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Get Off My URL: Congress Outlaws Cybersquatting in the Wild West of the Internet

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Get Off My URL![1]

Congress Outlaws Cybersquatting in the Wild West of the Internet[2]

Oliver R. Gutierrez[†]

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[1] *Cybersquatting: Get Off My URL*, BBC NEWS, *at* http://news.bbc.co.uk/hi/english/special_report/1999/02/99/e-cyclopedia/newsid_440000/440914.stm (last visited Nov. 29, 2000).

[2] 145 CONG. REC. S14986, 15020 (daily ed. Nov. 19, 1999) (statement of Sen. Leahy) ("One of the challenges we face at this early stage of the Information Age is to bring the order of intellectual property law to the Wild West of the Internet . . . .").

† B.A., Political Science and History, University of California at Berkeley; J.D., Santa Clara University School of Law, expected 2001. The author would like to express his thanks and appreciation to Carla DeSilva, Joanna Mishler, Dan Stellenberg and Christine Watson for their efforts and assistance in reviewing and editing this comment.

I. INTRODUCTION

Veronica Sams and Steve Mount both have been accused of cybersquatting, or unlawfully "occupying a web address which might rightly belong to someone else."[3] Sams, a twenty-two month old toddler whose father registered the <veronica.org> site in her name, "incurred the wrath of Archie Comic Book Publications [(Archie)] because the company claim[ed] it h[ad] a copyright on the name 'Veronica,' a character in its 'Archie' comic strip."[4] Likewise, Steve Mount, a thirty-one year old web designer and programmer, received a letter from Lucasfilm Ltd.[5] (Lucasfilm) lawyers asking him to relinquish the <tatooine.com>[6] domain name.[7] According to Lucasfilm, Mount's use of Tatooine.com diluted its trademark in the name Tatooine.[8] Sams and Mount occupy just two of the millions of registered Internet domain names worldwide.[9] Due to the relative ease with which Internet users like Sams and Mount may register domain names on a "first-come, first-serve"[10] basis through registration services like Network Solutions, Inc. (NSI), trademark owners like Archie and Lucasfilm are on the offensive in an attempt to defend their trademarks and throw alleged cybersquatters off their domain names.[11]

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[3] *See* BBC NEWS, *supra* note 1.

[4] CNET News.com, *Archie Drops Veronica Domain Dispute*, *at* http://news.cnet.com/news/0-1005-200-337553.html?tag=st.ne.1002.srchres.ni (Jan. 20, 1999).

[5] Lucasfilm Ltd. is a film production company in Marin County, California. *See generally* WELCOME TO LUCASFILM LTD., *at* http://www.lucasfilm.com/ (last visited Jan. 15, 2000).

[6] Tatooine is a fictional planet in Lucasfilm's Star Wars movie series. *See generally Star Wars: Tatooine*, *at* http://www.starwars.com/locations/tatooine-iv/ (last visited Jan. 15, 2000).

[7] Sandeep Junnarkar, *Lucasfilm Fights for the Rights to Tatooine.com*, *at* http://news.cnet.com/news/0-1005-200-1523226.html?tag=st.ne.1002.thed.1005-200-1523226 (Jan. 14, 2000).

[8] *Id.*

[9] *See DomainStats.com*, at http://www.domainstats.com/ (last visited Jan. 10, 2000) (providing statistics regarding the number of registered domain names).

[10] Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1231 (N.D. Ill. 1996).

[11] *See id.*

Dennis Toeppen also has been accused of being a cybersquatter.[12] In two well-known cases, *Intermatic, Inc. v. Toeppen*[13] and *Panavision Int'l, L.P. v. Toeppen*,[14] the plaintiffs sued Toeppen for violating their trademark rights when he registered the <intermatic.com> and <panavision.com> domain names.[15] But unlike Sams and Mount who did not register the <veronica.org> or <tatooine.com> domain names with the intent to sell them to Archie or Lucasfilm, Toeppen "registered domain names for . . . companies including Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and over 100 other marks" in order to sell them for a profit.[16] In fact, Toeppen registered approximately 240 Internet domain names without seeking permission from any of the entities that previously used the names.[17] Toeppen is a different kind of cybersquatter—one "who appropriate[s] brand names with the sole intent of extorting money from the lawful mark owner"[18]—"a cybersquatting profiteer."[19]

Although companies like Intermatic, Inc. and Panavision International have been at the forefront of the fight against cybersquatting profiteers, they are not alone in the war against cybersquatters. Celebrities, athletes and politicians are also combating the hijacking of their names. Thomas Kaplan incited USA Networks executive, Barry Diller, when he registered the <barrydiller.com> domain name and offered to sell it for ten million dollars on the Cybermultimedia web site.[20] Clint Reilly, a candidate in the 1999 San Francisco mayoral election, employed an Internet contractor named Andrew Hasse, who, earlier in the year, registered the domain names of several San Francisco politicians considering running for mayor, including that of incumbent Willie Brown.[21]

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[12] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227.

[13] *See id.*

[14] Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998).

[15] *Intermatic, Inc.*, 947 F. Supp. at 1231; *Panavision Int'l*, 141 F.3d at 1316.

[16] *Panavision Int'l*, 141 F.3d at 1319.

[17] *Intermatic, Inc.*, 947 F. Supp. at 1230.

[18] 145 CONG. REC. S9744, 9750 (daily ed. July 29, 1999) (statement of Sen. Hatch).

[19] *See* Adam Cohen, *When Your Name Isn't Yours; Regulators Want to Crack Down on Cybersquatters*, TIME, Nov. 8, 1999, at 58.

[20] Bloomberg News, *Diller Wins Court Ruling Over No-show Cybersquatters, at* http://news.cnet.com/news/0-1005-200-1473730.html (Nov. 29, 1999). Kaplan was one of three defendants named in the lawsuit; Rich Preisig and Eric Steurken were also named.

[21] *See* Edward Epstein, *Willie Brown Finds Web Name Taken; Contractor for Reilly Registered Net Sites*, SAN FRANCISCO CHRONICLE, Aug. 10, 1999, at A1. Hasse registered several domain names based on the names of candidates running for mayor, for example: <williebrown.com>,

Celebrities and politicians, like Diller and Brown, may have a legal cause of action against cybersquatters for unlawfully seizing their names and public identities. But cybersquatters are speculators and do not always target individuals who are currently rich and famous. Aran Smith, an Internet entrepreneur, "spent some $15,000 staking a claim to more than 200 Internet domain names, mostly the names of promising high school athletes."[22] According to Time Magazine reporter Adam Cohen, "if any of them make it big, Smith will own some valuable cyber real estate."[23]

In general, trademark owners do not file civil actions against alleged cybersquatters like Veronica Sams, Steven Mount, Thomas Kaplan and Andrew Hasse[24]; however, these scenarios illustrate and exemplify the "muddled world of domain name disputes."[25] The uproar over cybersquatting is a result of "a clash of two visions of what the Internet should be: a standardized tool for business and communication, or a more freewheeling world closer to the Net's academic and techno-geek roots."[26] While corporations would like to adopt stricter laws to curb cybersquatting and to protect their trademarks, others warn that too much regulation may stifle the freedom of the Internet and unfairly "stack the deck against the little guys."[27] This clash between the business, or e-commerce model, and the anarchist view of the Internet has forced Congress to exercise reasoned innovation in developing rules "to meet the challenges of new technologies."[28]

Cases of cybersquatting have "become so rampant that the government has begun a crackdown, with courts listening sympathetically to companies and individuals claiming their names have been misappropriated in web addresses."[29] During this crackdown against cybersquatters, courts have applied existing

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<tomammiano.com> and <frankjordan.com>.

[22] Cohen, *supra* note 19.

