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**Health Matrix: The Journal of Law-
Medicine**

Volume 16 | Issue 2

2006

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Recommended Citation

Aaron J. Burstein, *Stopping Internet-Based Tobacco Sales through Domain Name Seizure*, 16 Health Matrix 279 (2006)
Available at: <https://scholarlycommons.law.case.edu/healthmatrix/vol16/iss2/3>

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STOPPING INTERNET-BASED TOBACCO SALES THROUGH DOMAIN NAME SEIZURE

Aaron J. Burstein[†]

INTRODUCTION

Questions about whether and how to regulate Internet-based activities have surrounded the Internet since its entry into widespread public use. In the United States alone, courts, legislatures, and law enforcement agencies have confronted a wide range of legal issues, including federal wiretap statutes, intellectual property, the First Amendment, and the dormant commerce clause. The Internet's facilitation of new channels of commerce has sharpened many of these issues. Particularly difficult legal and policy questions have arisen in the context of commercial activities that largely thwart or circumvent existing regulatory institutions; gambling,¹ pornography,² and copyright infringement³ are a few examples. A common theme among these disparate doctrinal areas is that the Internet supports the percep-

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¹ See, e.g., Gale Courey Toensing, *Foxwoods' "PlayAway" Ruled Illegal*, INDIAN COUNTRY TODAY, Aug. 23, 2005, available at <http://www.indiancountry.com/content.cfm?id=1096411437> (reporting that Connecticut gambling regulators ruled that the purchase and use of keno tickets over the Internet violated state law and a compact between the state and the Mashuntucket Pequot Tribal Nation).

² See, e.g., *United States v. Am. Library Ass'n, Inc.*, 539 U.S. 194 (2003) (upholding statute that requires recipients of federal subsidies for Internet access to install pornography filters).

³ See, e.g., *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764 (2005) (holding that peer-to-peer software makers may be held liable for contributory copyright infringement).

tion that parties to a transaction are anonymous, leading some to offer, and others to seek, goods that they ordinarily would avoid.

Tobacco holds a prominent place on the list of goods that the Internet has made easier to obtain either illegally or in a manner that is most compelling as a commercial proposition when both parties regard the applicable law with a wink and nod. Economically speaking, the Internet presents an arbitrage opportunity. Because a considerable fraction of the price of a pack of cigarettes consists of a state excise tax, a dealer who buys cigarettes in a low-tax jurisdiction can earn a profit simply by reselling to consumers in a high-tax jurisdiction—if the dealer either ignores his duty to pay the difference in tax or turns a blind eye to the probability that the buyer will not pay it. States with high excise taxes suffer in at least two ways. First, a high-tax state loses tax revenue each time a buyer in that state buys a carton of cigarettes from an Internet cigarette vendor (ICV) rather than from an in-state retailer. But, more importantly, the gray market resulting from Internet-based tobacco sales facilitates young buyers' cigarette purchases. Underage smokers might be able to order cigarettes themselves via the Internet, though many ICV sites claim that they will not ship to underage consumers.⁴ Alternatively, buyers who meet the age requirements in high-tax states can buy large quantities of cigarettes and then sell them in-person to underage buyers. This system both reduces the risk that consumers will be refused cigarettes because they are underage and allows them to buy cigarettes at below-market prices. The likelihood that younger buyers are more sensitive to price than older buyers means that Internet-based tobacco sales pose a special risk to underage smokers. The likely public health consequences are clear: People will start smoking more and earlier. The already serious public health problem of underage smoking could, therefore, be made worse by ICVs. As with many other harms facilitated by Internet transactions, the dealer who is highest on the chain of distribution—the ICV—presents the most inviting target for enforcement.

The current programs of some local, state, and federal government agencies show some promise for disrupting or shutting down ICVs. The City of New York, for example, recently sought \$1.3 million in unpaid tobacco taxes from some 3,700 residents.⁵ At the federal level, the FBI has the primary authority to investigate alleged violations of

⁴ See, e.g., eSmokes.com, Legal Information, <http://www.esmokes.com> (follow "Legal Info" hyperlink) (last visited May 8, 2006) (stating that eSmokes.com will not sell tobacco products to buyers under the age of twenty-one).

⁵ *N.Y. Asks Online Cigarette Buyers to Cough Up Tax*, CNET NEWS.COM, Jan. 14, 2005, http://news.com.com/2100-1030_3-5537213.html.

the federal law that provides the most effective weapon against ICVs.⁶ Since the FBI's priorities have understandably shifted toward counterterrorism efforts, few federal resources are available to use against ICVs.⁷ The relatively light penalties that federal law provides for evading state tobacco taxes further reduce the likelihood of federal involvement.⁸ The clashing regulatory priorities that states hold for tobacco regulation—some states produce tobacco, while others have active anti-tobacco agendas—also make federal enforcement difficult to coordinate. Despite questions about its jurisdiction to enforce the Jenkins Act, the U.S. Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives, and a coalition of states persuaded major credit card companies and online payment sites to stop accepting payments for online tobacco purchases.⁹ This action reportedly led to the rapid end of some ICVs, but ICVs apparently also are making payment arrangements that use credit cards issued by foreign banks.¹⁰ Other private actors have lent support to the effort. UPS, for example, announced that it would stop delivering cigarettes bought online.¹¹ These developments should encourage those who would like to control the sale of tobacco online, but the willingness of vendors to evade the law and their resourcefulness in finding alternative logistical arrangements to support their sales suggest a need for more robust means of stopping ICV-based tobacco sales.

Individual states have strong public health incentives as well as the legal authority to develop these means. State-based enforcement could also take a variety of forms, ranging from the collection of unpaid taxes, to injunctive relief, to seizing the machinery that ICVs use to conduct business. In this Article, I argue that states may "shut down" ICVs by seizing their Web addresses, or domain names. Domain name divestiture would take advantage of the ICV's renown and provide the state with a forum for a message of its choice. In this respect, ICV domain name seizure would go beyond seizure in order to satisfy creditors,¹² who presumably would seek to sell rights to the

⁶ U.S. GEN. ACCOUNTING OFFICE, GAO-02-743, INTERNET CIGARETTE SALES: GIVING ATF INVESTIGATIVE AUTHORITY MAY IMPROVE REPORTING AND ENFORCEMENT 2, 7-8 (2002) [hereinafter GAO REPORT].

⁷ See *id.* at 4.

⁸ See *id.*

⁹ Bob Tedeschi, *Trouble for Online Vendors of Cigarettes*, N.Y. TIMES, Apr. 4, 2005, available at <http://www.nytimes.com/2005/04/04/technology/04ecom.html?ex=1270267200&en=bbdd0fc1ef524632&ei=5090&partner=rssuserland>.

¹⁰ *Id.*

¹¹ *No UPS for Smokes Bought Online*, ATLANTA J.-CONST., Nov. 3, 2005, at 9JH.

¹² For a thorough analysis of domain name seizure as a form of debt collec-

name. In addition, I argue that this kind of top-level enforcement is more likely to be effective in combating the most pressing problem—underage smoking—than the other potential strategies.

Part I of this Article describes the relevant federal and state tobacco regulations that a state attorney general would have to consider when undertaking ICV domain name seizure. Part II analyzes the legal challenges that might arise from these tobacco- and technology-specific regulations. Part III provides a technical and institutional background that a plaintiff suing an online tobacco retailer should consider when deciding whom to sue, where to bring a lawsuit, and how to structure proposed relief. Part IV considers, and rejects, defenses based upon trademark law that an ICV might raise against domain name seizure. Finally, Part V argues that the First Amendment does not present a defense against domain name seizure.

I. THE REGULATORY AND TECHNOLOGICAL BACKGROUND OF INTERNET-BASED TOBACCO SALES

The primary federal law regulating ICVs is the Jenkins Act,¹³ which requires that a party that sells tobacco to an out-of-state buyer must report the buyer's name and address,¹⁴ along with the number of cigarettes purchased,¹⁵ to the entity responsible for collecting tobacco taxes in the buyer's state.¹⁶ In a lawsuit brought by a state attorney general under the Jenkins Act, the state would allege that the ICV's sales of cigarettes to the state's residents violate the Jenkins Act's reporting requirement. A nearly certain consequence of this failure, as a casual survey of ICVs' websites will confirm, is that cigarette purchases made over the Internet deprive states of tax revenue.¹⁷ The primary purpose of the proposed lawsuit is not to collect this tax reve-

tion, see generally Juliet M. Moringiello, *Seizing Domain Names to Enforce Judgments: Looking Back to Look to the Future*, 72 U. CIN. L. REV. 95 (2003).

¹³ 15 U.S.C. §§ 375-78 (2000).

¹⁴ § 376(a)(2).

¹⁵ § 376(a)(2).

¹⁶ § 376(a)(2).

¹⁷ See, e.g., eSmokes.com, *supra* note 4 (eSmokes declares that all of its sales are made in "the state of North Carolina and/or Kentucky" and that "[i]n order to determine the applicable limits on purchases or taxing responsibilities, if any, imposed by your particular state, the consumer may want to contact their state authorities"). A GAO Report confirmed that few ICVs comply with the Jenkins Act. In a survey of ICVs conducted between December 2001 and May 2002, the GAO reported that only 5 percent (eight out of 147 sites examined) posted any notice that the Jenkins Act required the ICV to report each interstate sale and that this could create tax liability for the buyer. GAO REPORT, *supra* note 6, at 16-20.

nue—though the state could do so—but to strip the ICV of its domain name. In addition, individual states have tobacco-related laws, primarily differing in their excise tax rates.¹⁸

Given this statutory landscape, a state attorney general would have the choice of suing an ICV in state court. For convenience, however, I analyze the issue of a federal court's jurisdiction to hear the lawsuit. I have made this choice for two reasons. First, the federal courts' requirements governing subject matter are stricter than those of many state courts. Second, although states' personal jurisdiction requirements vary considerably, several states—notably, California—have adopted the federal courts' test for finding personal jurisdiction. An analysis of a lawsuit against an ICV in federal court will therefore examine the most stringent subject matter jurisdiction requirements while achieving a certain amount of generality for personal jurisdiction; the analysis is not meant to suggest that a state attorney general must or should bring such a suit in federal court.

II. THE POWER OF FEDERAL COURTS TO HEAR SUITS AGAINST ICVS

A. Subject Matter Jurisdiction

Article III of the United States Constitution limits the kinds of suits—the subject matter—that federal courts may hear.¹⁹ Subject matter jurisdiction is fundamental to a court's power to settle a dispute; parties may not consent to suit, and the court must dismiss a suit when subject matter jurisdiction is found to be lacking.²⁰ Since the proposed lawsuits involve federal law as their substantive basis, the state plaintiffs will satisfy the requirements of “arising under” jurisdiction.²¹

Slightly more complicated questions arise in connection with whether a federal district court would have subject matter jurisdiction to hear claims based upon state law. This situation might arise, for example, if the state wished to sue the ICV for recovery of unpaid

¹⁸ See GAO REPORT, *supra* note 6, at 5 (reporting each state's excise tax on cigarettes).

¹⁹ U.S. CONST. art. III, § 2.

²⁰ See, e.g., FED. R. CIV. P. 12(h)(3) (“Whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject matter, the court shall dismiss the action.”).

²¹ 28 U.S.C. § 1331 (2000) (granting federal district courts original jurisdiction over “civil actions arising under the . . . laws . . . of the United States”).

cigarette taxes. In such a case, the district court might have diversity jurisdiction over the suit.²²

The state will be able to bring this claim so long as two conditions hold: (1) the state seeks to recover more than \$75,000;²³ and (2) the ICV is a citizen of a different state²⁴ or the citizen of a foreign state.²⁵ The diversity of citizenship prong is likely to be met; the underlying economic premise of ICVs is that they pay the low tobacco tax of the state in which the ICV resides, so the attorney general of the ICV's state of citizenship²⁶ is unlikely to have a claim against the ICV for failure to pay state tax. Satisfying the amount in controversy requirement could prove more difficult, but a rough calculation of lost tax revenue indicates that a state could probably find an ICV that owes more than \$75,000 in state tax. The U.S. General Accounting Office (GAO) estimates that California lost \$13 million in tax revenue from Jenkins Act noncompliance in the period of May 1999 to September 2001.²⁷ If this loss is assumed to be attributable in equal parts to the 147 web sites that the GAO studied,²⁸ then the tax lost per ICV is about \$85,435. It is impossible to predict an outcome, however, without facts pertaining to a specific ICV.

Relying on the diversity jurisdiction of the district court will probably be unnecessary, however, because district courts have supplemental jurisdiction over state law claims that are "so related" to a claim arising under federal law "that they form part of the same case or controversy"²⁹ This close relationship of the federal claim (failure to report interstate cigarette sales) and the state claim (failure to pay state tobacco tax) is probably present in suits against ICVs. A district court may exercise supplemental jurisdiction over state law claims without requiring that they satisfy any minimum amount in controversy.³⁰ If, however, the federal claim is dropped or dismissed,

²² See generally 28 U.S.C.S. § 1332 (LexisNexis 2003) (granting federal district courts original jurisdiction over diversity suits). This statute implements one of the jurisdictional heads of Article III of the U.S. Constitution: "The judicial power shall extend . . . to controversies . . . between citizens of different states." U.S. CONST. art. III, § 2, cl. 1.

²³ § 1332(a).

²⁴ § 1332(a)(1).

²⁵ § 1332(a)(2).

²⁶ See § 1332(c)(1) (stating that "a corporation shall be deemed to be a citizen of any State by which it has been incorporated and of the State where it has its principal place of business. . . .").

²⁷ GAO REPORT, *supra* note 6, at 15 & n.16.

²⁸ *Id.* at 23-26 (describing details and method of study).

²⁹ 28 U.S.C.S. § 1367(a) (LexisNexis 2003).

³⁰ See § 1367(b) (making clear that supplemental jurisdiction is generally available when the plaintiff presents a claim arising under federal law, and thus within

and there is no other basis for subject matter jurisdiction (diversity jurisdiction, for example), the federal court will lack jurisdiction over the related state law claims and must dismiss them. Finally, a state that seeks to litigate the merits of a state tax claim in another state's court will likely be barred from bringing such a claim, unless the forum state explicitly allows it.³¹ Though this consideration is part of the merits of a lawsuit, rather than jurisdiction, it is worth noting here as a consideration that the state should make in order to obtain full relief.³²

B. Standing

Some have expressed doubt that a state has standing to enforce the Jenkins Act³³ because its only explicit remedy is criminal.³⁴ A court has recently held, however, that the Act contains an implicit right to injunctive relief, which states may seek.³⁵ The remainder of this Article assumes that this holding is correct on both points: states may enforce the Jenkins Act through civil actions, but only for injunctive relief.

C. Personal Jurisdiction

A state attorney general who seeks to seize an ICV's domain name would have to decide whether to file suit against the ICV itself—and thus need to establish in personam jurisdiction over the ICV—or whether to file an in rem suit that names the ICV's domain name as a defendant. Exercises of personal and in rem jurisdiction are

the jurisdictional requirements of 28 U.S.C. § 1331).

³¹ See *Milwaukee County v. M. E. White Co.*, 296 U.S. 268, 272 (1935) (noting that a state may authorize its courts to hear claims for taxes owed to another state); *id.* at 275 (stating that the obligation of a state to enforce the tax laws of another state is “an open question”).

³² *Id.* at 272 (noting that whether “the courts in one state will . . . entertain a suit to recover taxes due to another . . . goes not to the jurisdiction but to the merits,” namely, whether the state has opened its courts to out-of-state tax claims).

³³ See generally *Wash., Dep't of Revenue v. www.dirtcheapcig.com, Inc.*, 260 F. Supp. 2d 1048 (W.D. Wash. 2003) (rejecting ICV's contention that the state attorney general does not have standing to sue under the Jenkins Act).

³⁴ See 15 U.S.C.S. § 377 (LexisNexis 2000) (“Whoever violates any provision of this chapter shall be guilty of a misdemeanor and shall be fined not more than \$1,000, or imprisoned not more than 6 months, or both.”).

³⁵ See *www.dirtcheapcig.com*, 260 F. Supp. 2d at 1054-55 (holding that the grant of jurisdiction to federal “district courts ‘to prevent and restrain violations of the Act, 15 U.S.C. § 378’”, and legislative history indicating that Congress intended the Act to help states collect tobacco taxes, imply a cause of action); *id.* (applying the four-part test for implied causes of action, announced in *Cort v. Ash*, 422 U.S. 66, 78 (1975)).

subject to the same limitation—both must be consistent with due process.³⁶ Legislatures and courts have maintained these conceptual divisions and apply them to Internet-based activities,³⁷ and personal and in rem jurisdiction raise quite different questions in practice. Most importantly, the scope of relief available against ICVs is considerably broader when personal jurisdiction is available.³⁸

The fundamental limitation on a court's territorial jurisdiction—whether personal or in rem—is the Due Process Clause of the U.S. Constitution.³⁹ In *International Shoe Co. v. Washington*,⁴⁰ the Supreme Court held that due process requires that a defendant have “certain minimum contacts with [the forum state] such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’”⁴¹ Physical presence within a state's boundaries is sufficient but not necessary, constitutionally speaking, for the exercise of personal jurisdiction.⁴² Similarly, when the Supreme Court an-

³⁶ See *Shaffer v. Heitner*, 433 U.S. 186, 207 (1977) (characterizing precedent as elaborating Due Process requirements of personal jurisdiction).

