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## NEW AGE BANDITS IN CYBERSPACE: DOMAIN NAMES HELD HOSTAGE ON THE INTERNET

*Cyberspace is like the 1849 Gold Rush, only what people are staking their claims to are names.*<sup>1</sup>

### I. INTRODUCTION

Ross Koty does not sell hamburgers, milkshakes or even own a restaurant, but he obtained the Internet address "carlsjr.com" for no reason other than being the first to ask for it.<sup>2</sup> Koty, a photographer, refuses to release the Internet address, also called a domain name, to the real Carl's Jr. unless the company pays him \$2800.<sup>3</sup> "We've spent a lot of money over the years developing our name recognition," said Robert Wilson, general counsel of CKE Restaurants, the California-based parent company of Carl's Jr.<sup>4</sup> "That mark is identifiable with our brand, and I feel like Koty is holding us hostage."<sup>5</sup>

This type of squabble is just one of hundreds of disputes over Internet domain names involving companies rushing to stake their claims in cyberspace, only to find their names already in the hands of somebody else.<sup>6</sup> Much to their chagrin, many companies are finding their trademarks controlled by domain "squatters" who hold the trademarks for ransom.<sup>7</sup> As one industry commentator has put it, "[w]ith dollar signs in their eyes, World Wide Web surfers have busily registered what they hope will become lucrative domain names—as either popular Web sites or high-priced items to auction."<sup>8</sup>

In the ever-expanding computer age, many believe that the Internet will become the largest shopping mall the world has ever known with Web sites as its storefronts.<sup>9</sup> Commercial usage of the Internet has exploded in recent

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1. Jack Schofield, *Game of the Name*, GUARDIAN (London), May 30, 1996, at 4.

2. Greg Miller, *Internet Addresses Fueling Rash of Territorial Disputes*, L.A. TIMES, July 16, 1996, at A1.

3. *Id.*

4. *Id.*

5. *Id.*

6. *Id.*

7. *Id.*

8. Kim S. Nash, *Dueling for Domains*, COMPUTERWORLD, Sept. 30, 1996, at 61.

9. Miller, *supra* note 2, at A1.

years, transforming it from a research tool to a global marketplace with the ability to reach millions of consumers all over the world. As of February 1996, approximately 175,000 companies had established a presence on the Internet as compared to 30,000 in December 1994.<sup>10</sup> Keenly aware of this development, many shrewd individuals are scooping up valuable domain names and holding them hostage against the will of their rightful trademark owners. "Pay up or else" is the motto of these new-age bandits.

This Comment examines a growing trend on the Internet by domain name squatters to hold company trademark addresses hostage. Part II provides background information about the Internet and its development as the "Supermall of the Nineties." Part III traces disputes that have arisen as a result of domain name poaching. Part IV explains and analyzes revisions of the domain name registration policy of Network Solutions, Inc., the company vested with the responsibility of registering domain names on the Internet.<sup>11</sup> Part V considers various methods a company can utilize to curb Internet name poaching, including trademark infringement actions, seeking a criminal investigation, and lobbying for new legislation. Part VI concludes with a recommendation to remedy the hostage situation.

## II. THE DEVELOPMENT AND COMMERCIAL EXPANSION OF THE INTERNET

The Internet, also known as the "Information Superhighway,"<sup>12</sup> is a global network of computers established in the 1960s by the United States Defense Department as a communication system that would be unaffected by a nuclear attack.<sup>13</sup> In the 1990s, the Internet has expanded into an international communication system serving governments, schools, and businesses.<sup>14</sup> In addition, the Internet has become a "new channel of commerce."<sup>15</sup> As of October 1996, approximately thirty to forty million

10. Nick Miller, *Business Jumps On-line: Firms Offering Internet Access*, CINCINNATI POST, Feb. 5, 1996, at 5B, available in 1996 WL 5051233.

11. Evan Ramstad, *Registry Company Wields Great Power in E-Mail Frontier*, L.A. DAILY NEWS, Aug. 26, 1996, at B1.

12. Richard Zaitlen & David Victor, *The New Internet Domain Name Guidelines: Still Winner-Take-All*, 13 COMPUTER LAW. 12 (1996).

13. *Hearings on H.R. 2441 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong. (1996) (statement of Catherine Simmons-Gill, president of the International Trademark Association), available in 1996 WL 5508744.

14. *Id.*

15. *Id.* For instance, the Adolph Coors Brewing Company has established a Web site on the Internet to promote its ZIMA brand beer. <<http://www.zima.com>> (visited Apr. 17, 1997). Users who sign on to the ZIMA page may sign up and receive "free" digital goodies" if they fill out alcohol consumption information. *Id.* Mercedes Benz also has an Internet site to provide consumers with information regarding recent product developments. Zaitlen & Victor, *supra* note 12, at 12.

people were using the Internet.<sup>16</sup> To reach this population, all a business has to do is set up an electronic showroom and wait for potentially millions of customers to visit.

In order to be accessible on the Internet, every individual, business, or corporation must have a unique Internet address.<sup>17</sup> It is well recognized that a business cannot function unless its customers and potential customers know where to find it. A company operating on the Internet needs to have an 'address' as well.<sup>18</sup> However, because there is no centralized directory of Internet addresses, having a domain name that corresponds to a well-known trademark is necessary for a company that wants to establish an Internet presence. Not surprisingly, many businesses, when choosing a domain name, select words or names that are easy for customers to remember and that are common words or well-known trade names. Familiar or popular words used as a domain name provide a business with a valuable "mnemonic asset" to be used by individuals seeking a site by searching with a memorable key word.<sup>19</sup>

Whether or not a business has a memorable domain name is of paramount importance.<sup>20</sup> Domain names are not just addresses to these companies, they are "the electronic signs on the virtual storefronts."<sup>21</sup> These addresses are a corporation's identity on the Internet and have been referred to as "postal addresses, vanity license plates and billboards, all rolled into one digital enchilada."<sup>22</sup> For example, Carl's Jr., while waiting for Koty to relinquish "carlsjr.com," was forced to name its Web site "http://www.ckr.com," using its stock symbol as a domain name.<sup>23</sup> The company speculates that the 250 visits it receives each day at "ckr.com" is

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16. Seyamack Kouretchian, *Revised Rules Govern Domain-Name Disputes*, NAT'L L.J., Oct. 28, 1996, at C20.

17. See generally ED KROL, *THE WHOLE INTERNET* 18-19 (2d ed. 1994).

18. Robert J. Raskopf, *Trademarks and the Internet*, in *INTELLECTUAL PROPERTY LAW INSTITUTE* 1047, 1050 (PLI Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. G4-416, 1995).

19. James West Marcovitz, *Ronald@McDonalds.com—"Owning a Bitchin" Corporate Trademark as an Internet Address—Infringement?*, 17 *CARDOZO L. REV.* 85, 91 (1995).

20. See Steve Higgins, *What's in an Internet Name? To On-Line Marketers, Lots*, *INVESTOR'S BUS. DAILY*, Oct. 17, 1995, at A10 ("Catchy addresses are as important to on-line merchants as prime retail space is to conventional merchants, cybernauts say. It's easier to order jewelry from a business that can be reached by typing 'gold.com,' for example, than it is to buy it from another vendor with a forgettable address.").

21. David P. Krivoschik, *Paying Ransom on the Internet*, N.J.L.J., Oct. 23, 1995, at 10. Not all domain names offer access to a Web site. These Internet addresses are often referred to as "pseudo" domains. Pseudo domain names cannot offer access to the Internet; they only allow Internet users to send and receive messages from others. Marcovitz, *supra* note 19, at 92.

22. Joshua Quittner, *Life in Cyberspace: You Deserve a Break Today*, *NEWSDAY*, Oct. 7, 1994, at A5.

23. Miller, *supra* note 2, at A8.

about half of what it would receive at "carlsjr.com," the address most consumers are likely to try.<sup>24</sup>

Internet users receive two addresses when they register for an Internet address—one that is numeric, i.e. 123.789.123.58, and one that is alphanumeric, such as "ssterling.com."<sup>25</sup> The numeric address is known as an Internet working Protocol Address ("IP address") and is a unique combination of numbers separated by periods to represent different fields.<sup>26</sup> Unfortunately, IP addresses are long and difficult to remember. As a result, most Internet users rely on the more user-friendly alphanumeric addresses.

This alphanumeric address, known as a domain name, is the squatter's gold mine on the Internet. A domain name is made up of a word or combination of words, followed by a period and a three-letter abbreviation indicating the user's type of organization.<sup>27</sup> Commercial addresses, the source of most controversy, are designated by ".com."<sup>28</sup> Internet addresses may also end in ".edu" (educational), ".org" (organizational), ".gov" (government), ".net" (network), and ".mil" (military).<sup>29</sup> In addition to these designations, domain names are also limited to a maximum length of twenty-four letters.<sup>30</sup> This limitation creates a problem for companies with long names that need to abbreviate or use acronyms because often more than one company is interested in the same Internet address. For example, "American Telephone and Telegraph" and "Al's Turnips and Tomatoes" would both compete for "at&t.com."

The responsibility of registering all domain names originally fell on the shoulders of the Internet Network Information Center ("InterNIC"), a collaborative organization established by the National Science Foundation.<sup>31</sup> InterNIC delegated the actual task of name registration to Network Solutions, Inc. ("NSI"), a private company located in Alexandria, Virginia.<sup>32</sup> Ironically,

24. *Id.* The battle over "carlsjr.com" dragged on for months. The company's attorney stated that the options before him were basically the same as when the squabble developed. Carl's Jr. can sue, try to force Koty to go to arbitration, give up, or pay. While paying for one's own name is not "particularly palatable," it is usually the quickest and cheapest method. *Id.*

25. Raskopf, *supra* note 18, at 1050.

26. See Dan L. Burk, *Trademarks Along the Infobahn: A First Look at the Emerging Law of Cybermarks*, 1 RICH. J.L. & TECH. 1, 3 (Apr. 10, 1995).

27. Raskopf, *supra* note 18, at 1050-51.

28. *Id.* at 1051.

29. *Id.*

30. Kenneth Sutherlin Dueker, Note, *Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses*, 9 HARV. J.L. & TECH. 483, 493 (1996).

31. Raskopf, *supra* note 18, at 1051.

32. Gary W. Hamilton, *Trademarks on the Internet: Confusion, Collusion or Dilution?*, 4 TEX. INTELL. PROP. L.J. 1, 3 (1995).

