else, these cases foreshadow the inevitable need for some sort of industry-wide regulation, congressional action, or judicial standard which may be applied uniformly to ease some of the confusion for advertisers, search engines, and consumers.

2. Summary Analysis

[52] Only one thing is certain about the law in this area and that is that the law is uncertain. The lack of appellate court decisions on this issue and the incomplete or competing analysis of the district courts who have addressed the matter make it difficult, though not impossible, to develop

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[130] Edina Realty, Inc. v. TheMLSonline.com, No. Civ. 04-4371JRTFLN, 2006 WL 737064, at *6 (D. Minn. Mar. 20, 2006). The *Edina* court held that "[b]ased on the plain meaning of the Lanham Act, the purchase of search terms is a use in commerce." *Id.* at *3. This case is also important because it appears to be the first case in which a purchaser's liability for buying a competitor's keyword is substantively analyzed. Most other keyword advertising cases involve search engines as the defendants, not the actual keyword ad purchaser.

[131] *See Merck*, 425 F. Supp. 2d at 415 (stating that defendants' invisible and internal electronic "use of the mark 'Zocor' as a key word to trigger the display of sponsored links is not use of the mark in a trademark sense.").

[132] *See Edina*, 2006 WL 737064, at *3.

[133] Brookfield Comm'cns, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1064 (9th Cir. 1999).

an effective strategy for reducing the risk of trademark liability for keyword advertisers who purchase competing trademarks.[134]

A) TRADEMARK USE

[53] Certainly, search engines that use a party's trademark to sell advertising and then link that advertising to search results created as a result of the use of the trademark in an internet search have reason for concern that their conduct may be considered a "use in commerce" of the trademark.[135] Their concern should be shared equally by the advertisers who use another's trademark as a source identifier in the advertising links posted on a search results page, though the potential exposure may be reduced or eliminated where the advertiser does not use the trademark as a source identifier and does not otherwise display the trademark on its website.[136] Such caution may make it difficult for a potential plaintiff to demonstrate that consumers are likely to be confused by the juxtaposition of a link to the advertiser's website, separate from the other links contained on the search results page, which does not, in any way, reference the subject trademark.

B) LIKELIHOOD OF CONFUSION

[54] A keyword advertisement that actually uses another's trademark (or a substantially similar mark) is certainly more likely to mislead consumers as to the source of goods or services[137] than one that does not make any reference to the subject mark (or any substantially similar mark). However, the concept of initial interest confusion provides the trademark owner with some protection in these instances; the trademark owner's best argument under these circumstances is that

[134] Though, of course, avoiding the use of trademarks in keyword advertising would clearly be a safe strategy, it might significantly reduce the effectiveness of such advertisements.
[135] *Id.* at 407 (citing 15 U.S.C. § 1127 (2000)).
[136] *Id*. at 409.
[137] *See, e.g.*, Saunders, *supra* note 43, at 565 ("[A] clear case of confusion exists if the competitor's banner ad actually uses the trademark, or a similar mark or trade name to trick consumers into thinking that the trademark owner is the source or sponsor of the ad.")

> a consumer in search of its product or service would enter its trademark as a query and that the search engine would then generate a list of search results above which appears a [keyword advertisement]. The consumer would either become confused at that point and, thinking that the . . . ad was connected with the trademark owner or tempted by the . . . ad that the consumer assumes was triggered by the search term, click on the banner ad and be taken to the competitor's website where the consumer would find and purchase a comparable product or service.[138]

[55] A potential defendant, in responding to such an argument, would be well-served by noting that keyword advertising causes a banner advertisement or link to its website to be placed above, or to the side of, the actual search results generated.[139] Moreover, where a link to the advertiser's website is produced, it is placed among a set of links designated as advertisements or "sponsored links." Thus, a sophisticated consumer would be unlikely to be misled as to the sponsorship or source of the advertised goods or services.