³⁷ See, e.g., 15 U.S.C.S. § 1125(d)(1)(A) (LexisNexis 2005) (providing civil cause of action against “[a] person” who, in bad faith, registers a domain name that infringes a right of a trademark holder); § 1125(d)(2)(A) (providing in rem civil cause of action against domain name, when in personam jurisdiction over registrant is unavailable); *Gorman v. Ameritrade Holding Corp.*, 293 F.3d 506, 508 (D.C. Cir. 2002) (finding general jurisdiction over online brokerage in breach of contract action); *Kremen v. Cohen*, 337 F.3d 1024, 1030 (9th Cir. 2003) (comparing domain names to other forms of property and noting that Congress had explicitly made trademark-infringing domain names subject to in rem actions).

³⁸ See *Shaffer*, 433 U.S. at 199 & n.17 (“The effect of a judgment in such a case [in rem] is limited to the property that supports jurisdiction and does not impose a personal liability on the property owner, since he is not before the court.”).

³⁹ See *id.* at 207 (characterizing precedent as elaborating Due Process requirements of personal jurisdiction).

⁴⁰ 326 U.S. 310 (1945). The ultimate limit of a state court's personal jurisdiction comes from the Due Process Clause of the Fourteenth Amendment. U.S. CONST. amend. XIV, § 1 (“[N]or shall any state deprive any person of life, liberty, or property, without due process of law.”). Federal courts are limited by the Due Process Clause of the Fifth Amendment. U.S. CONST. amend. V (“No person shall . . . be deprived of life, liberty, or property, without due process of law. . . .”). For the purposes of territorial jurisdiction, the requirements of both clauses are identical; a defendant without minimum contacts in the forum state cannot be sued in a court sitting in that state. See *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 224 (4th Cir. 2002) (applying *Int'l Shoe Co.* to federal courts through the Fifth Amendment).

⁴¹ *Int'l Shoe Co.*, 326 U.S. at 316 (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

⁴² *Id.* at 316-17 (“[T]he terms ‘present’ or ‘presence’ are used merely to symbolize those activities of the corporation's agent within the state which courts will deem to be sufficient to satisfy the demands of due process.”).

nounced that the “minimum contacts” formulation of jurisdiction extended to in rem actions,⁴³ it made clear that the location of property in a state does not necessarily create jurisdiction over it, though it does “bear on the existence of jurisdiction.”⁴⁴

After a period of considerable uncertainty about the law of personal jurisdiction for Internet-based activities, this area is becoming fairly predictable. The analysis presented here assumes that the court would apply either the Due Process Clause or a state “long-arm statute” that authorizes courts of the relevant state to exercise jurisdiction to the full extent allowed by due process.⁴⁵ In addition, I restrict my attention to an exercise of specific jurisdiction—that is, a suit against a non-resident defendant for a cause of action arising from the defendant’s activities in the forum.⁴⁶

A federal district court will most likely have to exercise specific personal jurisdiction over an ICV defendant. Most circuits have adopted a three-prong test that frames the minimum contacts standard of *International Shoe* for the specific jurisdiction context. In the Ninth Circuit, for example, the nonresident defendant must purposely avail himself of the laws of the forum state, the claim must arise from the defendant’s activities in that state, and the court must find it reasonable to exercise jurisdiction over the nonresident defendant.⁴⁷

1. Purposeful Availment

Courts have taken three approaches to assessing whether Internet contacts constitute purposeful availment of the laws of the forum

⁴³ *Shaffer*, 433 U.S. at 207 (“The standard for determining whether an exercise of jurisdiction over the interests of persons is consistent with the Due Process Clause is the minimum-contacts standard elucidated in *International Shoe*.”). *Shaffer* also notes that in rem jurisdiction “is a customary elliptical way of referring to jurisdiction over the interests of persons in a thing.” *Id.* (quoting RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 56 (Introductory Note 1971)).

⁴⁴ *Id.* at 207.

⁴⁵ California, for example, authorizes its state courts to exercise jurisdiction “on any basis not inconsistent with the Constitution of this state or of the United States.” CAL. CIV. PROC. CODE § 410.10 (West 2004). Not all states, however, permit such expansive exercises of jurisdiction.

⁴⁶ See *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 nn.8-9 (1984) (approving of “specific” and “general” categories of personal jurisdiction). The Ninth Circuit briefly held a catalog- and Internet-based company subject to general jurisdiction, but this exceptional ruling was later vacated. See *Gator.com Corp. v. L.L. Bean, Inc.*, 341 F.3d 1072, 1078 (9th Cir. 2003), *vacated*, 398 F.3d 1125 (9th Cir. 2005).

⁴⁷ *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1320 (9th Cir. 1998) (quoting *Omeluk v. Langsten Slip & Batbyggeri A/S*, 52 F.3d 267, 270 (9th Cir. 1995)).

state. The first approach is simply to decide whether a particular defendant has purposefully availed himself of the laws of the forum state.⁴⁸ The Ninth Circuit's gloss on purposeful availment requires that a defendant "has taken deliberate action within the forum state or if he has created continuing obligations to forum residents."⁴⁹ Alternatively, when a defendant has "performed some type of affirmative conduct which allows or promotes the transaction of business within the forum state,"⁵⁰ exercise of jurisdiction is proper.

Examples of continuing obligations include selling insurance or extending loans to the residents of a forum state.⁵¹ If an ICV conducts only discrete commercial transactions, it seems unlikely to be found to have continuing obligations. Shipping cigarettes to a forum state's residents does not create an ongoing relationship with any particular person in the state, the way that insurance or a loan does.⁵² However, an ICV that ships cigarettes to a forum state would probably be seen to have "taken deliberate action" in that state. The Ninth Circuit has found this standard satisfied by as little as the out-of-state publication of comments that a state resident alleged to be defamatory.⁵³ Although an allegedly defamatory publication is not directly analogous to conducting commerce over the Internet, the fact that this kind of passive activity was held to be "deliberate action" in the forum state suggests that sending cigarettes to residents of a forum state—a more individualized interaction, where it is necessary to learn the location of the website visitor and recipient—is also deliberate action. An ICV is likely to be found to purposefully avail itself of a forum state's laws under this "traditional" approach.

The second approach to purposeful availment "comes clos[e] to a special doctrine of personal jurisdiction for the Internet."⁵⁴ This approach, which was first articulated in *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*,⁵⁵ evaluates purposeful availment according to a

⁴⁸ See *Inset Sys., Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161, 165 (D. Conn. 1996) (holding that a company whose website and toll-free number were available to residents of a state had "purposefully availed itself of the privilege of doing business within" that state).

⁴⁹ *Ballard v. Savage*, 65 F.3d 1495, 1498 (9th Cir. 1995).

⁵⁰ *Sher v. Johnson*, 911 F.2d 1357, 1362 (9th Cir. 1990).

⁵¹ *Id.* (discussing such examples).

⁵² See *Ballard*, 65 F.3d at 1499 (noting that insurance entails a "continuing obligation" to a state resident).

⁵³ *Nw. Healthcare Alliance Inc. v. Healthgrades.com, Inc.*, 50 Fed. Appx. 339, 341 (9th Cir. 2002).

⁵⁴ Note, *No Bad Puns: A Different Approach to the Problem of Personal Jurisdiction and the Internet*, 116 HARV. L. REV. 1821, 1831 (2003).

⁵⁵ 952 F. Supp. 1119 (W.D. Pa. 1997).

single "sliding scale" that makes the interactivity and business capabilities of a website.⁵⁶ At one end of the scale are highly interactive, clearly commercial websites, which support jurisdiction.⁵⁷ At the other end are passive websites, which do not create jurisdiction.⁵⁸ Websites with some interactive, commercial features might support jurisdiction under *Zippo*.⁵⁹ This uncertainty is leading some courts away from the *Zippo* approach.⁶⁰

ICV websites fit squarely within the kinds of sites that lead courts applying *Zippo* to find specific jurisdiction. The conduct of commercial activity on a website is at the jurisdiction-affirmative end of *Zippo*'s scale. ICV websites allow users to browse the ICV's inventory and place orders for cigarettes.⁶¹ ICVs engage in "'something more' than 'mere advertisement or solicitation,'"⁶² they run sophisticated electronic commerce operations that allow residents of a different state to shop for and purchase cigarettes from the ICV.

A plaintiff should not, however, rely solely upon *Zippo* as the standard for specific personal jurisdiction. The sense that *Zippo* incorporates a certain conception of technology, and the accompanying unsteady evolution of the test, have led some courts to look to a third approach to purposeful availment on the Internet.⁶³ Courts are increasingly turning, or returning, to a purposeful availment inquiry, albeit with a more realistic approach to activity on the Internet than was

⁵⁶ Some courts seem to collapse the entire minimum contacts analysis into the *Zippo* test. See, e.g., *Mink v. AAAA Dev. LLC*, 190 F.3d 333, 336 (5th Cir. 1999) (discussing minimum contacts solely in terms of *Zippo*).

⁵⁷ *Zippo*, 952 F. Supp. at 1124.

⁵⁸ *Id.*

⁵⁹ See Michael A. Geist, *Is There a There There? Toward Greater Certainty for Internet Jurisdiction*, 16 BERKELEY TECH. L.J. 1345, 1376-80 (2001) (arguing that most websites fall into *Zippo*'s middle category, that the standards for activity and passivity change, and that the commercial activity focus results in overbroad and underinclusive assertions of jurisdictions).

⁶⁰ See Paul Schiff Berman, *The Globalization of Jurisdiction*, 151 U. PA. L. REV. 311, 415-18 (2002) (criticizing *Zippo* approach as "unstable and difficult to apply," and citing cases that take different approaches). *But see Gator.com Corp. v. L.L. Bean, Inc.*, 341 F.3d 1072, 1079-80 (9th Cir. 2003) (extending *Zippo* approach to general jurisdiction), *vacated*, 398 F.3d 1125 (9th Cir. 2005).

⁶¹ See, e.g., Cigarettes at Discount Prices-Cheap Cigarettes, <http://www.esmokes.com> (last visited Feb. 17, 2006) (select "Camel" from "Premium Cigarettes" drop down menu) (listing prices for cartons of Camel cigarettes and providing facilities for ordering cigarettes).

⁶² *Gator.com Corp.*, 341 F.3d at 1080 (quoting *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 418 (9th Cir. 1997)).

⁶³ See Berman, *supra* note 60, at 412-20 (collecting cases that avoid the *Zippo* test); Geist, *supra* note 59, at 1360-80 (also collecting cases that avoid the *Zippo* test).

displayed in the reasoning of early cases.⁶⁴ This post-*Zippo* approach derives from the “effects test” of *Calder v. Jones*.⁶⁵ Under *Calder*, jurisdiction is proper when “(1) intentional act[ions] . . . (2) expressly aimed at the forum state . . . (3) caus[e] harm, the brunt of which is suffered[,] and which the defendant knows is likely to be suffered[,] in the forum state.”⁶⁶

The Ninth Circuit has interpreted the “express aiming” element as a requirement that the defendant engage in an “individualized targeting” of a forum state’s known residents.⁶⁷ For example, in *Calder* itself, the Court held that a Florida resident’s selection of a California resident as the subject of an allegedly defamatory news story was “expressly aimed” at California.⁶⁸ Other examples of express aiming include fraudulently sending a letter on behalf of a forum resident⁶⁹ and sending a letter to a forum resident to demand that the resident stop using a domain name.⁷⁰ By contrast, “express aiming” is absent when a defendant’s “essentially passive” website contains material that allegedly infringes the rights of a trademark holder, of whom the defendant is unaware.⁷¹

A general objection that an ICV could raise to the exercise of personal jurisdiction is that it does not avail itself of the forum state’s laws at all. Indeed, the ICV might argue, as defendant ICV did in *Washington Department of Revenue v. www.dirtcheapcig.com, Inc. (Dirtcheap)*,⁷² that the ICV takes care to establish by contract that all of its sales are conducted in the ICV’s home state, and the buyer assumes responsibility for paying any applicable tax in his or her home

⁶⁴ For an example of a somewhat wooden application of the purposeful availment framework, see *Inset Sys., Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161, 165 (D. Conn. 1996).

⁶⁵ 465 U.S. 783 (1984).

⁶⁶ *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000).

⁶⁷ *Id.* at 1088.

⁶⁸ *Calder*, 465 U.S. at 789-90 (noting, in addition, clear satisfaction of intentional action and knowledge that the story would have a “potentially devastating” impact on the plaintiff).

⁶⁹ *Metro. Life Ins. Co. v. Neaves*, 912 F.2d 1062, 1065 (9th Cir. 1990) (finding “purposeful[] defrauding” of forum resident critical to exercise of jurisdiction).

⁷⁰ *Bancroft*, 223 F.3d at 1084-85, 1088.

⁷¹ *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 420 (9th Cir. 1997) (affirming dismissal for lack of personal jurisdiction over such a defendant). See *Bancroft*, 223 F.3d at 1088 (characterizing *Cybersell*’s result as consistent with the *Calder* effects test).

⁷² 260 F. Supp. 2d 1048, 1052 (W.D. Wash. 2003).

state. Dirtcheap's website, like many other ICV websites, purports to establish these two conditions.⁷³

Whatever merit the general enforceability of "clickwrap" contracts may lend to a glance at Dirtcheap's argument, there is an essential difference between the role it asserts for such a contract and those that have been enforced by courts. Courts have been willing to enforce online contracts that pertain to acceptable subject matter for contracting, such as the rights and duties of parties to a commercial transaction.⁷⁴ The fact that a court will enforce an ordinary commercial contract that happens to be formed over the Internet, however, does not suggest that rules pertaining to the substance of contract no longer exist. In particular, the Internet does not confer an ability to rewrite public law. The *Dirtcheap* court noted this limitation on contract enforceability in rejecting Dirtcheap's argument.⁷⁵ Thus, while a defendant might be able to argue in some circumstances that he or she has agreed not to be subject to the laws of a specific state, those circumstances do not include agreements to alter compliance with federal and state tax law. To summarize, a state plaintiff can most likely show that an ICV that sells cigarettes to the state's residents purposefully avails itself of the state's laws.

2. Claims Arising from Forum Contacts

A state plaintiff suing an ICV must establish that its claim against the ICV arises from the ICV's contacts with the state. In the Ninth Circuit, this means that the plaintiff must establish that it would not have suffered injury but for the ICV's contacts that constitute purposeful availment.⁷⁶ Often this requirement is deemed satisfied with little analysis.⁷⁷ Such was the case in *Panavision International, L.P. v. Toeppen*.⁷⁸ Plaintiff Panavision alleged that defendant Toeppen had

⁷³ *Dirtcheapcig.com*: The Last Refuge of the Persecuted Smoker, <http://www.dirtcheapcigs.com/> (last visited Jan. 29, 2006) (declaring that all sales occur in Kentucky, and that the buyer may be responsible for paying state tax); *Tobacco4less.com*: Your Online Discount Tobacco Store, <http://www.tobacco4less.com/> (last visited Feb. 25, 2004) (declaring that all sales occur in Virginia, and that the buyer may be responsible for paying state tax).

⁷⁴ "Clickwrap" contracts are generally enforceable, so long as the offeree-buyer has an opportunity to review the contract's terms before the sale is complete, and some manifestation of the buyer's assent is recorded. See *Hill v. Gateway 2000, Inc.*, 105 F.3d 1147, 1148-49 (7th Cir. 1997) (enforcing arbitration clause in a form contract, which the plaintiff had never read, accompanying a new computer).

⁷⁵ *www.dirtcheapcig.com*, 260 F. Supp. 2d at 1051-53.

⁷⁶ *Doe v. UNOCAL Corp.*, 248 F.3d 915, 925 (9th Cir. 2001).

⁷⁷ See, e.g., *Ziegler v. Indian River County*, 64 F.3d 470, 474 (9th Cir. 1995).

⁷⁸ 141 F.3d 1316 (9th Cir. 1998).

registered some of plaintiff's trademarks as domain names.⁷⁹ The Ninth Circuit concluded that Panavision would not have suffered this injury if Toeppen had not registered these domain names.⁸⁰

*Callaway Golf Corp. v. Royal Canadian Golf Ass'n*⁸¹ furnishes an example of where a plaintiff failed to show a sufficient relationship between its alleged injury and the defendant's forum related activities. In *Callaway*, defendant golf association banned golf clubs that possessed a "spring-like" effect from its tournaments.⁸² In its announcement of this rule, the defendant named several of the plaintiff's clubs.⁸³ Plaintiff filed suit in California for, among other things, trade libel, and sought to establish jurisdiction based upon the defendant's website, which was accessible to California residents.⁸⁴ The court not only expressed doubt that the website constituted purposeful availment, but, finding the website unrelated to any of plaintiff's claims, it also held that "it cannot be said that 'but-for' defendant's commercial activity on its Web site, plaintiff would not have suffered the injuries defendant allegedly caused."⁸⁵

A state suing an ICV is unlikely to have difficulty establishing a but-for connection between its Jenkins Act claim and the ICV's contacts in the state. The Jenkins Act injury that the state would allege consists of the ICV's failure to report cigarette sales to the state's tax authority.⁸⁶ As the *Dirtcheap* court noted, it is the ICV's duty to file Jenkins Act reports for sales made to state residents.⁸⁷ Since this failure to report is also the state's injury, the arising-from prong is met.⁸⁸

If the state brings broader claims—state tax or unfair competition claims, for example—this prong could still probably be satisfied. The ICV defendant's website and shipment of cigarettes to forum residents provide the underlying conduct for the unfair competition claim. Thus, the ICV has little room to argue that the state's unfair competition does not arise from activities in the forum. Meeting this requirement as to state tax claims could be more difficult. The outcome of the tax claim will depend on the details of state law, specifically whether a vendor or a buyer is obligated to pay tax for cigarettes shipped into

⁷⁹ *Id.* at 1318.