NSI's policy for registering domain names actually facilitates name poaching because NSI awards registrants their Internet addresses on a first-come, first-serve basis.<sup>33</sup> In addition, NSI neither questions nor verifies the rights of the user to choose a particular name.<sup>34</sup> This policy is traceable to the early, anarchic days of the Internet when the system was run by volunteers lacking the time to investigate every application.<sup>35</sup> Currently, NSI registers about 51,000 domain names per month,<sup>36</sup> compared to 3000 per month only two years ago.<sup>37</sup> Unfortunately, NSI simply does not have the resources to investigate every request it receives and analyze whether a potential domain name infringes upon a registered trademark.<sup>38</sup>

### III. DOMAIN NAME DISPUTES

The commercial expansion of the Internet, coupled with NSI's domain name registration policy, has led to a number of disputes between trademark owners and individuals who acquire domain names that potentially infringe on registered marks. Every computer with access to the Internet must possess its own unique domain name, yet only a finite set of addresses are available.<sup>39</sup> Only a limited number of domain names can be issued ending with the requisite ".edu," ".org," ".net," ".gov," and ".com." For example, there can only be one "carlsjr.com."

Not surprisingly, this lack of space has made many Internet addresses very valuable. Some speculators have even registered domain names by the thousands hoping that eventually somebody will want and be willing to pay for them.<sup>40</sup> In fact, only a small number of Internet addresses are actually in use, compared to the number that are legally registered.<sup>41</sup> It is clear that people are registering names solely for the purpose of holding them hostage.

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33. *Id.*

34. *Id.* at 4-5.

35. Tom Standage, *Connected: The Tangled Web of Mistaken Identities*, DAILY TELEGRAPH (London), May 21, 1996, at 6.

36. Kouretchian, *supra* note 16, at C20.

37. Miller, *supra* note 2, at A8. In the past, domain name addresses were registered to applicants free of charge. See Ramstad, *supra* note 11, at B1. However, due to the increased commercialization of the Internet and the rising number of requests, NSI now charges users a \$50 annual fee for their domain names. NETWORK SOLUTIONS, INC., NETWORK SOLUTIONS' FEE FOR REGISTRATION OF DOMAIN NAMES POLICY ¶ 3.1.1, (visited Nov. 7, 1996), <ftp://rs.internic.net/policy/internic/internic-domain-3.txt> (on file with the *Loyola of Los Angeles Entertainment Law Journal*).

38. See Hamilton, *supra* note 32, at 4.

39. Steve G. Steinberg, *Addressing the Internet's Space Problem*, L.A. TIMES, Aug. 26, 1996, at D8.

40. *Id.*

41. *Id.*

For example, Jim Cashel registered over seventeen Internet addresses including "esquire.com" and "trump.com."<sup>42</sup> Other valuable corporate trademarks registered by someone other than the trademark holder include "hertz.com," "coke.com," "windows.com," "nasdaq.com," "mtv.com," and "mcdonalds.com."<sup>43</sup>

Another unfortunate consequence of the dearth of space on the Internet is that more than one person often vies for the same domain name. If only one person can have "smith.com" as an Internet address, common sense dictates that several Smiths would be interested in obtaining that domain name. In fact, the number of disputes over domain names has ballooned to nearly 700 as of August 1996.<sup>44</sup>

#### *A. The Battle Over "kaplan.com"*

One of the first widely publicized cases of "Internet address poaching and speculation" involved two arch rival test preparation companies, Stanley Kaplan Education Centers ("Kaplan") and Princeton Review.<sup>45</sup> Princeton Review, aware of the benefits a presence on the Internet confers, registered "princeton.com" and "review.com."<sup>46</sup> Princeton Review also registered "kaplan.com" in an apparent attempt to "mock and annoy the other company."<sup>47</sup> At the time, Kaplan had not yet established a presence on the Internet.<sup>48</sup> When Kaplan became aware of the unauthorized use of its name as a Web site, it demanded that Princeton Review cease using the domain name.<sup>49</sup> Not only did Princeton Review refuse to surrender the name, but to add insult to injury, filled the site with Princeton Review advertisements.<sup>50</sup> Princeton Review hoped that individuals intending to reach Kaplan would try "kaplan.com." Those who did "were offered electronic material disparaging the quality of Kaplan's services and extolling the comparative advantages of the Princeton Review courses."<sup>51</sup>

After prolonged negotiations, Princeton Review offered to release the domain name in exchange for a case of beer.<sup>52</sup> Kaplan officials refused and

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42. *Id.*

43. *Id.*

44. Miller, *supra* note 2, at A8.

45. *Company Must Alter Name on Internet*, ORANGE COUNTY REG., Oct. 7, 1994, at C1.

46. Burk, *supra* note 26, at 18.

47. *Id.* at 19.

48. *Id.* at 20.

49. *Id.*

50. Hamilton, *supra* note 32, at 6.

51. Burk, *supra* note 26, at 19.

52. *Id.* at 20.

responded by filing a lawsuit.<sup>53</sup> The President of Princeton Review, in response, stated that his rivals had “no sense of humor, no vision, and no beer.”<sup>54</sup> The dispute was eventually referred to binding arbitration,<sup>55</sup> which held in Kaplan’s favor and ordered Princeton Review to transfer the domain name to Kaplan with no trademark law discussion.<sup>56</sup>

### B. MTV Networks, Inc. v. Curry<sup>57</sup>

*MTV Networks, Inc. v. Curry* provides another example of an early dispute over domain name registration.<sup>58</sup> In that case, MTV Networks, Inc. (“MTV”) sued Adam Curry, a former MTV video-jockey for trademark infringement and breach of contract.<sup>59</sup> Curry developed an Internet site with the address “mtv.com” to operate an on-line “talk show”<sup>60</sup> and also to publish a daily “cybersleaze report” that discussed gossip in the entertainment and music business.<sup>61</sup> The site was popular, with millions of Internet users accessing the site in the first ten months of its operation.<sup>62</sup> Curry originally registered the domain name with the permission of MTV,<sup>63</sup> but later refused to return the Internet address to MTV after his employment with MTV ended.<sup>64</sup> MTV sued and the case was ultimately decided on breach of contract grounds, with no discussion of the trademark issue.<sup>65</sup> Following the trial, Curry relinquished the “mtv.com” domain name back to MTV.<sup>66</sup>

### C. The Taking of “ronald@mcdonalds.com”

Another widely publicized and thought-provoking “hostage situation” involved a well-informed journalist who sought to push NSI’s name registration policy to the limit. In an article in *Wired* magazine, Joshua

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53. *Id.*

54. *Id.*

55. Hamilton, *supra* note 32, at 7.

56. *Id.*

57. 867 F. Supp. 202 (S.D.N.Y. 1994).

58. *See id.*

59. *Id.*

60. Raskopf, *supra* note 18, at 1055.

61. Joshua Quittner, *Highway Sighing: Computer Writer Fights MTV*, *NEWSDAY*, May 13, 1994, at A21.

62. *MTV Networks*, 867 F. Supp. at 204.

63. Raskopf, *supra* note 18, at 1055.

64. *MTV Networks*, 867 F. Supp. at 204.

65. *See id.*

66. Raskopf, *supra* note 18, at 1055.



Quittner discussed a trend he coined the "Net Name Gold Rush" and used himself as an example.<sup>67</sup>

Upon learning that McDonald's had not registered its name as an Internet address, Quittner sent numerous notices informing the world-famous corporation that it risked losing its right to the domain name unless the company registered with NSI.<sup>68</sup> When no one responded to his letters, Quittner decided to teach McDonald's a lesson and registered the domain name "ronald@mcdonalds.com" himself.<sup>69</sup> He then encouraged his readers to e-mail him with suggestions as to the use of the famous address.<sup>70</sup> Approximately half of the messages encouraged Quittner to sell the name to McDonald's for a king's ransom while others suggested "he use the name as an address to distribute information promoting vegetarianism over hamburger consumption."<sup>71</sup> Quittner suggested:

I'd like to see if Burger King is interested in buying "mcdonalds.com," taking it off my hands . . . . I could auction it off. I could hold on to it as a trophy, *a la* Curry and mtv.com. I could set up a homepage, explaining the difference between McDonald's and Josh "Ronald" Quittner.<sup>72</sup>

When approached by McDonald's, Quittner, in a style reminiscent of Robin Hood, refused to transfer the name unless the corporation donated \$3500 to a public school in New York badly in need of computer equipment to access the Internet.<sup>73</sup> Eventually, McDonald's agreed, donated \$3500 to the school, and gained control of its own name on the Internet.<sup>74</sup>

#### D. Toys-R-Us and Avon: *Victories for the Hostages*

Another amusing example of domain name hijacking involved a ten-year-old boy who registered "toysrus.com" with NSI and then asked Toys-R-Us to give him a bicycle and a computer in exchange for the rights to the domain.<sup>75</sup> The company, when first approached, was ready to cooperate.<sup>76</sup> As

67. Joshua Quittner, *Billions Registered: Right Now, There Are No Rules to Keep You from Owning a Bitchin' Corporate Name As Your Own Internet Address*, WIRE, Oct. 1994, at 54.

68. Raskopf, *supra* note 18, at 1055.

69. *Id.*

70. Hamilton, *supra* note 32, at 7.

71. *Id.* (citing Joshua Quittner, *You Deserve a Break Today*, NEWSDAY, Oct. 7, 1994 at A5).

72. Quittner, *supra* note 67, at 54.

73. Quittner, *supra* note 22, at A5.

74. Zaitlen & Victor, *supra* note 12, at 14.

75. Kate Gerwig, *Domain Name for Ransom?*, NETGUIDE, Mar. 1, 1996, at 18. The real, less colorful story is that it was the child's enterprising uncle who registered "toysrus.com" and other valuable domain names with NSI. *Id.*

fate would have it, however, the child's uncle could not decide which computer he wanted, and before the swap could occur, NSI intervened and awarded the domain name to Toys-R-Us.<sup>77</sup>

Avon Products also found itself the victim of domain name poaching. A group of New Yorkers held the Internet address "avon.com" hostage and demanded ransom money.<sup>78</sup> Apparently, David Lew and Carnetta Wong attempted to extract "a very large, but unspecified sum" of money from the company in exchange for the domain name.<sup>79</sup> Avon filed suit in February 1996, to retrieve the name from Carnetta Wong, who registered "avon.com" in 1995.<sup>80</sup> Before it resorted to the courts, however, Avon approached NSI and tried to persuade it to relinquish the domain name.<sup>81</sup> NSI refused, sticking to its policy of "first-come, first-serve."<sup>82</sup> Avon persisted and reminded NSI of its other policy, specifically the representations and warranties sections in NSI's policy "in which an applicant affirms that a domain name does not violate a third party's trademark or other intellectual property or otherwise interfere with a third party's business."<sup>83</sup> It was not until Wong attempted to transfer the domain name to Lew that Avon's efforts were rewarded. NSI terminated Lew's registration of "avon.com" and awarded it to Avon, pointing out Wong and Lew's violation of NSI's policy.<sup>84</sup>

The Avon dispute is noteworthy for two reasons. First, it is an example of an early suit filed under the newly enacted Federal Dilution Act.<sup>85</sup> Second, Avon retrieved its domain name before it won in court. Avon's victory puts ammunition in the arsenal of other companies whose domain name is taken hostage.