C) PROBABILITY OF DILUTION

[56] In the context of keyword advertising, it may be difficult to establish a claim for trademark dilution. Where a keyword advertised is set apart from "ordinary" search results, a defendant may argue that consumers are unlikely to associate the advertisement with the trademarked search term, particularly if the advertisements makes no direct reference to the mark and clearly describes the source of the advertised goods or services.[140] Thus, neither theories of blurring nor tarnishment may be compelling.

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[138] *Id.* at 565–66.
[139] *Id.* at 565 (discussing keyword banner advertisements). Though, clearly the likelihood of confusion is greater for keyword advertising links (or "keyword featured placement advertising") than for keyword banner advertising, since the advertising links are presented in a manner that more closely resembles the "ordinary" search results. *Id.* at 567.
[140] *Id.* at 571.

D) FAIR USE – COMPARATIVE ADVERTISING

[57] According to at least one commentator, "[K]eyword . . . ads triggered by trademarks as search terms should be considered a privileged form of comparative advertising when they allow a firm to offer an alternate product or service in competition with that of a competitor."[141] This theory may, indeed, be accurate as long as the triggered advertisement is non-confusing and non-deceptive.[142]

IV. LEGAL ISSUES PERTAINING TO ONLINE SALES

A. THE PROBLEM OF WORLDWIDE JURISDICTION

[58] One of the primary advantages of Internet marketing and sales is the ability to reach potential customers anywhere in the world. Unfortunately for the online retailer, this reach often works in both directions, so that a customer in a distant jurisdiction may be able to sue the retailer far from its base of operations.[143] The defense of such a suit naturally begins with a challenge to personal jurisdiction by the online retailer.

[59] According to relevant case law,

> the resolution of a challenge to *in personam* jurisdiction involves a two-step inquiry. . . . [First] a court must determine whether the particular facts and circumstances of the case fall within the reach of Virginia's long-arm statute . . . . Second, the court must determine whether the exercise of personal jurisdiction would be consistent with

[141] *Id.* at 573.
[142] *Id.* (noting that such advertisements promote competition and, ultimately, benefit consumers).
[143] *See, e.g.*, Verizon Online Servs., Inc. v. Ralsky, 203 F. Supp. 2d 601 (E.D. Va. 2002) ("'the confluence of the "increasing nationalization of commerce" and "modern transportation and communication"' carries with it a 'resulting relaxation of the limits that the Due Process Clause imposes on courts' jurisdiction.'") (quoting World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286 (1980)).

> the Due Process Clause of the United States Constitution.[144]
>
> To survive the jurisdictional challenge, a plaintiff need only make a *prima facie* showing of a sufficient jurisdictional basis on the basis of the complaint and supporting affidavits. . . . In considering a defendant's challenge to personal jurisdiction, a court must construe all relevant allegations in the light most favorable to the plaintiff and draw the most favorable inferences for the existence of jurisdiction.[145]

1. APPLICATION OF THE VIRGINIA LONG-ARM STATUTE

[60] The Virginia Long-Arm Statute states that,

> [a] court may exercise personal jurisdiction over a person, who acts directly or by an agent, as to a cause of action arising from the person's . . . [c]ausing injury in this Commonwealth by an act or omission outside this Commonwealth if he regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered in this Commonwealth . . . .[146]

Analysis under this statute flows naturally into a consideration of the suit's compliance with Due Process.

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[144] Alitalia-Linee Aeree Italiane S.p.A. v. Casinoalitalia.com, 128 F. Supp. 2d 340, 347 (E.D. Va. 2001) (citing Ellicott Mach. Corp. v. John Holland Party, Ltd., 995 F.2d 474, 477 (4th Cir. 1993); VA. CODE ANN. § 8.01-328.1; Bochan v. LaFontaine, 68 F. Supp. 2d 692, 697–98 (E.D. Va. 1999); DeSantis v. Hafner Creations, Inc., 949 F. Supp. 419, 422 (E.D. Va. 1996)).
[145] Rannoch, Inc. v. Rannoch Corp., 52 F. Supp. 2d 681, 684 (E.D. Va. 1999) (citing Combs v. Bakker, 886 F.2d 673, 676 (4th Cir. 1989)).
[146] VA. CODE ANN. § 8.01-328.1(A)(4) (2006). Note also that the Virginia Code now specifically provides that "[u]sing a computer or computer network in the Commonwealth [of Virginia] shall constitute an act in the Commonwealth." VA. CODE ANN. § 8.01-328.1(B) (2006).