⁸⁰ *Id.* at 1322.

⁸¹ 125 F. Supp. 2d 1194 (C.D. Cal. 2000).

⁸² *Id.* at 1198-99.

⁸³ *Id.* at 1198.

⁸⁴ *Id.* at 1197.

⁸⁵ *Id.* at 1204.

⁸⁶ 15 U.S.C. § 376(a) (2000); Wash., Dep't of Revenue v. *www.dirtcheapcig.com, Inc.*, 260 F. Supp. 2d 1048, 1052-53 (W.D. Wash. 2003).

⁸⁷ *www.dirtcheapcig.com*, 260 F. Supp. 2d at 1053.

⁸⁸ *See id.*

the forum state. If state law requires the vendor to pay this tax, then the Jenkins Act analysis, set forth above, applies. If, on the other hand, state law requires the buyer to pay the tax, then the ICV would have a fair argument that the but-for cause of the state's injury lies with the state's residents. The state could argue against this strict sense of causation on the grounds that, but for the ICV's activities in the forum state, residents would not have the opportunity to buy tobacco without paying state tax.⁸⁹ Also, the predicted objection discussed here goes more to a question of merit, namely, the question of who is obligated to pay state tax, than it goes to jurisdiction. Moreover, this prong only requires that the state's claims be related to the ICV's forum-related activities, not those that take place in the forum state itself. These activities include the forum state's residents doing business with the ICV.⁹⁰

3. Reasonableness

Finally, a court must decide whether its exercise of jurisdiction would be reasonable and "does not offend 'traditional notions of fair play and substantial justice.'" ⁹¹ Most courts use standards that require the balancing of several factors to determine reasonableness,⁹² and in practice this often turns application of the standard into a fact-specific exercise involving little appeal to precedent.⁹³ Other courts simply

⁸⁹ The *Dirtcheap* court offered little more than a conclusory statement: "But for *Dirtcheap's* alleged cigarette sales to Washington consumers, the State would not have suffered this injury." *Id.* at 1052-53.

⁹⁰ See *RIO Props., Inc. v. Rio Int'l Interlink*, 284 F.3d 1007, 1021 (9th Cir. 2002) (holding that a Costa Rican firm that operated a gambling website could be sued by a Nevada resort for trademark infringement, because the resort's injury occurred in Nevada).

⁹¹ *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

⁹² Courts in the Ninth Circuit, for example, consider seven factors in their reasonable inquiry:

- (1) the extent of a defendant's purposeful interjection;
- (2) the burden on the defendant in defending in the forum;
- (3) the extent of conflict with the sovereignty of the defendant's state;
- (4) the forum state's interest in adjudicating the dispute;
- (5) the most efficient judicial resolution of the controversy;
- (6) the importance of the forum to the plaintiff's interest in convenient and effective relief; and
- (7) the existence of an alternative forum.

RIO Props., 284 F.3d at 1021 (citing *Core Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1488 (9th Cir. 1993)). Other circuits use similar collections of factors. See *Metropolitan Life Ins. Co. v. Robertson-Ceco Corp.*, 84 F.3d 560, 577-78 (2d Cir. 1996) (Walker, J., dissenting) (surveying unreasonableness tests in a number of circuits).

⁹³ See, e.g., *RIO Props.*, 284 F.3d at 1021 (briefly reviewing each factor).

note that the defendant did not raise the issue of unreasonableness.⁹⁴ Jurisdiction is presumed reasonable⁹⁵ unless the defendant presents a “compelling case” against reasonableness.⁹⁶ While the state attorney general seeking domain name seizure would have good arguments for each factor considered in the reasonableness inquiry, he or she might wish to emphasize that the state has a strong interest in adjudicating the dispute in order to minimize the loss of tax revenue and protect the health of its citizens.

D. Jurisdiction over Things (In Rem Jurisdiction)

As explained in the next Part, domain name’s situs is probably in the judicial district of the domain name registry; for .com domain names, this is the Eastern District of Virginia.⁹⁷ However, any relief obtained against a domain name is not effective against an ICV; the ICV can choose a different domain name, or simply choose a foreign top-level domain (TLD).⁹⁸ For these reasons, the state probably will not be able to accomplish its goals by bringing a suit in rem against an ICV.

III. THE DOMAIN NAME SYSTEM

This section provides technical and institutional background that a plaintiff suing an online tobacco retailer should consider when deciding whom to sue, where to bring a lawsuit, and how to structure proposed relief.

A. General Background

The Domain Name System (DNS) translates alphanumeric domain names, such as “affordablecigs.com,” into the numerical addresses that computers connected to the Internet actually use to

⁹⁴ Panavision Int’l, L.P. v. Toeppen, 141 F.3d 1316, 1323 (9th Cir. 1998).

⁹⁵ Nissan Motor Co., Ltd. v. Nissan Computer Corp., 89 F. Supp. 2d 1154, 1160 (C.D. Cal. 2000).

⁹⁶ Gator.com Corp. v. L.L. Bean, Inc., 341 F.3d 1072, 1081 (9th Cir. 2003), *vacated*, 366 F.3d 789 (9th Cir. 2004).

⁹⁷ VeriSign, Inc., COM NET Registry for Domain Registrars, <http://www.verisign.com/information-services/naming-services/com-net-registry/index.html> (last visited May 8, 2006) (stating that “VeriSign’s COM NET Registry is the authoritative registry for .com and .net domain names”); GlobalSantaFe Corp. v. GlobalSantaFe.com, 250 F. Supp. 2d 610, 614-15 (E.D. Va. 2003) (stating that VeriSign’s .com registry is located in the Eastern District of Virginia).

⁹⁸ See *supra* Part III.B for a discussion of Yesmoke’s election to use a Swiss TLD.

communicate with each other.⁹⁹ Two components of a domain name are of interest here because of their jurisdictional consequences. One component is the TLD—“.com” in the case of *affordablecigs.com*.¹⁰⁰ Each TLD is administered by a single *registry*.¹⁰¹ The company VeriSign, for example, is the registry for the .com TLD.¹⁰² The second component of interest is the second-level domain name—e.g., *affordablecigs*.¹⁰³ Domain name *registrars* process domain name registrations.¹⁰⁴ For example, a person wishing to register “*affordablecigs.com*” would visit a registrar (or, more often, a registrar’s website) to check whether the domain name has been registered. If no one has registered the name, the registrar will pair “*affordablecigs.com*” with a numerical Internet Protocol (IP) address and then send this pair to the .com registry.¹⁰⁵ The registry will then enter the domain name-IP address pair into its top-level “zone file.”¹⁰⁶ Finally, once the updated zone file propagates throughout the DNS, Internet users worldwide will have access to the computer at “*affordablecigs.com*.”

At the end of a successful registration, the domain name registrant will have conducted business directly with a registrar and indirectly with a registry. There is general agreement that any domain name registered with a U.S.-based registry is subject to an in rem action under the Anticybersquatting Consumer Protection Act¹⁰⁷ in the judicial district of the registry, regardless of whether the domain name registrant resides in the United States or elsewhere.¹⁰⁸ Actions brought

⁹⁹ See Internet Corp. for Assigned Names and Numbers (ICANN), FAQs, <http://www.icann.org/faq/#dns> (last visited May 16, 2006) (answering the question, “What is the Domain Name System?”).

¹⁰⁰ *GlobalSantaFe*, 250 F. Supp. 2d at 618-19.

¹⁰¹ See ICANN, Registry Listing, <http://www.icann.org/registries/listing.html> (last visited May 16, 2006).

¹⁰² ICANN, .com Registry Agreement (May 25, 2001), <http://www.icann.org/tlds/agreements/verisign/registry-agmt-com-25may01.htm>.

¹⁰³ *GlobalSantaFe*, 250 F. Supp. 2d at 619.

¹⁰⁴ See ICANN, FAQs, *supra* note 99 (answering the question, “How do I register a domain name?” with “Domain names can be registered through many different companies (known as ‘registrars’) that compete with one another.”).

¹⁰⁵ *GlobalSantaFe*, 250 F. Supp. 2d at 619 (“Registering, transferring, or deleting a domain name typically involves interaction between the registrar and the registry.”).

¹⁰⁶ *GlobalSantaFe*, 250 F. Supp. 2d at 618-19.

¹⁰⁷ Pub. L. No. 106-113, 113 Stat. 1501A-545 (1999) (codified at 15 U.S.C. § 1125(d) (2003)).

¹⁰⁸ See, e.g., *Am. Online, Inc. v. AOL.org*, 259 F. Supp. 2d 449, 451 (E.D. Va. 2003) (ordering U.S.-based registry to transfer domain name registered by a resident of South Korea who exhibited “no evidence that he has any contacts with the United States or Virginia”).

against the domain name registrants themselves are subject to more stringent showings of contacts between the registrant and the district where the suit is filed.¹⁰⁹ Still, the federal courts have displayed considerable willingness to enter default judgments against foreign defendants who have no contact with the United States, aside from a website.¹¹⁰

B. Domain Names: Property Interests and Situs

Domain name registrants are generally considered to have property rights in their domain names,¹¹¹ though this property right may include little more than the right to exclude others from using the same domain name.¹¹² The Ninth Circuit, in *Kremen v. Cohen*,¹¹³ gave a thorough argument for viewing domain names as property. In general, a property interest exists when (1) there is “an interest capable of precise definition;” (2) the interest is “capable of exclusive possession or control;” and (3) the “putative owner [has] established a legitimate claim to exclusivity.”¹¹⁴ The *Kremen* court found domain names to be well-defined interests because they perform a specific function (directing Internet users to a specific computer), which the owner of the domain name exclusively can control.¹¹⁵ Further evidence of exclusive control is the ability of registrants to buy and sell domain names.¹¹⁶ Finally, the court noted that the centralized system for domain name registration allowed registrants easily to demonstrate a claim to exclusivity.¹¹⁷

¹⁰⁹ That is, the court must have personal jurisdiction over the defendant. See discussion *supra* Part II.A.

¹¹⁰ See generally *Rio Props., Inc. v. Rio Int'l Interlink*, 284 F.3d 1007, 1021 (9th Cir. 2002) (upholding exercise of personal jurisdiction over Costa Rican defendant and affirming entry of default judgment against that defendant).

¹¹¹ *Kremen v. Cohen*, 337 F.3d 1024, 1029 (9th Cir. 2003) (citing *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80, 86 (Va. 2000)); *Network Solutions, Inc. v. Clue Computing, Inc.*, 946 F. Supp. 858, 860 (D. Colo. 1996). See also *Nissan Motor Co., Ltd. v. Nissan Computer Corp.*, No. CV 99-12980 DDP (Mex), 2001 U.S. Dist. LEXIS 23996, at *29 (C.D. Cal. Dec. 5, 2001) (“[D]efendant owns the registration of a domain name. That ownership bestows upon the defendant only the right to have Internet users go to the defendant’s web site when a user types the domain name into a web browser. Absent a basis for claiming broader intellectual property rights in a domain name, a domain name is an address, nothing more.”).

¹¹² *Nissan Motor Corp.*, 2001 U.S. Dist. LEXIS 23996 at *29.

¹¹³ 337 F.3d at 1024.

¹¹⁴ *Id.* at 1030 (quoting *G.S. Rasmussen & Assocs., Inc. v. Kalitta Flying Serv., Inc.*, 958 F.2d 896, 906 (9th Cir. 1992)).

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.*

The situs of a domain name is open to some question in non-trademark cases. Congress, in the Anticybersquatting Consumer Protection Act of 1999 (ACPA),¹¹⁸ has quite specifically defined the situs of a domain in cases in which a trademark owner seeks to strip a bad faith domain name registrant—a so-called “cybersquatter”—of the name by means of an action in rem. The situs in such cases is

the judicial district in which (i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or (ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.¹¹⁹

Courts have been aggressive in their application of the ACPA’s in rem provision. In *GlobalSantaFe Corp. v. GlobalSantaFe.com*,¹²⁰ for example, a federal district court ordered a domestic registry and a Korean registrar to cancel the registration held by a Korean citizen, despite a Korean court’s ordering the registrar not to effect the cancellation, and the registrant’s acknowledged lack of ties to the United States.¹²¹ The court in this case did note, however, that “the physical location of the ‘.com’ registry within this district is quite significant, for it is the location of the registry here which establishes the situs of the power to transfer or cancel the domain name. . . .”¹²²

It does not appear that any plaintiff has attempted to bring an in rem action against a domain name for reasons other than violation of a trademark right, nor have any cases appeared in which a plaintiff attempted to extend the ACPA’s in rem provision to other contexts. The reasoning of the *GlobalSantaFe* court in the ACPA context, however, might provide grounds in non-ACPA cases to find domain name situs in the judicial district of the registry. This means that other kinds of in rem actions against .com domain names would have to be filed in the Eastern District of Virginia.

A further limitation on in rem actions is the possibility that the domain name in question is registered under a foreign TLD. At least one ICV appears to have taken note of the relatively low safeguards for non-resident domain name registrants. Yesmoke, a Swiss ICV,

¹¹⁸ 15 U.S.C. § 1125(d) (2003).

¹¹⁹ § 1125(d)(2)(C)(i)-(ii).

¹²⁰ 250 F. Supp. 2d 610 (E.D. Va. 2003).

¹²¹ *Id.* at 613-14, 626. For a thorough review of how the DNS’s structure affects the execution of judgments against domain names, see *id.* at 617-24.

¹²² *Id.* at 623.

automatically redirects anyone who visits “yesmoke.com” to “yesmoke.ch.” Recently, however, Philip Morris scored a victory that could lead to a test of the effectiveness of domain name seizure as a means to control ICVs: a federal district court ordered the transfer of the domain name yesmoke.com to Philip Morris as part of the judgment for Philip Morris in a trademark infringement suit.¹²³

IV. TRADEMARKS

To understand why the government’s use of a seized domain could create liability for trademark infringement, it is necessary to remember that a domain name and a trademark involve separate sets of property rights. Registering a domain name does not establish trademark rights.¹²⁴ Conversely, forfeiting a domain name that contains a protectable term does not extinguish trademark rights in the term.¹²⁵ Thus, if the state seeks transfer of the domain name as part of an equitable remedy, the court might consider the ICV’s trademark interests in the domain name before ordering its transfer. Alternatively, if a state obtains the right to register a domain name as part of a judgment against an ICV, the state’s subsequent use of the domain name could infringe the ICV’s trademark interests in the terms contained in the domain name.

This liability may be either of two types that arise under federal trademark law (the Lanham Act): direct infringement and dilution. It is unlikely that either of these claims against a unit of a state government would prevail, because it is unlikely that the government’s conduct would meet the legal standard for infringement or dilution. Moreover, even if a unit of state government is found to infringe or dilute an ICV’s mark, it would be liable at most for an injunction. The

¹²³ Philip Morris USA, Inc. v. Otamedia, Ltd., 331 F. Supp. 2d 228, 230-31 (S.D.N.Y. 2004). The magistrate judge in that case also recommended that Philip Morris be awarded treble damages totaling \$173 million. Philip Morris USA Inc. v. Otamedia Ltd., No. 02 Civ. 7575, 2005 U.S. Dist. LEXIS 1259, at *24 (S.D.N.Y. Jan. 28, 2005) (magistrate judge’s report and recommendations).

¹²⁴ As discussed below, acquiring trademark rights in a domain name requires proof that the name is “distinctive,” as defined by the Lanham Act and the case law. See *infra* Part IV.B.

¹²⁵ The Lanham Act provides that nonuse of a trademark for three consecutive years is prima facie evidence of trademark abandonment. 15 U.S.C. § 1127 (2003) (trademark abandonment is a defense that a defendant may assert in an infringement action, and, if proven, effectively indicates the termination of the trademark holder’s exclusive right to use the mark under the Lanham Act). See *Tumblebus Inc. v. Cranmer*, 399 F.3d 754, 764-65 (6th Cir. 2005). Ceasing to use a trademark as a domain name clearly does not amount to nonuse, as required by 15 U.S.C. § 1127, unless there is no other use of the mark.

Eleventh Amendment bars suits for damages from states under the Lanham Act.¹²⁶ Nonetheless, it is worth considering whether a state could incur trademark infringement or dilution liability, especially because the likelihood of prospective liability could cause the state to obtain narrower equitable relief than it seeks.