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76. *Id.*

77. *Id.*

78. *Avon Retrieves Domain from Name Hijacker*, INFO. L. ALERT: A VOORHEES REP., Apr. 5, 1996, at 1.

79. *Id.*

80. *Id.*

81. *Id.*

82. *Id.*

83. *Id.*

84. *Avon Retrieves Domain from Name Hijacker*, *supra* note 78, at 1.

85. 15 U.S.C. §§ 1125(c), 1127 (1995). See discussion *infra* Part V for an analysis of this law.

## IV. NSI'S DOMAIN NAME REGISTRATION POLICY

*A. NSI's First Attempt to Settle Domain Name Disputes*

In July 1995, NSI developed a new policy and guideline to address the problem of domain name disputes.<sup>86</sup> According to this policy, applicants for a domain name promised not to "interfere with or infringe the right of any third party in any jurisdiction with respect to trademark, service mark, tradename, company name, or any other intellectual property right."<sup>87</sup> NSI further attempted to prevent potential litigation by allowing trademark holders to challenge domain name holders using their trademark.<sup>88</sup> Once NSI received notice of a challenge to a particular domain name, it notified the domain name holder that it had thirty days to produce a valid trademark or the domain name would be placed on hold until a court resolved the dispute.<sup>89</sup> However, if both the challenger and the domain name holder offer a valid trademark, the domain name holder is awarded ownership of the name under NSI's "first-come, first-serve" policy.<sup>90</sup>

NSI also prohibits the "warehousing" of domain names—allowing a domain name to remain inactive for more than ninety days.<sup>91</sup> One can speculate that the purpose of this provision is to deter domain name squatters from registering a name and then letting it lie dormant. Unfortunately, even with the new guidelines, the number of disputes over domain names continued to increase.

*B. NSI's Second Endeavor to Address the Domain Name Situation*

NSI's dispute policy was subsequently revised in November 1995.<sup>92</sup> Under these rules, NSI retained most of the previous policy's guidelines,

86. NETWORK SOLUTIONS, INC., NSI DOMAIN NAME DISPUTE RESOLUTION POLICY STATEMENT (1995) (*reprinted in* <[http://www.eff.org/pub/Legal/Internet\\_address\\_disputes/9507\\_internic\\_domain.policy](http://www.eff.org/pub/Legal/Internet_address_disputes/9507_internic_domain.policy)> (visited Apr. 16, 1997)) [hereinafter NSI POLICY].

87. *Id.*

88. *Id.*

89. *Id.*

90. *Id.*

91. *Id.* According to the policy, "if a domain name goes without regular use for a period of 90 days or more, then the domain name must be relinquished to NSI upon request, making that domain name available for registration and use by another party." *Id.*

92. NETWORK SOLUTIONS, INC., NSI DOMAIN NAME DISPUTE RESOLUTION POLICY STATEMENT, REVISION 01 (1995) (*reprinted in* <[http://www.eff.org/pub/Legal/Internet\\_address\\_disputes/9510\\_internic\\_domain.policy](http://www.eff.org/pub/Legal/Internet_address_disputes/9510_internic_domain.policy)> (visited Apr. 16, 1997)) [hereinafter NSI POLICY, REV 01].

including assigning domain names on a first-come, first-serve basis.<sup>93</sup> One change in the new policy was that applicants were required to state on their registration form that they had a legal right to the application name.<sup>94</sup> The policy also allowed claimants to submit to arbitration.<sup>95</sup> Interestingly, the name of the policy was also revised. The word “resolution” was removed from the title of the policy to illustrate the fact that the policy just related to domain name disputes—not the resolution of them.<sup>96</sup> The revised policy also set forth a process for challenging the registration of a domain name. If a trademark holder disputes a domain name and the domain name owner has no proof of a trademark, the address is suspended until the problem is resolved.<sup>97</sup> Additionally, NSI included an indemnification clause, stating that it was to be protected from the costs of defending any lawsuits.<sup>98</sup>

### C. NSI's Current Domain Name Registration Policy

In an attempt to once again quiet the uproar over domain names, NSI proposed yet another domain name registration policy that was implemented on September 9, 1996.<sup>99</sup> The purpose of this revision is to shield NSI from potential lawsuits and “to try to protect trademark owners from rogue entrepreneurs who would register popular trademarks and try to ransom them off to their owners.”<sup>100</sup> The new policy seeks to prevent “quickie” trademark registration in foreign countries by requiring proof of a valid federal or international trademark prior to the date a challenge is filed by a trademark owner.<sup>101</sup>

Specifically, changes to NSI's policy include:

- NSI will only recognize a trademark if it was registered prior to a request for proof of ownership or any third party's notification of a potential dispute.<sup>102</sup>

93. *Id.*

94. *Id.* ¶ 1.

95. *Id.* ¶ 8.

96. *See id.*

97. *Id.* ¶ 5(c)(3).

98. NSI POLICY, Rev. 01 ¶ 5(c)(5).

99. NETWORK SOLUTIONS, INC., NSI DOMAIN NAME DISPUTE RESOLUTION POLICY STATEMENT, REVISION 02 (1996) (reprinted in <[http://www.eff.org/pub/Legal/Internet\\_address\\_disputes/9609\\_internic\\_domain.policy](http://www.eff.org/pub/Legal/Internet_address_disputes/9609_internic_domain.policy)> (visited Apr. 16, 1997)) [hereinafter NSI POLICY, REV 02].

100. *If at First You Don't Succeed . . . Network Solutions to Rework Policy Governing Internet Domain Names*, INFO. L. ALERT: A VOORHEES REP., Apr. 19, 1996, available in 1996 WL 8913586 [hereinafter VOORHEES REPORT 4/19/96].

101. *Id.*

102. NSI POLICY, REV. 02, *supra* note 99, ¶ 6(c).

- Trademark owners must notify domain name owners that their use of a particular Internet address violates the legal rights of the trademark holder before requesting NSI to take action.<sup>103</sup>
- A bond is no longer required by the domain name owner, and indemnification for legal fees is eliminated.<sup>104</sup>
- When the domain name owner or the trademark holder sues the other, and the domain name is not yet placed on "HOLD," NSI will wait for a court's decision before taking any action.<sup>105</sup>

When the new policy was first announced, critics speculated that it would encourage current domain name holders to register trademarks instantly in foreign countries.<sup>106</sup> As expected, some people began taking advantage of the trademark registration process in Tunisia, where one can obtain a trademark in only one day, compared to the United States where registering a trademark could take over a year.<sup>107</sup> The purpose in obtaining a "quickie" trademark was that one could now assert it against U.S. federal trademark holders.<sup>108</sup> Fortunately, NSI caught on to the "Tunisian Maneuver," stating that "a last minute, instant trademark' would no longer be sufficient to overrule a valid U.S. federal trademark."<sup>109</sup>

NSI makes it clear that it has neither the resources nor the legal obligation to screen requested Internet domain names to determine if these domain names infringe upon any third party rights.<sup>110</sup> Although the policy specifies that an "[a]pplicant represent[s] that registration of the domain name does not interfere with the rights of any third party, and that the domain name is not being registered for any unlawful purpose . . . ,"<sup>111</sup> NSI artfully adds that "Network Solutions does not act as arbiter of disputes"<sup>112</sup> and that "the policy does not confer any rights upon complainants."<sup>113</sup> NSI appears to be talking out of both sides of its mouth. The policy attempts to prevent domain name poaching by requiring that new applicants not infringe on the rights of a third

103. *Id.* ¶ 5(b).

104. *Id.* ¶ 6(b).

105. *Id.* ¶ 7.

106. *See Internet Domain Name Squatters Lose Tunisian Defense*, West's Legal News, Aug. 21, 1996, available in 8-21-96 WLN 8691.

107. *Id.*

108. *Id.*

109. *Id.*

110. NSI POLICY, REV. 02, *supra* note 99.

111. *Id.*

112. *Id.*

113. *Id.*

party, but refuses to enforce these rights. NSI personnel view their role as clerical and nothing else: "We're just a registry, not an enforcer."<sup>114</sup>

Under NSI's current registration guidelines, a domain name holder warrants to NSI that at the time of registration there are at least two Internet servers ready to operate with the registered domain name.<sup>115</sup> In other words, the potential domain name holder must be able to demonstrate that it is ready to actually use the address. Seemingly, the purpose of this provision is to deter individuals from registering a domain name with the sole intention of holding it for ransom. The rationale is that if a domain name holder must make a minimum investment to establish an Internet site, that person will not bother to register the name unless it is valid. In addition, under NSI's registration policy, a domain name holder must agree to indemnify NSI and the National Science Foundation from any expenses, loss or liability resulting from any claim arising out of or related to the use of the domain name.<sup>116</sup>

If a domain name holder fails to convince NSI that the domain name was activated prior to a challenger's first use or registration of its trademark, or could not provide evidence of its own trademark, NSI will place the domain name on "HOLD" status pending resolution of the dispute.<sup>117</sup> When a domain name is placed on "HOLD" status, that domain name is not available for use by either party.<sup>118</sup>

Once a court makes a decision regarding a domain name dispute, NSI awards the domain name to the prevailing party. However, NSI acts before the action is appealed.<sup>119</sup> Thus, a domain name holder may lose the domain name after a decision by a district court, but regain the use of the domain name upon appeal.<sup>120</sup> The implications of this revised policy are clear. It takes more than just a domain name registration to ensure continued viability on the Internet. To avoid potential litigation and maintain an active and hopefully profitable Web site, a company must engage in trademark registration, trademark searches, domain name searches, and traditional trademark analysis.

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114. Elizabeth Weise, *Name Flap on Internet Raises Question of Trademark Law*, Feb. 20, 1994 (quoting InterNIC staffer, Duane Stone), available in 1994 WL 10136983.

115. NSI POLICY, REV. 02, *supra* note 99, ¶ 2.

116. *Id.* ¶ 3.

117. *Id.* ¶ 6(d).

118. *Id.*

119. *Id.* ¶ 7(c).

120. *See id.* ¶ 7(c).