2. DUE PROCESS CONSIDERATIONS

[61] "The Due Process Clause requires that no defendant be haled into court unless he has 'certain minimum contacts' with the forum state such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'"[147]

> [M]erely because a defendant is aware "that the stream of commerce may or will sweep the product into the forum State does not convert the mere act of placing the product into the stream into an act purposefully directed toward the forum State."[148] Rather, the defendant must have "'purposefully avail[ed] itself of the privilege of conducting activities within the forum state' . . . to ensure that a defendant will not be haled into a jurisdiction solely as a result of 'random,' 'fortuitous,' or 'attenuated' contacts.[149]

[62] The determination of whether a court may exercise personal jurisdiction over a nonresident defendant can be undertaken through two different approaches: (1) a consideration of specific jurisdiction, where jurisdiction is based on the defendant's contacts with the forum and is limited specifically and solely to those actions that are the basis of the suit; or (2) a consideration of general jurisdiction, where the defendant's contacts with the forum are systematic and continuous such that the court's jurisdiction over the defendant is not limited and need not arise out of the basis of the suit.[150] In addressing the exercise of personal jurisdiction over a defendant whose contact with the forum state occurs

[147] *Alitalia-Linee*, 128 F. Supp. 2d at 348 (citing Int'l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945)).
[148] *Id.* at 349 (quoting Asahi Metal Indus. Co. v. Superior Court, 480 U.S. 102, 112 (1987)).
[149] *Id*. (citing Burger King Corp. v. Rudzewicz, 471 U.S. 462, 472 (1985); World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 299 (1987); Asahi Metal Indus. Co. v. Superior Court, 480 U.S. 102, 112 (1987)).
[150] ALS Scan, Inc. v. Digital Serv. Consultants, Inc., 293 F.3d 707, 711–12 (4th Cir. 2002) (citing Helicopteros Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408, 414 (1984); Christian Science Bd. of Dirs. of the First Church of Christ, Scientist v. Nolan, 259 F.3d 209, 216 (4th Cir. 2001)).

primarily over the Internet, the Fourth Circuit Court of Appeals, and many other federal courts across the nation, have adopted and adapted the "sliding scale" approach formulated in *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Pa. 1997).[151]

[63] In *Zippo*, the district court described a continuum of three categories of Internet jurisdiction cases, observing that,

> the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet. This sliding scale is consistent with well developed personal jurisdiction principles. At one end of the spectrum are situations where a defendant clearly does business over the Internet . . . . At the opposite end are situations where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions . . . . The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer.[152]

The district court concluded that jurisdiction certainly should be exercised when one proactively enters a jurisdiction via the Internet but that jurisdiction should not be exercised when one merely passively posts information on the Internet which may or may not be viewed by residents of a particular jurisdiction. As to the great masses of cases resting in "middle ground," the court held that "the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the website."[153] Thus, some sort of proactive, purposeful availment must occur on the part of the website owner in order to be subject to personal jurisdiction.[154] Note,

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[151] *ALS Scan, Inc.*, 293 F.3d at 713–14; *Alitalia-Linee*, 128 F. Supp. 2d at 349.
[152] Zippo Manuf. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).
[153] *Id*.
[154] *See* Carefirst of Maryland, Inc. v. Carefirst Pregnancy Centers, 334 F.3d 390 (4th Cir. 2003) (stating that when a nonresident defendant runs an interactive website, through which he enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, he can properly be hailed into the court of that foreign jurisdiction in accordance with the due process

however, that Virginia is considered a "single act" state, so even a single sale performed over the Internet may subject a party to personal jurisdiction in Virginia's courts.[155]