[23] *Id.*

[24] *See* BLOOMBERG NEWS, *supra* note 20 (granting judgment to Diller by default when the defendants failed to appear in court.); *see also Archie Drops Veronica Domain Dispute*, *supra* note 4 (dropping its threat to take Veronica to court after Archie Comics was assured by Sams that the <veronica.org> site was for his daughter and the most explicit photo shown would be the bathtub snapshot).

[25] Howard Mintz, *Who Will Police Domain Names on the Internet?*, SAN JOSE MERCURY NEWS, June 25, 1999, at 1A.

[26] Cohen, *supra* note 19.

[27] *See id.*

[28] 145 CONG. REC. S8693, 8694 (daily ed. July 15, 1999) (statement of Sen. Abraham).

[29] Cohen, *supra* note 19.

trademark law, in particular the Federal Trademark Dilution Act of 1995,[30] to prevent cybersquatters from infringing on a trademark owner's rights. As a result, when a trademark owner challenges an instance of cybersquatting where the cybersquatter schemes to register a trademark as a domain name in order to extort money from the trademark owner, courts have ruled against the cybersquatter.[31] Nonetheless, during the 106th Congress, Senator Orrin Hatch (R-Utah) expressed concern that the "economics of litigation have resulted in a situation where it is often more cost effective to simply 'pay off' a cybersquatter rather than pursue costly litigation with little hope of anything more than an injunction against the offender."[32] Consequently, in order to counter cybersquatters who "are becoming more sophisticated and more creative in evading what good case law has developed under the dilution statute,"[33] Congress passed the Anti-Cybersquatting Consumer Protection Act (ACPA).[34]

This comment analyzes the ACPA to determine whether the creation and passage of the ACPA was a proper legislative response to the problem of cybersquatting. Part II provides an overview of the Internet and the domain name system and describes the efforts of international organizations like the World Intellectual Property Organization (WIPO) and the Internet Corporation for Assigned Names and Numbers (ICANN) to implement alternative dispute policies to curb cybersquatting. Part III examines the federal trademark infringement and dilution statutes and analyzes how courts, in the past, have applied these laws to curtail cybersquatting. Part IV analyzes the major provisions of the ACPA to surmise whether it will promote or stifle Internet commerce and freedom. Will the ACPA be an effective deterrent against prolific cybersquatters like Dennis Toeppen and Aran Smith? Or, will the ACPA discourage good faith users like Veronica Sams and Steve Mount from registering domain names and establishing a presence on the Internet because they fear they might be brought into court by a powerful trademark owner?

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[30] Federal Trademark Dilution Act, 15 U.S.C.A. § 1125(c) (West 2000).

[31] *See generally* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996); *see generally* Panavision Int'l v. Toeppen, 141 F.3d 1316 (9th Cir. 1998) (denying the defendant's motion for summary judgement in each case).

[32] 145 CONG. REC. S9744, 9750 (daily ed. July 29, 1999) (statement of Sen. Hatch).

[33] *See id.*

[34] Anticybersquatting Consumer Protection Act, 15 U.S.C.A. § 1125(c) (West 2000) [hereinafter ACPA].

II. BACKGROUND

A. A Quick Overview of the Internet

"The Internet is . . . a giant network or network of networks which interconnects innumerable smaller groups of linked computer networks."[35] "The Internet is multijurisdictional. Users can access it from any place on earth."[36] The computer networks that make up the Internet are owned by governmental and public institutions, nonprofit organizations, businesses, and private users.[37] According to the court in *ACLU v. Reno*, "[t]he resulting whole is a[n] [international] decentralized, global medium of communications—or 'cyberspace'—that links people, institutions, corporations, and governments around the world."[38] The Internet's decentralized, self-maintaining series of redundant links between computers and computer networks have the capability of re-routing communications if one or more individual links are damaged or otherwise unavailable.[39] Consequently, no single entity—academic, corporate, governmental, or nonprofit—administers the Internet; and, it would not be technically feasible for a single entity to control all of the information conveyed on the Internet.[40]

The most well-known method of accessing information over the Internet is through the World Wide Web (the Web).[41] The Web utilizes a hypertext formatting language called hypertext markup language (HTML).[42] Typically, users browse the Web with programs that display HTML documents or web pages containing text, images, sound, animation, and moving video.[43] HTML documents can include links called hyperlinks to other types of information or resources, so that while viewing an HTML document that contains a list of films currently playing in one's neighborhood, one can use a

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[35] ACLU v. Reno, 929 F. Supp. 830 (E.D. Pa. 1996) (providing an excellent historical summary and introduction to the Internet).

[36] *Final Report of the WIPO Internet Domain Name, available at* http://wipo2.wipo.int/process1/report/finalreport.html (Apr.30, 1999) [hereinafter Final Report of the WIPO].

[37] *See ACLU v. Reno*, 929 F. Supp. at 831.

[38] *See id.*

[39] *See id.*

[40] *Id.* at 832.

[41] *See id.* at 836.

[42] *Id.*

[43] *See ACLU v. Reno*, 929 F. Supp. 830, 836 (E.D. Pa. 1996).

mouse to click[44] on the name of the film and be connected immediately to the web page that displays where and when the film plays.[45] These hyperlinks allow Web designers to create and organize flexible and customizable web pages so that Internet users may locate and efficiently view related information, even if the information is stored on numerous computers all around the world.[46]

An essential element of the Web is that every web page has a web address or domain name (like a street address or telephone number) where it resides.[47] The domain name is the simplest way of locating a web site.[48] Web browsers display the domain name of the web page and can automatically include the domain name in any printout of the web page.[49] Although the domain name is usually related to the owner or subject matter of the web site, "[t]here is no technical connection or relationship between a domain name and the contents of the corresponding web page."[50] For example, the domain name <summervacation.com> may lead a user to a web page that contains information regarding the first year of law school.

A computer attached to the Internet is called a host and has a numerical Internet Protocol (IP) address.[51] Four groups of numbers that are separated by decimals constitute the IP address.[52] Every host computer has a unique fully-qualified domain name that may not be replicated on the Internet.[53] The fully-qualified domain name[54] of the IP address 129.210.8.60 is <scu.edu> and no other host may use this name.

B. What's in a Domain Name?

Domain names are the human-friendly form of Internet addresses.[55] In general, a domain consists of three elements: the hostname or server, the domain name and top-level domain name

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[44] In general, an Internet user will click on an item on a web page using a mouse.

[45] *See Welcome to Moviefone!*, *at* http://www.777film.com/ (last visited Oct. 31, 2000).

[46] *ACLU v. Reno*, 929 F. Supp. at 836.

[47] *See id.*

[48] *See* Panavision Int'l v. Toeppen, 141 F.3d 1316, 1319 (9th Cir. 1998).

[49] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1231 (N.D. Ill. 1996).

[50] *See id.*

[51] *See Intermatic*, 947 F. Supp. at 1230.

[52] *See id.*

[53] *See id.*

[54] For purposes of this comment, a fully-qualified domain name will be referred to as a domain name.

[55] *See* Final Report of the WIPO, *supra* note 36.

(TLD). [56] For example the web address for Santa Clara University <http://www.scu.edu> is divided into the host name (www), domain name or second level domain (SLD) (scu) and TLD (edu).