A. Trademark Infringement

A trademark is “any word, name, symbol, or device, or any combination thereof” that is used in commerce to distinguish the trademark holder’s goods.¹²⁷ Federal trademark protection¹²⁸ confers a “limited property right” that consists primarily of the exclusive right to use the mark in commerce.¹²⁹ The basic economic purposes of trademark protection are to prevent competitors from free-riding on the goodwill established by a brand, and to provide an incentive for firms to devote resources to “the creation of new . . . resources.”¹³⁰ In order to succeed in a claim for trademark infringement, a plaintiff must (1) hold a valid, registered trademark; (2) demonstrate that the defendant has used the mark “in commerce” in a manner that is “likely to cause confusion, or to cause mistake, or to deceive;”¹³¹ and (3) refute defendant’s infringement-related defenses, if any are offered.¹³²

¹²⁶ See *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999) (barring suit against state for damages related to trademark infringement claim).

¹²⁷ 15 U.S.C. § 1127 (2000). The Lanham Act also protects other aspects of trade-related labeling, such as service marks, 15 U.S.C. § 1127 (“service mark” means any word . . . used . . . to identify and distinguish the services of one person”) and trade dress (the design and shape of a product or its packaging, *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209 (2000)). For the sake of simplicity, it is assumed that the ICV will assert an interest in a trademark. Since the other categories of marks are protectable in the same ways as trademarks under the Lanham Act, the legal analysis of them is identical.

¹²⁸ Only federal trademark law is discussed here, but “California trademark law claims are ‘substantially congruent’” with federal claims. *Playboy Enters., Inc. v. Netscape Commc’n Corp.*, 354 F.3d 1020, 1024 n.10 (9th Cir. 2004) (quoting *Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1152 (9th Cir. 1996)).

¹²⁹ *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 305-06 (9th Cir. 1992).

¹³⁰ *Id.* at 306 n.3.

¹³¹ 15 U.S.C. § 1114(1)(a) (2005).

¹³² See *Tumblebus Inc. v. Cranmer*, 399 F.3d 754, 764-76 (6th Cir. 2005) (considering, in the context of a preliminary injunction, trademark abandonment and first-sale defenses as possible reasons that the plaintiff was unlikely to succeed on the merits of its trademark infringement claim).

B. Protectable Trademarks

A trademark must be both registered and valid in order to be protectable against infringement under the Lanham Act.¹³³ Registration simply refers to the listing of a trademark in the Principal Register¹³⁴ of the U.S. Patent and Trademark Office (PTO). Before listing a mark in the Principal Register, the PTO must determine that the mark is distinctive.¹³⁵ A mark that lacks distinctiveness must be refused registration.¹³⁶

Registration provides evidence that the mark is valid, but its validity may be challenged in infringement litigation.¹³⁷ Typically, a party defending against infringement will attempt to show that the mark is not valid because it is not distinctive. Courts have developed a number of categories to guide this determination. A trademark might be “inherently distinctive,”¹³⁸ meaning that “its intrinsic nature serves to identify a particular source.”¹³⁹ “Arbitrary,”¹⁴⁰ “fanciful,”¹⁴¹ and “suggestive”¹⁴² marks are inherently distinctive. On the other hand, a

¹³³ See § 1114(1) (defining infringement as a cause of action that a “registrant” may bring).

¹³⁴ See § 1052 (establishing Principal Register in Patent and Trademark Office).

¹³⁵ See § 1052 (stating requirement for distinctiveness in the negative: “No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature. . . .”). Other bars against registrability include “immoral, deceptive, or scandalous matter,” and elements of government seals in the mark. See § 1052(a)-(b).

¹³⁶ See § 1052(e)(1) (providing that a “merely descriptive” mark is ineligible for registration).

¹³⁷ § 1057(b); § 1115(a) (providing that evidence of registration on the principal register is admissible as prima facie evidence of the mark’s validity); *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 782-83 (9th Cir. 2002) (noting that the presumption of validity in § 1115(a) is rebuttable).

¹³⁸ *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210-11 (2000) (citing “Camel” cigarettes” as an “arbitrary” mark, “Kodak” film” as “fanciful”, and “Tide” laundry detergent” as “suggestive”).

¹³⁹ *Id.* at 210 (internal quotation and citation omitted).

¹⁴⁰ *Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1058 n.19 (9th Cir. 1999) (defining an arbitrary mark as one consisting of “wholly made-up terms” and having no “intrinsic connection” to the product). See, e.g., *Clorox Chem. Co. v. Chlorit Mfg. Corp.*, 25 F. Supp. 702 (E.D.N.Y. 1938) (“Clorox” bleach); *Wal-Mart*, 529 U.S. at 210 (“Camel” cigarettes).

¹⁴¹ *Brookfield*, 174 F.3d at 1058 n.19 (defining a fanciful mark as one consisting of a common word or words, but having no “intrinsic connection” to the product). See, e.g., *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149 (9th Cir. 1963) (“Black & White” scotch whiskey); *Wal-Mart*, 529 U.S. at 210 (“Kodak”).

¹⁴² *Brookfield*, 174 F.3d at 1058 n.19 (defining a suggestive mark as one that “conveys an impression of a good but requires the exercise of some imagination and perception to reach a conclusion as to the product’s nature”); *id.* (citing “Roach Mo-

merely “descriptive” mark, which describes the “quality or features of the product,”¹⁴³ might be protectable if it has acquired “secondary meaning,” which means that “in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.”¹⁴⁴ “Generic” marks, which use common words to indicate their source, are not protectable.¹⁴⁵ The existence of secondary meaning is a factual matter¹⁴⁶ that can be inferred from the presence of such factors as the “amount and manner of advertising, volume of sales, and length and manner of use.”¹⁴⁷ There are no firm, quantitative guidelines to how much weight to accord these factors, but one court found that more than thirty years of sales in a region, during which the trademark holder had spent more than \$400,000 on advertising and had sold nearly one million units of its product, provided circumstantial evidence that “weighed heavily” in favor of secondary meaning.¹⁴⁸ Direct evidence, typically in the form of consumer surveys, is also admissible as evidence of secondary meaning.¹⁴⁹

An ICV might be able to show that it has a protectable trademark interest in its domain name. Establishing this interest, however, would take considerable work. Simply registering a domain name does not confer trademark protection upon the registrant.¹⁵⁰ Few ICVs appear to have taken the additional step of registering their domain names as trademarks with the U.S. PTO. A search for registered trademarks including variations of “cigarette” and “cheapcig” returned a total of three domain names, and they are all abandoned.¹⁵¹ Finally, many

tel” as an example); *Wal-Mart*, 529 U.S. at 210 (citing “Tide” laundry detergent as an example of a suggestive mark).

¹⁴³ *Brookfield*, 174 F.3d at 1058 n.19.

¹⁴⁴ *Wal-Mart*, 529 U.S. at 211 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982)); *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 163 (1995) (stating that “descriptive words on a product (say, ‘Trim’ on nail clippers or ‘Car-Freshener’ on deodorizer) can come to indicate a product’s origin[.]” and thereby acquire secondary meaning).

¹⁴⁵ See *Brookfield*, 174 F.3d at 1058 n.19 (citing “Blinded Veterans,” “Light Beer,” and “Lite Beer” as examples).

¹⁴⁶ *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 794 (5th Cir. 1983).

¹⁴⁷ *Id.* at 795.

¹⁴⁸ *Id.*

¹⁴⁹ See *Playboy Enters., Inc. v. Netscape Commc’n Corp.*, 354 F.3d 1020, 1026 n.28 (9th Cir. 2004) (“Surveys are commonly introduced as probative evidence of actual confusion.”).

¹⁵⁰ See *Nissan Motor Co., Ltd. v. Nissan Computer Corp.*, No. CV 99-12980 DDP (Mex), 2001 U.S. Dist. LEXIS 23996, at *29 (C.D. Cal. Dec. 5, 2001) (“Absent a basis for claiming broader intellectual property rights in a domain name, a domain name is an address, nothing more.”).

¹⁵¹ See U.S. Patent & Trademark Office, <http://www.uspto.gov> (follow

ICVs' domain names contain variations on or abbreviations of "cigarette"—these names are likely to be found to be descriptive, and thus not a protectable mark in the absence of a showing of secondary meaning.¹⁵²

Still, it seems likely that an ICV could show that its use of its domain name satisfy the secondary meaning factors, and thus has established "a link in the minds of consumers" between the domain name and the product, "cheap" cigarettes.¹⁵³ The circumstantial evidence supporting this conclusion, of course, will be specific to each ICV. Still, an ICV whose volume of sales in a state has attracted the attention of the attorney general is likely to have a "volume of sales" that is significant enough to help establish the ICV as a distinct source of cigarettes. Some ICVs have also been advertising and selling cigarettes in some states for nearly a decade.¹⁵⁴ More specific analysis is impossible without information about a specific ICV.

C. Infringement: Use in Commerce

Although some ICVs could probably prove that they own valid trademarks in their domain names, it is unlikely that they will be able to show that the state's use of the domain name is actionable under the infringement provision of the Lanham Act. The Act requires that an infringing use be a "use in commerce . . . in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion. . . ."¹⁵⁵

Commerce is as broad as it sounds; it means "all commerce which may lawfully be regulated by Congress."¹⁵⁶ The threshold that a user must cross in order to use a term in commerce is not high. To use the

"Trademarks: Search" hyperlink; then follow "New User Form Search (Basic)" hyperlink to conduct search). The domain names returned for the "cigarette" search were supercheapcigarettes.com and cigarettes.com, and the domain name returned for the "cheapcig" search was supercheapcigarettes.com. All of these trademarks are now abandoned.

¹⁵² See generally GAO REPORT, *supra* note 6, at 27-51 (providing names of 147 ICVs; representative examples include www.budgetcigarettes.com and www.paylesscigarettes.com).

¹⁵³ See *Zatarains*, 698 F.2d at 795 (emphasizing that this link is essential for secondary meaning).

¹⁵⁴ See Plaintiff's First Amended Complaint to Add a Party for Injunctive & Other Relief Under the Jenkins Act at 4.9, *Washington v. D.C., Inc.*, 2002 WL 32178985 (W.D. Wash. Dec. 17, 2002) (No. CV02-2438L) (alleging that defendant ICV advertised and sold cigarettes in Washington since 1994).

¹⁵⁵ 15 U.S.C. § 1114(1)(a) (2005).

¹⁵⁶ 15 U.S.C. § 1127 (2000).

word “aspirin” or “Jeep” in connection with a proposed transaction is to use the term in commerce,¹⁵⁷ though many of these uses are not infringing because of limitations on and defenses to a trademark holder’s rights.¹⁵⁸ However, requiring that a term be used “in connection” with the sale of goods limits considerably the range of uses that are actionable. Some early cases involving trademark claims against domain name registrants did not require that a party use a domain name to sell any goods or services. In *Planned Parenthood Federation of America, Inc. v. Bucci*, the court found a website’s combination of referring visitors to a site that sold a product, frustrating web users who were searching for plaintiff’s website, and providing its own “informational services” created a connection with the sale of goods and services.¹⁵⁹

Another case that represents the broad sweep that some courts have given to the commercial use requirement of the Lanham Act is *Jews for Jesus v. Brodsky*.¹⁶⁰ In *Brodsky*, the defendant registered “jewsforjesus.org” and created a corresponding website intended to “intercept potential converts before they have a chance to see the obscene garbage on the real [Jews for Jesus] site.”¹⁶¹ The court held that, although the defendant sold no goods or services of his own—the site was freely accessible—it diverted visitors from the plaintiff’s site and provided links to other sites that sold goods that opposed plaintiff’s views.¹⁶² This “connection” with the sale of goods and services¹⁶³ was itself sufficient to find the defendant’s use of the mark commercial.¹⁶⁴

The *Brodsky* court went further to note, however, that defendant’s activities were “classically competitive[,]”¹⁶⁵ despite the defendant’s assertions of being engaged in “non-profit political activ[ism].”¹⁶⁶ Although the court acknowledged this political dimension, it did not find that this use trumped the commercial dimension, at least for trademark purposes.¹⁶⁷ The defendant’s use of “Jews for Jesus” “also

¹⁵⁷ See *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 306 n.4 (9th Cir. 1992) (discussing these examples).

¹⁵⁸ See *id.* at 306-09 (discussing defenses of nominative use and fair use).

¹⁵⁹ *Planned Parenthood Fed’n Am., Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, at *14 (S.D.N.Y. 1997).

¹⁶⁰ 993 F. Supp. 282 (D.N.J. 1998), *aff’d*, 159 F.3d 1351 (3d Cir. 1998).

¹⁶¹ *Id.* at 291.

¹⁶² *Id.* at 309.

¹⁶³ *Id.*

¹⁶⁴ *Id.* at 308.

¹⁶⁵ *Id.* (quoting *Planned Parenthood Fed’n Am., Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, at *6 (S.D.N.Y. 1997)).

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

constitutes a commercial use of the Mark and the Name of the Plaintiff Organization *because* it is designed to harm the Plaintiff Organization *commercially* by disparaging it and preventing the Plaintiff Organization from exploiting the Mark and the Name of the Plaintiff Organization[,]" and that effect further supported a finding of commercial use, in the court's view.¹⁶⁸ Moreover, the defendant's use would continue to be commercial as long as it "continue[s] to inhibit the efforts of Internet users to locate the Plaintiff Organization Internet site."¹⁶⁹ *Brodsky* thus appears to stand for the proposition that any web-based inhibition of a trademark holder's effort to exploit its mark is commercial. The Ninth Circuit has cited *Brodsky* and *Planned Parenthood* to support this view of the web.¹⁷⁰

A more recent case, however, rejected the argument that diversion from a commercial website alone is sufficient to create a connection with goods or services. In *Ford Motor Co. v. 2600 Enterprises*, the defendant created a piece of "cyber-art" by registering "fuckgeneralmotors.com" and used the site solely to redirect visitors to Ford's website.¹⁷¹ The court found that this was not a commercial use of Ford's trademark because the defendant created no connection to goods or services of its own,¹⁷² and held that the creation of "some difficulty" for Web users looking for Ford's site was insufficient to create the connection required for infringement.¹⁷³ The *2600* court further noted "[c]ourts additionally have extended protection to unauthorized uses of trademarks for the expressive purposes of comedy, parody, allusion, and so forth, even where the medium of expression is sold for money."¹⁷⁴ Finally, the *2600* court distinguished the facts in that case from those in *Planned Parenthood* and *Brodsky* on the grounds that the domain name that 2600 Enterprises registered "[did] not inhibit Internet users from reaching the websites that are most likely to be associated with the mark holder."¹⁷⁵ The court thus held that neither the domain name nor the defendant's use of "Ford" in the

¹⁶⁸ *Id.* (emphasis added).

¹⁶⁹ *Id.*

¹⁷⁰ *See Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1057 (9th Cir. 1999) (noting the growing importance of "the Web as a marketing and advertising facility").

¹⁷¹ *Ford Motor Co. v. 2600 Enters.*, 177 F. Supp. 2d 661, 662 (E.D. Mich. 2001).

¹⁷² *Id.* at 665.

¹⁷³ *Id.*

¹⁷⁴ *Id.* at 664.

¹⁷⁵ *Id.* at 665.

code of the web page located there was a commercial use of the Ford mark.¹⁷⁶

A government's use of a domain name in which an ICV has a trademark interest falls somewhere between *Brodsky's* inhibition-as-commercial-use view and *2600's* consideration of contextual factors surrounding the infringement defendant's use. Overall, however, the proposed domain name seizure program is closer to the facts in *Brodsky* and *Planned Parenthood*, and is likely to be a "use in commerce." The fact that is central to this assessment is that the government's law enforcement interests would be served by seizing the domain name that consumers associated with the ICV. If the government does not merely create a website using a similar domain name, but actually seizes the ICV's domain name, the government will clearly inhibit access to the ICV's online operations. The most extensive use would occur if the government obtained a domain name that is identical to the ICV's trademark, which would force the ICV to seek domain names that necessarily fall short of full exploitation of the trademark. Indeed, such extensive interference with the ICV's business would be a central purpose of a domain name seizure program. This use goes beyond diverting web users' attention to information that undermines the ICV's message and is a purposeful disruption.¹⁷⁷ Although the state will presumably add an informational component to the website that it presents under the ICV's domain name, the likely context in which web users reach this site—namely, when they are attempting to purchase cigarettes online—adds a component of commercial use that the government's law enforcement and educational purposes are unlikely to erase from this element of trademark infringement.

D. Infringement: Likelihood of Confusion

The manner of the government's imposition in commerce through domain name seizure, however, is likely to preclude a finding of confusion arising from domain name seizure. Two theories of confusion are generally available to plaintiffs: source confusion and initial interest confusion. Source confusion arises when the use of a mark creates confusion "as to the source, sponsorship or approval" of a good or

¹⁷⁶ *Id.* at 664-65.