A) SPECIFIC JURISDICTION

[64] In considering the issue of specific jurisdiction, courts must consider

> (1) the extent to which the defendant "purposely avail[ed] itself of the privilege of conducting activities in the State; (2) whether the plaintiffs' claims arise out of those activities directed at the State; and (3) whether the exercise of personal jurisdiction would be constitutionally "reasonable."[156]

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clause; however, if by contrast the defendant's site is passive, in that it merely makes information available, the site cannot render him subject to specific personal jurisdiction since merely posting information on the Internet is not enough); Young v. New Haven Advocate, 315 F.3d 256 (4th Cir. 2002) (holding that posting information on a website accessible to readers in Virginia does not subject a party to personal jurisdiction in Virginia unless the Internet postings manifest an intent to target and focus on Virginia readers); Rannoch, Inc. v. The Rannoch, Corp., 52 F. Supp. 2d 681 (E.D. Va. 1999) (holding that merely placing information on a website is not enough to subject a party to a court's jurisdiction, rather the defendant must have engaged in some purposeful availment of the jurisdiction). *But see* Bochan v. LaFontaine, 68 F. Supp. 2d 692 (E.D. Va. 1999) (stating that jurisdiction is proper where a defendant runs an interactive website that is accessible in Virginia 24 hours a day to promote and advertise its products, even though no sales are concluded through the site, because the site offers product information, company name and telephone numbers, offers no surcharge for credit card use, and places no geographical limits on purchasers).

[155] *See* Affinity Memory & Micro. v. K&Q Enters., 20 F. Supp. 2d 948 (E.D. Va. 1998) (holding that a single act amounting to "transacting business" and giving rise to a cause of action may be sufficient to confer jurisdiction under Virginia Code § 8.01-328.1); United States v. Pierre Point Shipping & Inv. Co., 655 F. Supp. 1379 (E.D. Va. 1987) (stating that Virginia Code § 8.01-328.1 is a "single act" statute; and therefore jurisdiction will exist with respect to a cause of action arising from the business transaction if by that one act the nonresident can be said to have engaged in some purposeful activity in Virginia); Nan Ya Plastics Corp. U.S.A. v. DeSantis, 377 S.E.2d 388, 391 (Va. 1989) ("[Virginia's long arm statute is a] single-act statute requiring only one transaction in Virginia to confer jurisdiction on our courts").

[156] *ALS Scan*, 293 F.3d at 712 (citing *Christian Science Bd.*, 259 F.3d at 216; *Helicopteros*, 466 U.S. at 414, n. 8).

[65] In *ALS Scan, Inc. v. Digital Service Consultants, Inc.*, the Fourth Circuit Court of Appeals applied this general concept in the context of a nonresident defendant who entered the forum state over the Internet. In that case, the court held,

> that a State may, consistent with due process, exercise judicial power over a person outside of the State when that person (1) directs electronic activity into the State, (2) with the manifested intent of engaging in business or other interactions within the State, and (3) that activity creates, in a person within the State, a potential cause of action cognizable in the State's courts.[157]

The Fourth Circuit further noted that this "standard for reconciling contacts through electronic media with standard due process principles"[158] is analogous to the "effects test" articulated by the Supreme Court of the United States in *Calder v. Jones*[159] in that "specific jurisdiction in the Internet context may be based only on an out-of-state person's Internet activity directed at [the forum state] and causing injury that gives rise to a potential claim cognizable in [the forum state]."[160]

B) General Jurisdiction

> [66] On the other hand, if the defendant's contacts with the State are not also the basis for suit, then jurisdiction over the defendant must arise from the defendant's general, more persistent, but unrelated contacts with the State. To establish jurisdiction over the defendant, the defendant's activities in the State must have been "continuous and systematic," a more demanding standard than is necessary for establishing specific jurisdiction.[161]

[157] *ALS Scan*, 293 F.3d at 714.
[158] *Id.*
[159] Calder v. Jones, 465 U.S. 783 (1984).
[160] *ALS Scan*, 293 F.3d at 714.
[161] *Id.* at 712 (citing *Helicopteros*, 466 U.S. at 414, n. 9).