D. *Criticism and Compliments Related to NSI's Revised Domain Name Registration Policy*

In the face of much criticism, Mark F. Radcliffe, the principal author of NSI's registration policy, supports the new revisions:

Trademark law in the U.S. is based on multiple people using the same mark simultaneously, but there's only one domain name. The policy is for the protection of NSI, because we believe NSI has potential liability as a contributory infringer if it takes no action in a trademark-domain name dispute.<sup>121</sup>

Radcliffe added however, that NSI is concerned about people registering names for the sole purpose of selling them and implies that no policy can really remedy the hostage situation.<sup>122</sup> Radcliffe further acknowledged that "the bottom line is there aren't enough domain names to go around. However we change the policy, it won't affect the number of domain names. Making more domain names should be the focus of people."<sup>123</sup>

Unfortunately, NSI's registration policy, even with the new amendments, does not fully protect a business from a domain name ransom situation. One example is when a company acquires trademark rights not through registration, but merely through the use of the mark. A business in this situation would not automatically prevail on a domain name challenge to NSI since the company does not have a "registered" trademark to assert against the domain name holder. In order to prevent someone from using this mark as an Internet domain name, the business must prevail on a trademark claim in a U.S. District court.<sup>124</sup> In other words, unless a business has registered itself with the U.S. Patent and Trademark Office, NSI's new policy only offers protection after an undoubtedly long and expensive fight in the court system. Furthermore, if a company has not federally registered its mark, there is a chance that it will not prevail in a trademark action against the domain name holder. Unfortunately, without a victory in court, a business with an unregistered mark has nothing to assert against a domain name poacher.

No matter how many times NSI amends its policies, it is unlikely that it will be able to satisfy all Internet users. Most businesses want to be in the ".com" top-level domain signifying that they are in commerce. However, "[t]he category simply cannot accommodate all the U.S. registered trademarks

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121. James Evans, *New Policy for Internet Names Is Announced*, L.A. DAILY J., Aug. 13, 1996, at 1 (quoting Mark F. Radcliffe, author of NSI's registration policy).

122. *Id.*

123. *Id.*

124. Zaitlen & Victor, *supra* note 12, at 15.

or state and common law marks, let alone foreign marks. For example, ABC Carpets and ABC, the network, can share a similar trademark because they are in different businesses but not the same domain name.<sup>125</sup> Basically, too many companies are chasing too few names, a phenomenon Internet name poachers are all too aware of and eager to exploit. Disappointedly, the new policy does nothing to remedy this situation. NSI, through its registration guidelines, makes a feeble attempt to resolve a hostage situation once it has occurred, but does little to avoid the initial problem in the first place. As a result, many companies may choose to pay the requested ransom because it is often the least expensive solution, as compared to projected legal fees. In fact, a "smart" poacher would ask for a ransom that is slightly less than the business' anticipated legal costs. Thus, the only way to prevent a domain name from being held for ransom is for NSI to investigate each new name application to ensure that a domain name does not infringe on the right of a trademark owner. Until this is accomplished, no revision will be effective.

## V. CURBING INTERNET ADDRESS POACHING

### A. *The Application of Trademark Law to Internet Domain Names*

Disputes over trademark rights and domain names have become more prevalent and more costly given the commercial explosion of the Internet. One may question whether it is appropriate to apply trademark law to domain names. It can be argued that domain names are not used as trademarks and should not afford protection to owners of similarly registered marks.<sup>126</sup> Those who oppose protecting domain names contend that a domain name is simply an address and should not be analyzed under trademark law "any more than a street address or an office building name should be changed if it is too similar to someone else's trademark."<sup>127</sup>

The increase in the number of domain name disputes proves that a domain name is more than just an address. It is clear that, unlike postal addresses, Internet addresses reflect the identity of the owner.<sup>128</sup> An Internet address with a famous trademark possesses all of the value of a trademark and businesses should not lose protection for the mark merely because it is used on

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125. VOORHEES REPORT 4/19/96, *supra* note 100, at 1.

126. Richard L. Baum & Robert C. Cumbow, *First Use: Key Test in Internet Domain Disputes*, NAT'L L.J., Feb. 12, 1996, at C17.

127. *Id.*

128. *Id.*



the Internet. Trademark law is an appropriate legal remedy to protect businesses on the "Information Superhighway."

### 1. History of the Lanham Act

Federal trademark protection in the United States is governed by the Lanham Act.<sup>129</sup> Trademark protection is distinguished from patents and copyrights in that the legislative authority for trademark protection is not grounded in the U.S. Constitution.<sup>130</sup> Despite the lack of express constitutional authority, Congress passed the first trademark law in 1870 pursuant to the Commerce Clause.<sup>131</sup> The Supreme Court struck down the law, however, because it determined that the Act went beyond Congress' enumerated powers to regulate commerce.<sup>132</sup> Finally, in 1946, the Lanham Act created federal trademark regulations.<sup>133</sup>

A review of the legislative history of this Act is helpful in determining the appropriate application of traditional trademark laws to Internet domain names. The Lanham Act codified existing trademark legislation and common law jurisprudence in order to "eliminate judicial obscurity . . . [and] to make procedure simple, and relief against infringement prompt and effective."<sup>134</sup> The purpose of the Act is two-fold: first, to protect consumers from confusion in the marketplace as to the source or sponsorship of a merchant's goods or services; and second, to protect a trademark holder's goodwill and investment in the mark by prohibiting the misrepresentation of another's goods or services.<sup>135</sup>

129. 15 U.S.C. § 1051 (1994).

130. Dueker, *supra* note 30, at 484. The U.S. Constitution gives to Congress the enumerated power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art. I, § 8, cl. 8.

131. Act of July 8, 1870, ch. 230, 16 Stat. 210, §§ 77-84. The Act was revised by an "act to punish the counterfeiting of trade-mark goods and the sale or dealing in of counterfeit trade-mark goods." Act of Aug. 14, 1876, ch. 274, 19 Stat. 141.

132. The Trademark Cases, 100 U.S. 82 (1879).

133. 15 U.S.C. § 1051 (1946).

134. S. REP. NO. 1333, 79th Cong., 2d Sess. at 3 (1946).

135. *Id.* The Senate Committee on Patents reported two basic purposes of trademark legislation:

One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.

## 2. Basic Tenets of Trademark Law

The validity of a mark's protection falls into one of the following categories: generic, descriptive, suggestive, or arbitrary or fanciful.<sup>136</sup> Generic terms are commonly descriptive of a class of goods or services such as "toothpaste," "pizza" or "pants."<sup>137</sup> Under the Lanham Act, a generic term is incapable of trademark protection.<sup>138</sup> Descriptive terms are those that identify some non-distinctive quality or characteristic of an item.<sup>139</sup> Descriptive marks include Chap Stick<sup>140</sup> lip balm and Raisin-Bran<sup>141</sup> cereal. These terms are accorded trademark protection only if they have acquired secondary meaning.<sup>142</sup> Suggestive and arbitrary or fanciful terms are inherently distinctive and accorded protection without a showing of secondary meaning.<sup>143</sup> An arbitrary or fanciful mark bears no relationship to the item it identifies, such as Clorox bleach and Ivory soap.<sup>144</sup>

Many businesses, when confronted by a domain name squatter, may rely upon trademark law for protection. A trademark is multi-functional. The primary function is allowing recognition of the source of the goods affixed with a mark.<sup>145</sup> Trademarks also assure quality.<sup>146</sup> For purposes of domain names held hostage, trademarks offer businesses the assurance that no other entity has a right to use the trademarked name on the Internet. However, "a trade-mark does not confer a right to prohibit the use of a word or words" by others without permission.<sup>147</sup> Unlike a copyright, a trademark only gives the right to prohibit the use of the mark in order to prevent the mark and the source of goods from being confused with another's goods.<sup>148</sup>

Businesses in need of protection against domain name pirates look to sections 32 and 43(a) of the Lanham Act to create a cause of action against the

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136. WHAT IS A TRADEMARK? 3 (American Bar Association ed., 1995).

137. *Id.* at 4.

138. 15 U.S.C. § 1064(3) (1994).

139. WHAT IS A TRADEMARK?, *supra* note 136, at 3.

140. *See generally* Morton Mfg. Corp. v. Delland Corp., 166 F.2d 191 (C.C.P.A. 1948) (finding the words Chap Stick to be descriptive of the shape and form of the product).

141. *See generally* Skinner Mfg. Co. v. Kellogg Sales Co., 143 F.2d 895 (8th Cir. 1944) (determining that Raisin Bran was a descriptive mark in that it listed the ingredients of the breakfast food).

142. Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9-11 (2d Cir. 1976).

143. WHAT IS A TRADEMARK?, *supra* note 136, at 3.

144. *Id.*

145. *Id.* at 2.

146. *Id.*

147. *See* S. REP. NO. 1333, 79th Cong., 2d Sess. 3 (1946) (quoting *Prestonettes v. Coty*, 264 U.S. 359, 368 (1924)).

148. *Id.*

unlawful use of registered or unregistered marks.<sup>149</sup> Specifically, the Lanham Act prohibits the use of *any* item, whether a trademark or not, which would be a "prevarication in the marketplace."<sup>150</sup> To succeed on a claim for trademark infringement a claimant must show that: (1) the defendant uses the mark in question; (2) the defendant is using the same or similar mark; and (3) the defendant's use of the mark is likely to cause consumer confusion as to the actual source of the goods or services.<sup>151</sup>

In a landmark decision, the United States Court of Appeals for the Second Circuit, in *Polaroid Corp. v. Polarad Electronics Corp.*,<sup>152</sup> developed eight factors to evaluate the likelihood of confusion between goods and

149. 15 U.S.C. § 1114(1) (1994). Section 1114 defines a trademark infringement claim involving a *registered* mark, while 15 U.S.C. § 1125(a) creates a cause of action for unfair competition when a plaintiff holds an *unregistered* mark.

15 U.S.C. § 1114 states in relevant part:

(1) Any person who shall, without consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, . . . distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1125(a) states in relevant part:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

150. Dueker, *supra* note 30, at 489. The Lanham Act defines trademark as including "any word, name, symbol, or device, or any combination thereof used to identify and distinguish . . . goods" provided by one party from those of others. 15 U.S.C. § 1127 (1995).

151. *DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 605 (1st Cir. 1992).