TLDs are organized according to a hierarchy.[57] The hierarchy consists of top-level domains (TLDs), "with each TLD then divided into second-level domains . . . and so on."[58] There are more than 200 national or country-code TLDs that are administered by their corresponding governments or private entities.[59] The Internet is divided into several TLDs.[60] For example, <.edu> is reserved for educational institutions, <.gov> is reserved for government entities and <.net> is reserved for networks.[61] Other available TLDs are <.org>, <.int>, two letter national TLDs for countries and <.com>, a catch all TLD.[62]

The domain owner usually designates its SLD, which contains up to twenty-two alphanumeric characters.[63] When a typical Internet user registers a domain name, he or she is actually registering an SLD.[64] Registering a domain name is a fairly simple task, even for a novice Internet user and the cost is relatively inexpensive, around $100.00.[65] From January 1993 to September 1998 the Internet domain name registrar NSI oversaw the registration and sale of several key TLDs and SLDs under an agreement with the National Science Foundation (NSF).[66] Of the thirteen million registered domain names surveyed in January 2000 almost eight million were <.coms>.[67]

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[56] *See* Jennifer Golinveaux, *What's in a Domain Name: Is "Cybersquatting" Trademark Dilution*, 33 U.S.F.L. REV. 641, 642 (1999).

[57] NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION AGENCY, U.S. DEP'T OF COMMERCE, STATEMENT OF POLICY, MANAGEMENT OF INTERNET NAMES AND ADDRESSES, 63 Fed. Reg. 31741 (June 5, 1998) [hereinafter Statement of Policy].

[58] *See id.*

[59] *See id.*

[60] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1231 (N.D. Ill. 1996).

[61] *See id.*

[62] *Id.* at 1231; *see* Golinveaux, *supra* note 56, at 642.

[63] *See Intermatic, Inc.*, 947 F. Supp. 1227, 1231.

[64] *See id.*

[65] *See Network Solutions—Domain Name Registration Services from the Dot Com People, at* http://www.networksolutions.com/ (last visited Oct. 31, 2000).

[66] *See* Statement of Policy, *supra* note 57.

[67] *See DomainStats.com, at* http://www.domainstats.com/ (last visited Jan. 10, 2000) (reflecting all domain names registered as of January 10, 2000, just under eight million of these domain names were registered under the .com domain).

C. *Developments in Domestic and International Domain Name Regulation*

Traditionally, Congress has delegated funds and control to various scientific and research organizations to develop the non-military portion of the Internet infrastructure.[68] In 1992 Congress granted statutory authority to the NSF to allow commercial activity on a national high-speed network based on Internet protocols.[69] Under a five-year cooperative agreement with NSF, NSI was the sole organization that provided registration for <.com> TLDs from January 1, 1993, through September 30, 1998.[70] "On July 1, 1997, as part of the Administration's Framework for Global Electronic Commerce, . . . President [Clinton] directed the Secretary of Commerce to privatize the management of the domain name system (DNS) in a manner that increased competition and facilitated international participation in its management."[71] As a result, in October 1998 a broad coalition of the Internet's business, technical and academic communities formed ICANN—a non-profit, private sector corporation.[72] The government has designated ICANN to serve as the global consensus entity to which the U.S. government is transferring the responsibility for coordinating four key functions for the Internet: the management of the DNS; the allocation of IP address space; the assignment of protocol parameters and the management of the root server system.[73]

"The Internet is an international system."[74] Accordingly, international protocols and cooperation are vital in order to sustain its decentralized system of computers and computer networks.[75] ICANN's mandate is not to govern the Internet, but instead, to facilitate the coordination and management of specific technical, managerial and policy development tasks that require central

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[68] *See* Statement of Policy, *supra* note 57.

[69] *See id.*

[70] *See id.*

[71] *Memorandum of Understanding Between the U.S. Department Of Commerce and Internet Corporation for Assigned Names and Numbers, at* http://www.icann.org/general/icann-mou-25nov98.htm (last modified Dec. 31, 1999).

[72] *See ICANN Fact Sheet, at* http://www.icann.org/general/fact-sheet.htm (last modified Mar. 25, 2000).

[73] *See id.*

[74] *See* ACLU v. Reno, 929 F. Supp. 824, 831 (E.D. Pa. 1996).

[75] *See id.*

coordination.[76] For example, as part of its management of the DNS, ICANN has accredited seventy domestic and foreign companies as registrars, sixty of which are in operation.[77] ICANN has categorized eight more domestic and foreign companies as "qualified for accreditation as post-testbed registrars."[78] Moreover, in order to further its mandate to manage the DNS, ICANN adopted and implemented the Uniform Domain Name Dispute Resolution Policy (UDRP).[79]

The UDRP is incorporated into the Registration Agreement entered into between an applicant who registers a domain name and the registrar.[80] Among its provisions, the UDRP requires that the applicant not "infringe upon or otherwise violate the rights of any third party" or register "the domain name for an unlawful purpose."[81] The UDRP holds the applicant liable for determining whether his/her domain name registration "infringes or violates someone else's rights."[82] After registering a domain name, the registered owner may be required to submit to mandatory administrative proceedings if his/her domain name is identical or confusingly similar to another's trademark and has been registered and used in bad faith.[83] The UDRP's mandatory administrative proceedings requirements do not prevent any party from submitting the dispute to a court of competent jurisdiction for resolution.[84] The remedies available to a Complainant are limited to cancellation of the domain name or transfer of the domain name to the Complainant.[85] In sum, ICANN adopted the UDRP to allow trademark owners to dispute abusive practices—like cybersquatting—in an expedited administrative proceeding.[86]

Although the United States remains an influential player in the development of Internet decorum through its relationships with

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[76] *See ICANN Fact Sheet, supra* note 72.

[77] *See The Internet Corporation for Assigned Names and Numbers: List of Accredited and Accreditation-Qualified Registrars*, at http://www.icann.org/registrars/accredited-list.html (last modified Aug. 30, 2000).

[78] *See id.*

[79] *See Uniform Domain Name Dispute Resolution Policy, at* http://www.icann.org/udrp/udrp-policy-24oct99.htm (Oct. 24, 1999) [hereinafter UDRP].

[80] *See id.* § 1.

[81] UDRP, *supra* note 79, § 2.

[82] *See id.*

[83] UDRP, *supra* note 79, § 4(a).

[84] *See* UDRP, *supra* note 79, § 4(k).

[85] *See* UDRP, *supra* note 79, § 4(i).

[86] *See ICANN Uniform Domain Name Dispute Resolution Policy, at* http://www.icann.org/udrp/udrp.htm (last modified June 17, 2000).

nonprofit organizations like ICANN, international organizations, like WIPO, have recently taken an active role in developing Internet standards and dispute resolution processes.[87] WIPO is responsible for promoting the protection of intellectual property throughout the world through cooperation among governments, and for "the administration of various multilateral treaties dealing with the legal and administrative aspects of intellectual property."[88] WIPO has initiated global efforts to develop inexpensive and expeditious procedures for resolving domain name disputes that avoid costly and time-consuming litigation in the United States and abroad.[89] The WIPO Arbitration and Mediation Center offers arbitration and mediation services for the resolution of commercial disputes between private parties that involve intellectual property, including those issues which relate to Internet domain name disputes.[90] WIPO assisted ICANN in finalizing the UDRP and continues to advise ICANN on questions regarding the interpretation and application of the UDRP.[91] Furthermore, WIPO utilizes the UDRP in its own dispute resolution service.[92]

In December 1999 WIPO heard its first international cybersquatting arbitration case under the newly adopted UDRP.[93] The dispute between World Wrestling Federation Entertainment, Inc. (WWF) and Michael Bosman arose from Bosman's registration of the <worldwrestlingfederation.com> domain name.[94] On October 7, 1999, Bosman registered the domain name with Australia-based Melbourne IT and, three days later, offered to sell it to WWF for $1,000.00.[95] In his e-mail to WWF, Bosman stated that "cybersquatting cases 'typically accomplish very little and end up costing the companies thousands of dollars in legal fees, wasted time

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[87] *See generally* World Intellectual Property Organization, *at* http://www.wipo.org/eng/dgtext.htm (last visited Dec. 14, 1999).

[88] *See id.*

[89] 145 CONG. REC. S14986,15023 (daily ed. Nov. 19, 1999) (statement of Sen. Leahy).