Generally, the suits brought against online retailers and marketers will be directly related to their electronic contacts with the forum state and, therefore, the concept of general jurisdiction will rarely need to be considered. For the purposes of this Article, it is sufficient to note that general jurisdiction based upon electronic contacts with the forum state will require much more significant and systematic contacts than would be required in a specific jurisdiction analysis.

3. ANALYSIS

[67] The potential for nationwide jurisdiction attendant to Internet sales is a very real threat to small online businesses who would not otherwise reach a customer base inconveniently distant from their place of business. An online company that wishes to limit this risk is best served by ensuring that it is not purposefully availing itself of the privilege of conducting business activities in an inconveniently distant jurisdiction through its website. Such a company should not offer products or services directed to, or useable only by, customers in an inconveniently distant jurisdiction but should limit the geographic scope of its customer base via a well-communicated policy of not filling orders for customers in distant jurisdictions; such a policy must be well-documented and should appear throughout the company's website.

A. DETERMINING THE TERMS OF THE DEAL

1. GENERAL CONTRACT LAW PRINCIPLES

[68] A contract is an agreement, supported by consideration, and arises when an offer is made by one party and that offer is accepted by another.[162] According to Virginia case law, "Under the objective theory of contract, which controls in Virginia, an offer has been made if a reasonable person in the offeree's position, in view of the offeror's acts

[162] *See e.g.*, Richmond Eng. Corp. & Mfg. v. Loth, 115 S.E. 774, 782–86 (Va. 1923); Montagna v. Holiday Inns, Inc., 269 S.E.2d 838 (Va. 1980); Chang v. First Colonial Savings Bank, 410 S.E.2d 928, 931 (Va. 1991).

and words and the surrounding circumstances, would believe that the offeror has invited the offeree's acceptance."[163]

[69] Acceptance is defined as the "manifestation of assent[164] to the terms of the offer made by the offeree in a manner invited or required by the offer."[165] It is the "unconditional promise to be bound by the terms of the offer" and may be accomplished by conduct or words.[166] According to standard definitions, "The modern test for determining whether there was acceptance (reflecting the objective theory of contact) is whether it would be clear to a reasonable person in the position of the offeror that there was an acceptance."[167]

[70] Consideration is defined as "that which is given in exchange for the agreement" and is "in effect, the price bargained for and paid for the agreement or promise."[168] Consideration may be the exchange of currency, property, or promises.

2. ONLINE CONTRACTS

A) TYPES OF ONLINE CONTRACTS

(1) SHRINK-WRAP AGREEMENTS

> [71] Software is commonly packaged in a container or wrapper that advises the purchaser that the use of the software is subject to the terms of the license agreement contained inside the package. The license agreement generally explains that, if the purchaser does not wish to enter into a contract, he must return the product for a

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[163] Commonwealth v. Stewart, 66 Va. Cir. 135, 154 (Portsmouth 2004) (citing *Chang*, 410 S.E.2d at 931; *Richmond Eng. Corp.*, 115 S.E. at 782–86).
[164] And, thus, mutual assent of the parties is required. This is often referred to as a "meeting of the minds." *Id.* (citing Marefield Meadows, Inc. v. Lorenz, 427 S.E.2d 363, 365 (Va. 1993)).
[165] *Id.* (citing RESTATEMENT (SECOND) OF CONTRACTS § 50; 17A AM. JUR. 2D, Contracts § 66).
[166] *Id.* (citing *Richmond Eng. Corp.*, 115 S.E. at 786).
[167] *Id.* (citing Green's Ex'rs v. Smith, 131 S.E. 846, 848–49 (Va. 1926)).
[168] *Id.* (citing Montagna v. Holiday Inns, Inc., 269 S.E.2d 838, 844 (Va. 1980)).

