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The Rise and Fall of Internet Fences: The Overbroad Protection of the Anticybersquatting Consumer Protection Act

I. INTRODUCTION

With the dawn of the new millennium comes the entrance of an era of unprecedented change in how our society communicates and conducts business.¹ One can now buy many items over the Internet once exclusively the domain of the physical retailer,² and the coming years will only see a proliferation of merchants hawking goods of every conceivable genus.³ However, this rush to the Internet is not without its problems; like any emerging marketplace or new technology, there are inevitable growing pains. These changes necessarily involve legal issues, and with the rapid pace of technological expansion,⁴ lawmakers often find themselves playing catch-up in an effort to adapt existing legal structures to a new technological regime.

One particular area of recent legislative growth, involving the intersection of trademark law and domain name conflicts, is cybersquatting.⁵ This Comment will undertake a review of the evolution of the application of trademark law to the cybersquatting problem, an analysis of the current legal framework as embodied in the recently enacted Anticybersquatting Consumer Protection Act (ACPA),⁶ and future trends of domain name disputes and their

1. See, e.g., Priceline.com, Inc., at <http://www.priceline.com>. Priceline.com has developed, and patented, a method of business known as the "reverse auction" whereby a party wishing to purchase goods, such as airline tickets, states what they want and how much they are willing to pay. This information is then conveyed by priceline.com to the respective vendor, who may accept or deny the offer.

2. See, e.g., Amazon.com, Inc., at <http://www.amazon.com> (offering books, music, videos, toys, and even home improvement goods); CDnow Online, Inc., at <http://www.cdnw.com> (offering CDs and tapes). In this author's opinion, the current pinnacle of e-commerce goods (and laziness, in some respects) is found at Groceronline Corp., at <http://www.groceronline.com>, who, as the name implies, sells groceries over the Internet and delivers them to your house.

3. Forecasts of prognosticators of the Internet are as diverse as the viewpoints one finds there, and who will be correct in the long run is anyone's guess. However, just as the convergence of television, telephone, and computer seems inevitable, this author believes eventually one will be able to purchase a home over the Internet, including the transfer of an electronic deed, without first actually setting eyes on the property until after establishing ownership.

4. According to one survey, over 118 million people in the United States alone had Internet access at the end of 1999. See Nua Internet Surveys, at http://www.nua.net/surveys/index.cgi?f=VS&art_id=905355480&rel=true.

5. See discussion *infra* Part III, IV.

6. See 15 U.S.C. § 1125(d) (Supp. V 1999).

interaction with trademark law. Part II provides a background of the Internet, domain names, and cybersquatting, including the problems cybersquatting poses to domain name users. Part III traces the evolution of trademark law as applied to cybersquatting leading to the enactment of the ACPA. Part IV examines the two primary domain name dispute mechanisms currently available: the ACPA and the Uniform Domain Name Dispute Resolution Policy (UDRP), recently adopted by the Internet Corporation for Assigned Names and Numbers (ICANN). It explores the protections provided by each, and compares them to previous legal remedies. Part V considers the implications of the ACPA on the UDRP and the impact of each on the existing legal structure and the future of the Internet.

II. THE INTERNET, DOMAIN NAMES, AND CYBERSQUATTING

A. *The Internet and the Domain Name System*

The Internet came into being in the sixties with the creation of ARPAnet⁷ by the United States Department of Defense with a grant from the National Science Foundation (NSF). It was originally intended to link various military sites, corporations, and educational institutions engaged in government research together to facilitate communications and to create a network with sufficient redundancy to withstand a war.⁸ Commercial Internet access akin to that offered by most Internet Service Providers (ISPs) was essentially unheard of; a connection to the Internet was reserved for the aforementioned institutions and their respective employees.⁹

Starting in 1995, the NSF's control over the Internet ended, and responsibility for maintenance of the Internet's backbone was delegated to a consortium of long-haul telecommunications providers.¹⁰ With the

7. ARPA is an acronym for Advanced Research Projects Association. See Ira S. Nathenson, *Showdown at the Domain Name Corral: Property Rights and Personal Jurisdiction Over Squatters, Poachers and Other Parasites*, 58 U. PITT. L. REV. 911, 917-918 (1997).

8. See *id.*

9. Indeed, cheap dialup Internet access emerged during this author's undergraduate tenure. In 1993, relatively limited modem access via CERFnet ran well over \$100 per month. Two years later, home access akin to what is commonplace today was available for around \$20.

10. The backbone in foreign countries was, and still is, handled by each respective country by whatever arrangements they see fit to implement. However, some central administration functions, notably those involving assignment of Top Level Domains (TLDs) and Internet Protocol (IP) numbers, are currently handled by the Internet Corporation for Assigned Names and Numbers (ICANN). See ICANN, *About ICANN*, at <http://www.icann.org/general/abouticann.htm>. See also PBS Online, *Life on the Internet: Net Timeline*, at <http://www.pbs.org/internet/history>; ACLU v. Reno, 929 F. Supp. 824, 830-836 (E.D. Pa. 1996), *aff'd*, 521 U.S. 844 (1997) (presenting an excellent, and often cited, exposition on the history of the Internet).

changeover of primary Internet maintenance to private corporations, the floodgates of cheap and fast commercial Internet access were opened. Coupled with the innovation of the web browser and hypertext transfer protocol (HTTP) at CERN labs,¹¹ the Internet rush and e-commerce revolution was launched.

Every computer system hooked to the Internet must be assigned a unique identification number, known as an IP (short for Internet Protocol) number, which is in the form of 123.45.67.89.¹² As people relate much better to linguistic cues rather than numeric, a system for mapping each IP number to a hierarchical series of words was developed, known as the Domain Name Service (DNS).¹³ The DNS system provides the familiar “dot” names commonly seen in advertising today, such as www.myhost.com. The last part of the domain name is known as a Top Level Domain (TLD).¹⁴ Currently, there are six different generic top level domains (gTLDs): .com, .org, .net, .mil, .gov, and .int.¹⁵ A central registry¹⁶ issues domain names, also known as second level domains, under each gTLD. In the above example, the second level domain is the “myhost” portion of the address. The domain name owner locally handles the assignment of names past the domain name.¹⁷ The TLD designations are typically supposed to reflect the nature of the business registering the domain names; notably, .com is for commercial uses, .net is for Internet service providers, and .org is for non-profit organizations.¹⁸ However, as of September 1995, the domain registrars no longer enforced these distinctions and any party could register any prefix without regard to the

11. See *ACLU*, 929 F. Supp. at 836–38.

12. See Nathenson, *supra* note 7, at 919.

13. See *id.*

14. *Id.* at 920.

15. *Id.* at 920–21. At the time of this writing, a number of new top-level domains have been announced, and are scheduled to go into effect in the fall of 2001. The new domains include .aero, .biz, .coop, .info, .museum, .name, and .pro, and as their spellings suggest, are for various specialized uses, with the exception of .info, which is unrestricted. See ICANN, *New TLD Program*, at <http://www.icann.org/tlds/>.

16. Originally Network Solutions, Inc. was granted a monopoly to register domain names by the government. Since ICANN assumed authority for domain administration, a process has been established by which various parties can certify to become domain registrars. See ICANN, *Registrar Accreditation: Overview*, at <http://www.icann.org/registrars/accreditation.htm>.

17. There may be several subdomains. For example, a company might have the domain of comp.net. To help manage their systems, they may add departmental subdomains such as .mis and .mgmt, yielding departmental websites of <www.mis.comp.net> and <www.mgmt.comp.net>. Any names beyond the “.comp.net” are administered and created by the corporation, and need not be approved or reported to the TLD registrar.

18. See *Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 238 F.3d 264, 266, 57 U.S.P.Q.2d (BNA) 1547, 1548–49 (4th Cir. 2001).

nature of the registrant.¹⁹

It is customary on the Internet to use party names and their respective trademarks as second level domains.²⁰ Thus, the simplest and most common method for consumers to locate a particular website is to enter a format such as "www.trademark.com."²¹ While there are search engines that operate by topic, many such systems result in something of an information overload, and thus are impractical for frequent use. As a result, consumers typically resort to a search engine only after attempts to locate a domain name through the trademark format approach fail.²²

Unfortunately, limitations of the DNS system lead one to resort to a search engine more often than many companies would prefer. The DNS system limits second-level domain names to a maximum length of sixty-three characters,²³ and restricts the characters that may be used to letters, numbers, and certain punctuation.²⁴ These limitations have either fueled or created the framework for the domain name disputes that are the focus of this Comment.

B. *The Cybersquatting Problem*

Cybersquatting falls into roughly two categories: (1) Direct cybersquatting, where a trademark owner's mark is registered as a domain name²⁵ without a bona fide claim to use it; and (2) typosquatting, where common misspellings and variations of a trademark are registered in an attempt to gain traffic to a site from people intending to access the trademark owner's site.