152. 287 F.2d 492 (2d Cir. 1961).

services.<sup>153</sup> In determining whether the use of a mark infringes on the rights of another, the *Polaroid* court stated:

[T]he prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers.<sup>154</sup>

The court also noted that these factors are not exhaustive, and that "the court may have to take still other variables into account."<sup>155</sup>

A majority of courts have adopted a likelihood of confusion test, which focuses primarily on the subjective state of mind of the buyer.<sup>156</sup> If the court finds that there is a substantial likelihood of confusion, the defendant is essentially strictly liable for infringement.<sup>157</sup> Defenses to this test are few. As stated by the Fifth Circuit: "Good faith is not a defense to trademark infringement . . . . The reason for this is clear: if potential purchasers are confused, no amount of good faith can make them less so. Bad faith, however, may, without more, prove infringement."<sup>158</sup>

### 3. Federal Trademark Registration

There are several important benefits which federal registration of a mark confers. First, an infringement action for a federally registered mark is within the jurisdiction of United States district courts.<sup>159</sup> Federal jurisdiction is noteworthy because traditionally, federal judges have more familiarity with trademark actions compared to state court judges.<sup>160</sup> Second, a federally registered trademark is *prima facie* evidence of an exclusive right to use the mark.<sup>161</sup> Section 7(b) of the Lanham Act provides that federal registration

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153. *Id.* at 495.

154. *Id.*

155. *Id.*

156. Dueker, *supra* note 30, at 490.

157. *Id.*

158. *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 596 (5th Cir. 1985) (citations omitted).

159. 15 U.S.C. § 1121 (1995).

160. Laurence H. Pretty, *Overview of Basic Principles of Trademark Law and Unfair Competition*, in UNDERSTANDING BASIC TRADEMARK LAW 1995 27, 51 (PLI Patents, Copyrights, Trademarks, & Literary Property Course Handbook Series No. G-413, 1995).

161. 15 U.S.C. § 1057(b) (1995).

shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate."<sup>162</sup>

Federally registering a trademark also makes it incontestable. If a mark is on the federal register and has had five years of continuous and exclusive use, the grounds for attacking it are restricted.<sup>163</sup> For example, once the mark becomes incontestable, the infringer can no longer defend on the grounds that the mark is merely descriptive and lacks secondary meaning.<sup>164</sup> In addition, a registered trademark provides nationwide notice.<sup>165</sup> Thus, an infringer in a remote location cannot claim that his use of the registered mark was in ignorance or good faith in order to prevent an injunction against him.<sup>166</sup> Furthermore, possession of a federal trademark registration offers the opportunity for an increase of damages, up to three times beyond the amount found as actual damages, at the court's discretion.<sup>167</sup> Section 35 of the Lanham Act also provides that a court, in exceptional cases, may award reasonable attorney fees to a prevailing party.<sup>168</sup>

The Lanham Act permits a trademark to be registered pursuant to certain conditions. The primary prerequisite for federal trademark registration is that the mark has first been used in interstate commerce or an "intent to use" statement has been filed with the Patent and Trademark Office ("PTO").<sup>169</sup> Federal trademark registration is based on a bona fide intent to use the mark in commerce.<sup>170</sup> Thus, in order to receive trademark rights in a domain name, the domain name must be used to identify goods or services offered in commerce.<sup>171</sup>

It is vitally important for companies with hijacked domain names to remember that federal trademark registration does not create a mark, it simply acknowledges it.<sup>172</sup> Therefore, registering a domain name does not

162. *Id.*

163. 15 U.S.C. § 1115(b) (1995).

164. Pretty, *supra* note 160, at 52.

165. 15 U.S.C. § 1072 (1995).

166. Pretty, *supra* note 160, at 53.

167. 15 U.S.C. § 1117 (1995).

168. *Id.*

169. 15 U.S.C. § 1051 (1995).

170. *See id.* § 1051(b).

171. *See id.* However, not all marks that identify goods or services will be granted trademark protection. *See* 15 U.S.C. § 1052 (1995).

172. James W. Morando & Christian H. Nandan, *Can Trademark Law Regulate the Race to Claim Internet Domain Names?*, 13 *COMPUTER LAW*, 10, 11 (Feb. 1996).

necessarily mean that one now has a trademark in that name. One cannot use a domain name like a telephone number and expect protection. Thus, in order for a trademark to provide adequate protection for a domain name, the owner of the mark must be both the first to use and register the trademark.<sup>173</sup>

#### 4. Concurrent Use of a Mark

NSI's policy of denying a domain name applicants if it has already been registered, while understandable from a practical perspective, conflicts with the general trademark practice of permitting companies to use identical marks in completely different lines of business.<sup>174</sup> Trademark law generally allows more than one business to use the same mark on different goods or services so long as the use of the mark does not cause confusion among consumers as to the source of the goods or services.<sup>175</sup>

The United States Court of Appeals for the Federal Circuit addressed this issue in *University of Notre Dame Du Lac v. J.C. Gourmet Food Imports Co.*<sup>176</sup> In that case, the court considered whether the use of the mark "Notre Dame" on cheese infringes on the mark "Notre Dame" identifying the famous university. Holding that no infringement existed, the court stated:

Likely . . . to cause confusion" means more than the likelihood that the public will recall a famous mark on seeing the same mark used by another. It must also be established that there is a reasonable basis for the public to attribute the particular product or service of another to the source of the goods or services associated with the famous mark. To hold otherwise would result in recognizing a right in gross, which is contrary to principles of trademark law and to the concepts embodied in 15 U.S.C. § 1052(d).<sup>177</sup>

For example, Star Cleaners and the Star Deli can both use the trademark "Star" because they are in completely different businesses and there is little likelihood of consumer confusion. However, as discussed above, NSI's policy

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173. *See id.*

174. Marcovitz, *supra* note 19, at 110.

175. *Id.*; *see also* DeCosta v. Viacom Int'l, Inc., 981 F.2d 602, 609 (1st Cir. 1992).

176. 703 F.2d 1372 (Fed. Cir. 1983).

177. *Id.* at 1374. The Act states:

[I]f the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce . . . .

15 U.S.C. § 1052(d).

would only allow the first "Star" trademark holder to register with NSI the use of "star.com" as a domain name.

### 5. The Federal Trademark Dilution Act<sup>178</sup>

It is also possible for a trademark owner to succeed on a trademark claim against a domain name squatter even if there is no possibility of consumer confusion. Under trademark dilution law, "when use of the same or similar marks by others has caused a mark to become less distinctive than before, it has been diluted."<sup>179</sup> Trademark dilution has been described as "an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark,"<sup>180</sup> and is analogous to "the situation where the plaintiff's building is demolished because it is carried away stone by stone."<sup>181</sup>

The concept of trademark dilution traces back to a 1927 article written by Professor Frank I. Schechter.<sup>182</sup> Professor Schechter explained that the true function of a trademark is "to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public."<sup>183</sup> He further argued that an injury to a trademark owner occurs when there is:

[a] gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.<sup>184</sup>

Massachusetts was the first state to incorporate a trademark dilution section, and twenty states have since followed.<sup>185</sup> Currently, Michigan, New Jersey, and Ohio allow a common law cause of action for dilution.<sup>186</sup> The Model State Trademark Act contains the following dilution language:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark

178. 15 U.S.C. §§ 1125, 1127 (1995).

179. Marcovitz, *supra* note 19, at 111 (quoting Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark Trade Identity Protection*, 74 TRADEMARK REP. 289, 289 (1984)).

180. *Mortellito v. Nina of Cal., Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972).

181. *Eastman Kodak Co. v. Rakow*, 739 F. Supp. 116, 119 (W.D.N.Y. 1989).

182. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

183. *Id.* at 818.

184. *Id.* at 825.

185. *Intermatic Inc. v. Toebben*, 947 F. Supp. 1227, 1237 (N.D. Ill. 1996).

186. *Id.*

valid at common law, . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.<sup>187</sup>

Supporters contend that the "federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution."<sup>188</sup>

Section 43(c) of the Lanham Act, also known as the Federal Trademark Dilution Act of 1995, became effective on January 16, 1996.<sup>189</sup> It amends the Lanham Act to create a federal cause of action of dilution for owners of famous marks.<sup>190</sup> Although still needed for infringement claims, the new provisions dispense with the "likelihood of confusion" requirement for dilution claims.<sup>191</sup> The Federal Trademark Dilution Act provides that:

[t]he owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.<sup>192</sup>

To succeed under the Trademark Dilution Act, a party must show that its mark is famous and that another's use of the mark in commerce is commercial and likely to cause dilution.<sup>193</sup> The Act lists eight non-exclusive criteria for determining if a mark is famous. Dilution is defined under the Act as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition

187. MODEL STATE TRADEMARK BILL § 12 (USTA 1964).

188. H.R. REP. NO. 374, 104th Cong. (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029.

189. 15 U.S.C. §§ 1125(c), 1127 (1995).

190. *Id.*

191. *Id.*

192. *Id.* § 1125(c) (1995).

193. *Intermatic Inc. v. Toepfen*, 947 F. Supp. 1227, 1238 (N.D. Ill. 1996). 15 U.S.C. § 1125(c)(1) lists eight non-exclusive criteria for determining if a mark is famous:

(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 good 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 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 [is federally registered].

*Id.*



between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”<sup>194</sup> However, under the Act, the owner of a famous mark is only entitled to injunctive relief if the person against whom the injunction is sought willfully intended to trade on the owner’s reputation or to cause dilution of the famous mark.<sup>195</sup> The Act also specifically provides that noncommercial use of the mark is not actionable.<sup>196</sup>

## 6. Trademark Law’s Applicability to Domain Names

The Internet is not so unusual or novel as to be exempt from traditional trademark laws. The National Information Infrastructure Task Force recently noted, “[e]xisting legal precedent accepts the electronic transmission of data as a service and, thus, as a valid trademark use for the purpose of creating and maintaining a trademark” under the Lanham Act.<sup>197</sup> The report also adds that “existing legal precedent applies the available [Lanham Act] remedies for infringement and unfair competition to . . . the unauthorized use of trademarks electronically.”<sup>198</sup> Additionally, in *Playboy Enterprises, Inc. v. Frena*,<sup>199</sup> the United States District Court for the Middle District of Florida assumed, without discussion, that trademark law applied to a computer bulletin board service bearing the federally registered “Playboy” and “Playmate” trademarks.<sup>200</sup> The court ruled that Frena infringed Playboy’s federally registered trademarks by using the marks in unauthorized electronic transmissions as part of a computer bulletin board system.<sup>201</sup>

It is clear that Internet addresses serve a dual purpose—they are both names and addresses. Not only does a domain name locate a particular location on the Internet, it also identifies its source. These addresses identify goods and services, thus they are capable of infringing other trademarks. Accordingly, a domain name should be afforded trademark protection.

194. 15 U.S.C. § 1127 (1995).