¹⁷⁷ *Cf. Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 291 n.15 (D.N.J. 1998) (using quotations from defendant's anti-Jews for Jesus website to illustrate that defendant offered information to persuade visitors that "Jews for Jesus [is a] cult . . . founded upon deceit and distortion of fact."), *aff'd*, 159 F.3d 1351 (3d Cir. 1998).

service.¹⁷⁸ Initial interest confusion arises when a defendant uses a protected mark, or a term that is similar to that mark, to lure consumers to its own site.¹⁷⁹ Initial interest confusion is actionable even if “the confusion is cured at some intermediate point before the deal is completed. . . .”¹⁸⁰ Source confusion is a practical impossibility after a hypothetical ICV domain name seizure; the government will not replace the ICV’s operations with its own, so there will not be goods or services to be confused with those of the ICV. Source confusion is therefore not considered further in this Article.¹⁸¹

Likelihood of confusion¹⁸² is “the core element of trademark infringement.”¹⁸³ Courts in the Ninth Circuit use eight-factors (the *Sleekcraft* factors) to determine whether a defendant’s use of a mark is likely to cause confusion.¹⁸⁴ Other circuits have adopted similarly complex balancing tests.¹⁸⁵ The Ninth Circuit recently noted that “some factors are more important than others,” and that “[i]n the Internet context, courts must be flexible in applying the factors, as some may not apply.”¹⁸⁶ The confusion inquiry is factual and requires

¹⁷⁸ *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1405 (9th Cir. 1997).

¹⁷⁹ *Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1063 (9th Cir. 1999) (collecting cases in several circuits that demonstrate adherence to this definition).

¹⁸⁰ *Television Enter. Network, Inc. v. Entm’t Network, Inc.*, 630 F. Supp. 244, 247 (D.N.J. 1986) (quoted with approval in *Brookfield*, 174 F.3d at 1064).

¹⁸¹ *Cf. Brookfield*, 174 F.3d at 1062 (holding that no source confusion could arise from the defendant’s use of the plaintiff’s mark because defendant maintained its own web site that clearly indicated that it was not operated by the plaintiff).

¹⁸² Even if source confusion were viable theory of confusion, the test for likelihood of confusion would be the same as the one stated here. *Id.* at 1062 n.24 (discussing how initial interest confusion has been analyzed under *Sleekcraft* factors).

¹⁸³ *Playboy Enters., Inc. v. Netscape Commc’n Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004) (quoting *Brookfield Commc’n, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1053 (9th Cir. 1999)).

¹⁸⁴ Those factors are:

1. strength of the mark; 2. proximity of the goods; 3. similarity of the marks; 4. evidence of actual confusion; 5. marketing channels used; 6. type of goods and the degree of care likely to be exercised by the purchaser; 7. defendant’s intent in selecting the mark; and 8. likelihood of expansion of the product lines.

Id. at 1026 (quoting *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979)).

¹⁸⁵ *See SunAmerica Corp. v. Sun Life Assurance Co. of Can.*, 77 F.3d 1325, 1342 (11th Cir. 1996) (noting that the Eleventh Circuit uses a “seven-factor test for likelihood of confusion”); *Dieter v. B & H Indus. of Sw. Fla., Inc.*, 880 F.2d 322, 326 (11th Cir. 1989) (listing the seven factors used in the Eleventh Circuit, which omit consideration of consumers’ likely care in exercising care during purchases).

¹⁸⁶ *Playboy*, 354 F.3d at 1026.

a case-specific balancing of all the factors, rather than a rigid weighing or tallying of them.¹⁸⁷ This fact-specificity makes a confusion claim difficult to win on summary judgment.¹⁸⁸

Nonetheless, courts tend to direct most of their attention to evidence of actual confusion.¹⁸⁹ There is no general requirement for the level of actual confusion that a plaintiff must present, but “showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion” and can be “persuasive.”¹⁹⁰ Consumer survey evidence¹⁹¹ and direct evidence of confusion¹⁹² are both considered probative evidence of actual confusion.

A recent case from the Ninth Circuit will help to illustrate the actual confusion factor at work. Its details are worth describing here because of the similarities to an alternative to domain name seizure that is discussed below. In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, Playboy alleged that Netscape’s practice of selling “keyed” advertisements in connection with its search engines infringed Playboy’s trademarks.¹⁹³ Generally speaking, this practice involves a search engine offering advertisers the opportunity to place a banner advertisement on a search results web page when a user searches for certain terms.¹⁹⁴ In *Playboy*, Netscape maintained a list of key words that included “playboy” and “playmate,” and it required adult website advertisers to key their advertisements to these terms.¹⁹⁵ Playboy alleged that this practice appropriated its goodwill and thereby infringed its trademarks.¹⁹⁶

¹⁸⁷ *Thane Int’l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 901 (9th Cir. 2002) (“The list of factors is not a scorecard—whether a party ‘wins’ a majority of the factors is not the point. Nor should ‘[t]he factors . . . be rigidly weighed; we do not count beans.’”) (internal citation omitted).

¹⁸⁸ *Id.* at 901-02 (cautioning district courts to “grant summary judgment motions regarding the likelihood of confusion sparingly. . .”).

¹⁸⁹ *See, e.g., Playboy*, 354 F.3d at 1026 (“[A] a showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion.”).

¹⁹⁰ *Id. See id.* at 1026 n.27, quoting *Thane*, 305 F.3d at 902. (“Evidence of actual confusion constitutes persuasive proof that future confusion is likely. . . . If enough people have been actually confused, then a *likelihood* that people are confused is established.”) (internal quotation and citation omitted).

¹⁹¹ *Playboy*, 354 F.3d at 1026 n.28.

¹⁹² *Thane*, 305 F.3d at 902 (hinting that direct evidence, such as consumer testimony, is preferable to survey evidence).

¹⁹³ *Playboy*, 354 F.3d at 1025.

¹⁹⁴ *Id.* at 1022-23.

¹⁹⁵ *Id.* at 1023.

¹⁹⁶ *Id.* at 1025.

The parties filed cross-motions for summary judgment.¹⁹⁷ To support its motion, Playboy submitted an expert's report that stated that 51 percent of web users who searched for "playboy" believed that Playboy sponsored or "was otherwise associated with" the ad that Netscape displayed.¹⁹⁸ Thirty-one percent of users believed the same about ads appearing with "playmate" searches.¹⁹⁹ Playboy's expert concluded that about one-quarter of users were confused in these searches because of the "targeting" of the banner ads.²⁰⁰ The court stated that this report, which Netscape challenged and re-interpreted but did not rebut with a report of its own, was "probably" sufficient to "preclud[e] summary judgment" for Netscape.²⁰¹ In another case, this level of actual confusion was sufficient to reverse a grant of summary judgment for a defendant, though the court's only comment on the overall persuasiveness of the evidence was that a "reasonable jury could conclude that a likelihood of confusion exists."²⁰²

The confusion element as whole poses a considerable difficulty for an analysis of ICV domain name seizure because there is little information about how strong consumers' associations of brand names with specific ICVs are. Further impeding this analysis is the fact that the fourth *Sleekcraft* factor—evidence of actual confusion, which can be "persuasive"²⁰³ in an infringement analysis—can only be studied after allegedly infringing use of the mark has begun. Also, as noted above,²⁰⁴ a court that is attempting to decide whether to order domain name transfer as part of an injunction will probably never have evidence of actual confusion before it.

Still, some of the *Sleekcraft* factors are less fact-intensive and lend themselves to the prospective analysis that a court would undertake in a domain name seizure case. Analytically, therefore, it might be most useful to assume that some consumers will actually be confused if a state government uses a seized domain name in the manner proposed. This assumption will allow a tentative analysis of the other seven *Sleekcraft* factors. These factors are presented in order of the certainty with which they can be discussed in this Article:

¹⁹⁷ *Id.* at 1023.

¹⁹⁸ *Id.* at 1026.

¹⁹⁹ *Id.* at 1026.

²⁰⁰ *Id.* (reporting that 29 percent of users were confused in "playboy" searches, and 22 percent were confused in "playmate" searches).

²⁰¹ *Id.* at 1027.

²⁰² *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 903 (9th Cir. 2002).

²⁰³ *Id.*

²⁰⁴ See discussion *infra* Part IV.D.

1. Proximity of the goods. Since the state will not be offering any goods for sale, this factor will weigh in the state's favor.

2. Likelihood of expansion of the product lines. For the same reason as under the proximity-of-the-goods factor, this factor favors the state. Indeed, these two factors, taken together, might well remove all but the most fleeting likelihood of initial interest confusion.

3. Marketing channels used. A threshold question is whether the state will be considered to engage in "marketing." If so, it may be the case the state's use of the Internet will place it within the same marketing channel as the ICV. If the state also places advertisements in print media that ICV customers use, then it will further avail itself of similar marketing channels. Overall, this factor is likely to weigh toward a likelihood of confusion.

4. Type of goods and the degree of care likely to be exercised by the purchaser. Even if ICV customers take little or no care to identify an ICV when purchasing tobacco, it will be impossible for them to mistake the state's information for an actual ICV. This factor therefore weighs against a likelihood of confusion.

5. Defendant's intent in selecting the mark. This factor could weigh in favor of finding a likelihood of confusion. One of the purposes of trademark protection is to prevent firms from appropriating the goodwill that their competitors have established, and an ICV could argue the state is doing this through its use of the ICV's mark. Even if the court approves of the state's purpose, it will still probably recognize that the state seeks to undermine the value of the ICV's mark. This consideration might mitigate the appropriation of goodwill and thus reduce the likelihood of confusion.

6. Similarity of the marks. It is likely that the state will be using an identical or closely similar mark when it puts a seized domain name to its own use, so this factor weighs in favor of finding a likelihood of confusion.

7. Strength of the mark. This factor is impossible to assess without knowledge of a specific mark.

E. Defense: Nominative Use

The generally available defenses against trademark infringement are narrow. One possibly relevant defense is nominative use. "Nominative use is the use of a mark to identify or to refer to the markholder's product."²⁰⁵ When a party raises the nominative use defense,

²⁰⁵ Wham-O, Inc. v. Paramount Pictures Corp., 286 F. Supp. 2d 1254, 1263 (N.D. Cal. 2003).

a court applies a three-part test rather than the *Sleekcraft* factors²⁰⁶ in order to determine whether there has been trademark infringement. This defense requires proof that the allegedly infringing product cannot be identified without use of the trademark, that there is minimal use of the mark, and that the allegedly infringing use does not suggest the trademark holder's sponsorship or endorsement.²⁰⁷

The state can probably satisfy the first prong of this test. Since the trademarks that the state proposes to use are those belonging to ICVs found liable for violating the Jenkins Act, among other laws, there are no readily identifiable marks to use instead. The purpose of the state's activity is to single out particular ICVs. This proposed use also supports finding in favor of the state under the third factor. The state presumably will avoid hinting at any endorsement of its message by the ICV. The second factor, however, appears to be much more of a problem for the state. Since the state is proposing to take title to a domain name associated with the ICV's trademarks, it will own an interest in a domain name similar or identical to a trademark—but not the trademark itself—so the state will probably engage in extensive and prolonged use of the ICV's marks.

A fair use defense is also available in trademark law. Since that defense relates to one firm using another firm's mark to refer to its own product,²⁰⁸ the defense is not relevant here, because the state is not offering a competing product at all.

F. Trademark Dilution

States that are considering a program of domain name seizure should also consider potential liability for trademark dilution. Overall, there is little risk that seizure and use of an ICV's domain name will give rise to actionable dilution of an ICV's mark.

Trademark dilution, unlike trademark infringement, is a creature of statute, rather than of common law, and its purpose is to protect the uniqueness of marks, not consumers.²⁰⁹ The purpose of a right against dilution is to allow trademark holders to stop or prevent uses of their marks that "corrode" its value by "blurring its product identification" or "tarnishing" the goodwill attached to it.²¹⁰ Thus, even if the sale of

²⁰⁶ *Id.*

²⁰⁷ *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002) (outlining the elements of the nominative use test).

²⁰⁸ *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

²⁰⁹ *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 429 (2003) (tracing the development of trademark dilution statutes to legal academia).

²¹⁰ *Id.* at 425.

“Buick aspirin” or “Kodak pianos” did not confuse consumers as to the source of these goods, legislatures recognized that such commercial uses of marks could “lessen[] . . . the capacity of a famous mark to identify and distinguish goods or services regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistakes, or deception.”²¹¹ Dilution can occur by two mechanisms: tarnishment, or eroding the business reputation of the trademark by associating the name with “an inferior or offensive product or service;”²¹² and “blurring,” or reducing the power of a mark to identify a product.²¹³ Federal law did not protect against dilution until 1995, when Congress passed the Federal Trademark Dilution Act (FTDA).²¹⁴ In accord with the purpose of allowing trademark holders to stop dilution as early as possible, the FTDA provides only injunctive relief in most cases.²¹⁵

The FTDA requires a plaintiff to prove (1) that it owns a “famous” and “distinctive” mark;²¹⁶ (2) that the defendant has made “commercial use in commerce” of the mark;²¹⁷ (3) that this use began after the mark became famous;²¹⁸ and (4) that the defendant’s use causes actual dilution of the mark.²¹⁹ Requiring plaintiffs to show actual dilution results from the Court’s decision in *Moseley v. V Secret Catalogue, Inc.*²²⁰ The Court recognized that this requirement is diffi-

²¹¹ H.R. REP. NO. 104-374 at 3 (1995) (quoting H.R. 1295, 104th Cong. (1st Sess. 1995)). See also 15 U.S.C. § 1127 (2000) (codifying this language).

²¹² *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1326 n.7 (9th Cir. 1998). Accord *Moseley*, 537 U.S. at 427 (discussing a case in which a shop called “Victor’s Secret,” which sold “sex toys and lewd coffee mugs,” allegedly diluted the “Victoria’s Secret” mark).

²¹³ *Panavision*, 141 F.3d at 1326 n.7; *Moseley*, 537 U.S. at 426.

²¹⁴ Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified as amended at 15 U.S.C. § 1125(c)). As with trademark infringement, only dilution claims arising under federal law are discussed here. At least twenty-five states enacted dilution statutes prior to the passage of the FTDA. *Moseley*, 537 U.S. at 430.

²¹⁵ 15 U.S.C.S. § 1125(c)(1) (LexisNexis 2005) (“The owner of a famous mark shall be entitled, . . . to an injunction against another person’s commercial use in commerce of a mark or trade name. . . .”). But see § 1125(c)(2) (providing for recovery of lost profits and destruction of infringing articles in cases where a plaintiff proves a defendant’s “willful[] inten[t] to trade on the owner’s reputation or to cause dilution of the famous mark”).

²¹⁶ § 1125(c)(1) (noting that the “owner of a famous mark shall be entitled” to relief “after the mark has become famous”).

²¹⁷ § 1125(c)(1).

²¹⁸ § 1125(c)(1); *Panavision*, 141 F.3d at 1324.

²¹⁹ § 1125(c)(1); *Moseley*, 537 U.S. at 433.

²²⁰ See *Moseley*, 537 U.S. at 426-28 (discussing conflict among federal courts of appeal over question of whether the FTDA requires proof of actual dilution).

cult to satisfy,²²¹ and Justice Kennedy pointed out in a concurring opinion the tension between the actual dilution requirement and the “essential role of injunctive relief . . . to ‘prevent future wrong, although no right has yet been violated.’”²²² Finally, the Court left open to question the kinds of evidence that will prove actual dilution: the Court conceded that direct evidence in the form of consumer surveys may be unreliable, but circumstantial evidence of actual dilution may suffice in cases where the allegedly diluting junior mark is identical to the senior mark.²²³

1. Element One: ICVs’ Marks’ Distinctiveness and Fame

Distinctiveness has the same meaning in trademark dilution cases as it does in infringement cases.²²⁴ Trademark distinctiveness was described above. The FTDA provides eight nonexclusive factors to guide courts’ determinations of fame,²²⁵ but one court has stated that fame carries its ordinary meaning.²²⁶ Examples of marks whose fame

²²¹ See *id.* at 433-34 (conceding that “evidence of an actual ‘lessening of the capacity of a famous mark to identify and distinguish goods or services’ . . . may be difficult to obtain,” but responding that § 1125(c) “unambiguously requires a showing of actual dilution, rather than a likelihood of dilution”).

²²² *Id.* at 436 (Kennedy, J., concurring) (quoting *Swift & Co. v. United States*, 276 U.S. 311, 326 (1928)).

²²³ *Id.* at 434 (majority opinion). In trademark law, the terms “junior mark” and “senior mark” capture the notions of priority of use. A “senior mark” is one that has been used before a competing “junior mark.” See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999) (applying these terms in the context of the FTDA).

²²⁴ See *Nabisco*, 191 F.3d at 215-17 (discussing traditional distinctiveness doctrine). For a full discussion of distinctiveness, see *supra* pp. 301-02.