19. *See id.*, 57 U.S.P.Q.2d (BNA) at 1548-49.

20. *See Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1044-45, 50 U.S.P.Q.2d (BNA) 1545, 1549-50 (9th Cir. 1999).

21. *See id.*, 50 U.S.P.Q.2d (BNA) at 1549-50. For example, Hormel Foods Corp. makes the ubiquitous SPAM luncheon meat, a registered trademark. Accordingly, Hormel has a site under the designation <www.spam.com> which, as is expected, contains information about SPAM. This Comment is essentially about legal protections aimed at maintaining this useful Internet association custom.

22. *See Brookfield Communications*, 174 F.3d at 1045, 50 U.S.P.Q.2d (BNA) at 1550.

23. *See Intermatic Inc. v. Toepfen*, 947 F. Supp. 1227, 1231, 40 U.S.P.Q.2d (BNA) 1412 (N.D. Ill. 1996) (noting a domain name length limitation of, at the time, 24 characters). It has since been increased to 63 characters. *See dotEarth.com, Domain Registration Services*, at <http://www.doteearth.com>.

24. *See dotEarth.com, Domain Registration Services*, at <http://www.doteearth.com>. *But cf.* Doug Isenberg, *Net Law Notebook: Domain Names with Symbols Will Make Trademark Owners Cry, !@#*!*, Internet World, at <http://www.internetworld.com/news/archive/04232001c.jsp#4.23notebook> (discussing the adoption by registrars of Unicode for multilingual domain names including Asian names and symbols).

25. Giving due consideration to the limitations of the DNS system, naturally. *See discussion supra* Part II.A.

1. Cybersquatters

A cybersquatter is, roughly, a party who registers a domain name they have no legitimate interest in, in an “attempt to profit . . . by reserving and later reselling or licensing [the] domain name[] back to the companies that spent millions of dollars developing the goodwill of the trademark.”²⁶ Simple registration of a domain name only requires submission of the proper application and the requisite fee.²⁷ Registrars do not check whether a registrant is entitled (or prohibited) by law to use the domain name; thus, an applicant merely represents that they are making a good faith claim to the domain name, and the request is granted.²⁸ As only one party may register a particular domain name, and domain names are registered on a first-come, first-served basis,²⁹ the commercial explosion of the Internet brought with it unscrupulous types who were quick to capitalize upon trademark owners’ procrastination in registration.³⁰

An alternative form of cybersquatting, labeled occasionally as “domain name hijacking,” is found when a party registers a domain name not with the intent to sell it back, but rather to block the trademark holder from using its mark to conduct business on the Internet.³¹ Often the site is left blank, to preclude advertisement,³² used to disparage the targeted competitor,³³ or used to sell the registrant’s goods, attracting business on the goodwill of the

26. *Intermatic*, 947 F. Supp. at 1233, 40 U.S.P.Q.2d (BNA) at 1417.

27. *See id.* at 1231, 40 U.S.P.Q.2d (BNA) at 1415. The facts in *Intermatic* are somewhat out of date; currently, the registration fee is roughly \$35 per year. *See, e.g.*, Network Solutions, Inc., *Web Address Registration*, at http://www.networksolutions.com/en_US/catalog/domainname/ (listing a range of prices from \$25 to \$50, depending on which TLD is requested); Catalog.com, Inc., at http://www.catalog.com/cc/domain_registration.html (listing a range of prices depending upon the length of the registration term, starting at \$35 for a one-year term).

28. *See Brookfield Communications*, 174 F.3d at 1044, 50 U.S.P.Q.2d (BNA) at 1549; *see also* Nathenson, *supra* note 7, at 924.

29. *See Intermatic*, 947 F. Supp. at 1231, 40 U.S.P.Q.2d (BNA) at 1415.

30. “The most well-known cases to date involve famous cybersquatter Dennis Toeppen, who registered as domain names the trademarks of over 100 major corporations. Toeppen successfully sold these pirated domain names to some companies for as much as \$15,000.” Perkins Coie L.L.P., *Trademarks and the Internet*, at <http://www.perkinscoie.com/resource/ecomm/trademarks.htm> [hereinafter *Trademarks and the Internet*].

31. *Id.* § II.B.4.

32. *See, e.g.*, *Sporty’s Farm L.L.C. v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 53 U.S.P.Q.2d (BNA) 1570 (2d Cir. 2000) (explaining how the defendant engaged in domain squatting to preclude the plaintiff’s use of its mark for Internet advertising).

33. One example is the case between the Princeton Review and Kaplan Educational center. *See Trademarks and the Internet, supra* note 30, § II.B.4. The plaintiff and defendant (Princeton Review) here were both in the business of selling test preparation services. The defendant registered the plaintiff’s trademark in the domain <<http://www.kaplan.com>>, and subsequently used the domain name to post a site disparaging the plaintiff. Eventually the case settled, and the domain name was returned to the plaintiff. *See id.*

competitor's mark, in an action known as "initial interest confusion."³⁴

2. Typosquatters

An area related to cybersquatting is typosquatting which involves the registration of domain names that are slight variations, typically misspells and typos, of existing well-known trademarks. For example, if a company holds the domain name abc.com with a web site of www.abc.com, a typosquatter could register wwwabc.com (sans the period), taking advantage of people looking for abc.com, but accidentally omitting the period.³⁵ Such registrants often use the misspelled domain name for commercial gain, feeding off the fame of the correct mark to gain traffic.³⁶

III. ACTIONS IN TRADEMARK LAW PRIOR TO THE ACPA

As can be expected, cybersquatters and typosquatters have become a thorn in the side of legitimate trademark holders who seek to establish a web presence that is readily identifiable with trademarks used in other channels of marketing. Acknowledging the relation between trademark use in non-Internet trade and in Internet commerce, the United States Patent and Trademark Office (USPTO) has promulgated rules for the examination of domain names as trademarks. According to the USPTO examination procedures, "[a]pplications for registration of marks consisting of domain names are subject to the same requirements as all other applications for federal trademark registration."³⁷ Furthermore, "[w]hen a trademark, service mark, collective mark or certification mark is composed, in whole or in part, of a domain name, neither the beginning of the [domain name] (http://www.) nor the TLD have any source indicating significance."³⁸ Thus, a trademark does not lose its significance by its incorporation into a domain name. Accordingly, a review of the past evolution and present state of trademark law is in order.

The current legal framework of domain name rights and protection came about as an adaptation of existing trademark infringement under the Lanham

34. *Brookfield*, 174 F.3d at 1062-64, 50 U.S.P.Q.2d (BNA) at 1563-65. "Using another's trademark in one's metatags is much like posting a sign with another's trademark in front of one's store." *Id.* at 1064, 50 U.S.P.Q.2d (BNA) at 1565.

35. *See, e.g.*, *Paine Webber, Inc. v. wwwpainewebber.com*, No. 99-0456-A, 1999 U.S. Dist. LEXIS 6552 (D. Va. Apr. 9, 1999) (ordering a preliminary injunction after defendant put up a pornographic website).

36. *See id.*

37. UNITED STATES PATENT AND TRADEMARK OFFICE, EXAMINATION GUIDE NO. 2-99, § I (Sept. 29, 1999), at <http://www2.uspto.gov/go/tac/notices/guide299.htm>.

38. *Id.*

Act³⁹ and subsequent dilution protection provided by the Federal Trademark Dilution Act (FTDA).⁴⁰ Actions involving domain name conflicts fall into roughly four categories, each arising from a different section of the Lanham Act:⁴¹ trademark infringement, actionable under section 32;⁴² confusion of source, closely related to infringement and actionable under section 43(a);⁴³ dilution of a famous mark, actionable under section 43(c);⁴⁴ and bad faith registration, actionable under section 43(d).⁴⁵

A. Sections 32 and 43(a): Trademark Infringement and Confusion of Source

Bringing into stark relief the problems that domain names pose in trademark conflicts, *Cardservice International, Inc. v. McGee*⁴⁶ involved an infringement and confusion of source action brought by Cardservice International (CSI) against McGee.⁴⁷ Both CSI and McGee were in the business of offering credit and debit card processing services.⁴⁸ CSI was the owner of the trademark "Cardservice".⁴⁹ In 1995 McGee registered the domain name "cardservice.com" and proceeded to advertise his competing card processing services.⁵⁰ CSI, predictably, filed suit under sections 32 and 43(a) of the Lanham Act, alleging, *inter alia*, that McGee's use of the "cardservice.com" domain name constituted trademark infringement and unfair competition.⁵¹

While the court ultimately ruled in favor of CSI,⁵² McGee raised an interesting point in his defense. McGee noted that as domain names do not allow spaces, his prior use of a business name consisting of the words "card" and "service" entitled him to use "cardservice.com," a logical domain name extension of his business' name.⁵³ The no-space limitations of the DNS

39. See 15 U.S.C. §§ 1051–1129 (1994 & Supp. V 1999).

40. See 15 U.S.C. § 1125(c).

41. The overwhelming majority of cases involving domain name disputes are federal. A number of states do have laws also providing causes of actions for domain name disputes; however, because of the predominantly federal nature of this area of law, only federal remedies will be covered.