195. *Id.* § 1125(c)(4)(B). The Dilution Act specifically excludes certain conduct from the coverage of the Act: (1) fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark; (2) noncommercial use of a mark; and (3) all forms of news reporting and new commentary. *Id.* § 1125(c)(4).

196. *Id.* § 1125(c)(4).

197. INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS 171 (Sept. 1995).

198. *Id.*

199. 839 F. Supp. 1552 (M.D. Fla. 1993).

200. *Id.* at 1554.

201. *Id.* at 1561.

The legislative history of the Federal Trademark Dilution Law indicates that it too was intended to address Internet domain name issues.<sup>202</sup> Senator Patrick J. Leahy (D-Vermont), in discussing the Act stated, "it is my hope that this antidilution [sic] statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others."<sup>203</sup>

In order to obtain legal relief in the event a trademarked domain name is held hostage, the person presently in possession of the trademarked domain name must use it in commerce.<sup>204</sup> The party challenging the use and registration of the domain name, pursuant to an infringement cause of action, must demonstrate that the use of the trademark as a domain name misleads consumers as to the source of the goods.<sup>205</sup> However, if the registrant does not actually use the domain name, there is no likelihood of confusion because there is no chance that any consumer will see it.<sup>206</sup> This "likelihood of confusion" requirement thus limits a business' protection under trademark infringement law. The infringement sections of the Lanham Act offer no protection to a famous trademark that is used as a pseudo domain name—Internet addresses that do not serve to identify goods or services, because their use creates no likelihood of confusion.<sup>207</sup>

Even if an Internet address does not create a likelihood of confusion, it may still damage a trademark owner's interest in the mark. Under a trademark dilution analysis, that trademark would be protected if it was deemed "famous" pursuant to the set guidelines and if the business could prove that the person currently in possession of the trademarked domain name willfully intended to trade on the owner's reputation.<sup>208</sup>

It is also crucial for a domain name to be used in commerce in order to receive protection from trademark dilution law. As previously discussed, the Federal Trademark Dilution Act specifically provides that noncommercial use of the mark is not actionable.<sup>209</sup> In short, if a domain name poacher registers an Internet address and does nothing with it, a business receives no protection under the law. Simply putting ".com" at the end of a domain name does not establish per se commercial use.<sup>210</sup> However, if a domain name pirate's

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202. 141 CONG. REC. S19312 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy).

203. *Id.*

204. See 15 U.S.C. §§ 1114(1), 1125(a) (1995).

205. See *DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 605 (1st Cir. 1992).

206. *Morando & Nadan*, *supra* note 172, at 11.

207. See *id.*

208. 15 U.S.C. §§ 1125(c), 1127 (1995).

209. *Id.* § 1125(c)(4)(B).

210. *Intermatic Inc.*, 947 F. Supp. at 1239.

intention is to resell the domain name, this is enough to meet the "commercial use" requirement of the Lanham Act.<sup>211</sup>

### B. Trademark Law's Applicability to Domain Name Disputes

Unfortunately, there is little precedent regarding the application and extension of traditional trademark law to Internet addresses. An analysis of the few cases that exist, however, serves as a guideline for both courts and companies to utilize when confronted with the issue of domain name hijacking.<sup>212</sup>

#### 1. *Comp Examiner Agency, Inc. v. Juris, Inc.*<sup>213</sup>

A recent case is being touted as one of the first decisions to address the question of domain names and trademark law.<sup>214</sup> In *Comp Examiner Agency, Inc. v. Juris, Inc.*,<sup>215</sup> a United States district court in California broke ground by upholding the first known application of trademark infringement laws to a domain name.<sup>216</sup> Owners of the domain name "juris.com" were sued by Juris, Inc., a company which sells management software for law offices.<sup>217</sup> Juris claimed the domain name "juris.com" infringed its registered "Juris" trademark.<sup>218</sup> The company had attempted to register "juris.com" as its own but was informed by NSI that the name had already been given to The Comp

211. *Id.*

212. For example, in *ActMedia, Inc. v. Active Media Int'l, Inc.*, No. 96C3448, 1996 WL 466527 (N.D. Ill. July 17, 1996), the United States District Court for the Northern District of Illinois ruled that the reservation of an Internet domain incorporating the trademark of another violates section 43(a) of the Lanham Act. *Id.* at \*2. A dispute arose when ActMedia, who had trademarked its company name, attempted to acquire "actmedia.com" as its Internet address and was informed that the domain name was already registered to Active Media International. *Id.* at \*1. ActMedia sued Active Media charging trademark infringement. *Id.* In ruling for ActMedia, the court held,

Defendant's reservation of the Domain Name violates 15 U.S.C. Section 1125 . . . because it: (a) constitutes unauthorized use and misappropriation of Plaintiff's Mark; (b) constitutes false designation of origin; (c) is likely to cause confusion in the marketplace that Plaintiff and Defendant are affiliated; and (d) is likely to cause confusion that Plaintiff sponsors or approves Defendant's commercial activities.

*Id.* at \*2. Although this case is not directly on point, it offers guidance for courts considering the Lanham Act's application to the Internet and domain names.

213. No. 96-0213-WMB (CTx), 1996 WL 376600 (C.D. Cal. Apr. 26, 1996).

214. *Id.*

215. *Id.*

216. *Id.*

217. *Id.*

218. *Id.*

Examiner Agency ("TCE").<sup>219</sup> When Juris requested the domain name be transferred to them, NSI referred the company to its "first-come, first-serve" policy,<sup>220</sup> setting up a classic game of king of the hill between NSI's registration policies and federal trademark laws.<sup>221</sup>

The court issued an injunction against TCE's use of "juris.com" and found that Juris was the owner of the trademark "Juris."<sup>222</sup> It determined that the "Juris" mark was registered with the United States Patent and Trademark Office since 1988 and thus incontestable under the Lanham Act.<sup>223</sup> It further held,

[that Juris had] demonstrated a likelihood of success of proving that . . . The Comp Examiner Agency . . . infring[ed] Juris' registered trademark through TCE's use of an identical mark "juris" as a second level domain name and website on . . . the Internet and through other marketing channels to sell, distribute, advertise, and/or market its good and services to Juris' target market of lawyers and law firms, because TCE's use of the "juris" mark is likely to cause confusion as to the source of sponsorship of those goods and services.<sup>224</sup>

The court also determined that Juris had presented adequate evidence to show that TCE's use of "juris.com" was causing irreparable injury to Juris.<sup>225</sup> It reasoned that this harm outweighed any inconveniences TCE would experience if it was required to cease using the domain name.<sup>226</sup> Although TCE was enjoined from using "juris.com" as its domain name, the court acknowledged the unique nature of the Internet.<sup>227</sup> The court permitted TCE to use the site as a gateway to refer inquiries to a newly named site, so long as the original name was not visible to users.<sup>228</sup>

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219. David Schachter, *Same Old Trademark Rules Apply to Internet Monikers*, DENV. BUS. J., May 24, 1996, available in 1996 WL 10036273.

220. *Id.*

221. *Id.*

222. *Comp Examiner Agency*, 1996 WL 376600, at \*1.

223. *Id.*

224. *Id.*

225. *Id.*

226. *Id.*

227. *Id.*

228. *Comp Examiner Agency*, 1996 WL 376600, at \*2. Specifically, the court ordered: TCE shall . . . remove all content from the "juris.com" site . . . . However, TCE shall be allowed, pending further order from this Court, to maintain the function of the juris.com site whereby the site serves as a "gateway" for directing and interpreting electronic mail transmissions through the network's UNIX system, so long as this function does not in anyway require users to input or otherwise use or see the name "juris.com." TCE shall further be allowed to post a "referral notice" at the URL

This case is significant, because prior to the decision, no court had definitively held that trademark law governed the use of commercial terminology in cyberspace. Once the court decided to apply trademark law, it had little trouble awarding the injunction because the use of the domain name offended the fundamental prohibition against using terms likely to be confused with a registered trademark.<sup>229</sup> This ruling provides guidance to companies that wish to do business on the Internet. It proves that mere registration of a domain name no longer promises enforcement or defense against similar sounding names. More importantly, the case underscores the critical need for businesses to investigate any name intended to be used in commerce, whether online or in person, before the decision to invest marketing dollars is made.

## 2. *Intermatic Inc. v. Toeppen*<sup>230</sup>

In an opinion that began with the words "Welcome to cyberspace!"<sup>231</sup> the United States District Court for the Northern District of Illinois permanently enjoined cyber-squatter Dennis Toeppen from using or infringing electronics manufacturer Intermatic's registered trademark or from asserting any further interest in the "intermatic.com" domain name.<sup>232</sup> The court addressed the proper application of federal and state trademark laws to Internet addresses.<sup>233</sup> The issue, as framed by the court, was "whether the owner of the Intermatic trademark may preclude the use of the trademark as an Internet domain name by defendant Toeppen, who had made no prior use of the Intermatic name prior to registering it as an Internet domain name."<sup>234</sup> The court anxiously viewed the case as an opportunity to "apply traditional legal principles to new avenues of commerce."<sup>235</sup>

As part of its ruling, the court considered and analyzed the background of both parties.<sup>236</sup> Intermatic is a Delaware corporation doing business under

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address "http:www.juris.com" . . . until July 30, 1996, which shall provide the new location of TCE's new site or sites to any other site.

*Id.*

229. *Id.* After the ruling, the parties settled and Juris, Inc. received the Web site name. John Rivera, *Folks from Glad Now in Court Trying to Bag a Web Site; Trademark Disputes in the Electronic Age*, BALT. SUN, July 24, 1996, at 1C.

230. 947 F. Supp. 1227 (N.D. Ill. 1996).

231. *Id.* at 1229.

232. *Id.* at 1241.

233. *Id.* at 1229.

234. *Id.* at 1233.

235. *Id.* at 1229.

236. *Intermatic Inc.*, 947 F. Supp. at 1229.

the name "INTERMATIC" since 1941.<sup>237</sup> It is a manufacturer and distributor of electronic products sold under the "Intermatic" name and trademark.<sup>238</sup> The corporation's advertising of its products as "INTERMATIC" has been ongoing since the 1940s and over 100 million homes have electronic products that bear the "INTERMATIC" name and trademark.<sup>239</sup> Intermatic currently owns five incontestable trademark registrations and is the exclusive owner of the "INTERMATIC" trademark and trade name.<sup>240</sup>

Dennis Toeppen registered the domain name "intermatic.com" in December 1995.<sup>241</sup> In addition to "intermatic.com," Toeppen registered approximately 240 other domain names without the permission of the trademark holders.<sup>242</sup> The court determined that since Toeppen had never used the term "Intermatic" for any purpose, his apparent business objective was to profit from the resale of the address to Intermatic.<sup>243</sup>

The dispute arose when Intermatic attempted to register its trademarked name as an Internet address, and was informed by NSI that Toeppen had already done so.<sup>244</sup> Intermatic approached Toeppen and requested he discontinue use of their mark as his domain name,<sup>245</sup> he refused.<sup>246</sup> Intermatic then made a formal request to NSI, who, pursuant to its Domain Name Registration Policy, put Toeppen's registration on hold in April

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237. *Id.*

238. *Id.* at 1229-30.