> refund. Failure to return the product within a certain period constitutes assent to the license terms.[169]

License agreements of this sort are often referred to as shrink-wrap agreements because of the shrink-wrap packaging surrounding most retail software. Such contracts are generally enforceable and courts have held that similar agreements "can bind users of a website, for instance, if notice is provided that continuing to explore a website or purchase of an item binds the party to an agreement located elsewhere on the website (for example, in the terms and conditions of use)."[170]

(2) CLICK-WRAP AGREEMENTS

[72] Often, the user of a commercial website is asked to read a set of terms and conditions governing the activities conducted on that site and then presented with two options: (1) agreeing to the terms and conditions, or (2) refusing to agree to the terms and conditions. Typically, the user must agree to the terms and conditions to make a purchase or obtain the service offered by the website. Agreements entered into in this fashion are referred to as "click-wrap" agreements because the user typically indicates his or her agreement to the terms and conditions by clicking a button or hyperlink marked "I agree."[171] Generally, courts that have addressed the issue have found click-wrap agreements to be binding, subject to the traditional notions of fair dealing that make unconscionable agreements unenforceable[172]

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[169] JONATHAN D. ROBBINS, ADVISING EBUSINESSES § 8-2.40, n. 2.50 (2006).
[170] *Id.*
[171] *Id*. ("For example, when a visitor to Netscape's website desires to download certain software, a webpage appears containing the full text of the license agreement governing the download and use of that software. Plainly visible on the screen is a question: Do you accept all the terms of the preceding agreement? If so, click on the Yes button. If you select No, you will not be able to download the software. Unless the user clicks 'Yes,' indicating his consent to be bound by the agreement the user cannot download the software.").
[172] *Id.* (citing Register.Com, Inc. v. Verio, Inc., 356 F.3d 393 (2d Cir. 2004); i-Systems, Inc. v. Softwares, Inc., No. Civ. 02-1951JRTFLN, 2004 WL 742082, at *6 (D. Minn. Mar. 29, 2004); Davidson & Assocs., Inc. v. Internet Gateway, Inc., 334 F. Supp. 2d 1164 (E.D. Mo. 2004); DeJohn v. TV Corp. Intl., 245 F. Supp. 2d 913 (C.D. Ill. 2003); Siedle v. National Ass'n. of Sec. Dealers, Inc., 248 F. Supp. 2d 1140 (M.D. Fla. 2002); Specht v. Netscape Commc'ns Corp., 150 F. Supp. 2d 585 (S.D.N.Y. 2001), *aff'd*, 306

(2) Browse-wrap Agreements

[73] In some instances, websites contain terms and conditions which purport to bind any user who visits the website without any other manifestation of assent by the visitor.

> Notice of the [terms and conditions] usually appears on the home page [but] . . . [t]he user is not required to click on an icon expressing agreement to the terms of the agreement (as is the case of click-wrap agreements), nor is the user ever required to view the terms (as in the case of shrink-wrap agreements).[173]

Because such agreements lack an affirmative action indicating assent by the website visitor, many courts are reluctant to enforce them.[174]

B) Digital Signatures and the Uniform Electronic Transactions Act

[74] Virginia has enacted a set of laws dealing with electronic commerce called the Uniform Electronic Transactions Act ("UETA").[175] UETA does not change any substantive contract law, but rather provides procedural rules for conducting electronic transactions.[176]

[75] UETA is designed to support the use of electronic media to conduct transactions between parties.[177] The term commerce, as used in the UETA, is to be interpreted broadly, so that all sorts of transactions,

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F.3d 17 (2d Cir. 2002); Caspi v. Mcrosoft Network, L.L.C., 732 A.2d 528 (N.J. App. Div. 1999); Hotmail Corp. v. Van$ Money Pie Inc, No. C-98JWPVTENE, 1998 WL 388389 (N.D. Cal. 1998)); *see also* William J. Condon, Jr., *Electronic Assent to Online Contracts: Do Courts Consistently Enforce Clickwrap Agreements?*, 16 REGENT U. L. REV. 433, 434 (2004).