42. See 15 U.S.C. § 1114.

43. See 15 U.S.C. § 1125(a).

44. See 15 U.S.C. § 1125(c).

45. See 15 U.S.C. § 1125(d).

46. 950 F. Supp. 737, 42 U.S.P.Q.2d (BNA) 1850 (E.D. Va. 1997).

47. See *id.* at 738–39, 42 U.S.P.Q.2d (BNA) at 1852.

48. See *id.*, 42 U.S.P.Q.2d (BNA) at 1852.

49. *Id.*, 42 U.S.P.Q.2d (BNA) at 1852.

50. *Id.*, 42 U.S.P.Q.2d (BNA) at 1852.

51. See *Cardservice Int'l*, 950 F. Supp. at 739, 42 U.S.P.Q.2d (BNA) at 1852.

52. See *id.* at 743, 42 U.S.P.Q.2d (BNA) at 1855–56.

53. *Id.* at 738–39, 42 U.S.P.Q.2d (BNA) at 1852.

system still underlie many disputes over domain names by legitimate claimants today; it is quite possible for a single domain name to “fit” a number of valid trademarks, and resolution of such ownership cases will likely boil down to a question of priority. However, in *Cardservice*, the court decided to nevertheless extend section 43(a) infringement to include domain name registrations, heavily favoring CSI’s trademark:

Cardservice International has obtained a trademark to ensure that the name “cardservice” will be associated by consumers only with Cardservice International. . . . The fact that Cardservice International has been awarded a trademark means that it should not be forced to compete with others who would also use the words “cardservice.” The terms of the Lanham Act do not limit themselves in any way which would preclude application of federal trademark law to the Internet.⁵⁴

The court made little more than passing mention of the more fundamental structural problem of the DNS system embodied in McGee’s observation, finding for the plaintiff on the basis of the defendant’s clearly anticompetitive behavior⁵⁵ and the strong likelihood of confusion due to McGee’s nearly direct competition with CSI.⁵⁶

Helping to resolve the question of priority in domain name use, the recent Ninth Circuit case of *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*⁵⁷ firmly established that priority, for purposes of domain name ownership, requires actual use in commerce.⁵⁸ The plaintiff, Brookfield Communications (Brookfield), marketed a database of film industry statistics of interest to industry professionals and casual movie-goers alike under the mark “MovieBuff.”⁵⁹ The defendant, West Coast Video (West Coast), a video rental store, had long used the phrase “Movie Buff” in numerous trademarks for promoting its business.⁶⁰ Brookfield attempted to register the domain name “moviebuff.com” in connection with plans to make its database service available over the Internet, only to discover that West Coast beat them to the punch.⁶¹ Shortly thereafter, Brookfield learned of West Coast’s plans to launch an Internet database similar in function to its MovieBuff system under

54. *Id.* at 741, 42 U.S.P.Q.2d (BNA) at 1854.

55. Indeed, in discussion of the equity of granting fees to CSI, the court characterized McGee’s behavior subsequent to the commencement of the infringement action as possessing “malicious intent,” and demonstrative of “bad faith.” *Id.* at 742, 42 U.S.P.Q.2d (BNA) at 1855.

56. *See Cardservice Int’l*, 950 F. Supp. at 742, 42 U.S.P.Q.2d (BNA) at 1855.

57. 174 F.3d 1036, 50 U.S.P.Q.2d (BNA) 1545 (9th Cir. 1999).

58. *See id.* at 1047, 50 U.S.P.Q.2d (BNA) at 1551.

59. *Id.* at 1041, 50 U.S.P.Q.2d (BNA) at 1547.

60. *Id.* at 1042, 50 U.S.P.Q.2d (BNA) at 1547–48.

61. *Id.* at 1042, 50 U.S.P.Q.2d (BNA) at 1547–48.

the "moviebuff.com" domain name.⁶² After sending the traditional cease-and-desist letter, Brookfield filed suit, alleging trademark infringement and unfair competition under sections 32 and 43(a) of the Lanham Act and asking that West Coast be enjoined from using "moviebuff.com."⁶³

After holding that the principle of tacking⁶⁴ did not allow West Coast to claim a prior use of "MovieBuff" from uses in phrases such as "The Movie Buff's Movie Store," the court further observed that "[r]egistration . . . [did] not in itself constitute 'use' for purposes of acquiring trademark priority."⁶⁵ Further, usage of a domain name must comport with the regular trademark requirements of publicity;⁶⁶ thus, Brookfield prevailed as West Coast did not establish a use date until after Brookfield's federal registration of "MovieBuff."⁶⁷ As Brookfield had priority in the mark, the court then found West Coast's proposed site under the "moviebuff.com" domain name confusingly similar to Brookfield's mark and thus infringed Brookfield's trademark.⁶⁸

B. Section 43(c): Dilution

Whereas trademark infringement actions require a likelihood of confusion through the use of the marks, dilution requires no such showing.⁶⁹ Thus, dilution actions have become the favorite of many well-known trademark holders as a vehicle for fighting cybersquatters. Two seminal cases, both involving the same defendant, Dennis Toeppen, establish the FTDA as a viable tool for wresting trademarked domain names away from the hands of unscrupulous Internet profiteers.

One of the first cases to extend dilution protection of trademarks to domain names, *Intermatic, Inc. v. Toeppen*⁷⁰ accomplished this feat by

62. 174 F.3d at 1042, 50 U.S.P.Q.2d (BNA) at 1547-48.

63. *Id.* at 1042-43, 50 U.S.P.Q.2d (BNA) at 1548.

64. Tacking is "the ability of a trademark owner to claim priority in a mark based on the first use date of a similar, but technically distinct, mark." *Id.* at 1047, 50 U.S.P.Q.2d (BNA) at 1552. However, tacking is limited to "the exceptionally narrow instance where the previously used mark is the legal equivalent of the mark in question or indistinguishable therefrom such that consumers consider both as the same mark." *Id.*, 50 U.S.P.Q.2d (BNA) at 1552 (internal quotations omitted).

65. *Id.* at 1051, 50 U.S.P.Q.2d (BNA) at 1555.

66. *See id.* at 1052-53, 50 U.S.P.Q.2d (BNA) at 1556 (holding that West Coast's use of "MovieBuff" in email messages insufficiently public to constitute use).

67. 174 F.3d at 1052-53, 50 U.S.P.Q.2d (BNA) at 1555-56.

68. *Id.* at 1066, 50 U.S.P.Q.2d (BNA) at 1567.

69. "The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of . . . (2) likelihood of confusion." H.R. 1295, 104th Cong. § 4 (1995).

70. 947 F. Supp. 1227, 40 U.S.P.Q.2d (BNA) 1412 (N.D. Ill. 1996). This case is also notable for its excellent exposition on the background of the Internet and the DNS system.

characterizing the simple act of registration of a domain name with the intention to eventually profit from its sale as commercial use.⁷¹ The plaintiff, Intermatic, was the owner of several registered trademarks, including the mark at issue in this case, INTERMATIC.⁷² The defendant, Dennis Toeppen, was engaged in the practice of registering, as domain names, well-known company names and trademarks without the marks' owners' permission, with the intention of reselling or licensing them to the owners.⁷³ Unwilling to pay Toeppen for release of the domain name <www.intermatic.com>, Intermatic filed suit, alleging violations of, *inter alia*, sections 32 (infringement), 43(a) (confusion of source), and 43(c) (dilution).⁷⁴

To maintain a dilution action, the injured party must show that the diluted mark is "famous" within the definition of the FTDA,⁷⁵ that the claimed dilutive mark was used in commerce after the diluted mark gained fame,⁷⁶ and that the use "cause[d] dilution of the distinctive quality of the mark."⁷⁷ Dilution is further defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."⁷⁸ The *Intermatic* court proceeded to analyze Intermatic's mark and Toeppen's activities under the statute, finding that INTERMATIC, in light of its longstanding registration, met the requirement of fame.⁷⁹ The court further recognized that due to the nature of domain names and web pages, people would associate INTERMATIC with the domain name <www.intermatic.com>; thus, any information that Toeppen put on the website would necessarily dilute the association in consumers' minds between Intermatic and its products.⁸⁰ However, the question of use in commerce presented a problem; any apparent commercial activity that Toeppen may have engaged in ended before the

71. *See id.* at 1239, 40 U.S.P.Q.2d (BNA) at 1422.