[90] *WIPO Arbitration and Mediation Center, at* http://arbiter.wipo.int/center/index.html (last visited Dec. 10, 1999).

[91] *See WIPO Domain Name Dispute Resolution Service, Registrar Dispute Policy Implementation Package, at* http://arbiter.wipo.int/domains/index.html (last visited Jan. 3, 2000).

[92] *See id.*

[93] *See WIPO Arbitration and Mediation Center, Administrative Panel Decision World Wrestling Federation Entertainment, Inc. v. Michael Bosman, Case No. D99-0001, at* http://arbiter.wipo.int/domains/decisions/html/d99-0001.html (Jan. 14, 2000).

[94] *See id.*

[95] *See id.*

and energy.'"[96] The WIPO arbitrator for this proceeding, M. Scott Donahey, had little trouble finding that the domain name <worldwrestlingfederation.com> was registered in bad faith and was confusingly similar to WWF's trademark. Donahey did, however, have more difficulty resolving whether Bosman had used the domain name in bad faith.[97] Ultimately, Donahey held that because Bosman offered to sell the domain name to WWF "for valuable consideration in excess of" any out-of-pocket costs directly related to the domain name, Bosman had used the domain name in bad faith as defined in the UDRP.[98]

The adoption of the UDRP by ICANN and WIPO should benefit trademark owners in the Internet global marketplace.[99] The UDRP provides an alternative forum for users of the Internet to resolve local and global domain name disputes.[100] Moreover, the nature of the dispute settlement system lends itself, as WIPO's chief legal counsel commented, "to the needs and requirements of today's dynamic marketplace."[101]

III. APPLYING TRADITIONAL FEDERAL TRADEMARK LAW TO CYBERSQUATTING CASES

A. Federal Trademark Infringement

Trademark infringement law seeks to protect consumers who have formed particular associations with a mark and trademark owners who have invested in a mark.[102] Moreover, it attempts to prevent one seller from using a mark identical to or similar to that used by another seller in a way that confuses the consumer about the source of the goods or services.[103] Congress enacted the law in order to protect consumers and competitors from a wide variety of misrepresentations about products and services in commerce made by corporations. For example, it would be inherently unfair and misleading for a company like Coca-Cola to expend financial

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[96] *See id.*

[97] *See id.*

[98] *See id.*

[99] *See* 145 CONG. REC. S14986, 15024 (daily ed. Nov. 19, 1999) (statement of Sen. Leahy).

[100] *See id.*

[101] *WIPO Arbitration and Mediation Center, Administrative Panel Decision World Wrestling Federation Entertainment, Inc. v. Michael Bosman, Case No. D99-0001, at* http://arbiter.wipo.int/domains/decisions/html/d99-0001.html (Jan. 14, 2000).

[102] Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873 (9th Cir. 1999).

[103] Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp 2d. 117, 121 (D. Mass. 1999).

resources on marketing and advertising its beverages if the Quaker Oats Company began labeling its Gatorade products Coca-Cola. In order to establish a trademark infringement claim, a plaintiff must demonstrate that it owns the prior rights in the mark and that the defendant's use of the mark is likely to cause consumer confusion, deception, or mistake.[104] In cybersquatting cases, courts have generally focused on the element of *likelihood of confusion*.[105]

In *Toeppen I*, where Intermatic challenged David Toeppen's registration and use of the <intermatic.com> domain name under both trademark infringement and dilution statutes, the United States District Court for the Northern District of Illinois focused its analysis on the likelihood of confusion.[106] Both Toeppen and Intermatic filed cross-motions for summary judgement. In considering Intermatic's motion for summary judgement, the court weighed seven factors to determine whether Toeppen's use of the <intermatic.com> domain name would be likely to cause consumer confusion.[107]

The court denied Intermatic's motion for summary judgement when it found questions of fact arose in three of the seven factors.[108] In particular, the court found that questions of fact existed regarding the "area and manner of use" (Intermatic had not set up its own web page to demonstrate a relationship in use between goods or services of the parties); "degree of care likely to be exercised by consumers" (insufficient evidence as to the degree of care expected among the average Internet user) and "actual confusion" (insufficient evidence presented to prove actual confusion).[109] As a result of Intermatic's failure to provide sufficient evidence of likelihood of confusion, the court denied its motion for summary judgement on the trademark infringement claim against Toeppen.[110]

Notwithstanding the denial of its summary judgement claim, Intermatic did ultimately prevail as the court established that there were questions of fact in regards to the likelihood of confusion element which subsequently substantiated the court's denial of Toeppen's motion for summary judgement.[111]

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[104] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1234 (N.D. Ill. 1996); *see also* Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376 (7th Cir. 1996).

[105] *See generally Intermatic*, 947 F. Supp. at 1227; *see also Hasbro*, 66 F. Supp 2d. at 117.

[106] *Intermatic*, 947 F. Supp. at 1234.

[107] *Id.* at 1234-36.

[108] *Id.* at 1236.

[109] *Id.* at 1235-36.

[110] *See id.* at 1236.

[111] *See id.*

In *Hasbro, Inc. v. Clue Computing, Inc.*,[112] the United States District Court for the District of Massachusetts also considered a summary judgement motion in which the plaintiff brought a suit under the trademark infringement and dilution statutes.[113] The defendant in *Hasbro*, Clue Computing, Inc. (ClueComp), was a computer consulting firm that registered and began advertising its business under the <clue.com> domain name in 1994.[114] The plaintiff, Hasbro, Inc. (Hasbro), manufactured, marketed and owned the trademark for a children's board game called "Clue."[115] In 1996 Hasbro discovered that ClueComp registered the <clue.com> domain name and proceeded to sue the defendant.[116] Unlike *Toeppen I*, only the defendant filed a motion for summary judgement on the trademark infringement count.[117] However, like *Toeppen I*, the court narrowed its examination to the likelihood of confusion element and considered several factors in determining whether ClueComp's registration of the <clue.com> domain name produced a substantial likelihood of confusion.[118]

In its analysis of the factors used to determine any likelihood of confusion, the court emphasized that Hasbro failed to produce any adequate evidence indicating an "intent to confuse, common channels of trade and advertising, common prospective purchasers, and the crucial categories of similarity of the products and actual confusion."[119] In contrast to the court in *Toeppen I*, the *Hasbro* court found that no genuine issue of material fact existed in plaintiff Hasbro's claim for trademark infringement and awarded summary judgement to the defendant.[120] But unlike Intermatic, Hasbro did provide evidence of actual confusion (three e-mails directed to <clue.com> asking about the game Clue) and area and manner of use (Hasbro advertised and sold its Clue game in many different forums, including the Internet).[121] Yet, the *Hasbro* court, as mentioned, awarded Defendant ClueComp summary judgement whereas such a

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[112] Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp 2d. 117 (D. Mass. 1999).

[113] *See id.*

[114] *See id.* at 119-20.

[115] *See id.* at 120.

[116] *See id.*

[117] *See id.* at 119.

[118] Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp 2d. 117, 121-2 (D. Mass. 1999).

[119] *Id.* at 126.