239. *Id.* at 1230.

240. *Id.*

241. *Id.* at 1231. Toeppen was also a defendant in *Panavision Int'l, L.P. v. Toeppen*, 938 F. Supp. 616 (C.D. Cal. 1996). In that case a California federal district court held that it had personal jurisdiction over Toeppen who is an Illinois resident and had violated the federally registered trademarks of Panavision International. *Id.* Toeppen acquired "panavision.com" and "panaflex.com" with the intent of holding the domain names hostage and acquiring money from Panavision International. *Id.* at 621. When the case went to trial, the court concluded that Toeppen's conduct constituted trademark infringement under the Lanham Act and diluted Panavision's trademarks in violation of the Federal Trademark Dilution Act. *Panavision Int'l v. Toeppen*, 945 F. Supp. 1296 (C.D. Cal. 1996).

242. *Intermatic Inc.*, 947 F. Supp. at 1227. Toeppen was also the owner of other trademarked domain names, including, "aircanada.com," "anaheimstadium.com," "camdenyards.com," "deltaairlines.com," "eddiebauer.com," "flydelta.com," "frenchopen.com," "lufthansa.com," "neiman-marcus.com," "northwestairlines.com," and "yankeestadium.com." *Panavision Int'l*, 938 F. Supp. at 619.

243. *See Intermatic Inc.*, 947 F. Supp. at 1230.

244. *Id.* at 1232. Intermatic also discovered that Toeppen was using the mark "Intermatic" to sell a computer software program. *Id.* Intermatic made a written request to Toeppen that he cease from using "intermatic.com" and assign it to them and also that he discontinue use of the Intermatic mark. *Id.* Toeppen agreed to stop using the Intermatic mark in connection with the sale of the computer program but refused to relinquish the domain name registration. *Id.*

245. *Id.*

246. *Intermatic Inc.*, 947 F. Supp. at 1232.

1996.<sup>247</sup> Currently, “intermatic.com” is not available as an Internet address for either party.<sup>248</sup>

The court first addressed Intermatic’s trademark infringement and unfair competition claims. It determined that in order for Intermatic to prevail on these causes of action, the company need only prove that it owned prior rights in the “INTERMATIC” mark and that Toeppen’s use of “intermatic.com” is “likely to cause consumer confusion, deception or mistake.”<sup>249</sup> Intermatic easily met the first requirement. Intermatic’s use of the “Intermatic” name and mark preceded Toeppen’s use as a domain name by more than fifty years.<sup>250</sup> The court also held that it was “undisputed that Intermatic [held] a valid registration for [the mark] ‘INTERMATIC.’”<sup>251</sup>

In making its determination whether there was a likelihood of confusion, the court weighed the seven factors outlined in *Polaroid*.<sup>252</sup> The court found that since Toeppen’s use of “intermatic.com” contained the word “Intermatic,” it was similar to Intermatic’s federally registered name and mark.<sup>253</sup> However, it determined that there was no similarity between the products and services that Toeppen and Intermatic provided since Toeppen’s Web page contained a map of the city of Urbana while Intermatic’s home page would probably offer information regarding its products.

The court next considered the area and manner of use of Intermatic’s mark.<sup>254</sup> This factor requires the court to consider whether there is a relationship in use, promotion, distribution, or sales between the goods or services of the parties.<sup>255</sup> The court suggested that since Intermatic had not set up its own Web page on the Internet, “it was unable to provide evidence of any relationship in the use, promotion, distribution or sales between the goods and services of it and Toeppen.”<sup>256</sup>

247. *Id.* Prior to the name being placed on hold, Toeppen utilized “intermatic.com” as an active site on the Internet to sell his software program. When he stopped offering to sell his software pursuant to Intermatic’s demands, Toeppen then placed a map of Champaign-Urbana at the Web site. After he was informed that the name would be placed on hold, he moved the map and included a forwarding address on the “intermatic.com” page so that Web surfers could update any hyperlinks before NSI froze the site. Currently, users who attempt to access “intermatic.com” receive a message that there is no functional domain name server at that domain name. *Id.* at 1232–33.

248. *Id.* at 1233.

249. *Id.* at 1234.

250. *Intermatic Inc.*, 947 F. Supp. at 1234.

251. *Id.*

252. *Id.* For the seven factors, see *Forum Corp. of N. Am. v. Forum, Ltd.*, 903 F.2d 434, 439 (7th Cir. 1990).

253. *Intermatic Inc.*, 947 F. Supp. at 1235.

254. *Id.*

255. *Forum Corp. of N. Am.*, 903 F.2d at 442.

256. *Intermatic Inc.*, 947 F. Supp. at 1235.

The degrees of care likely to be exercised by consumers was next analyzed. Unfortunately for the court, no record exists regarding consumer behavior on the Internet.<sup>257</sup> However, as the case focused on a motion for summary judgment, the court found it sufficient to state that “a fact question exists as to whether a Web surfer who logged onto the “intermatic.com” Web page and found a map of Urbana, Illinois would associate that page with Intermatic.”<sup>258</sup> The court was not willing to speculate what degree of care consumers on the Internet would use.<sup>259</sup>

In continuing its likelihood of confusion analysis the court next considered the strength of Intermatic’s mark. This factor was easy for the court to determine since Toeppen did not contest that fact.<sup>260</sup> However, the court still considered the issue. Following the Seventh Circuit’s analysis in *Polaroid Corp. v. Polaroid Inc.*,<sup>261</sup> the court held:

[P]laintiff’s trademark and trade name was original—it was coined and invented—and was a strong name exclusively appropriated by plaintiff. It was a name which through much effort and the expenditure of large amounts of money had acquired a widespread reputation and much good will, which plaintiff should not be required to share with defendant.<sup>262</sup>

The court also considered whether there was a chance of actual confusion.<sup>263</sup> Despite Intermatic’s contention that the use of “intermatic.com” would itself cause confusion, the court held that Intermatic did not present any supporting evidence.<sup>264</sup> The court further determined that Toeppen’s intent regarding the registration of the domain name was a question of fact.<sup>265</sup>

The parties also moved for summary judgment on dilution claims.<sup>266</sup> Ultimately, the court held that Toeppen’s use of “intermatic.com” violated the Lanham Act and the Illinois Anti-Dilution Act because Toeppen’s actions “lessen[] the capacity of . . . Intermatic[] to identify and distinguish goods or services as a matter of law.”<sup>267</sup> In determining whether Toeppen had diluted

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257. *Id.*

258. *Id.* at 1236 (citing *Nike, Inc. v. “Just Did It” Enters.*, 6 F.3d 1225, 1230–31 (7th Cir. 1993)).

259. *Intermatic Inc.*, 947 F. Supp. at 1236.

260. *Id.*

261. 319 F.2d 830 (7th Cir. 1963).

262. *Intermatic Inc.*, 947 F. Supp. at 1236 (quoting *Polaroid Corp.*, 319 F.2d at 837).

263. *Id.*

264. *Id.*

265. *Id.*

266. *Id.*

267. *Id.*



the "Intermatic" trademark, the court considered various factors: (1) whether the mark was famous; (2) whether Toeppen had engaged in commercial use of the trademark; (3) whether Toeppen's use of the Internet constituted commerce; and (4) whether Toeppen was causing dilution of the distinctive quality of the mark.<sup>268</sup>

It was not contested that "INTERMATIC" is a famous mark.<sup>269</sup> The court next tackled the issue of whether Toeppen was engaged in a commercial use of the "Intermatic" trademark.<sup>270</sup> Toeppen argued that he had not violated the Federal Trademark Dilution Act because he was not engaged in commercial use of the Intermatic mark.<sup>271</sup> The court concluded that although the addition of ".com" did not establish commercial use, Toeppen's intent to resell the domain name sufficed to meet the commercial use requirement of the Dilution Act.<sup>272</sup> However, the court's liberal interpretation of the "in commerce" requirement allowed it to determine this element.<sup>273</sup> Its rationale was that "[b]ecause Internet communications transmit instantaneously on a worldwide basis there is little question that the 'in commerce' requirement would be met in a typical Internet message, be it trademark infringement or false advertising."<sup>274</sup> The court also relied on the United States Supreme Court decision that the commerce requirement should be interpreted in a liberal sense because of the broad powers the Lanham Act confers on courts.<sup>275</sup>

Finally, the court considered whether Toeppen was causing dilution of the distinctive quality of Intermatic's mark.<sup>276</sup> It determined that Toeppen's actions caused dilution in at least two ways.<sup>277</sup> First, Toeppen's conduct "lessen[ed] the capacity of Intermatic to identify and distinguish its goods and services by means of the Internet" since it was not able to register its own name as an Internet address.<sup>278</sup> The court felt that this violated Congress' intent of using trademarks to encourage consumers in differentiating products.<sup>279</sup> Second, the court held that Toeppen's actions diluted

268. *Intermatic Inc.*, 947 F. Supp. at 1239-40.

269. *Id.* at 1239.

270. *Id.*

271. *Id.*

272. *Id.*

273. *Id.*

274. *Intermatic Inc.*, 947 F. Supp. at 1239 (quoting 1 GIBSON, TRADEMARK PROTECTION AND PRACTICE § 5.11[2], at 5-234 (1996)).

275. *Id.* at 1239-40 (citing *Steele v. Bulova Watch Co.*, 344 U.S. 280, 293 (1952)).

276. *Id.* at 1240.

277. *Id.*

278. *Id.*

279. *Id.*

Intermatic's mark by its use on a Web page.<sup>280</sup> If Toeppen was allowed continued use of "intermatic.com," "Intermatic's name and reputation would be at Toeppen's mercy and could be associated with an unimaginable amount of messages on Toeppen's [W]eb page."<sup>281</sup> The fact that Toeppen was only displaying a map of Urbana, Illinois did not persuade the court to find in Toeppen's favor. The court recognized that "the most corrosive and irreparable harm attributable to trademark infringement is the inability of the victim to control the nature and quality of the defendant's goods."<sup>282</sup>

As one commentator has put it, "The Internet is often characterized as a modern version of the Wild West, however, the approach of the courts to date suggests that existing trademark laws will be interpreted to apply with full force and effect in cyberspace."<sup>283</sup> Although the courts are just now beginning to grapple with issues created by the use of trademarks and service marks on the Internet, it seems clear that the Dilution Act will be a powerful weapon for owners of hijacked domain names.