72. *Id.* at 1230, 40 U.S.P.Q.2d (BNA) at 1414.

73. *Id.*, 40 U.S.P.Q.2d (BNA) at 1414.

74. *Id.* at 1229, 40 U.S.P.Q.2d (BNA) at 1413. The court subsequently dismissed the infringement claims, as Toeppen was not engaged in activities with the domain name that were confusingly similar to Intermatic. *See id.* at 1234-36, 40 U.S.P.Q.2d (BNA) at 1417-19.

75. The FTDA only allows a claim of dilution for activities *after* a mark becomes famous. 15 U.S.C. § 1125(c)(1). It then suggests eight factors for "determining whether a mark is distinctive and famous," but further adds that courts are not limited by those factors. 15 U.S.C. § 1125(c)(1)(A)-(H).

76. The statute grants injunctive relief "against another person's *commercial use in commerce* of a mark or trade name." 15 U.S.C. § 1125(c)(1) (emphasis added).

77. *Id.*

78. 15 U.S.C. § 1127.

79. Intermatic's mark had been in continuous and exclusive use for over 50 years. *Intermatic*, 947 F. Supp. at 1239, 40 U.S.P.Q.2d (BNA) at 1422.

80. *See id.* at 1240-41, 40 U.S.P.Q.2d (BNA) at 1422-23.

enactment of the FTDA.⁸¹ In a characterization of commerce that is arguably overbroad,⁸² the court essentially found that Toeppen's registration of the domain name with intent to sell it constituted a commercial use sufficient to bring Toeppen's acts within the FTDA's scope.⁸³ Accordingly, *Intermatic* was granted favorable judgment.

Nearly two years later, Toeppen was back in court, this time in an action brought by the California movie camera equipment manufacturer Panavision.⁸⁴ Toeppen registered the domain name <www.panavision.com>, derived from the registered trademark PANAVISION,⁸⁵ and offered to release the domain name to Panavision upon payment of \$13,000. The Ninth Circuit compared the case before them with the holding in *Intermatic*, and essentially held for Panavision with identical reasoning.⁸⁶ Going further, the court observed the problem of domain name depletion and its relation to trademark dilution:

[P]otential customers of Panavision will be discouraged if they cannot find its web page by typing in "Panavision.com," but instead are forced to wade through hundreds of web sites [presented by a search engine]. This dilutes the value of Panavision's trademark. We echo the words of Judge Lechner, quoting Judge Wood: "Prospective users of plaintiff's services who mistakenly access defendant's web site [sic] 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."⁸⁷

The *Panavision* decision thus served to confirm *Intermatic* and firmly establish dilution as a leading remedy available to owners of famous marks against cybersquatters.

81. See *id.* at 1233, 40 U.S.P.Q.2d (BNA) at 1416. Toeppen had at one point advertised the development of a computer program under the name INTERMATIC, arguably not confusingly similar to *Intermatic*'s line of timers.

82. The court held that "use of the Internet is sufficient to meet the 'in commerce' requirement of the Act." *Id.* at 1240, 40 U.S.P.Q.2d (BNA) at 1416. This is an alarmingly broad definition of commerce that essentially grants famous trademark holders power over parties that have innocently registered marks as domain names, with no intent to arbitrage. One author brought to light just such a case, where a corporation went after a 12-year-old boy who had been given an allegedly dilutive mark as a present. See *Trademarks and the Internet, supra* note 30, § II.B.5.

83. *Intermatic*, 947 F. Supp. at 1239-40, 40 U.S.P.Q.2d (BNA) at 1422.

84. See *Panavision Int'l, L.P. v. Dennis Toeppen*, 141 F.3d 1316, 46 U.S.P.Q.2d (BNA) 1511 (9th Cir. 1998).

85. See *id.* at 1319, 46 U.S.P.Q.2d (BNA) at 1514.

86. *Id.* at 1325, 46 U.S.P.Q.2d (BNA) at 1519.

87. *Id.* at 1327, 46 U.S.P.Q.2d (BNA) at 1521 (quoting *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 307, 46 U.S.P.Q.2d (BNA) 1672 (D.N.J. 1998)).

C. A Brief Word on Typosquatting

The number of cases of actual typosquatting, where the accused party has registered a minor and likely accidental misspelling or mistyping of a domain name in an attempt to obtain some fallout traffic, is comparatively miniscule.⁸⁸ “Traditional” actions of cybersquatting, as outlined above, comprise the bulk of domain name dispute jurisprudence. However, an action for dilution should provide a remedy against a typosquatter inasmuch as it provides a remedy against a cybersquatter for the owner of a famous mark. Likewise, the owner of a mark that is not famous should have a claim against a typosquatter engaged in a confusingly similar business.

D. Conclusion

Until the recent passage of the ACPA, federal courts had molded existing trademark law to the new shape of the Internet, providing relief for trademark holders against most forms of cybersquatting. Previously, the registrant had one of two courses of action, depending on the cybersquatter’s actions and the mark’s fame. If the mark lacked fame, but the cybersquatter was competing against the mark holder in a confusingly similar fashion, an action for infringement and confusion of source was available. For the owner of a mark considered famous, an action for dilution was available, a much more powerful remedy enabling the holder to eject a cybersquatter who did nothing more than register with intent to sell. Unfortunately, those actions left unprotected those businesses with marks lacking sufficient strength to be famous, who were plagued by cybersquatters not engaging in activities that would render their use confusingly similar.

IV. RECENT DEVELOPMENTS IN DOMAIN NAME REGULATION: THE ACPA AND UDRP

The recent spate of litigation has not gone unnoticed by the powers that be. In its traditionally myopic fashion,⁸⁹ and in keeping with recent trends towards greater trademark protection, Congress passed the Anticybersquatting Consumer Protection Act of 1999 to provide yet another cause of action that trademark holders may use to wrestle a desired domain name away from Internet poachers, albeit with a simpler and more direct approach. At roughly the same time, ICANN, in charge of approving and coordinating domain

88. See *Trademarks and the Internet*, *supra* note 30, § II.B.2.

89. See Lead Report, Jennifer L. Alvey, *Trademark Interests Welcome Cybersquatting Law, Others See New Dispute Policy Derailed*, 4 NO. 46 ELECTRONIC COM. & L. REP. 1099 (BNA Dec. 8, 1999) [hereinafter Alvey I]. “The cybersquatting problem is a global problem that cannot be solved with national legislation.” *Id.* at 1100.

name registrars, passed its new dispute resolution policy with a similar focus on simplifying and reducing the hassles of resolving domain name quibbles.⁹⁰

A. The Anticybersquatting Consumer Protection Act

With the passage of the ACPA and its signing into law on November 29, 1999,⁹¹ Congress essentially codified existing actions against cybersquatters while attempting to fill any perceived holes left uncovered by infringement and dilution actions.⁹² Specifically, Congress noted that with the development of case law extending infringement and dilution actions to include domain name violations, cybersquatters had become increasingly clever in their tactics.⁹³ Infringement was easily circumvented by either not linking a web site to the domain name or by posting a site that was unrelated to the trademark owner's business. Likewise, a dilution claim could be prevented by avoiding making initial offers of sale to the legitimate trademark owners, thus defeating the courts' lines of precedent construing offers to sell domain names as a form of use in commerce.⁹⁴

The ACPA was thus passed to specifically address these deficiencies.⁹⁵ Fundamentally, the ACPA changes the test for domain name infringement from the commercial use and likelihood of confusion standards to one of "bad faith intent to profit from [the] mark."⁹⁶ This broader standard is intended to fill the aforementioned holes while still remain narrow enough so as to prevent unnecessary actions against parties that innocently infringe.⁹⁷ Hence, the statute articulates two requirements for a finding of infringement in favor of a trademark owner by any person who "has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and [] registers, traffics in, or uses a domain name . . ."⁹⁸ The requirement that a cybersquatter make some sort of use of the domain name was eliminated. Further, in keeping with existing standards of trademark infringement, and perhaps giving a tacit nod to the direction that courts were traveling, the statute further requires that the domain name be either "identical

90. See Jennifer L. Alvey, *WIPO Named Net Dispute Resolution Entity; More Cyber-Arbiters Expected in December*, 4 ELECTRONIC COM. & L. REP. 1105 (Dec. 8, 1999) [hereinafter Alvey II].

91. See Alvey I, *supra* note 89, at 1099.

92. See S. REP. NO. 106-140, at 6 (1999).

93. See *id.*

94. See discussion *supra* Part III.B. See also *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 495, 53 U.S.P.Q.2d (BNA) 1570, 1574 (2d Cir. 2000) (quoting S. REP. NO. 106-140, at 7).

95. See S. REP. NO. 106-140, at 7.

96. 15 U.S.C. § 1125(d)(1)(A)(i) (Supp. V 1999).