[120] *See id.*

[121] *See id.* at 123-24.

grant was denied to the Defendant in *Toeppen I*.[122]

Although Intermatic's trademark infringement claim against Toeppen appeared weaker than Hasbro's claim against ClueComp, the facts in these cases indicate that bias against cybersquatters may have weighed more heavily on the minds of the courts than the record indicates. The court in *Toeppen I* refers to Toeppen as a cybersquatter who attempts to "profit from the Internet by reserving and later reselling or licensing domain names back to the companies that spent millions of dollars developing the goodwill of the trademarks."[123] Without a doubt, Toeppen did not attempt to conceal his motives when he registered over 240 domain names without permission.[124] The court's rationale implicitly suggests that the ethical concerns of Toeppen's motives were a primary consideration in arriving at its decision.[125] For example, the court comments that many find cybersquatting to be "patently offensive," even though it concedes that "[r]egardless of one's views as to the morality of such conduct, the legal issue is whether such conduct is illegal."[126] Notwithstanding the court's insistence on resolving Toeppen's conduct solely on *legal* grounds, the record suggests that with regard to one factor—intent—the court considered Toeppen's motives on *moral* grounds.[127]

According to the court in *Toeppen I*, one of the seven factors that should be weighed in determining whether there is a likelihood of confusion is whether there is "an intent on the part of the alleged infringer to palm off his products as those of another."[128] The plaintiff, Intermatic, argued that Toeppen's registration of hundreds of domain names established intent.[129] But Intermatic provided no evidence that Toeppen ever intended to palm off any of his products or services as Intermatic's.[130] It seems clear that there was no genuine issue of material fact in this regard. Yet, the court held that the issue of whether "registration of several domain names is sufficient to rise

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[122] Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996); *Hasbro*, 66 F. Supp 2d at 117.

[123] *Intermatic*, 947 F. Supp. at 1233.

[124] *See id.* at 1230.

[125] *See id.* at 1233-34.

[126] *See id.*

[127] *See id.* at 1235.

[128] *Id.*

[129] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1236 (N.D. Ill. 1996).

[130] *See id.*

to the level of willful intent is also a question of fact."[131] The court did not articulate why Toeppen's "registration of several domain names" might establish intent on the part of Toeppen "to palm off his products as those of Intermatic's."[132] One might surmise that the "registration of several domain names" or cybersquatting might influence the trier of fact against the illicit registrant[133] and that the court wanted the trier of fact to understand the extent of Toeppen's actions beyond his registration of the <intermatic.com> domain name. Nonetheless, it is revealing to contrast the analysis of intent in *Toeppen I* and *Hasbro*.

The court in *Hasbro* lists several factors used to assess the likelihood of confusion element, including "the defendant's intent in adopting the mark"[134] to create "confusion among consumers between its services and Hasbro's game."[135] Plaintiff, Hasbro, argued that ClueComp chose a "suspiciously similar" logo (it included a magnifying glass like the Hasbro logo) which might create confusion among consumers who visited the <clue.com> site.[136] The court distinguished a defendant, like ClueComp, who was a good faith competing user of the Clue name in "a race to the Internet" with Hasbro, from a cybersquatter who takes "another's mark as a domain name in order to sell it back to the owner for profit."[137] Furthermore, the court stated that "holders of a famous mark are not automatically entitled to use that mark as their domain name," and that if "another Internet user has an innocent and legitimate reason for using the famous mark as a domain name and is the first to register it, that user should be able to use the domain name . . . ."[138] Thus, the court draws a distinction between legitimate or good faith defendants who register domain names and cybersquatters.[139]

Would a court grant a potential defendant like Veronica Sams or Steve Mount summary judgement if Archie or Lucasfilm, respectively, brought a trademark infringement suit against them? The analyses in *Toeppen I* and *Hasbro* suggest that a court would not consider either Sams or Mount to be a cybersquatter. In particular,

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[131] *Id.* at 1236.
[132] *See id.* at 1235.
[133] *See id.* at 1236.
[134] Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp 2d. 117, 121-2 (D. Mass. 1999).
[135] *Id.* at 125.
[136] *See id.*
[137] *See id.* at 133.
[138] *See id.*
[139] *Id.*

Archie Comics would have a difficult time providing evidence that Sam's <veronica.org> site had similar products or services as Archie has, or that Sams' father intended to palm off Archie products by posting family pictures on the site. Thus, a court almost certainly would grant Sams summary judgement on the trademark infringement claim.

On the other hand, Mount would have a more difficult time convincing the court that he did not possess the intent to palm off Lucasfilm goods or services through the <tatooine.com> site because of the distinctiveness of the word. Tatooine is a unique word that probably would be used only by fans of the Star Wars movie series. However, Mount's site does not contain products or services similar to Lucasfilm's goods or services. In order to prove actual confusion Lucasfilm would have the daunting task of providing sufficient evidence that its consumers logged on to the <tatooine.com> site with the hope of finding information about this fictional planet.[140]

Perhaps Mount's greatest challenge would be to overcome the stigma of being a cybersquatter because he attempted to charge Lucasfilm for the time required to change the domain name. More than likely, a court would find a genuine issue of material fact and subsequently deny any motion for summary judgement. But ultimately, Lucasfilm would be faced with the difficult task of convincing the trier of fact that Mount was guilty of trademark infringement.

In sum, trademark infringement law has been an ineffective way of curbing cybersquatters because the law itself does not account for the fact that many cybersquatters simply register and warehouse domain names. "The key element to a trademark infringement claim is likelihood of confusion"; if a cybersquatter does not publish a web page or simply holds on to a domain name for ransom, he will not satisfy the elements of infringement.[141] Yet, a trademark owner does have another cause of action under trademark law which the courts have successfully applied to thwart cybersquatters. Trademark dilution offers trademark owners a cause of action which the courts have embraced in their efforts to combat cybersquatting.

B. The Federal Trademark Dilution Act of 1995

In 1995 Congress enacted legislation that embodied an alternative theory of federal trademark infringement—the Federal Trademark

[140] Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp 2d. 117, 124 (D. Mass. 1999).
[141] *Id.* at 126.

Dilution Act of 1995 (FTDA).[142] Trademark dilution is based on the proposition that selling power and uniqueness and singularity in the market is the true value of a trademark.[143] Traditionally, trademark dilution occurs in two ways: blurring of a mark's product identification, or the tarnishment of the affirmative associations a mark has come to convey.[144] For example, trademark dilution applies to companies that might trade on the fame of a mark by selling unrelated goods, such as Chevrolet pianos or Bayer computers, that might destroy the unique nature of the mark.[145]

The FTDA institutes a new cause of action to protect *famous* trademarks from dilution regardless of whether the use of the mark results in confusion.[146] In order to state a cause of action under the FTDA, a plaintiff must demonstrate "that the mark is famous and that the [defendant]'s use is commercial and in commerce which is likely to cause dilution."[147] Unlike trademark infringement claims, a cause of action under the FTDA does not require the existence of competition between the parties and a likelihood of confusion in order to present a claim for relief.[148] The likelihood of confusion is irrelevant.[149] The FTDA states:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.[150]

The FTDA places the burden of proof on the plaintiff to demonstrate: (1) that it owns a famous mark; (2) that the defendant is making commercial use of the mark in commerce, (3) that the defendant adopted its mark after the plaintiff's mark became famous and (4) that the defendant's mark dilutes the plaintiff's famous

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[142] *See* Golinveaux, *supra* note 56, at 654.

[143] *See id.*

[144] *See* Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 1031 (2d Cir. 1989).

[145] Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1698 (May 1999).

[146] *See* Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp 2d. 117, 126 (D. Mass. 1999).

[147] Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1238 (N.D. Ill. 1996).

[148] *See* Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873 (9th Cir. 1999).

[149] *See id.* at 875.

[150] 15 U.S.C.A. § 1125(c)(1) (West 1998).

mark.[151] The owner of a famous mark is entitled only to injunctive relief, unless the defendant willfully intended to trade on the owner's reputation or to cause dilution of the famous mark.[152] Non-commercial use of a trademark is not actionable.[153]

The legislative history of the FTDA suggests that the legislature intended for the courts to apply it to domain name disputes and cybersquatting.[154] Senator Patrick J. Leahy (D-Vt.) commented that he hoped the FTDA would "help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others."[155] Soon after passage of the FTDA, courts began hearing cases involving trademark dilution and cybersquatting.[156] In order to protect the interests of trademark owners, courts expanded the reach of the FTDA to accommodate the extreme case involving cybersquatters.[157] As a result, trademark owners have been more successful under the FTDA than under traditional trademark laws in wrestling away domain names from cybersquatters who attempt to extort money for the right to use their famous marks.[158] But one must ask whether the judiciary has stretched the FTDA too far in its attempt to curb cybersquatting?