[173] JONATHAN D. ROBBINS, ADVISING EBUSINESS § 8-2.40, n. 2.50 (2006).

[174] *Id.* at n. 11.50 (citing Pollstar v. Gigmania, Ltd., 170 F. Supp. 2d 974 (E.D. Cal. 2000)). Some jurisdictions, however, do enforce such agreements. *Id.* at n. 11 (citing Register.com, Inc. v. Verio, Inc., 126 F. Supp. 2d 238 (S.D.N.Y. 2000), *aff'd as modified*, 356 F.3d 393 (2d Cir. 2004)).

[175] VA. CODE ANN. §§ 59.1-479 to 59.1-497 (2006).

[176] VA. CODE ANN. § 59.1-479, cmt. A (2006).

[177] VA. CODE ANN. § 59.1-480, cmt. 12 (2006).

executed electronically, may fall under the purview of this code section.[178] The gravitas of UETA is found in Virginia Code § 59.1-485, which provides that:

> (a) A record or signature may not be denied legal effect or enforceability solely because it is in electronic form; (b) a contract cannot be denied legal effect or enforceability solely because it was formed using electronic means . . . (c) an electronic writing satisfies the statute of frauds, or any other law requiring a writing; and (d) an electronic signature satisfies [any] law requiring a signature.[179]

[76] UETA defines "electronic record" as "a record created, generated, sent, communicated, received, or stored by electronic means."[180] UETA defines "electronic signature" as an "electronic sound, symbol, or process associated with a record and executed or adopted by a person with the intent to sign the record."[181] This definition includes the "standard webpage click through process. . . . When a person orders goods online, gets to the last step and clicks on 'I agree,' that person has adopted the process and has done so with the apparent intent of receiving goods, thereby being bound to pay for them."[182] By clicking on "I agree," the person has provided an electronic signature assenting to the transaction, per the terms of this statute.[183]

[77] Many other states have enacted legislation either identical, or substantially similar, to UETA in their respective jurisdictions.[184] The

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[178] *Id*.
[179] VA. CODE ANN. § 59.1-485(a)–(d) (2006).
[180] VA. CODE ANN. § 59.1-480(7) (2006).
[181] VA. CODE ANN. § 59.1-480(8) (2006).
[182] *Id*. at cmt. 7.
[183] *Id*.
[184] *See* ALA. CODE §§ 8-1A-1 to 8-1A-20 (2002); ARK. CODE ANN. §§ 25-32-101 to 25-32-121 (2002); CAL. CIV. CODE §§ 1633.1 to 1633.17 (WEST 2006); DEL. CODE ANN. tit.6, §§ 12A-101 to 12A-117 (2005); FLA. STAT. § 668.50 (2005); HAWAII REV. STAT. §§ 489E-1 to 489E-19 (2005); IDAHO CODE ANN. §§ 28-50-101 to 28-50-120 (2005); IND. CODE §§ 26-2-8-101 to 26-2-8-302 (2005); IOWA CODE §§ 554D.101 to 554D.123 (2005); KENTUCKY REVISED STAT. ANN. §§ 369.101 to 369.120 (2002); MAINE REV. STAT ANN. tit. 10, §§ 9401 to 9419 (2005); MD. CODE ANN. COM LAW §§ 21-101 to 21-120 (WEST 2005); MICH. COMP. LAWS. §§ 450-831 to 450.849 (2002); MINN. STAT. §§ 325L.01 to

impact of this code section on internet click through agreements is noteworthy. For example, let us assume that a consumer visits a web site and purchases $600.00 worth of sporting goods by entering all of his pertinent information into an electronic order form and clicking on "I Agree" at the end of the transaction. Under traditional contract law, this type of contract must be in writing and signed by the party to be charged, as it is a sale of goods exceeding $500.00.[185] With the advent of UETA, this electronic transaction satisfies the statute of frauds, as the electronic order form would constitute a writing under UETA and the person would have signed the agreement by clicking on the "I Agree" icon.[186]