97. See S. REP. NO. 106-140, at 7.

98. 15 U.S.C. § 1125(d)(1)(A) (emphasis added).

or confusingly similar” or, if the mark is famous, “dilutive of [the] mark.”⁹⁹ The inclusion of registration, without more, coupled with a finding of bad faith, is clearly aimed at capturing those cybersquatters who have eluded liability by simply registering a domain name and sitting on it.

The amorphous term “bad faith” demonstrates Congress’s realization that domain name disputes come in a number of flavors and shapes,¹⁰⁰ and that in many cases the question of liability is bound up in both fact and law. Accordingly, Congress has suggested nine different factors that courts may consider, but are in no way limited to or bound by, when determining the presence or lack of bad faith.¹⁰¹ These factors fall into several rough categories: (1) Preexisting interest in the domain name;¹⁰² (2) demonstrated primary motive to profit;¹⁰³ and (3) actions on registration suggesting a lack of a bona fide interest in the domain name.¹⁰⁴ Generally speaking, the greater the preexistent interest in the domain name, such as prior use or some intellectual property interest in the mark (which may stem from the prior use), the more likely a bad faith motive will be lacking. Likewise, registration with the principle intent to profit, either by the direct sale of the domain name back to the trademark owner or the simple preclusion of competition from a potential channel for sales and marketing, will suggest the presence of a bad faith motive, as will disingenuous actions in the registration process.¹⁰⁵ Interestingly, factor nine brings an overt taste of dilution into the act, suggesting that courts consider “the extent to which the mark incorporated in the person’s domain name registration is or is not distinctive and famous within the meaning of [the FTDA].”¹⁰⁶

99. 15 U.S.C. § 1125(d)(1)(A)(ii)(II).

100. See Nathenson, *supra* note 7, at 925 (noting that “domain name disputes tend to fall into three categories”); Porsche Cars N. Am., Inc. v. PORSCH.COM, 51 F. Supp. 2d 707, 709, 51 U.S.P.Q.2d (BNA) 1461, 1462–63 (E.D. Va. 1999) (outlining several types of domain disputes that may arise). *Porsche* was subsequently vacated and remanded by the Fourth Circuit for reevaluation in light of the ACPA’s intervening enactment and its in rem provisions. See Porsche Cars N. Am., Inc. v. Allporsche.com., 55 U.S.P.Q.2d (BNA) 1158 (4th Cir. 2000) (unpublished decision).

101. See 15 U.S.C. § 1125(d)(1)(B)(i) (“In determining whether a person has a bad faith intent described [in the primary test], a court *may* consider factors such as, *but not limited to* [the nine factor list of considerations.]”) (emphasis added).

102. See 15 U.S.C. § 1125(d)(1)(B)(i)(I)–(IV).

103. See 15 U.S.C. § 1125(d)(1)(B)(i)(V)–(VI).

104. See 15 U.S.C. § 1125(d)(1)(B)(i)(VII)–(VIII).

105. See 15 U.S.C. § 1125(d)(1)(B)(i)(VII) contemplates the submission and “intentional failure to maintain accurate contact information, or . . . prior conduct indicating a pattern of such conduct.” *Id.* 15 U.S.C. § 1125(d)(1)(B)(i)(VIII) considers the “registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive . . . or dilutive of famous marks of others that are famous at the time of registration” *Id.*

106. 15 U.S.C. § 1125(d)(1)(B)(i)(IX) (Supp. V 1999).

Beyond circumvention of liability by a lack of an offer to sell or the lack of a confusingly similar service in connection with a domain name, cybersquatters have been able to elude suit by hiding behind misleading information provided to the domain name registrar or locating themselves offshore to evade or escape suit due to a lack of personal jurisdiction.¹⁰⁷ In one case involving 128 domain names, the plaintiff observed, and the court agreed, that “some of the domain names at issue have registrants whose identities and addresses are unknown and against whom *in personam* proceedings might be fruitless.”¹⁰⁸

With the inclusion of section 43(d)(2) in the ACPA, Congress seeks to directly remedy this loophole.¹⁰⁹ This section provides that “[t]he owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located.”¹¹⁰ Apart from the novel implications of importing a type of action previously the sole domain of real property to an intangible intellectual property object, trademark law now allows a trademark owner, after either exercising due diligence¹¹¹ and failing to locate a defendant¹¹² or failing to obtain personal jurisdiction over a known defendant,¹¹³ to sue on the domain name itself.¹¹⁴ In addition to a lack of defendant availability, the mark holder must allege that “the domain name violates any right of the owner of [the] mark” either available by virtue of the mark’s registration with the USPTO or via section 43(a) or section 43(c).¹¹⁵

Finally, acknowledging that domain names and the Internet are avenues

107. See S. REP. NO. 106-140, at 10. See also *Porsche*, 51 F. Supp. 2d at 712, 51 U.S.P.Q.2d (BNA) at 1465 (holding that the FTDA does not provide for in rem actions against a domain name).

108. *Porsche*, 51 F. Supp. 2d at 713, 51 U.S.P.Q.2d (BNA) at 1465.

109. It appears that Congress followed the lead of the plaintiff in *Porsche* and adopted in the ACPA its failed theory of in rem jurisdiction. See *id.*, 51 U.S.P.Q.2d (BNA) at 1465.

110. 15 U.S.C. § 1125(d)(2)(A).

111. See 15 U.S.C. § 1125(d)(2)(A)(ii)(aa) the plaintiff must send notice, by postal and electronic mail, of its intent to pursue an in rem proceeding to the domain name’s owner as listed with the registrar, incorrect though it may be. One court has construed the due diligence requirement to encompass not only sending notice in compliance with the statute, but waiting a reasonable time for a response. See *Lucent Techs., Inc. v. LucentSucks.com*, 95 F. Supp. 2d 528, 532, 54 U.S.P.Q.2d (BNA) 1653, 1656 (E.D. Va. 2000).

112. See 15 U.S.C. § 1125(d)(2)(A)(ii)(II).

113. See 15 U.S.C. § 1125(d)(2)(A)(ii)(I).

114. Cf. *Alitalia-Linee Aeree Italiane S.p.A. v. Casinoalitalia.com*, 128 F. Supp. 2d 340, 344 (E.D. Va. 2001) (commenting on the two jurisdictional recourses provided by the ACPA, noted that “[a] mark owner may proceed either *in personam* against an infringer or, in certain circumstances where this cannot be done, the owner may proceed *in rem* against the domain name; a mark owner may not proceed against both at the same time.”) (italics in original).

115. See 15 U.S.C. § 1125(d)(2)(A)(i).

for exploitation of the right to publicity, the ACPA provides a cause of action against a party who registers, without consent, an individual's name, or a confusingly similar variation, as a domain name.¹¹⁶ An exception is granted to a person who registers a domain name used with or in a copyrighted work that person owns, for purposes of "lawful exploitation of the work."¹¹⁷

B. Case Law under the ACPA

Three circuit court decisions have been issued invoking the ACPA, along with a growing number of district court cases. *Sporty's Farm L.L.C. v. Sportsman's Market, Inc.*¹¹⁸ is the seminal appeals case that first applied the ACPA. Initially decided under the FTDA, *Sporty's* involved a case of preclusive registration, where the defendant obtained "sportys.com" in an apparent attempt to prevent the plaintiff, the registered owner of the SPORTY'S trademark, from setting up a web presence.¹¹⁹ After a determination that SPORTY'S was a famous mark at the time of the defendant's registration, the district court held that the defendant's web site purporting to sell Christmas trees constituted use in commerce and was diluting the plaintiff's mark.¹²⁰

On appeal, the Second Circuit upheld the district court's judgment, but on the basis of the newly enacted ACPA.¹²¹ The court established a three-step analysis for application of the ACPA: First, a court must determine whether a mark is distinctive or famous.¹²² Second, a court must determine whether the mark is "identical or confusingly similar" to the domain name in question.¹²³ Finally, a court must determine whether the registrant possessed "bad faith intent to profit" from the registration, which entails examining the case in light of the nine statutory factors.¹²⁴ Performing this analysis, the court

116. See 15 U.S.C. § 1129.

117. 15 U.S.C. § 1129(1)(B). Biographical works are likely the contemplated subject matter here.

118. 202 F.3d 489, 53 U.S.P.Q.2d (BNA) 1570 (2d Cir. 2000).

119. See *id.* at 494, 53 U.S.P.Q.2d (BNA) at 1573.

120. *Id.* at 492, 53 U.S.P.Q.2d (BNA) at 1571-72.