²²⁵ 15 U.S.C.S. § 1125(c)(1)(A)-(H) (LexisNexis 2005) provides that courts may consider, but are not limited to, the following factors:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

²²⁶ *Nabisco*, 191 F.3d at 215. The dictionary definition of “fame” is “renown,” and “famous” is the state of being “well known” or “celebrated.” THE OXFORD

parties to litigation have not contested are Pepperidge Farm's Goldfish crackers,²²⁷ Panavision, and Panaflex.²²⁸

Once again, it is difficult to predict whether an ICV will own a famous and distinctive mark. The analysis in Part IV.B tentatively predicted that most ICV trademarks are descriptive, though some may be suggestive (and thus inherently distinctive).²²⁹ Fame is equally difficult to discuss in the abstract, though it seems clear that no ICV brand has achieved widespread recognition similar to Goldfish crackers. Still, several of the factors suggested by the FTDA could weigh in favor of finding an ICV's trademarks famous. First, the Web creates a nationwide channel for commerce.²³⁰ Second, some ICVs have advertised nationwide for nearly a decade.²³¹ Third, the Web enables ICVs to do business nationwide.²³² But aside from the advertising of some ICVs, these factors do not distinguish an ICV site from any other commercial website, and do little to lend fame to the ICV's trademark. The other factors provided by the FTDA are either neutral or militate against finding most ICVs' marks to be famous.²³³ Overall, the nationwide reach of advertising and sales that the Web facilitates makes it unlikely that ICVs hold famous and distinctive trademarks.

REFERENCE DICTIONARY 292 (Joyce M. Hawkins ed., 1986).

²²⁷ *Nabisco*, 191 F.3d at 215.

²²⁸ *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1319, 1324 (9th Cir. 1998). The Panavision and Panaflex marks are associated with motion picture camera equipment. *Id.*

²²⁹ See also 15 U.S.C.S. § 1125(c)(1)(A) (LexisNexis 2005) (directing courts to consider "the degree of inherent or acquired distinctiveness of the mark" when assessing the fame of a mark).

²³⁰ § 1125(c)(1)(E). See also *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 418 (9th Cir. 1997) (quoting *Bensusan Rest. Corp. v. King*, 937 F. Supp. 295, 301 (S.D.N.Y. 1996), "[c]reating a [web]site, like placing a product into the stream of commerce, may be felt nationwide—or even worldwide. . .").

²³¹ § 1125(c)(1)(C) (suggesting consideration of "the duration and extent of advertising and publicity of the mark"); *Wash., Dep't of Revenue v. www.dirtcheap cig.com, Inc.*, 260 F. Supp. 2d 1048, 1051-53 (W.D. Wash. 2003) (noting magazine and other forms of advertising); Plaintiff's First Amended Complaint to Add a Party for Injunctive and Other Relief at § 4.6, *Wash. Dep't of Revenue v. D.C., Inc.*, 260 F. Supp. 2d 1048 (W.D. Wash. 2002) (No. CV-2438L).

²³² See § 1125(c)(1)(D) (suggesting consideration of "the geographical extent of the trading area in which the mark is used"); *www.dirtcheap.com*, 260 F. Supp. 2d at 1051-53 (finding that a Missouri-based ICV distributed cigarettes to Washington state citizens).

²³³ The least favorable factor to an ICV is probably § 1125(c)(1)(H), which counts registration on the Principal Register in favor of fame.

2. Element Two: The State's "Commercial Use in Commerce" of the ICV Mark

This somewhat redundant language²³⁴ accomplishes two things. Taking the second half of the phrase first, "in commerce" adverts to the jurisdictional predicate of the FTDA, Congress's power to regulate interstate commerce.²³⁵ As discussed above, a state's use of an ICV's domain name is likely to be found a use in commerce. "Commercial use" somewhat narrows the reach of anti-dilution rights. According to the Ninth Circuit, this phrase limits anti-dilution protection to relief against defendants who use marks in "commercial speech, as opposed to political or other more closely protected speech. . . ." ²³⁶ The extent to which the government's speech is protected in the context of regulating ICVs is discussed in the next Part. At this point, however, it suffices to note that the government will not use the ICV's mark in advertising or in connection with the sale of any goods or services.²³⁷ The government will not, therefore, use the trademark in a way that "capitalizes" on the associations that surround the mark.²³⁸ Still, it is possible that a court would view the government as seeking to become a "cybersquatter" occupying the ICV's trademark-related domain name, where the thwarting of the ICV's commercial activity is itself a commercial use.²³⁹ Since the government would lack the purpose of prising money from the ICV, however, and is instead seizing the domain for effecting revenue regulations, a court may hesitate to extend this rationale to domain name seizure. In summary, the ICV probably will not be able to show that the government's use is commercial.

²³⁴ See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir. 2002) (deeming the statutory language "ungainly").

²³⁵ See 15 U.S.C. § 1127 (2000) (defining "commerce" as "all commerce which may lawfully be regulated by Congress"). *Accord* *Playboy Enters., Inc. v. Netscape Commc'n Corp.*, 354 F.3d 1020, 1024 n.11 (9th Cir. 2004).

²³⁶ *Playboy*, 354 F.3d at 1032.

²³⁷ *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875, 880 (9th Cir. 1999) ("Appellants do not use trademarks qua trademarks as required by the caselaw to establish commercial use. Rather, Appellants use words that happen to be trademarks for their non-trademark value.").

²³⁸ See *id.* at 880 ("Commercial use under the Federal Trademark Dilution Act requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status.").

²³⁹ See, e.g., *id.* (reviewing cases in which cybersquatters—parties that register domain names in order to sell them to others whose trademark rights are implicated in the domain names—were found to be commercial uses).

3. Element Three: Fame Must Precede Diluting Use

The two means of domain name seizure could produce different results under this element. If a state seeks an order for the transfer of a domain name, and the ICV raises the possibility of dilution, there is no way to avoid the fact that the acquisition of fame will have preceded the government's use of the mark. On the other hand, if the government obtains a domain name that contains protectable terms as an asset to secure a judgment for unpaid tax, it is possible that the court will not consider the anti-dilution rights of the ICV. In this case, an ICV might later bring a claim under the FTDA, but the ICV would have to prove that its mark was famous before the state's diluting use of it began. This may prove more difficult for the ICV than raising the issue of dilution at the time a remedy is originally crafted for the state's Jenkins Act claims.

4. Element Four: Actual Dilution

As discussed above, the FTDA's requirement of a showing of actual dilution is recent, and there is a dearth of case law showing what satisfies this requirement.²⁴⁰ The most helpful statement of what kind of evidence that proves actual dilution comes from *Moseley* itself, in which the Court stated that actual dilution might "reliably be proven through circumstantial evidence . . . [when] the junior and senior marks are identical."²⁴¹ One court has read *Moseley* to require that the junior use must "plainly constitute dilution."²⁴² In *Wham-O, Inc. v. Paramount Pictures Corp.*, the court rejected blurring and tarnishment theories of dilution resulting from the "supposedly comedic misuse" of a toy in a motion picture.²⁴³ The court appeared to undertake this analysis after viewing the footage in question, and without benefit of expert witnesses and consumer surveys.²⁴⁴ As to the blurring theory, the *Wham-O* court found that the defendant's use of the toy in a movie and related video game did nothing to make the plaintiff's mark "less

²⁴⁰ See, e.g., *Visa Int'l Serv. Ass'n v. JSL Corp.*, 90 F. App'x 484, 486 (9th Cir. 2003) (vacating an injunction granted under the FTDA and remanding for consideration in light of the actual dilution requirement); *Horphag Research Ltd. v. Pellegrini*, 337 F.3d 1036, 1039 (9th Cir. 2003) (vacating lower court's dilution finding, and remanding for reconsideration in regard to recent Supreme Court decision).

²⁴¹ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 434 (2003) (discussing proof of dilution through circumstantial evidence).

²⁴² *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 1261 (N.D. Cal. 2003).

²⁴³ *Id.* at 1261-62.

²⁴⁴ See *id.* at 1261-62, 1265 (denying plaintiff's motion for a temporary restraining order).

unique or identifiable.”²⁴⁵ As to the plaintiff’s tarnishment theory, the court held that the defendant’s portrayal of an “obvious and unmistakable misuse” of the plaintiff’s product posed little risk of creating the impression, “even [in] the youngest or most credulous film viewer,” that the plaintiff’s product was unsafe.²⁴⁶

Wham-O thus indicates that the more blatant the “misuse” of a trademark is, the less likely it is that the misuse will “whittl[e] [a]way . . . a trademark’s value. . . .”²⁴⁷ If a state seizes and ICV’s trademark-protected domain name, the state probably will not attempt to lead web users to believe that the site offers inexpensive cigarettes. Indeed, the state will probably make its own views on online cigarette sales as clear as possible. The touchstone of tarnishment—associating a mark with an inferior product—is therefore missing. The clarity of the state’s message is also likely to defeat an ICV’s blurring theory. The state will not be conducting its own cigarette sales, making remote the possibility that the state will be seen as attempting to identify its own services with those of the ICV.²⁴⁸ Finally, the state’s strong distinction of its information from an ICV’s services should be a forceful argument against actual dilution at the time the domain name is transferred, as well as after the government actually begins to use the domain name.

In summary, an ICV will probably be unlikely to convince a court that a state’s seizure and subsequent use of a domain name dilutes any underlying trademark interest of the ICV. Since it appears likely that the domain name transfer—a kind of outer boundary to the state’s ability to interfere with an ICV’s use of its mark—will not infringe any of an ICV’s trademark rights, the state might also wish to consider tactics that stop short of outright domain name seizure. These tactics are known as “Google bombing” and “keyed” advertising. The appeal of using these methods is that they would allow the state’s own information to appear when consumers are searching for ICVs. In this way the state might be able to divert consumers’ attention from ICVs.

“Google bombing” means “[s]etting up a large number of Web pages with links that point to a specific Web site so that the site will appear near the top of a Google search when users enter the link text.”²⁴⁹ This practice has been used by activists to criticize political

²⁴⁵ *Id.* at 1262.

²⁴⁶ *Id.* at 1261.

²⁴⁷ *Id.* at 1260 (quoting *Acad. of Motion Picture Arts & Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1457 (9th Cir. 1991) (citation omitted)).

²⁴⁸ See *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1326 n.7 (9th Cir. 1998) (defining dilution by blurring).

²⁴⁹ Word Spy, Google Bombing, <http://www.wordspy.com/words/Google>

and cultural figures.²⁵⁰ The state, perhaps in conjunction with other states or non-profit groups, might be able to achieve a similar effect by linking to ICVs' websites.

The state might also consider purchasing "keyed" advertisements from search engines.²⁵¹ The purpose of this tactic would be to display advertisements for and links to the state's own websites when consumers conduct searches for such phrases as "cheap cigarettes" or "cheap tobacco." If the state restricted itself to purchasing advertisements keyed to generic terms like "cigarettes" and "tobacco," it would face almost no risk of infringing any ICVs' trademarks. Although there is some risk that this kind of searching infringes trademarks, as the discussion of *Playboy* showed, the search engine itself is more likely to suffer this liability. As the analysis above predicts, the state's failure to offer goods or services commercially is likely to shield it from infringement or dilution liability.

V. THE FIRST AMENDMENT

An ICV could raise two claims under the Free Speech Clause of the First Amendment in order to oppose government seizure of the ICV's domain name.²⁵² First, the ICV could argue that the government's seizure of the ICV's domain name is an impermissible, content-based restraint on the ICV's speech. Second, the ICV could argue

bombing.asp (last visited Feb. 16, 2006) (defining "Google bombing" and providing examples of the practice).

²⁵⁰ See Saul Hansell, *Foes of Bush Enlist Google to Make Point*, N.Y. TIMES, Dec. 8, 2003, at C8 (describing how activists waged a campaign that resulted in Google's top search result for "miserable failure" pointing to President George W. Bush's official online biography).

²⁵¹ For details about this practice, see *supra* notes 163-67 and accompanying text. See also Grant Gross, *Trademark Lawsuit Filed against Google Keywords*, INFOWORLD, Jan. 30, 2004, http://www.infoworld.com/article/04/01/30/HNgoogle_suit_1.html (reporting lawsuit filed by American Blind & Wallpaper Factory, Inc. against Google to enjoin it from selling keyed advertising that uses the phrase "American Blind").

²⁵² "Congress shall make no law . . . abridging the freedom of speech. . . ." U.S. CONST. amend. I. As has been the case throughout this Article, only federal law is considered here. The California Constitution also contains a free speech clause that states "[e]very person may freely speak, write and publish his or her sentiments on all subjects, being responsible for the abuse of this right. A law may not restrain or abridge liberty of speech or press." CAL. CONST., art. I, § 2, cl. a. The California free speech clause offers similar, if not broader, protection for speech. See *PruneYard Shopping Ctr. v. Robins*, 447 U.S. 74, 78-83 (1980) (noting that the California Constitution provides a right of a non-owner to speak on private property, while the First Amendment of the U.S. Constitution does not).

that the government's use of a seized domain name constitutes compelled speech, and is therefore unconstitutional.

A. Domain Name Seizure as a Content-Neutral Regulation of Speech

A plausible theory for viewing state seizure of an ICV's domain name pursuant to a lawsuit for failure to comply with the Jenkins Act (and, potentially, state law) is as follows: Although the state's complaint and proposed remedy do not refer to the content of the ICV's speech (that is, they are content-neutral), domain name seizure prevents the ICV from delivering its message²⁵³ at the online location at which it has developed its business. Furthermore, the ICV might argue, the government's actual purpose is more insidious than preventing the use of a particular domain name; the government actually seeks to prevent the ICV from offering consumers the option of buying cigarettes online, subject to the caveat that the laws in their home state might require them to pay tax on the sale. The state, in other words, is going well beyond expressing its own viewpoint on the matter of the Jenkins Act and related law, and is instead attempting to control the information that consumers use in connection with the legal activity of purchasing tobacco. Under this view, the state—and the court that issues an order or injunction to help its cause—is not only regulating the content of the ICV's speech, but is also paternalistically restricting the ICV's *viewpoint*.

This argument has some merit and might strike some resonance with a court, but the state will most likely be able to convince the court that its regulatory program—bringing lawsuits against ICVs under the Jenkins Act—is an economic regulation whose effects on the ICV's speech are incidental. An intriguing alternative, worth mentioning but not further explored here, is that the ICV's First Amendment right is protected by a “liability rule,” and might be subject to condemnation by the state.²⁵⁴

1. Overview of the Content Distinction in First Amendment Doctrine

It is worth emphasizing at the outset that the only potential means for regulating speech in play in this part of the analysis is by the

²⁵³ This message could be viewed as a combination of commercial and political speech. See *infra* Part V.A.1.

²⁵⁴ For a full development of this possibility, see generally Thomas W. Merrill, *The Constitution and the Cathedral: Prohibiting, Purchasing, and Possibly Condemning Tobacco Advertising*, 93 Nw. U. L. REV. 1143 (1999) (exploring the possibility that the ICV's First Amendment right is protected by a “liability rule,” and might be subject to condemnation by the state).

state's succeeding in obtaining a court order directing the transfer of an ICV's domain name. The message that the government might present by using that domain name will be considered in Part V.B.

Thus, the first question is whether a domain name is capable of containing protectable speech. The U.S. Supreme Court has developed two categorical approaches for determining whether an expression or action is "speech."²⁵⁵ One categorical distinction is between speech and conduct.²⁵⁶ The government, in general, may regulate conduct without implicating the First Amendment.²⁵⁷ Since many regulations affect speech in some way, however, the speech-conduct distinction has been incorporated into a broader inquiry: content neutrality.²⁵⁸ The leading case²⁵⁹ in the articulation of content neutrality is *United States v. O'Brien*,²⁶⁰ and *Ward v. Rock Against Racism* gave this statement of the "*O'Brien* test:"

[T]he government may impose reasonable restrictions on the time, place, or manner of protected speech, provided the restrictions [1] are justified without reference to the content of the regulated speech, [2] that they are narrowly tailored to serve a significant governmental interest, and [3] that they leave open ample alternative channels for communication of the information.²⁶¹

Thus, the speech-conduct distinction survives in the first prong of the *O'Brien* test.

Although it is impossible to generalize, a regulation that satisfies this prong of *O'Brien* stands a fair chance of surviving constitutional

²⁵⁵ See Robert Post, *Recuperating First Amendment Doctrine*, 47 STAN. L. REV. 1249, 1250 (1995) ("A court can uphold government regulations on the ground that they need not be evaluated according to First Amendment standards, or it can uphold the same regulations on the quite different ground that, having applied First Amendment standards, the regulations are valid and withstand constitutional scrutiny.").

²⁵⁶ See *Spence v. Washington*, 418 U.S. 405, 409 (1974).

²⁵⁷ See *United States v. O'Brien*, 391 U.S. 367, 376 (1968) (stating that "[w]e cannot accept the view that an apparently limitless variety of conduct can be labeled 'speech' whenever the person engaging in the conduct intends thereby to express an idea.").

²⁵⁸ See DANIEL A. FARBER, *THE FIRST AMENDMENT* 41 (2d ed. 2003) ("[T]he crucial question is no longer, 'Does the defendant's conduct constitute speech?', but rather, 'Is the government's regulation based on content?'").

²⁵⁹ *Id.* at 25.

²⁶⁰ *O'Brien*, 391 U.S. at 367.