C) DOCUMENTATION

[78] The World Wide Web is a fluid medium. Commercial websites change frequently, sometimes even on a weekly or daily basis, as new products and services are offered and new terms and conditions are applied to sales. The online contract that applies to a sale on a company's website today may not have the same terms as the online contract that applied last month or last year.

[79] A company that does not properly document and retain its website content as it changes over time runs the substantial risk of being unable to prove the precise contractual terms applicable to a specific transaction. Such a company may be unable to prove a claim for non-payment and may be unable to fully defend a suit brought by a customer. In particular, online contracts by which a customer agrees to bring claims in an agreed upon forum, provide warranty terms or conditions of sale, or limit the online retailer's liability in scope or amount of damages provide vital protections to the online business. Without the ability to establish the

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325L.19 (2004); MISS. CODE ANN. §§ 75-12-1 to 75-12-39 (2004); MONT. CODE ANN. §§ 30-18-101 to 30-18-118 (2005); NEB. REV. ST. §§ 86-612 to 86-643 (2005); N.H. REV. STAT. ANN. §§ 294-E:1 to 294-E:20(WEST 2005); N.J. STAT. ANN. §§ 12A:12-1 to 12A:12-25 (WEST 2004); N.C. GEN. STAT. §§ 66-311 to 66-330 (2002); OHIO REV. CODE. ANN. §§ 1306.01 to 1306.23 (2002); OKL. STAT. tit. 12A, §§ 15-101 to 15-120 (2002); R.I. GEN. LAWS §§ 42-127.1-1 to 42-107.1-20 (2005); TEX. BUS. & COM. CODE ANN. §§ 43.001 to 43.021 (2002); UTAH CODE ANN. §§ 46-4-101 to 46-4-503 (2005); W. VA. CODE §§ 39A-1-1 to 39A-1-17 (2004); WYO. STAT. ANN. §§ 40-21-101 to 40-21-119 (2005).

[185] VA. CODE ANN. § 8.2-201 (2001).

[186] VA. CODE ANN. § 59.1-480(7)–(8) (2001).

exact terms of a specific transaction, sometimes years later, the online business runs a risk of catastrophic loss.[187]

V. CONCLUSION

[80] The Internet provides many new sales and marketing opportunities, though these new opportunities are coupled with significant risks. Online businesses must adapt to this changing commercial environment. Just as the online medium has changed the sales and marketing techniques of these online retailers, it must also alter the legal strategy and advice of their counsel. Failure to adapt in this way will reduce the efficiency of the Internet as a commercial medium or, worse still, lead to the demise of an unwary business.[188]

[187] A company runs a similar risk of catastrophic loss where it fails to properly document and retain the changing content of its copyrighted website text and images. As the United States Copyright Office has recognized, "[m]any works transmitted online are revised or updated frequently." U.S. Copyright Office Circular 66. Federal copyright registration of an online work, such as a commercial website, requires the owner to be able to identify the precise content to be protected. Similarly, the enforcement of an owner's rights in a copyrighted work, whether it is federally registered or not, requires the owner to be able to establish the precise content owned. Without a method of regularly documenting and retaining website content, an online business risks being unable to document or enforce its rights in a copyrighted work.

[188] Any information contained herein is not intended to be a substitute for legal counsel on any subject matter. No recipients of these materials should act or refrain from acting on the basis of any information contained herein without seeking appropriate legal advice.