121. *Id.* at 499, 53 U.S.P.Q.2d (BNA) at 1577-78. Despite its contention that it "must decide" how the ACPA affects the case, closer inspection suggests that the court was simply looking for an excuse to apply the new law. *Id.* at 496, 53 U.S.P.Q.2d (BNA) at 1575. Given that the ACPA does not preclude actions under the FTDA or § 43(a) infringement, the court could just have easily affirmed the district court's judgment on its existing basis, without an analysis under the ACPA. See 15 U.S.C. § 1125(d)(3) (Supp. V 1999) ("The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.") (emphasis added).

122. See *Sporty's*, 202 F.3d at 497, 53 U.S.P.Q.2d (BNA) at 1575.

123. *Id.*, 53 U.S.P.Q.2d (BNA) at 1576.

124. *Id.* at 498, 53 U.S.P.Q.2d (BNA) at 1576.

determined that the plaintiff's mark was distinctive, that the domain name <www.sportys.com> was identical to the plaintiff's mark, and that "there [was] more than enough evidence . . . of 'bad faith intent to profit'"¹²⁵ to support such a finding.¹²⁶ What is most interesting, however, is that the Second Circuit eschewed a formal analysis of bad faith under the nine statutory factors, instead favoring what amounted to an ad hoc weighing of the facts of the case. The court observed that "[t]he most important grounds for our holding that Sporty's Farm acted with a bad faith intent . . . are the unique circumstances of this case."¹²⁷ Accordingly, the court affirmed for the plaintiff on grounds of the ACPA.

The Fourth Circuit adopted a similar approach to bad faith analysis in *Virtual Works, Inc. v. Volkswagen of America, Inc.*¹²⁸ Defendant Virtual Works had registered the domain name <www.vw.net> for their corporation, but at the time had realized the similarities with Volkswagen's VW mark, and decided to sell the mark back to Volkswagen if the opportunity arose.¹²⁹ After two years of use, they proceeded to offer the domain for sale to Volkswagen after several VW dealerships made inquiries into the purchase of the domain name.¹³⁰ Because of the somewhat threatening nature of Virtual Work's offer, Volkswagen filed suit under the ACPA.¹³¹ The district court subsequently granted summary judgment in favor of Volkswagen.¹³²

On appeal, the court upheld the grant of summary judgment. It established a two-part inquiry for ACPA violations, considering whether a purported cybersquatter (1) "acted with a bad faith intent to profit from a protected mark;"¹³³ and (2) "[a.] registered, trafficked in, or used a domain name; [b.] that is identical or confusingly similar to a distinctive mark; or [c.] is identical, confusingly similar to, or dilutive of a famous mark."¹³⁴ Citing with approval the *Sporty's* observation of the importance of unique case circumstances, the court adopted a similar approach to bad faith intent

125. *Id.*, 53 U.S.P.Q.2d (BNA) at 1577.

126. *Id.* at 497-99, 53 U.S.P.Q.2d (BNA) at 1575-77. The court seemed strangely unpersuaded by the defendant's dubious story as to the source of its inspiration for registering <http://www.sportys.com>: A dog named "spotty." *Id.* at 494, 53 U.S.P.Q.2d (BNA) at 1573.

127. *Sporty's*, 202 F.3d at 499, 53 U.S.P.Q.2d (BNA) at 1577.

128. 238 F.3d 264, 57 U.S.P.Q.2d (BNA) 1547 (4th Cir. 2001).

129. *See id.* at 266, 57 U.S.P.Q.2d (BNA) at 1549.

130. *Id.* at 266-67, 57 U.S.P.Q.2d (BNA) at 1549.

131. Specifically, Virtual Works threatened to sell <http://www.vw.net> to the highest bidder if Volkswagen refused to make a suitable offer. *See Virtual Works*, 238 F.3d at 267, 57 U.S.P.Q.2d (BNA) at 1549.

132. *See id.* at 267, 57 U.S.P.Q.2d (BNA) at 1549.

133. *Id.* at 269, 57 U.S.P.Q.2d (BNA) at 1551.

134. *Id.*, 238 F.3d at 270-71, 57 U.S.P.Q.2d (BNA) at 1552.

analysis and noted that it “need not . . . march through the nine factors [of the ACPA] seriatim because the ACPA itself notes that use of the listed criteria is permissive.”¹³⁵ However, giving a nod to the ACPA’s safe harbor provision,¹³⁶ in dicta the court delineated a potential boundary to the ad hoc bad faith intent inquiry:

The fact that a domain resembles a famous trademark, for example, hardly in and of itself establishes bad faith. Moreover, domain names that are abbreviations of a company’s formal name are quite common. To view the use of such names as tantamount to bad faith would chill Internet entrepreneurship with the prospect of endless litigation.¹³⁷

The court further noted that “a mere offer to sell a domain name is not itself evidence of unlawful trafficking,” and thus not dispositive of a bad faith intent to profit.¹³⁸

The third circuit court case examining the ACPA, *Northern Light Technology, Inc. v. Northern Lights Club*,¹³⁹ seems to implicitly adopt the ad hoc test to determine whether there is bad faith intent to profit. While no reference is made to the *Sporty’s* decision with respect to its bad faith analysis, the First Circuit took notice of the nine ACPA bad faith elements and their non-binding, non-exhaustive nature, yet summarily upheld the district court’s bad faith analysis, and made a brief reference to the facts fitting within the eighth factor.¹⁴⁰ At best, this analysis seems ambiguous. However, the district court applied an ad hoc test in its analysis for bad faith,¹⁴¹ and the appellate court’s affirmance of this analysis combined with its lack of criticism amounts to a tacit approval of an ad hoc approach to bad faith intent analysis.

The district court’s decision in *Northern Light Technology* is also notable for another clarification in the ACPA—the distinction between the likelihood of confusion standard for section 32 and 43(a) actions,¹⁴² and the ACPA’s

135. *Id.* at 269, 57 U.S.P.Q.2d (BNA) at 1551.

136. “Bad faith intent . . . shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.” 15 U.S.C. § 1125(d)(1)(B)(ii). *See also Virtual Works*, 238 F.3d at 268, 57 U.S.P.Q.2d (BNA) at 1550.

137. *See Virtual Works*, 238 F.3d at 269, 57 U.S.P.Q.2d (BNA) at 1551.

138. *Id.* at 270, 57 U.S.P.Q.2d (BNA) at 1551. Arbitrage in domain names is fairly commonplace, with some highly commonplace (and generic, hence, unprotectable) names fetching seemingly incredible sums. *See, e.g., GreatDomains.com, Inc., at* <http://www.greatdomains.com> (indicating that the domain name <<http://www.loans.com>> recently sold for \$3 million).

139. 236 F.3d 57, 57 U.S.P.Q.2d (BNA) 1277 (1st Cir. 2001).

140. *See id.* at 64–65, 57 U.S.P.Q.2d (BNA) at 1283–84.

141. *See Northern Light Tech., Inc. v. Northern Lights Club*, 97 F. Supp. 2d 96, 118–20 (D. Mass. 2000), *aff’d*, 236 F.3d 57, 57 U.S.P.Q.2d (BNA) 1277 (1st Cir. 2001).

142. *See* 15 U.S.C. § 1114(1)(a); 15 U.S.C. § 1125(a)(1)(A).

“confusingly similar” standard.¹⁴³ Specifically, the court noted that “for purposes of [the ACPA] Congress intended simply a comparison of the mark and the allegedly offensive domain name.”¹⁴⁴ “To interpret ‘confusingly similar’ as shorthand for the ‘likelihood of confusion’ infringement test would largely undermine Congress’s goal of stopping individuals who own domain names that approximate distinctive marks but do not actively use the domain names other than to make them available for sale.”¹⁴⁵

At present, the circuit courts that have heard ACPA actions have tended to favor an ad hoc approach to bad faith intent analysis based upon the unique facts of each case rather than an analysis of the ACPA’s nine bad faith factors.¹⁴⁶ While this approach is well within the statute’s allowances, it seems superfluous to include such factors for guideline purposes when they are summarily discarded. Such a course could ultimately be detrimental to certainty of outcomes under the ACPA. Whether a party will prevail in a given ACPA dispute will depend on an analysis unique to that case and the uncertainty upon which facts the court will choose to base its determination of bad faith. With only three appellate decisions published, it is still too early to assume a certain trajectory that the circuits will take in their adoption of bad faith analyses. However, in the interest of consistency and certainty, future panels should try to adhere to the numerated factors and reserve the ad hoc approach to those rare circumstances when the fact pattern defies factor analysis.

C. The Uniform Domain Name Dispute Resolution Policy

At about the same time that Congress passed the ACPA, ICANN adopted its Uniform Domain Name Dispute Resolution Policy, which took effect at the beginning of 2000.¹⁴⁷ In keeping with its unifying intentions, all registrars certified by ICANN must adopt the policy for use with their registrants.¹⁴⁸ The policy is essentially a non-binding arbitration agreement.¹⁴⁹ While

143. 15 U.S.C. § 1125(d)(1)(A)(ii)(I), (II) (Supp. V 1999).