²⁶¹ *Ward v. Rock Against Racism*, 491 U.S. 781, 791 (1989) (internal quotation and citation omitted) (enumeration added) (explaining the role of content neutrality in the government's regulation of public forums).

review.²⁶² Moreover, even if a regulation is found to be content-specific, it might survive review. This might happen if the regulation targets a category of content that the Court has allowed to be regulated on the basis of content. These categories include incitement to violence and illegal advocacy, defamation, misleading advertising, “true threats,” fighting words, and obscenity.²⁶³

A content-specific regulation might also be constitutional if it is “narrowly tailored” to serve a “compelling state interest.”²⁶⁴ This general exception to the content neutrality rule requires that the regulation must “restrict as little speech as possible to serve the goal,” and the government’s interest must be in addressing a “pressing public necessity” or preserving an “essential value.”²⁶⁵

In addition, some categories of protected speech receive “less” protection than others and are subject to special rules. The “commercial speech” category is of particular interest to the regulation of ICVs. “Commercial speech” means “expression related solely to the economic interests of the speaker and its audience.”²⁶⁶ The leading statement of the test for a valid commercial speech regulation is found

²⁶² See *Clark v. Cmty. for Creative Non-Violence*, 468 U.S. 288, 299 n.8 (1984) (“Reasonable time, place, or manner restrictions are valid even though they directly limit oral or written expression.”).

²⁶³ See generally *Brandenburg v. Ohio*, 395 U.S. 444 (1969) (differentiating between simple advocacy, which is protected under the First Amendment, and illegal advocacy, which the Court considers incitement to imminent lawless action); *N.Y. Times Co. v. Sullivan*, 376 U.S. 254 (1964) (requiring statements made by newspaper to have “actual malice,” or reckless disregard for truthfulness, for an individual public official to recover civil damages); *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557 (1980) (stating the government may ban commercial communication as misleading advertising if the information is more likely to deceive, rather than inform, the public); *Virginia v. Black*, 538 U.S. 343, 359 (2003) (defining “true threats” as encompassing “those statements where the speaker means to communicate a serious expression of an intent to commit an act of unlawful violence to a particular individual or group of individuals.”); *Chaplinsky v. New Hampshire*, 315 U.S. 568, 572 (1942) (explaining “fighting words” to “by their very utterance inflict injury or tend to incite an immediate breach of the peace.”); *Collin v. Smith*, 578 F.2d 1197, 1202 (7th Cir. 1978) (stating that the government “may proscribe content on basis of imminent danger of grave substantive evil” in narrow circumstances); *Miller v. California*, 413 U.S. 15 (1973) (concerning obscenity in regard to the mailing of sexually explicit material).

²⁶⁴ *Turner Broad. Sys., Inc. v. FCC*, 512 U.S. 622, 680 (1994) ((O’Connor, J., concurring in part and dissenting in part) (citing *Boos v. Barry*, 485 U.S. 312, 321 (1988))).

²⁶⁵ *Id.*

²⁶⁶ *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 561 (1980). See also *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 495-96 (1996) (illustrating long-standing understanding of commercial speech as advertisements for goods and services).

in *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*:

For commercial speech to come within [the First Amendment], it at least must concern lawful activity and not be misleading. Next, we ask whether the asserted governmental interest is substantial. If both inquiries yield positive answers, we must determine whether the regulation directly advances the governmental interest asserted, and whether it is not more extensive than is necessary to serve that interest.²⁶⁷

A more recent case, however, urged caution in applying *Central Hudson*. In *44 Liquormart, Inc. v. Rhode Island*,²⁶⁸ a plurality of the Court argued that “bans against truthful, nonmisleading commercial speech rarely seek to protect consumers from either deception or overreaching,” and tend to rest upon irrational assumptions about consumer behavior.²⁶⁹ The Court went on to strike down²⁷⁰ a state law that prohibited the advertising of alcohol prices anywhere other than inside a licensed liquor store,²⁷¹ although there was not a majority rationale.²⁷² Nonetheless, *44 Liquormart* is worth noting because of the uncertainty it created in the future vitality of *Central Hudson*.²⁷³

Finally, permanent injunctions are evaluated according to the same criteria of content neutrality and content specificity.²⁷⁴ Thus, a regulation is permissible if it passes the *O'Brien* test, while content-based injunctions must serve a compelling government interest.²⁷⁵

²⁶⁷ *Central Hudson*, 447 U.S. at 566 (providing a test for valid commercial speech regulation).

²⁶⁸ 517 U.S. 484 (1996) (holding Rhode Island’s restriction on advertising liquor prices unconstitutional).

²⁶⁹ *Id.* at 503.

²⁷⁰ *Id.* at 507-08.

²⁷¹ *Id.* at 489-90 n.2.

²⁷² *See id.* at 508-14 (criticizing prior cases that defer to legislature’s judgments as to “vice” advertising).

²⁷³ The Court appeared ready to address some of these concerns in the October 2002 term, but it dismissed certiorari as improvidently granted in the relevant case. *See Nike, Inc. v. Kasky*, 539 U.S. 654, 655 (2003) (per curiam) (dismissing certiorari).

²⁷⁴ *See* Mark A. Lemley & Eugene Volokh, *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 DUKE L.J. 147, 169-75 (1998).

²⁷⁵ *See, e.g., Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 450 (2d Cir. 2001) (discussing the scope of protection for speech).

2. Application of the Content-Neutrality Rule to ICV Domain Name Seizure

The Internet has posed some novel challenges for the application of existing First Amendment doctrine. While federal courts have taken note of the Internet's potential to advance the values underlying free speech,²⁷⁶ they have tended to rely upon analogies to specific aspects of free speech, rather than creating a new, Internet-specific doctrine of free speech.²⁷⁷ Early cases have established the general proposition that activities on the Internet are not exceptional; protection against government regulation of speech on the Internet is neither absolute nor non-existent.

a) First Prong of *O'Brien*: Domain Name Seizures' Reference to the Content of Speech

Recall that the relevant regulation for the purposes of analysis under the *O'Brien* rule is the transfer of a domain name to a state government. The threshold issue for First Amendment purposes, then, is whether domain names are capable of expressing speech. One court has squarely faced this issue. In *Name.Space, Inc. v. Network Solutions, Inc.*,²⁷⁸ the Second Circuit applied the test for content neutrality²⁷⁹ to a government-sanctioned policy that limited the creation of generic top-level domains (gTLDs).²⁸⁰ The effect of this regulation was to deny most parties from gaining access to the DNS root servers, and thus to prevent them from introducing their own gTLDs.²⁸¹ First, the court noted that, although the gTLDs ".com," ".org," and ".net" once signified the kind of organization that had registered the domain name, that meaning had been lost.²⁸² As a result, "little if any mean-

²⁷⁶ See *Reno v. Am. Civil Liberties Union*, 521 U.S. 844, 868-69 (1997) (pointing out lack of regulation in the "vast democratic forums of the Internet").

²⁷⁷ See, e.g., *United States v. Am. Library Ass'n, Inc.*, 539 U.S. 194, 205-07 (2003) (declining to apply public forum analysis to Internet terminals in public libraries); *Reno*, 521 U.S. at 868 (noting that the constraints that justify regulations of other media—scarcity and a "history of extensive Government regulation"—are absent from the Internet).

²⁷⁸ 202 F.3d 573 (2d Cir. 2000) (discussing whether domain names are capable of expressing speech in a first amendment context).

²⁷⁹ *Id.* at 587-88.

²⁸⁰ *Id.* at 579 (stating that the U.S. Department of Commerce entered into a domain name management agreement with the defendant, the then-exclusive domain name registry). See *supra* Part III for an explanation of top-level domains and the domain name system (DNS) in general.

²⁸¹ *Name.Space*, 202 F.3d at 579-80.

²⁸² *Id.* at 587 n.15.

ingful expressive content may be attributed to the current gTLDs.”²⁸³ Lacking expressive content, “existing gTLDs do not constitute protected speech under the First Amendment.”²⁸⁴ But the court took care to limit this holding, and left open the possibility that “certain domain names and new gTLDs, could indeed amount to protected speech. The time may come when new gTLDs could be used for ‘an expressive purpose such as commentary, parody, news reporting or criticism’”²⁸⁵

In addition, the *Name.Space* court held that the gTLD regulation was facially neutral, and thus could survive under the *O’Brien* test even if gTLDs contained “speech [that is] given the widest possible protection under the Constitution.”²⁸⁶ The allegedly infirm regulation simply controlled the time, manner, and place of gTLD creation.²⁸⁷ The court also noted that a party is “free to express itself” through second- and higher-level domain names.²⁸⁸

Expression through higher-level domain names was evident in *Ford Motor Co. v. 2600 Enterprises*, where the court recognized the use of a domain name as an element of “cyber-art” and, at least implicitly, recognized the domain name’s ability to convey meaningful expression.²⁸⁹ In other words, the domain name was the message.

An ICV is thus likely to be able to demonstrate that its domain name contains protectable speech, but it is unlikely to persuade a court that being ordered to transfer the domain name to a state is a content-based regulation. A casual survey of ICV domain names reveals that most of them are terse descriptions of the ICV’s wares and presumed appeal—low prices.²⁹⁰ Although most of these names contain, at most, a snippet of commerce-related expression, they are probably sufficient to qualify as commercial speech.²⁹¹ It would not be difficult, however,

²⁸³ *Id.* at 586.

²⁸⁴ *Id.*

²⁸⁵ *Id.* Courts have recognized that a broader range of computer-related expression deserves at least some First Amendment protection. See *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294, 326-27 (S.D.N.Y. 2000), *aff’d sub nom.*, *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 451 (2d Cir. 2001) (holding that computer source code may contain protected “speech elements”); *id.* at 339 (holding that hyperlinks on a web page may contain “expressive and functional elements”).

²⁸⁶ *Name.Space*, 202 F.3d at 587. As discussed *infra*, the court found that the regulation easily satisfied the other two prongs of *O’Brien*.

²⁸⁷ *Name.Space*, 202 F.3d at 587.

²⁸⁸ *Id.* at 588.

²⁸⁹ See *Ford Motor Co. v. 2600 Enters.*, 177 F. Supp. 2d 661, 662-64 (E.D. Mich. 2001).

²⁹⁰ See GAO REPORT, *supra* note 6, at 27-51 (listing names of ICVs).

²⁹¹ See generally *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484 (1996) (holding that sale prices for alcohol are commercial speech).

for an ICV to select a domain name that contains a political message; “www.screwthejenkinsact.com,” for example, is a sentiment that fits with the message of at least one ICV.²⁹²

Finding protected speech in a domain name, however, will not render seizure unconstitutional, because the seizure is likely to be content-neutral. The major focus of the state’s case will be on the ICV’s role in avoiding reporting and paying tax on cigarette sales. If the state obtains the ICV’s domain name, the seizure will be the result of the ICV’s liability for violating the Jenkins Act and state laws; the domain name is, in effect, a piece of property that the state might seek to satisfy a judgment. The state could probably argue, therefore, that seizing a domain name is no more of a content-specific speech restriction than is seizing a bank account or an automobile. In addition, it might be able to counter an objection that domain name seizure restricts the ICV’s ability to use the domain name for political speech by pointing to non-speech criteria, such as the jurisdictional criteria discussed above, for choosing ICV targets.

Some examples of domain name seizures in criminal cases lend some general support to the permissibility of seizures in the context of civil Jenkins Act enforcement. In one case, the U.S. Department of Justice seized the domain name of a copyright “pirate” as part of a plea agreement.²⁹³ For a period of time after the plea agreement, the government used the seized website to provide information about the case as well as a “general anti-piracy message.”²⁹⁴ The U.S. Drug Enforcement Agency (DEA) has also seized at least four websites used in connection with criminal violations of drug paraphernalia laws.²⁹⁵ These sites now bear the plain message: “By application of

²⁹² See *Dirtcheapcig.com: The Last Refuge of the Persecuted Smoker*, <http://www.dirtcheapcigs.com/> (last visited Feb. 24, 2004) (billing its site as “the last refuge of the persecuted smoker”).

²⁹³ See Press Release, U.S. Dep’t of Justice, Justice Department Seizes Top Internet Site Involved in Copyright Piracy (Feb. 26, 2003), <http://www.cybercrime.gov/rocciPlea.htm> (announcing the seizure of <http://www.isonews.com/>); *US Seizes Bootleg Games Site*, BBC NEWS, Feb. 27, 2003, <http://newsbbc.co.uk/1/hi/technology/2803927.stm> (reporting Rocci’s seizure and quoting David Sobel of the Electronic Privacy Information Center: “This could be equivalent to the death penalty in the context of free speech on the internet”).

²⁹⁴ *Copyright Piracy and Links to Crime and Terrorism: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 108th Cong. (2003) (statement of John G. Malcolm, Deputy Assistant Attorney General for the Criminal Division, U.S. Dep’t of Justice), available at <http://www.usdoj.gov/criminal/cybercrime/malcolmTestimony.htm>.

²⁹⁵ The sites are: <http://www.pipesforyou.com/>, <http://www.colorchangingglass.com/>, <http://www.420now.com/>, and <http://www.omnilounge.com/> (last visited Jan. 12, 2004). See also Declan McCullagh, *U.S. Crime-Fighters Seize Web Sites*,

the United States Drug Enforcement Administration, the website you are attempting to visit has been restrained by the United States District Court for the Western District of Pennsylvania pursuant to Title 21, United States Code, Section 853(e)(1)(A).²⁹⁶

b) *O'Brien* Element Two: Narrow Tailoring to Serve a Significant Government Interest

This element of the *O'Brien* test is fairly lenient with respect to government litigants. First, the state is highly likely to be able to demonstrate that its interests in domain name seizure are “significant.” These interests, presumably, will include collective state tax and preventing the state’s underage citizens—whose demand for most goods is also highly price-sensitive—from purchasing tobacco online. The Supreme Court has deemed “substantial” such interests as “maintain[ing] [a city’s] parks . . . in an attractive and intact condition . . .”²⁹⁷ and “protect[ing] . . . citizens from unwelcome noise.”²⁹⁸ The state’s interest in regulating ICVs should fit easily into these police power-related functions. Indeed, the Court has stated that the “State’s interest in preventing underage tobacco use is substantial, and even compelling. . . .”²⁹⁹

The outcome on the narrow-tailoring part of this element is somewhat more difficult to predict. On one hand, this requirement does not mean that a regulation is invalid “simply because there is some imaginable alternative that might be less burdensome on speech.”³⁰⁰ On the other hand, a regulatory scheme that achieves narrow tailoring by a complex set of exemptions and special conditions stands a chance of being invalidated for being irrational.³⁰¹ The

CNET NEWS.COM, Feb. 26, 2003, <http://news.com.com/2100-1023-986225.html>.

²⁹⁶ See www.pipesforyou.com/ (last visited Jan. 19, 2002). The statute referred to, 21 U.S.C. § 853(e)(1)(A) (2001), is part of a larger federal statutory scheme designed to punish a person engaged in a drug-related “continuing criminal enterprise.” The statute authorizes forfeiture of property as soon as an information or indictment is filed. § 853(e)(1)(A).

²⁹⁷ *Clark v. Cmty. for Creative Non-Violence*, 468 U.S. 288, 296 (1984).

²⁹⁸ *Members of City Council v. Taxpayers for Vincent*, 466 U.S. 789, 806 (1984) (holding that protecting citizens from unwelcome noise is a substantial interest).

²⁹⁹ *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 564 (2001) (invalidating a wide variety of restrictions on tobacco advertising).

³⁰⁰ *United States v. Albertini*, 472 U.S. 675, 689 (1985) (discussing how regulations are not invalid merely because they are not the only option).

³⁰¹ *Greater New Orleans Broad. Ass’n, Inc. v. United States*, 527 U.S. 173, 190 (1999) (“The operation of [the Government’s statute and] . . . attendant regulatory regime is so pierced by exemptions and inconsistencies that the Government cannot

chances for the state's success under this prong thus depend upon the context in which the court views domain name seizure. If seizure is viewed as part of an aggressive program designed to increase compliance with the Jenkins Act and to reduce underage citizens' access to cheap tobacco, then it seems likely to be viewed as an instrumental feature of that program, a small component of an economic and public health program that restricts the speech conveyed in a domain name. But it is also possible that domain name seizure will be seen as an incongruously broad measure against the background of current efforts to compel ICVs to comply with the Jenkins Act. Attempting to seize ICV domain names without first seeking an injunction that orders an ICV to file Jenkins Act reports, for example, might appear to fail to meet this requirement.³⁰² Overall, the state will probably succeed in convincing a court that domain name seizure is a "narrowly tailored" means of advancing a substantial government interest.

c) *O'Brien* Element Three: Leaving Open Ample Alternative Channels for Communication

Domain name seizure is likely to satisfy this final requirement of the *O'Brien* test. The state's success under this element of the content neutrality test might depend upon the nature of any other accompanying relief, if any. The presence of other broad relief, such as an injunction enjoining the ICV from resuming business using any domain name that contains the second-level domain name of the seized domain name, would completely shut down the channel of communication using that second-level domain. A metaphor of "cyberspace as place" might convince the court that a "place" represented by the second-level domain has been closed to the ICV.³⁰³ Here, it bears repeating that such an order would follow from a finding of the ICV's legal liability, and would be informed by concerns unrelated to speech. Even at this restrictive end of the spectrum—that is, a prohibition on the ICV doing business with a series of domain names—the ICV

hope to exonerate it."); *Rubin v. Coors Brewing Co.*, 514 U.S. 476, 489 (1995) (invalidating labeling regulations pertaining to the alcohol content of beer).