Courts hearing causes of action under the FTDA define a cybersquatter as a "speculator who knowingly reserves a trademark as a domain name merely to sell it for a profit."[159] If the judiciary has expanded the scope of the FTDA too far in neutralizing the cybersquatter, it has done so in the application of *commercial use*[160] element of the plaintiff's *prima facie* case. In the analysis below, *Toeppen I* and *Toeppen II* illustrate how courts overstated the

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[151] Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp 2d. 117, 130 (D. Mass. 1999).

[152] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1238 (N.D. Ill. 1996).

[153] The following shall not be actionable under this section:

> (A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark;
>
> (B) Noncommercial use of a mark;
>
> (C) All forms of news reporting and news commentary.

15 U.S.C.A. § 1125(c)(4)(B) (West 1998).

[154] *See generally* 141 CONG. REC. S19312 (1995) (statement of Sen. Leahy).

[155] *See id.*

[156] *See also* Panavision Int'l v. Toeppen, 141 F.3d 1316 (9th Cir. 1998); *see generally* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996).

[157] *See* Lemley, *supra* note 145, at 1698-99.

[158] *See also Panavision*, 141 F.3d 1316; *see generally Intermatic*, 947 F. Supp. 1227.

[159] Golinveaux, *supra* note 56 at 642.

[160] 15 U.S.C.A. § 1125 (c)(1) (West 1998).

meaning of commercial use to thwart cybersquatting. On the other hand, *Avery Dennison Corp. v. Sumpton*[161] suggests that the courts have been reluctant to find trademark dilution where the defendant does not demonstrate an intent to profit from trading domain names with trademark owners.

1) *Toeppen I*

As discussed in Part III(A) above, in *Toeppen I*, Dennis Toeppen presented the United States District Court for the Northern District of Illinois with a case of cybersquatting when "he registered domain name combinations using famous trademarks and sought to sell the registrations to the trademark owners."[162] In addition to reviewing the facts under a theory of trademark infringement, the court also considered whether Intermatic could preclude Toeppen from using its trademark as an Internet domain name under the FTDA.[163]

Intermatic is a manufacturer and distributor of electrical and electronic products that has been doing business under the Intermatic name since 1941.[164] When it attempted to register the <intermatic.com> domain name, Intermatic discovered that Toeppen had already registered <intermatic.com> and had published a web page containing information about a software program that he was developing.[165] Toeppen did not advertise or sell any good or services from the web page located at the <intermatic.com> address.[166] The court, in *Toeppen I*, applied the FTDA to these facts in considering Toeppen's appeal against the district court's grant of summary judgement of Intermatic's dilution claim.

Toeppen argued that he did not violate the FTDA because his registration of the <intermatic.com> domain name did not constitute commercial use.[167] However, the court disagreed when it held that Toeppen's "intention to arbitrage the 'intermatic.com' domain name" constituted commercial use.[168] Undoubtedly, Toeppen's testimony that he registered the <intermatic.com> domain name with the intent to "eventually sell it back to Intermatic or to some other party"

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[161] Avery Dennison Corp. v. Sumpton, 189 F.3d 868 (9th Cir. 1999).

[162] *Id.* at 874.

[163] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1234 (N.D. Ill. 1996).

[164] *See id.* at 1229.

[165] *See id.* at 1232.

[166] *See id.* at 1233.

[167] *See id.* at 1239.

[168] *Id.*

influenced the court's determination that his registration constituted commercial use.[169] Nonetheless, the holding suggests that the issue of bad faith intent, which the FTDA does not address,[170] may have influenced the court's holding.[171] Moreover, in light of the fact that Intermatic filed a motion for summary judgement, the argument could be made that the element of commercial use and the issue of Toeppen's intent raises a genuine issue as to a material fact.[172]

2) *Toeppen II*

In *Toeppen II*, the United States Court of Appeals for the Ninth Circuit reviewed the district court decision that granted Panavision summary judgement of its claim that Dennis Toeppen's actions violated the FTDA.[173] Panavision alleged that Toeppen was a cybersquatter who unlawfully registered the <panavision.com> domain name and offered to "settle the matter" with Panavision for thirteen thousand dollars.[174] Toeppen argued that he did not make commercial use of the Panavision trademark, and therefore did not violate the FTDA.[175] Toeppen used the domain name to publish a web page that displayed photographs of the City of Pana, Illinois.[176] Nonetheless, the Ninth Circuit held that Toeppen misstated his use and that his actions were not as benign as he suggested.[177]

The court characterized Toeppen as a spoiler whose business was to "register trademarks as domain names and then sell them to the rightful trademark owners."[178] The Ninth Circuit contended that Toeppen's commercial use consisted of his attempt to trade on the value of Panavision's mark.[179] Moreover, Toeppen prevented Panavision from exploiting the value of its trademark on the Internet.[180] As a result, the court held that Toeppen attempted to profit from Panavision's desire to regain control of the <panavision.com> domain name, and that he had made commercial

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[169] *See Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1239 (N.D. Ill. 1996).

[170] *See generally* 15 U.S.C. § 1125(c) (1994).

[171] *See Intermatic*, 947 F. Supp. at 1240.

[172] FED. R. CIV. P. 56(c).

[173] Panavision Int'l v. Toeppen, 141 F.3d 1316, 1318 (9th Cir. 1998).

[174] *Id.* at 1319.

[175] *See id.* at 1324.

[176] *See id.* at 1319.

[177] *See id.* at 1325.

[178] *See id.* at 1325.

[179] Panavision Int'l v. Toeppen, 141 F.3d 1316, 1325 (9th Cir. 1998).

[180] *See id.*

use of Panavision's trademark when he attempted to sell it.[181] Yet, Toeppen did not solicit Panavision with an offer to sell the <panavision.com> domain name[182] nor did he ever initiate contact with Panavision.[183] The court opined that Toeppen's business strategy was to register the <panavision.com> domain name and wait for Panavision to make an offer to purchase it from him and that this constituted commercial use.[184]

Like the court in *Toeppen I,* the Ninth Circuit planted the seed of intent in its analysis of whether Toeppen's registration of the <panavision.com> domain name fulfilled the commercial use element of the plaintiff's claim.[185] Would the court have ruled differently if Toeppen had not offered to sell <panavision.com>? Or is the mere act of just registering the domain name enough to satisfy commercial use? Must an alleged cybersquatter demonstrate an intent to profit from his practices? In its grant of summary judgement to Panavision, the district court held that the "registration of a trade[mark] as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the Act."[186] Unlike *Toeppen I,* the record in this case does not reveal any admissions that Toeppen may have made regarding an intent to register the <panavision.com> domain name to sell it for profit[187]; the court inferred his intent.

The Ninth Circuit was aware of Toeppen's reputation and previous attempts to sell other domain names such as "intermatic.com to Intermatic, Inc. for $10,000 and americanstandard.com to American Standard, Inc. for $15,000."[188] As a result, the Ninth Circuit affirmed the plaintiff's motion for summary judgement.[189] Like *Toeppen I,* the facts in *Toeppen II* suggest that the element of commercial use raised a genuine issue of material fact and that the court may have erred in affirming the district court's grant of

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[181] *See id.*

[182] *See id.* at 1319 ("On December 20, 1995, Panavision's counsel sent a letter from California to Toeppen in Illinios informing him that Panavision held a trademark in the name Panavision and telling him to stop using that trademark and the domain name Panavision.com.") The facts in the record do not indicate when Toeppen registered the Panavision.com domain name. *Id.*

[183] *See id.*

[184] *See id.*

[185] *See* Panavision Int'l v. Toeppen, 141 F.3d 1316, 1324-5 (9th Cir. 1998).