144. *Northern Light Tech.*, 97 F. Supp. 2d at 117.

145. *Id.*

146. Not all courts have taken this approach. *See, e.g., Morrison & Foerster LLP v. Wick*, 94 F. Supp. 2d 1125, 1130–34 (D. Colo. 2000) (adopting a hybrid factor by factor analysis combined with a final ad hoc analysis for determining bad faith).

147. The policy was adopted August 26, 1999, and became effective January 3, 2000. *See* ICANN, UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY [hereinafter ICANN], available at <http://www.icann.org/udrp/udrp-policy-24oct99.htm>; *see also* Alvey II, *supra* note 90.

148. *See* Alvey II, *supra* note 90.

149. *See* *Weber-Stephen Prods. Co. v. Armitage Hardware & Bldg. Supply, Inc.*, 54 U.S.P.Q.2d (BNA) 1766 (N.D. Ill. 2000) (holding that courts are not bound by the ICANN UDRP dispute resolutions and noting that the court has wide discretion in determining the weight of such

disputes over domain name ownership are subject to mandatory arbitration,¹⁵⁰ it does not preclude parallel or subsequent proceedings in “a court of competent jurisdiction for independent resolution.”¹⁵¹ While at first glance the mandatory arbitration language suggests that any dispute must be submitted for resolution under the UDRP regardless of whether a court proceeding has been commenced or is contemplated, the explicit allowance of submission to a court for parallel proceedings together with the non-binding nature of the dispute process indicates that UDRP arbitrations are mandatory only in the sense that if a complaint is filed with ICANN, it must be resolved under the UDRP. A complainant has discretion as to where to initiate a domain name dispute—with ICANN, or in court.¹⁵² This analysis is further supported by language in the UDRP rules which grant arbitration panels discretion in suspending proceedings upon notification of the initiation of a related legal action.¹⁵³

Arbitration proceedings are governed by a published set of procedures that establish the rules and timelines for pleadings, the powers and duties of the arbitrating panel, fees, and the effects of simultaneous court proceedings.¹⁵⁴ The complainant selects the dispute resolution provider from an ICANN-approved list, and, with a few exceptions, pays all costs.¹⁵⁵ Cases are held before a dispute resolution provider-appointed panelist, unless either party elects to have the dispute heard before a three-person panel.¹⁵⁶

The proof required to prevail under the UDRP is similar to the showing that must be made under the ACPA. The UDRP requires a complainant to meet a three-prong test to win the arbitration and obtain a favorable ruling.¹⁵⁷ The complainant must demonstrate (1) that the accused “domain name is identical or confusingly similar to a trademark or service mark in which the

resolutions on a judgment).

150. See ICANN, *supra* note 147, § 4(a).

151. *Id.* § 4(k). See also ICANN, RULES FOR UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY § 18 [hereinafter ICANN Rules], available at <http://www.icann.org/udrp/udrp-rules-24oct99.htm>. Generally, the deciding panel has discretion to stay or dismiss the proceedings, similar to the abstention powers that federal courts possess.

152. See ICANN, *supra* note 147, § 5 (indicating that disputes not brought under the mandatory proceedings provision are to be resolved “through any court, arbitration or other proceeding that may be available”).

153. See ICANN Rules, *supra* note 151, § 18(a).

154. The ICANN Rules were promulgated and took effect the same time as the UDRP.

155. See ICANN, *supra* note 147, § 4(d). Exceptions to the payment rule arise when the respondent elects to have the dispute heard before a three-person panel. See ICANN Rules, *supra* note 151, § 6(c).

156. See ICANN Rules, *supra* note 151, § 6.

157. See ICANN, *supra* note 147, § 4(a).

complainant has rights;”¹⁵⁸ (2) that the accused domain name has “no rights or legitimate interests in respect of the domain name; and”¹⁵⁹ (3) that the accused “domain name has been registered *and* is being used in bad faith.”¹⁶⁰ Thus, the domain name in question must actually be used; simple registration is insufficient.¹⁶¹ Bad faith is demonstrated by the examination of a non-binding, non-exhaustive set of factors that consider whether the registration was done primarily to resell the domain name to a mark owner or competitor,¹⁶² to block the mark owner from using it,¹⁶³ to disrupt a competitor’s business,¹⁶⁴ or to gain web traffic from people looking for the complainant.¹⁶⁵ However, arbitration panels have noted that these factors contemplate inaction on behalf of the cybersquatter.¹⁶⁶ To the extent that subsequent panels choose to follow this holding,¹⁶⁷ the requirement of use is reduced to a minimal level, and, for most cases, is indistinguishable from the ACPA requirement of mere registration.

Following the same theme as the factors for finding bad faith, the UDRP also provides a non-exhaustive list of factors that, if found to be true, will result in judgment for the accused. The suggested factors include use or preparation for use of the domain name in connection with some business before notification of the dispute,¹⁶⁸ being “commonly known by the domain name,” irrespective of any rights in a mark,¹⁶⁹ and “legitimate noncommercial or fair use of the domain name, without intent” to hijack, traffic, or dilute the mark in question.¹⁷⁰ The language of these factors is somewhat ambiguous, but it can be argued that the phrase “before any notice to you of the

158. *Id.* § 4(a)(i).

159. *Id.* § 4(a)(ii).

160. *Id.* § 4(a)(iii) (emphasis added).

161. “It is clear from the legislative history that ICANN intended that the complainant must establish not only bad faith registration, but also bad faith use.” *World Wrestling Fed’n Entm’t, Inc. v. Bosman*, No. D99-0001, ¶ 6 (WIPO Arbitration and Mediation Center), at <http://arbiter.wipo.int/domains/decisions/html/1999/d1999-0001.html>.

162. *See* ICANN, *supra* note 147, § 4(b)(i). The resale must be “for valuable consideration in excess of [the] documented out-of-pocket costs directly related to the domain name.” *Id.*

163. *Id.* § 4(b)(ii). The registrant must have “engaged in a pattern of such conduct.” *Id.*

164. *Id.* § 4(b)(iii).

165. *Id.* § 4(b)(iv).

166. “[T]he circumstances identified in paragraphs 4(b)(i), (ii) and (iii) [of the UDRP] can be found in a situation involving a passive holding of the domain name registration.” *Telstra Corp. v. Nuclear Marshmallows*, No. D2000-0003, ¶ 7.10 (WIPO Arbitration and Mediation Center), at <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0003.html>.

167. There is no stated requirement of precedent of *stare decisis* between arbitration panels. *See* discussion *infra* note 179 and accompanying text.

168. *See* ICANN, *supra* note 147, § 4(c)(i).

169. *Id.* § 4(c)(ii).

170. *Id.* § 4(c)(iii).

dispute”¹⁷¹ found at the beginning of the first factor was meant to apply to all three factors; consequently, evidence of good faith must generally predate the commencement of dispute proceedings.

V. ANALYSIS AND FUTURE TRENDS; IS THIS LEGISLATION REALLY NECESSARY?

The simultaneous existence of both the ACPA and the UDRP provides two separate avenues for resolution of a domain name dispute. Naturally, then, the avenue that any given aggrieved party chooses will depend on which channel of recourse offers the most benefits at the lowest cost. As each policy is relatively new, some initial uncertainty as to which method is the best for pursuing general disputes will linger until enough jurisprudence is built up around each to enable a more educated decision about which forum will best suit a complainant’s needs.

For cases involving one or a few domain names where use is apparent, the three prongs of the UDRP are plainly met, the infringed mark is merely distinctive, the infringing use is relatively recent, and the trademark holder desires only to stop the domain name holder’s infringing use the UDRP will likely become the forum of choice. In such cases, pursuing a UDRP resolution is cheaper¹⁷² and faster than any equivalent formal court action, including an ACPA violation suit. Additionally, the provisions for flexible methods of communication¹⁷³ and the lack of a personal appearance requirement for adjudication¹⁷⁴ truly make the UDRP the forum of choice for purely foreign disputes and disputes between geographically diverse entities that either cannot afford or do not wish to spend the costs of travel to a court in an appropriate jurisdiction.

Unfortunately, despite its virtues, the UDRP has several deficiencies compared to the ACPA that will likely relegate it to clear-cut and smaller cases of dispute resolution. First, the UDRP has a higher threshold of proof than the ACPA as the plaintiff must not only demonstrate a total lack of any legitimate interest in the domain name, but must also demonstrate that the

171. *Id.* § 4(c)(i).

172. See Jeri Clausung, *Wrestling Group Wins Back Use of Its Name on Internet*, N.Y. TIMES, Jan. 17, 2000, at C4 (“[W]ith a decision that was handed down in less than 40 days—at a cost of a \$1,000 filing fee plus lawyers’ fees for the wrestling federation—all the parties involved said the case offered proof that the controversial policy could work.”).