³⁰² Cf. Judgment & Order, at 1, *Washington v. www.dirtcheapcig.com, Inc.*, No. CV02-2438L (W.D. Wash. Dec. 1, 2003) (granting on stipulation of counsel, state's request for injunction ordering defendant ICV to file past and future reports to comply with Jenkins Act).

³⁰³ See generally Dan Hunter, *Cyberspace as Place and the Tragedy of the Digital Anticommons*, 91 CAL. L. REV. 439 (2003) (exploring the role of this metaphor in Internet-related legal decisions); and *Ward v. Rock Against Racism*, 491 U.S. 781, 798 (1989) (discussing this *O'Brien* prong in connection with "time, manner, and place" regulations).

would still be able to present its views concerning the Jenkins Act on the Internet and elsewhere.

Overall, the greatest challenge to the state will be in convincing a court that domain name seizure is a content-neutral regulation. The state stands a good chance of being able to do so, and will also probably be able to prevail under the remaining two prongs of the *O'Brien* test.

3. Domain Name Seizure as a Content-Based Regulation of Speech

Despite the likelihood that domain name seizure will be viewed as a content-neutral regulation, it is possible that a court would find domain name seizure to be a content-based speech restriction.

a) Domain Name Seizure under the Compelling Government Interest Test

If a court does find content regulation, the state might be able to convince the court that the seizure should survive as a content-based regulation of speech. That is, domain name seizure both serves a compelling government interest and is narrowly tailored for this purpose.³⁰⁴ As to the compelling state interest, the Court in *Lorillard Tobacco Co. v. Reilly* stated that “preventing underage tobacco use is substantial, and *even compelling*. . . .”³⁰⁵ Although this was not a holding, it would be quite favorable to a state. Still, it is unclear whether the state’s interest in Jenkins Act and state tobacco tax compliance is “compelling.” Without a firmly established state interest, it is difficult to determine whether domain name seizure is narrowly tailored to advance that interest. The state could argue that the amount of expressive content in a domain name is extremely small. Domain names, after all, must be short enough for most people to remember easily. As a result, the state might be able to convince a court that the speech restriction is “de minimis” and therefore does not implicate the ICV’s First Amendment rights.³⁰⁶

³⁰⁴ See *Turner Broad. Sys., Inc. v. FCC*, 512 U.S. 622, 680 (O’Connor, J., concurring in part and dissenting in part) (stating the test for a permissible content-based speech restriction).

³⁰⁵ *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 564 (2001) (emphasis added).

³⁰⁶ See *Name.Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 587 (2d Cir. 2000) (citing *Connecticut State Fed’n of Teachers v. Board of Educ. Members*, 538 F.2d 471, 481 (2d Cir. 1976)).

b) Domain Name Seizure as a Commercial Speech Regulation

Alternatively, the state could probably prove that domain name seizure is a permissible commercial speech regulation. As described above, most ICV domain names contain only commercial speech, if they contain speech at all. A legal ruling that the ICV skirted tobacco tax laws, or at least led state residents to do so, would support a finding that the ICV's domain name—*www.zerotaxcigarettes.com*, for example—concerned *unlawful* activity and was misleading to consumers.³⁰⁷ Thus, the state could probably argue that any speech in the ICV's domain name, and perhaps some of the text of the ICV's site, does not qualify for commercial speech protection because it is misleading or is concerned with unlawful activities. Moreover, as discussed above, the state's interest in enforcing its laws and collecting tax revenue is "substantial," if not compelling.³⁰⁸

The state is likely to meet trouble under the third prong of *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*. Domain name seizure, the state would have to argue, "directly advances" its interest in collecting taxes on tobacco taxes.³⁰⁹ By divesting an ICV of its domain name, the state would both remove the ICV's commercial operation from a familiar location and replace it with the state's own message.³¹⁰ But the ICV could argue that, absent an injunction ordering it to change its practices with respect to tobacco taxes, it will be able to obtain a similar domain name and continue its business. The ICV might further argue that consumers who are frustrated by the disruption of one ICV website will turn to one of the hundreds of others. Thus, the overall advancement of the state's interest by domain name transfer alone might be minimal and attenuated, rather than direct. The ICV's position could be persuasive, because the court will probably require more than an assertion that the measure will be effective.³¹¹ In *44 Liquormart*, for example, the Court

³⁰⁷ *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of N.Y.*, 447 U.S. 557, 563-64 (1980).

³⁰⁸ *Id.* at 564, 566 (requiring substantial government interest).

³⁰⁹ *Id.* (requiring direct advancement of government interest).

³¹⁰ Any question that this remedy would violate the Due Process Clauses of the Fifth or Fourteenth Amendments is set aside for this First Amendment analysis.

³¹¹ See *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 505 (1996), evaluating whether a ban is effective in furthering a State's interest, the Court notes:

[A] commercial speech regulation 'may not be sustained if it provides only ineffective or remote support for the government's purpose.' For that reason, the State bears the burden of showing not merely that its regulation will advance its interest, but also that it will do so 'to a material degree.'

Id. (citations omitted).

held that a state defending a total ban on liquor price advertising failed this part of the *Central Hudson* test.³¹² The state offered little more than a “common sense” argument that the ban would reduce competition, which in turn would keep prices above a competitive level, which in turn would reduce alcohol consumption.³¹³ Although statistical evidence demonstrating the effect upon underage smokers of price and the Internet as a tobacco distribution channel might be especially convincing in this case, this kind of evidence is not required. Anecdotes and case studies can be sufficient to prove material advancement of the state’s interest.³¹⁴ *44 Liquormart* thus instructs that, if a state pursuing domain name seizure finds itself justifying the seizure as a permissible commercial speech regulation, the state should be able to present evidence that the seizure will advance the goal of enforcing tax collection “to a material degree.”³¹⁵

Finally, the state could find itself in an untenable position with respect to the fourth prong of the *Central Hudson* test. This element requires the state to prove that its regulation is no more extensive than necessary to serve its goal.³¹⁶ As argued above, the state might be unable to convince a court that domain name seizure alone is effective. If the state attempts to expand the breadth of injunctive relief that it seeks, it runs the risk of losing on the third element of *Central Hudson*; it is possible that additional proposed features of the remedy will lack evidence to support their effectiveness.

In summary, the state can probably convince a court that domain name seizure is a permissibly commercial speech regulation, but in order to do so, the state will need specific evidence of the effectiveness of domain name seizure in materially advancing its interest in tax enforcement and preventing underage smoking.

B. Domain Name Seizure as Compelled Speech

Finally, an ICV could object to a domain name seizure on the grounds that the government’s subsequent use of the domain name will violate the ICV’s right against compelled speech. This objection is unlikely to persuade a court to block (or to refrain from assisting in) domain name transfer. The right against compelled speech has two facets, both of which are examined below.

³¹² See *id.* at 505-07.

³¹³ *Id.* at 504-07.

³¹⁴ *Lorillard Tobacco Co. v. Reilly*, 533 U.S. 525, 555 (2001).

³¹⁵ *44 Liquormart*, 517 U.S. at 505.

³¹⁶ *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 567 (1980).

1. Direct Compulsion to Speak

The Supreme Court has recognized a right against compelled speech in contexts where the government required citizens affirmatively to speak.³¹⁷ That is, this aspect of the right protects persons against being compelled to “repeat an objectionable message out of their own mouths. . . .”³¹⁸ The other requirement is some form of coercion, usually in the form of a fine or the threat of arrest and imprisonment. In the leading case, *West Virginia State Board of Education v. Barnette*, the Court held that public schoolchildren could not be compelled to salute the flag and recite the Pledge of Allegiance.³¹⁹ Part of the West Virginia law that was invalidated provided for expulsion for those who refused to join the pledge, which in turn exposed the parents to potential arrest or fines for having a “delinquent” child.³²⁰ The Court found that such an affirmation, whether verbal or symbolic, “requires affirmation of a belief and an attitude of mind”³²¹ in order to “coerce uniformity of sentiment.”³²²

The other leading case in the development of the right against direct compulsion to speak is *Wooley v. Maynard*.³²³ In that case, the Court affirmed an injunction preventing the enforcement of part of a state vehicle code, which made it a misdemeanor to “obscure the figures or letters on any number plate.”³²⁴ The *Wooley* Court added a property-based conception of this right to the underlying right of the person: “New Hampshire’s statute in effect requires that appellees use their private property as a ‘mobile billboard’ for the State’s ideological message. . . .”³²⁵

³¹⁷ See *West Virginia State Bd. of Educ. v. Barnette*, 319 U.S. 624 (1943) (holding that expulsion of public school students for refusal to salute the flag and recite the Pledge of Allegiance violated the First Amendment).

³¹⁸ *R.J. Reynolds Tobacco Co. v. Bonta*, 272 F. Supp. 2d 1085, 1094 (E.D. Cal. 2003), *aff’d sub nom.*, *R.J. Reynolds Tobacco Co. v. Shewry*, 384 F.3d 1126 (9th Cir. 2004).

³¹⁹ *Barnette*, 319 U.S. at 624.

³²⁰ *Id.* at 629 n.5.

³²¹ *Id.* at 633.

³²² *Id.* at 640-42 (noting further that “[i]f there is any fixed star in our constitutional constellation, it is that no official, high or petty, can prescribe what shall be orthodox in politics”).

³²³ 430 U.S. 705 (1977).

³²⁴ *Id.* at 707 (quoting N.H. REV. STAT. ANN. § 262:27-c (Supp. 1975)). The plaintiff in *Wooley* objected to being compelled to display the state motto, “Live Free or Die.” *Id.* at 715. See also *PruneYard Shopping Ctr. v. Robins*, 447 U.S. 74, 85-88 (1980) (emphasizing that *Wooley*’s central feature is protection against the compelled use of private property to carry a message created by the government).

³²⁵ *Id.*

Although an ICV could make a facially plausible case that the state's use of a domain name forces an ICV to carry the state's message on its property, this objection is not likely to prevail. Moreover, the element of using criminal sanctions to coerce a person to speak is entirely missing from this hypothetical. The state would impose its message after the ICV had been found liable for violating federal tax law (and potentially wide variety of state laws as well); the government's message is imposed after a finding of liability for some non-speech-related offense.

The notion that the ICV is nevertheless being forced to carry the government's message should prove equally unpersuasive. As explained at length in the discussion of trademarks and domain name seizure, it is well settled that domain name registration is a discrete property right. This property right may be very narrow in scope, involving no more than the right to exclude others from registering the same name, but it is a property right nonetheless.³²⁶ Thus, under the general principles of property seizure, the state will take title to the domain name upon seizure. In this sense, installing a government message at a seized domain name cannot be said to employ the property of the ICV to carry the message.

The possibility that an ICV may possess overlapping trademark rights in terms contained in the domain name probably will not change this outcome. Thus, the argument might run, the government's use of a seized domain name still implicates the ICV's property rights in its *trademark*. There do not appear to be any cases directly addressing whether the government's use of a trademark constitutes compelled speech.³²⁷ The strongest argument against this expected view of the ICV, however, is the boundaries of the property right in trademarks stop well short of permitting a trademark holder to exclude others from making a trademark part of a political message, even if that message is directed against the trademark holder.³²⁸ The trade-

³²⁶ *Kremen v. Cohen*, 337 F.3d 1024, 1030 (9th Cir. 2003) (applying three-part test to conclude that a domain name registrant has a property right in the registration). *But see Nissan Motor Co., Ltd. v. Nissan Computer Corp.*, No. CV 99-12980 DDP (Mex), 2001 U.S. Dist. LEXIS 23996, at *29 (C.D. Cal. Dec. 5, 2001) ("Absent a basis for claiming broader intellectual property rights in a domain name, a domain name is an address, nothing more.")

³²⁷ The closest case might be *PGMedia, Inc. v. Network Solutions, Inc.*, 51 F. Supp. 2d 389, 408 (S.D.N.Y. 1999), *aff'd sub nom.*, *Name.Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573 (2d Cir. 2000), in which the court discussed the plaintiff's argument that being forced to use one of a few generic top-level domains constituted compelled speech. The court dismissed this argument, which is admittedly not directly analogous to the instant hypothetical.

³²⁸ *See* 15 U.S.C.S. § 1125(c)(4)(C) (LexisNexis 2005) (exempting "news

mark holder's rights against infringement and dilution were discussed at length above, and probably are not implicated by the government's proposed action. The argument that the government's use of the mark, whether through a domain name or otherwise, is likely to be attributed to the ICV will therefore probably fail.

2. Right against Unwanted Association with a Speaker

An ICV could raise the argument that domain name seizure violates the other dimension of the right against compelled speech. This aspect of the right bars the government from compelling individuals or groups to fund speech that they find objectionable. Most of the cases finding violations of this right have involved mandatory membership in groups that use membership revenues to engage in political activity.³²⁹ In general, two conditions are necessary to trigger this right. The first is that the party asserting this right be a member "by law or necessity" of the group engaged in the offending speech.³³⁰ Speech attributable to the government does not meet this requirement; the government may express its own views without implicating the right against compelled speech, so long as it does not "drown out" other speakers.³³¹ The Supreme Court recently affirmed that government speech is entitled to First Amendment protection.³³² So long as the government dictates the "overarching message," has the ability to participate in crafting a specific message, and "exercises final approval authority" over that message, the government can likely remain clear of impermissibly compelling others to speak, even if it funds the speech by taxing particular groups.³³³ If, however, the government's endorsement of the speech is not clear, courts look to

commentary" from dilution liability).

³²⁹ See generally *United States v. United Foods, Inc.*, 533 U.S. 405 (2001) (invalidating program to fund generic mushroom advertising); *Glickman v. Wileman Bros. & Elliott, Inc.*, 521 U.S. 457 (1997) (upholding program that used fees to fund advertising "germane" to overall purposes); *Keller v. State Bar of Cal.*, 496 U.S. 1 (1990) (invalidating state bar's practice of using membership dues to engage in political activities); *Abood v. Detroit Bd. of Educ.*, 431 U.S. 209, 242 (1977) (holding that members of a teachers' union were entitled to "appropriate relief" to prevent their union dues from being used for purposes other than collective bargaining); *Int'l Ass'n of Machinists v. Street*, 367 U.S. 740 (1961) (invalidating use of unsegregated labor union dues to fund union's political activities).

³³⁰ *United Foods*, 533 U.S. at 413.

³³¹ See *R.J. Reynolds Tobacco Co. v. Bonta*, 272 F. Supp. 2d 1085, 1107 (E.D. Cal. 2003) (quoting *NAACP v. Hunt*, 891 F.2d 1555, 1566 (11th Cir. 1990)).

³³² See *Johanns v. Livestock Marketing Ass'n*, 125 S.Ct. 2055, 2065 (2005).

³³³ *Id.* at 2063.

the statutory scheme of which the speech is a part.³³⁴ If the speech is “germane” to a broader regulatory scheme that involves the compelled association, the speech is permissible.³³⁵ If, on the other hand, the speech is the very purpose of the compelled association, the program is impermissible.³³⁶

The state’s proposed use of a seized ICV domain is highly likely to be viewed as government speech, so there is little chance that this speech will infringe the ICV’s right against compelled speech. The protection given to government speech might even allow a state to fund domain name seizures with revenues derived from tobacco taxes.³³⁷ The government will probably seek to unequivocally identify itself as the source of speech on the seized website, so it will avoid the close questions of government endorsement of speech that are present in many compelled speech cases. To ensure that this defense applies, however, the government should avoid any hint that its activity is funded by taxes levied against tobacco companies. This will mark the domain name seizure program as one funded out of the public fisc, for which the government is politically accountable, rather than one that is funded by taxing the very target of the campaign.³³⁸ If this caution is observed, it is highly unlikely that the state’s program will constitute even this indirect form of compelled speech.

CONCLUSION

A state’s attorney general occupies a uniquely powerful role in stopping online tobacco sales. They are well-positioned to gather information about the volume of Internet-based tobacco sales in their states. Their interests in stopping these sales are also considerable. Most importantly, the combination of low prices and the easy avoidance of age verification create a serious public health risk. These sales also deprive states of considerable amounts of revenue. But states have the legal means available to sue ICVs and thereby stop large-

³³⁴ See *United Foods*, 533 U.S. at 412-15.

³³⁵ *Glickman*, 521 U.S. at 473.

³³⁶ See *United Foods*, 533 U.S. at 415-16 (contrasting impermissible regulatory scheme that was unattached to a “purpose related to an association independent from the speech itself . . .” with the permissible scheme in *Glickman*).

³³⁷ See *Livestock Marketing*, 125 S Ct. at 2062 (quoting *Bd. of Regents v. Southworth*, 529 U.S. 217, 229 (2000), ““The government, as a general rule, may support valid programs and policies by taxes or other exactions binding on protesting parties.””).

³³⁸ Cf. *R.J. Reynolds Tobacco Co. v. Bonta*, 272 F. Supp. 2d 1085, 1100-10 (E.D. Cal. 2003) (discussing objections to anti-tobacco advertising funded by tax on tobacco).

scale distributors from participating in the market for tobacco. Moreover, the states will be able to obtain far-reaching relief, including the possibility of conveying their own message to consumers who are seeking tobacco online. States bear most of the costs for underage and other forms of illegal tobacco use, but they also have the most flexible means of pursuing anti-smoking strategies. States should seriously consider suing ICVs.