[186] Toeppen v Panasonic, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996).

[187] *See id.*

[188] Panavision Int'l v. Toeppen, 141 F.3d 1316, 1319 (9th Cir. 1998).

[189] *See id.* at 1316.

summary judgement.[190]

3) *Avery Dennison Corp. v. Sumpton*

In *Avery Dennison Corp. v. Sumpton*, the United States Court of Appeals for the Ninth Circuit reviewed a district court decision that found the defendant liable for violating the FTDA when he registered the 'Avery' and 'Dennison' trademarks under the <.net> TLD.[191] The Ninth Circuit distinguished *Toeppen I* because the defendant in this case, Sumpton,[192] challenged the factual assertion of the commercial use element with evidence that the nature of his business made the trademark status of Avery and Dennison irrelevant.[193] Although the defendant registered common surnames as domain name combinations with the intent to capitalize on the surname status of Avery and Dennison, the Ninth Circuit held that the facts did not establish 'commercial use' because the defendant used words that happened to be trademarks for their non-trademark value.[194] Since there was no evidence to suggest that the defendant acted in bad faith or attempted to extort money from the plaintiff with its registration, the Ninth Circuit did not characterize the defendant as a cybersquatter and thus held in Sumpton's favor.[195]

IV. THE ANTI-CYBERSQUATTING CONSUMER PROTECTION ACT: STRIKING THE BALANCE

On November 29, 1999, President William Jefferson Clinton signed the ACPA into law in order to curb a "very serious threat to consumers and the future growth of electronic commerce."[196] Senator Edmond Abraham (R-Mich.) introduced the ACPA to combat cybersquatting—"a new form of fraud that [increases the] dangers and costs for people doing business on the [I]nternet."[197] The purpose of the statute was to stop the "thriving, if unethical, business [of]

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[190] FED. R. CIV. P. 56(c).

[191] *See* Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 871 (9th Cir. 1999); *see also id.* at 873 ("Avery Dennison sells office products and industrial fasteners under the registered trademarks 'Avery' and 'Dennison,' respectively.").

[192] *See Avery*, 189 F.3d at 880; *see also id.* at 872-73 (describing how Sumpton is the president of Free View Listings, Ltd., an Internet e-mail provider doing business under 'Mailbank' offering 'vanity' e-mail addresses; Mailbank registered hundreds of common surnames under the '.net' TLD and some of its registered domain name combinations do use the '.com' TLD).

[193] *See id.*

[194] *See id.*

[195] *See id.*

[196] 145 CONG. REC. S14985, 15019 (daily ed. Nov. 17, 1999) (statement of Sen. Hatch).

[197] 145 CONG. REC. S8531 (daily ed. July 15, 1999) (statement of Sen. Abraham).

collecting and selling internet addresses containing trademarked names . . . for the sake of consumers, . . . trademark owners and . . . [the] vast, growing electronic commerce . . . ."[198] Less than two weeks after President Clinton signed the bill, trademark holders like the National Football League, Harvard University, and the New Zealand America's Cup Team filed suits against alleged cybersquatters under the newly-enacted ACPA.[199] Due to the exponential growth in Internet usage[200] and the explosion of e-commerce,[201] more trademark owners attempting to establish a presence on the Internet may initiate litigation against alleged cybersquatters.[202] Senator Orrin Hatch (R-Utah) believes that the ACPA balances "the interests of consumers and trademark owners with those Internet users who would make a fair or otherwise lawful use [sic] of trademarked names in cyberspace."[203] In order to determine whether it achieves this balance, one must examine the various provisions comprising the ACPA and their potential effect on Internet users and cybersquatters.

A. Persons Liable Under the ACPA

The ACPA states that a person is liable in a civil action, which includes an action based on a personal name protected as a mark, to a trademark owner, if that person has a "bad faith intent" to profit from the mark and "registers, traffics in, or uses a domain name" that is "distinctive or famous" at the time of registration.[204] This provision only applies to cases in which the plaintiff can demonstrate that the defendant acted in bad faith; it does not extend to cases in which the plaintiff is unaware of the trademark or is aware of the trademark but does not register it in bad faith.[205] The statute seems to target cybersquatters, like Dennis Toeppen and Aran Smith, while

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[198] 145 CONG. REC. S7325 (daily ed. Jun. 25, 1999) (statement of Sen. Abraham).

[199] *See* Jeri Clausing, *New Law Touches Off Suits Over Names in Cyberspace*, N.Y. TIMES, Dec. 9, 1999, at C2.

[200] *See* 145 CONG. REC. S10305 ("Ten million customers shopped for some product using the internet in 1998 alone. International Data Corporation estimates that . . . 5.3 million households will have access to financial transactions like banking and stock trading by the end of 1999.").

[201] *See id.* (stating that e-commerce "has grown to an estimated $64.8 billion for 1999 . . . $31 billion in products will be sold over the Internet in 1999.").

[202] *See* Clausing, *supra* note 199 ("Opponents of the law say large companies will use it to grab domain names, as Internet addresses are known, away from small companies and individuals with legitimate claims to the addresses. But even they see a bright side to the suits.").

[203] 145 CONG. REC. S14986, 15019 (daily ed. Nov. 19, 1999) (statement of Sen. Hatch).

[204] 15 U.S.C.A. § 1125(d)(1)(A) (i)-(ii) (West Supp. 2000).

[205] *See* 15 U.S.C.A. § 1125(d)(1)(A)(i) (West Supp. 2000).

protecting individuals, like Veronica Sams' father, who may not be aware that a trademark owner might challenge their registration of a personal web site's domain name, such as <veronica.org>.[206] In its determination of whether a person is liable under the ACPA, a court must consider what constitutes *bad faith intent.*[207]

1) Determining Bad Faith Intent

The ACPA provides a number of non-exclusive and non-exhaustive factors to assist a court in determining whether the required bad faith intent element exists in any given case.[208] Included among the factors that the court may consider are: the person's prior use of the domain name in connection with the bona fide offering of goods or services[209]; the person's bona fide non-commercial or fair use of the mark[210]; the person's offer to transfer, sell or otherwise assign the domain name for financial gain[211] and the person's registration or acquisition of multiple domain names.[212] These factors are meant to objectify the fact finding process and, moreover, to provide a balance between the interests of trademark owners and interests of Internet users "who seek to make lawful uses of other's marks."[213] The first four factors are circumstances that may indicate an absence of bad faith intent; evidence of the other four factors tend to show that bad faith intent exists.[214]

Notwithstanding its list of factors that might protect persons who make "fair use of a mark"[215] or who had reasonable grounds to believe that the "domain name was a fair use or otherwise lawful,"[216] the ACPA gives a court great discretion in its determination of bad faith intent. The fear of many is that in its application of these factors, a court may stifle the "serendipity and occasional weirdness that exist in Internet domain names."[217] It has yet to be determined whether the ACPA will provide protection from liability to persons

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[206] *See id.*

[207] *See id.*

[208] 15 U.S.C.A. § 1125(d)(1)(B) (West Supp. 2000).

[209] 15 U.S.C.A. § 1125(d)(1)(B)(i)(III) (West Supp. 2000).

[210] 15 U.S.C.A. § 1125(d)(1)(B)(i)(IV) (West Supp. 2000).

[211] 15 U.S.C.A. § 1125(d)(1)(B)(i)(VI) (West Supp. 2000).

[212] 15 U.S.C.A. § 1125(d)(1)(B)(i)(VIII) (West Supp. 2000).

[213] 145 CONG. REC. S14696, 14713 (daily ed. Nov. 19, 1999) (statement of Sen. Lott).