173. See ICANN Rules, *supra* note 151, § 2 (outlining the methods of communication between parties and the arbitration provider, which includes email transmission). It is entirely possible to conduct all proceedings on-line. See *id.*

174. “There shall be no in-person hearings (including hearings by teleconference, videoconference, and web conference), unless the Panel determines, in its sole discretion and as an exceptional matter, that such a hearing is necessary for deciding the complaint.” *Id.* § 13.

registrant made use of the domain name.¹⁷⁵ While panels seem to construe the use requirement as fulfilled in cases of simple registration,¹⁷⁶ the lack of precedential value in past arbitration decisions lends no guarantee that a future panel will not construe the use requirement in a stricter fashion. The past requirement of use to make available an action of infringement or dilution provided cybersquatters with a way to avoid liability, and was one of the primary reasons the ACPA was enacted.¹⁷⁷ Second, the UDRP policy has ambiguities that will take some time to resolve; notably, a standard for determining whether a domain name is “identical or confusingly similar to a trademark or service mark”¹⁷⁸ is not articulated. Presumably, it is left to the individual panels to determine this threshold. Related to panel decisions is the question of precedent; at face, it doesn’t appear that panels are bound by prior determinations.¹⁷⁹ Furthermore, and perhaps most important, the sole relief available under the UDRP is transfer of ownership of the domain name;¹⁸⁰ for the entity that has suffered damages to the goodwill of its marks, the UDRP will likely seem to be an inadequate solution.

The ACPA has all the traditional vices associated with litigation—high costs, expensive legal representation, slow resolution, and the entire gamut of jurisdictional questions that must be answered with every case. However, in contrast to the UDRP’s shortcomings outlined above, the ACPA offers a broad swath of protection to mark holders, a relatively greater certainty of a known court system and its firmly established principles of jurisprudence, and perhaps most importantly, an opportunity for statutory damages or actual damages and profits.¹⁸¹ For the complainant whose dispute hangs on somewhat tenuous threads of evidence, or who stands to recover a high amount of damages, the ACPA will likely be the action of choice.

Ultimately, the forum selection decision will come down to a cost/benefit

175. “[The] domain name has been registered and is being used in bad faith.” ICANN, *supra* note 147, § 4(a)(iii).

176. *See supra* note 166 and accompanying text.

177. *See supra* notes 91–97 and accompanying text.

178. ICANN, *supra* note 147, § 4(a)(i).

179. Lest one think that all hope of coherent jurisprudence is gone outside of the courtroom, it should be noted that the UDRP and its rules expressly reserve the right of amendment. *See* ICANN, *supra* note 147, § 9; ICANN Rules, *supra* note 151, § 21. It can only be assumed that ICANN will modify its policy over time to resolve these ambiguities absent coherency in panel decisions.

180. *See* ICANN, *supra* note 147, § 3.

181. *See* Consolidated Appropriations Act of 2000, Pub. L. No. 106-113, § 3003(a), (b), 1999 U.S.C.A.N. (113 Stat.) 1501A-549 (amending § 35(a) of the Lanham Act, addressing damages, to include violations of § 43(d) as compensable and granting, as an alternative to § 35(a) damages, “an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 *per domain name*, as the court considers just.”) (emphasis added).

analysis: which forum offers the greatest likelihood of success,¹⁸² the need for a quick resolution of the dispute,¹⁸³ and perhaps most influentially, which forum will be the least taxing financially.¹⁸⁴ Given the attractiveness of damage awards—especially statutory—the ACPA will most likely be the favored course of action for most disputes, or at least those involving an aggrieved American party.¹⁸⁵ The UDRP will be relegated to primarily smaller businesses and individuals wishing to avoid the hassles and time demands of litigation and who have relatively small potential damage claims. For the large corporation with dedicated legal resources, an ACPA suit is fairly assured.

The likelihood that the ACPA will become the dispute resolution method of choice has results that are potentially damaging. The wide definition of “bad faith” will likely provide the leverage that large corporations need to end up “hogging” most of the coveted .com domain names, usually within a range of variations upon any marks they own. Under the infringement and dilution actions the complainant had to demonstrate use in commerce, even if it amounted to an offer to sell back the name, to prevail.¹⁸⁶ A smaller company desiring to carve out a niche for itself on the Internet could reserve, but not use, a domain name without fear of suit. With the ACPA’s removal of the use requirement,¹⁸⁷ a company that reserves a domain name in anticipation of launching a site can find itself at the receiving end of a lawsuit if its reserved

182. For the complainant, proof sufficient to win in a UDRP proceeding will almost certainly be sufficient to win an ACPA violation suit.

183. However, this consideration is made somewhat irrelevant with the availability of equitable relief such as temporary restraining orders and preliminary injunctions.

184. The answer to this question generally boils down to a pure math question—based on estimated damage recovery and the cost of the proceedings, which avenue of recourse will leave the smallest dent in the complainant’s pocket (or perhaps pad it some)?

185. There is some evidence that this prediction is becoming a reality. *See* Darryl Van Duch, *Cybersquatter Litigation Boom*, NAT’L L.J., Feb. 26, 2001, at B1 (“More than 700 lawsuits seeking injunctions or damages against suspected cybersquatters were filed in federal courts across the country in just the last six months.”). However, for disputes involving only foreign nationals, the UDRP will almost certainly be the forum of choice, as it is unlikely that foreign parties will have the desire to undertake the expense of traveling to the United States and hiring local counsel to litigate in a U.S. court. Whether the UDRP is chosen over a foreign national’s locally available remedies will probably follow a similar analysis as the one suggested in this Comment, with the outcome dependent upon the scope of and remedies provided by the local law. This is not to say that foreign nationals may not, under the in rem provisions of the ACPA, bring suit against another foreign party in a U.S. court, provided the in rem requirements are met. *See, e.g., Alitalia-Linee Aeree Italiane S.p.A. v. Casinoalitalia.com*, 128 F. Supp. 2d 340 (E.D. Va. 2001) (involving an in rem proceeding between the Italian national airline and a national of the Dominican Republic). It should be noted that while Casinoalitalia “has no offices or other physical presence in the United States,” Alitalia makes routine flights to the U.S. and owns a U.S. trademark in “Alitalia.” *Id.* at 341–42.

186. *See* discussion *supra* Part III.

187. *See* discussion *supra* Part IV.A.

domain name is similar to a registered trademark. While such a dispute would likely end up being dismissed, the ACPA's considerations as "bad faith" that include the potential to divert customers due to mark similarities could scare such a company into giving up a domain name it could otherwise hold free and clear.¹⁸⁸

VI. CONCLUSION

A cybersquatter can be thought of as a neighbor who lives just below you on a gentle hill. One morning, you wake up to discover that your neighbor has erected a fifty-foot high solid fence between your property and his—for no good reason. His view remains unobstructed, while yours is ruined. Upon requesting that he remove the offending fence, the neighbor happily agrees—so long as you pay him 130 times his cost to build it.¹⁸⁹ Outraged at the nerve of your neighbor, as most right-thinking people would justifiably be, in his attempt to eviscerate your bank account, you proceed to court to force him to remove the offending structure.

With the coming of the Internet, trademark owners have discovered that their neighbors are building high fences all around them, attempting to appropriate a resource that the mark holders value and the neighbors have little use for in an effort to exact money. The courts have recognized this egregious behavior for what it is, and have labored to stretch existing trademark law to provide recourse and compensation to these aggrieved owners. Congress and ICANN, finally taking notice, have each stepped in and provided a form of recourse against these "fence builders." The ICANN UDRP seems to have the right spirit, narrowly offering redress to ensure that only the culpable are stopped, but stumbles on the same problems that led Congress to enact the ACPA in addition to its lack of damages. The ACPA, on the other hand, goes too far and provides a tool by which the greedier companies can corral large portions of the domain name space into their pens at the expense of the general Internet public.

What is needed is a clarification and limitation of the ambiguous "bad faith intent" language found in the ACPA. Hopefully, the courts will use the discretion accorded them by the Act and fashion limits to the bad faith language. Failing this, Congress should not hesitate to step in again and

188. Specifically, the fifth factor looks at "the person's intent to divert consumers from the mark's owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark . . ." 15 U.S.C. § 1125(d)(1)(B)(i)(V) (Supp. V 1999).

189. The cost to register a domain name at one point was \$100. A cybersquatter offered to sell a domain back to the company holding its associated mark for the princely sum of \$13,000. *See Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1318, 46 U.S.P.Q.2d (BNA) 1511, 1513 (9th Cir. 1998).

ensure a healthy balance in the law to allow reasonable access by the Internet public to the limited domain name resource.

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