[214] 15 U.S.C.A. § 1125(d)(1)(B) (West Supp. 2000).

[215] 15 U.S.C.A. § 1125 (d)(1)(B)(i)(IV) (West Supp. 2000).

[216] 15 U.S.C.A. § 1125 (d)(1)(B)(ii) (West Supp. 2000).

[217] *See* Cohen, *supra* note 19.

who register domain names for comparative advertising, comment, criticism, parody, and news reporting.[218] Will courts protect an Internet user who registers <boycotts-cbs.com> and <pepsibloodbath.com> to protest a corporation's policies?[219] Or does this legislation provide a loophole for trademark owners to abrogate the First Amendment rights of corporate antagonists? Ultimately, courts should read the statute narrowly and target individuals who exercise bad faith with the intent to profit from another's trademark.

B. Protection for Individuals

The ACPA also includes a subsection titled "Cyberpiracy Protection for Individuals," which targets persons who register a domain name consisting of the name of another living person.[220] This person must form the "specific intent to profit from such name by selling the domain name for financial gain to that person or any third party."[221] The subsection includes an exception for a good faith registration "related to a work of authorship protected under [T]itle 17."[222] Unlike other provisions under the ACPA, this subsection does not involve trademarks.[223] The legislature enacted it in response to reports of cybersquatters, like Aran Smith, and others who "targeted the names of high-school athletes in anticipation that they may some day become famous."[224] The language of the section is narrowly tailored and the plaintiff undertakes a heavy burden of proving that the person registered the domain name with the specific intent to profit from it.[225]

C. In Rem Proceedings

The ACPA provides that the "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."[226] The legislature intended to alleviate the effect of cybersquatters who register domain names "under aliases or otherwise provide false

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[218] 145 CONG. REC. S9744, 9750 (daily ed. July 29, 1999) (statement of Sen. Hatch).

[219] 145 CONG. REC. S9744, 9754 (daily ed. July 29, 1999) (statement of Sen. Leahy).

[220] 15 U.S.C.A. § 1129 (West Supp. 2000).

[221] 15 U.S.C.A. § 1129(1)(A) (West Supp. 2000).

[222] 15 U.S.C.A. § 1129(1)(B) (West Supp. 2000).

[223] *See id.*

[224] 145 CONG. REC. S14986, 15019 (daily ed. Nov. 19, 1999) (statement of Sen. Hatch).

[225] 15 U.S.C.A. § 1129(1)(A) (West Supp. 2000).

[226] 15 U.S.C.A. § 1125(d)(2)(A) (West Supp. 2000).

information in their registration applications in order to avoid identification and service of process."[227]

In order to proceed in an *in rem* action, the plaintiff must satisfy to the court that he "exercised due diligence in trying to locate the owner of the domain name but is unable to do so, or . . . is otherwise unable to obtain *in personam* jurisdiction over such person."[228] In an *in rem* action, remedies are limited to "a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark."[229] This section of the ACPA fails to take into account individuals and small businesses, like Veronica Sams and ClueComp, who may not have the financial resources to contest a trademark owner's claim in another jurisdiction.

D. Damages and Remedies

The ACPA provides traditional trademark remedies "including injunctive relief, recovery of defendant's profits, actual damages, and costs."[230] In actions involving the "registration, trafficking, or use" of a domain name, the court may order the forfeiture or transfer of the domain name.[231] The ACPA also permits the plaintiff to seek statutory damages in cases of cybersquatting in an amount of not less than $1,000.00 and not more than $100,000.00 per domain name.[232] Whereas in past cybersquatting cases like *Toeppen I*, the court only granted the plaintiff injunctive relief,[233] the ACPA gives the court a mandate to issue costly fines to cybersquatters.[234]

The threat of fines surely will have a chilling effect on prolific cybersquatters like Dennis Toeppen—who registered over two hundred domain names[235]—as he ultimately could be liable for fines totaling $200,000 to $20,000,000![236] Moreover, irrespective of the ACPA's emphasis on bad faith intent[237] and its efforts to distinguish "between the legitimate and illegitimate use of domain names,"[238]

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[227] 145 CONG. REC. S14696, 14714 (daily ed. Nov. 17, 1999) (statement of Sen. Lott).

[228] *Id.*

[229] 15 U.S.C.A. § 1125(d)(2)(D)(i) (West Supp. 2000).

[230] 145 CONG. REC. S14696, 14715 (daily ed. Nov. 17, 1999) (statement of Sen. Lott).

[231] 15 U.S.C.A. § 1125(d)(1)(C) (West Supp. 2000).

[232] *See* 15 U.S.C.A. § 1117(d) (West Supp. 2000).

[233] *See* Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 1241 (N.D. Ill. 1996).

[234] 15 U.S.C.A. § 1117(d) (West Supp. 2000).

[235] *See id* at Introduction.

[236] 15 U.S.C.A. § 1117(d) (West Supp. 2000).

[237] 145 CONG. REC. S14986, 15025 (daily ed. Nov. 19, 1999) (statement of Sen. Leahy).

[238] *See id.*

many individuals and small businesses may hesitate before registering a domain name for fear of potential pecuniary penalties. This would certainly have a chilling effect on the spontaneity and anarchy that characterizes the Internet.

E. Outlook

Does the ACPA strike the delicate balance between protecting the interests of consumers, trademark owners and Internet users in the context of the burgeoning e-commerce economy? Will courts, frustrated in their attempts to apply traditional trademark law to the new paradigm of the Internet, befriend the ACPA? Many believe that the ACPA is a bonehead bill because it goes too far in protecting the "trademark rights of business at the expense of small businesses."[239] The Clinton administration expressed concerns that the ACPA might undermine the efforts of organizations like ICANN[240] and WIPO[241] to institute domain name standards that address the global nature of the Internet.[242]

The language of the ACPA and its legislative history indicate that Congress harbors an aversion to cybersquatters whom it believes prey "on consumer confusion[,] . . . trade[s] on the goodwill of others" and poses "threats to consumers and e-commerce."[243] Moreover, the original draft of the bill, which included a provision that imposed criminal sanctions against individuals convicted of cybersquatting, accentuates the legislature's antipathy towards cybersquatting.[244] In due time, the judiciary will determine whether the ACPA will stifle or promote Internet commerce.

V. CONCLUSION

While the Internet has revolutionized our concept of information, communication and commerce, it has also generated a multitude of legal dilemmas that do not fit into traditional economic or legal models. The Internet is a new paradigm, with its own set of rules, language and even its own community. The ACPA legislation is a valiant attempt by the legislature to address this new model in the narrow framework of trademark law. The language in the ACPA

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[239] John Schwartz, *'Cybersquatting' Bill Passed by House*, WASH. POST, Oct. 27, 1999, at E2.

[240] ICANN is the Internet Corporation for Assigned Names and Numbers.

[241] WIPO is the World Intellectual Property Organization.

[242] Schwartz, *supra* note 239.

[243] 145 CONG. REC. S14986, 15019 (daily ed. Nov. 19, 1999) (statement of Sen. Hatch).

[244] 145 CONG. REC. S7325, 7335 (daily ed. July 29, 1999) (statement of Sen. Abraham).

gives the judiciary enough discretion to address issues that may lie ahead.

The Internet is constantly evolving, therefore laws aimed at regulating any part of the Internet must be flexible and adaptable to its evolutionary growth. Moreover, the Internet is a global medium, and laws and regulations intended to influence its direction must address its international aspects. Thus, the legislature must continue to cooperate and work with organizations like ICANN and WIPO to establish continuity on an international level for legislation like the ACPA to be truly effective. Notwithstanding the legislature's commitment to establishing effective legislation on the international level, the passage of the ACPA marks the beginning of the end of the wild west of the Internet.