### *C. Application of Criminal Law to Domain Name Poachers*

Unfortunately, federal criminal law, in its current state, does not significantly protect businesses against a domain name squatter. Existing federal laws punish extortion,<sup>284</sup> threats,<sup>285</sup> receipt of ransom money,<sup>286</sup> and interference with commerce,<sup>287</sup> yet these statutes appear inapplicable when an Internet address is held for ransom. These laws require threats of violence, bodily injury or the receipt of ransom money relate to the kidnapping of an individual, not an Internet address.<sup>288</sup> In short, these laws are for more physical and serious crimes.

On its face, 18 U.S.C.A. § 1951, a statute forbidding interference with commerce by threats or violence, appears to protect against "new age bandits."<sup>289</sup> This law ensures that no individual "obstructs, delays or affect commerce or the movement of any article or commodity in commerce by

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280. *Intermatic Inc.*, 947 F. Supp. at 1240.

281. *Id.* at 1240.

282. *Id.* (quoting *Ideal Indus., Inc. v. Gardner Bender, Inc.*, 612 F.2d 1018, 1026 (7th Cir. 1979)).

283. Alan N. Sutin, *Dilution Act Is Powerful Weapon in Internet Domain Name Disputes*, N.Y.L.J., Jan. 14, 1997, col. 1.

284. See 18 U.S.C.A. § 875 (1976).

285. See *id.*

286. 18 U.S.C.A. app. § 1202 (West Supp. 1996).

287. 18 U.S.C.A. §§ 1951, 1952 (West 1984).

288. *Id.* §§ 1202, 1951.

289. *Id.* § 1951.

robbery or extortion.”<sup>290</sup> A business may believe that this statute offers protection against a domain name pirate holding a trademarked Internet address hostage. However, a careful reading of this law indicates that “robbery” is defined as “the unlawful taking . . . of personal property . . . by means of actual or threatened force,”<sup>291</sup> and “extortion” is interpreted as “the obtaining of property from another . . . by [the] wrongful use of actual or threatened force.”<sup>292</sup> As seen in previously discussed domain name disputes, usually all that is demanded from a business is ransom money. Typically there is no threat of violence or force and, hence, no cause of action for interference with commerce.<sup>293</sup>

### 1. States Strike Back: Criminal Sanctions Imposed on Poachers

In response to the ransom situation developing on the Internet and the general inapplicability of federal criminal law to domain name poachers, state legislation has been created making it illegal to falsely identify oneself with someone else’s trademark. One such bill is in effect in Georgia.<sup>294</sup>

The Georgia Computer Systems Protection Act (“H.B. 1630”) was signed into law by Governor Zell Miller on April 18, 1996, and took effect on July 1, 1996.<sup>295</sup> The Act provides that it is unlawful for any person, or organization to knowingly transmit certain misleading data through a computer or telephone network for the purpose of “setting up, maintaining, operating, or exchanging data with an electronic mailbox, home page, or any other electronic information storage bank . . . .”<sup>296</sup> In effect, this law makes it a misdemeanor to knowingly use someone’s individual name, trade name, registered trademark, logo, legal or official seal or copyrighted symbol to falsely identify the person on a home page or with an e-mail address.<sup>297</sup>

Critics of the statute charge that the statute limits free speech and development of the Internet since many sites use graphic hyperlinks<sup>298</sup> to other sites.<sup>299</sup> One such critic has stated:

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290. *Id.*

291. *Id.*

292. *Id.*

293. *See supra* Part III.

294. Georgia Computer Systems Protection Act, GA. CODE ANN. § 16-9-93.1 (Harrison Supp. 1996).

295. *Id.*

296. *Id.*

297. *Id.*

298. A “hyperlink” is a link between two Web sites on the Internet. It is commonly used to provide Internet users easy movement between Web pages with the simple click of a button. Hyperlinks are often used without reference to the domain name of the subsequent Web site. “A hyperlink is not technically related to a domain name and therefore it can be identical to an existing

By not understanding the Internet [legislators] ended up with a poorly crafted law that goes against the whole way the Web has been developing . . . . What this bill does, because it's so vague, is it almost makes it illegal to use [hyper]links if you don't get permission. If you even use a trademarked name like 'Coca-Cola' [as a hyperlink] you could be charged with a criminal violation.<sup>300</sup>

Recently, the Electronic Frontier Foundation, joined by the American Civil Liberties Union and fourteen other plaintiffs, filed suit in the federal district court to obtain injunctive and declaratory relief regarding the constitutionality of the bill.<sup>301</sup> The plaintiffs contend that the Georgia law "violates constitutional protections of free expression, association, access to information and privacy, and is substantially overbroad and unconstitutionally vague."<sup>302</sup> They further assert that the bill violates the Commerce Clause of the Federal Constitution because the statute appears to regulate interstate commerce outside Georgia.<sup>303</sup>

In support of their argument, plaintiffs rely on *ACLU v. Reno*,<sup>304</sup> which describes the Internet as "a far more speech-enhancing medium than print, the village green, or the mails . . ." <sup>305</sup> The *ACLU* court also noted that "[a]s the most participatory form of mass speech yet developed, the Internet deserves the highest protection from government intrusion."<sup>306</sup> Plaintiffs argue that the statute, in its current form, "unconstitutionally chill[s] their ability to exercise their rights in the growing cyberspace frontier."<sup>307</sup> They maintain that because the statute is not limited to commercial uses, it serves as "a content-based restriction on speech that cannot withstand . . . strict scrutiny."<sup>308</sup> Plaintiffs, many of whom use trade names and logos in political and religious

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domain name without conflicting with that domain name." For example, were McDonald's to establish a home page at "http://www.mcdonalds.com," any number of hyperlinks could be established on other pages to bring up McDonald's home page through the word "McDonald's." *Intermatic Inc.*, 947 F. Supp. at 1232.

299. Jonathan Kerr, *Georgia: New Law Makes It a Misdemeanor to Use Web Logos Without Consent*, West's Legal News, May 14, 1996, available in 5-14-96 WLN 4293.

300. *Id.* (statement of Sheri Steele of the San Francisco-based Electronic Frontier Foundation).

301. Jeffrey R. Kuester & Matthew C. Kramer, *Coalition Challenges State Law Guarding 'Net IP*, NAT'L L.J., Oct. 28, 1996, at C22.

302. *Id.*

303. *Id.*

304. 929 F. Supp. 824 (E.D. Pa. 1996).

305. *Id.* at 882.

306. *Id.* at 883.

307. Kuester & Kramer, *supra* note 301, at C22.

308. *Id.*

speech, assert that such use should not be quashed by intellectual property laws.<sup>309</sup>

Plaintiffs further contend that the bill is an “unconstitutional content-based restriction upon protected expression.”<sup>310</sup> The argument is that if the purpose of the statute is to protect the intellectual property of businesses, and other less restrictive remedies exist to cure the problem, the bill is not narrowly tailored to serve any compelling state interest.<sup>311</sup> Lastly, plaintiffs argue that the Georgia law acts directly to regulate interstate commerce.<sup>312</sup> Because Internet messages are not geographically confined, a person can be prosecuted under the act even if he or she does not reside in Georgia, so long as their message passes through the state.<sup>313</sup> Thus, Georgia is attempting to regulate activity occurring outside the State.

Supporters respond that the bill is necessary to curb the growing problem of name poaching.<sup>314</sup> One supporter of the bill stated: “It’s not kid stuff to use someone else’s intellectual property. [It is] a serious thing—especially as the Internet becomes more and more of a business conduit.”<sup>315</sup> At the heart of the domain name ransom situation lies the uncontroverted fact that the Internet is running out of space. Any attempt to stop the hijacking trend must address this predicament. Although the Georgia bill provides an appropriate starting point, any real “cure” to the “name poaching” problem must first resolve the issue of lack of space.

## V. CONCLUSION

Many difficult legal and technical issues arise from the intersection of trademarks and the Internet. One may subscribe to the idea that congressional action is the only answer. Others argue that Internet trademark disputes can be resolved under traditional trademark and trademark dilution law. What is known is that trademark laws will have an enormous impact on the right to use particular domain names.

Traditional trademark protection alone, however, may be insufficient to combat the problem of name poaching. As previously discussed, NSI itself has attempted to address the situation of domain names held hostage through its registration policy. The policy, however, does not adequately protect

309. *Id.*

310. *Id.*

311. *Id.*

312. *Id.*

313. Kuester & Kramer, *supra* note 301, at C22.

314. Kerr, *supra* note 299, at \*1 (statement of bill sponsor Rep. Don Parsons, (R-GA)).

315. *Id.*

businesses from domain name squatters, partly because it does not conform with federal trademark laws. Trademark rights do not come from federal registration, but from use. The problem is that NSI's policy, in its current form, only protects registered trademarks. NSI's policy also does not adequately address the issue of concurrent use of a mark. Furthermore, while federal trademark law recognizes that more than one company may have Acme as its business name, NSI only recognizes one "acme.com." Accordingly, the trademark owner plaintiffs whose mark is non-unique and who is requesting ownership of the sought-after domain name needs to be prepared to explain why they are entitled to the domain name to the exclusion of all other trademark owners. In effect, NSI's registration policy ignores existing trademark law. Until these issues are resolved, NSI's policy will remain ineffective. NSI must be alert and creative in developing solutions to problems created by the commercial expansion of the Internet.

More importantly, the lack of space on the Internet and limited number of Internet addresses and issues must be confronted. One way to solve some of these problems is to change the current domain name allocation system. One proposal suggested by the International Ad Hoc Committee adds seven new top level domain names to better specify what the Internet address represents.<sup>316</sup> This proposal allows for the creation of ".web," ".store," ".info," ".firm," ".arts," ".rec," and ".nom" in addition to the current top level domains.<sup>317</sup> Another solution to the space problem on the Internet would be to allow for an open market where domain names could be bought and sold.<sup>318</sup> Others have suggested that only IP addresses be utilized, eliminating alphanumeric addresses altogether, so that no domain name would have any special significance.

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316. Sougata Mukherjee, *What's a Name Worth? Plenty on the Internet*, DEN. BUS. J., Mar. 3, 1997.

317. *Id.*

318. In response to NSI's current domain name registration policy of "first come, first serve," a group of Internet standards makers convened at the Internet Engineering Task Force ("IETF") meeting in July 1996, in Montreal. The purpose of the meeting was "to determine if Internet addresses should be bought, sold [or] bartered . . . on the open market." *Internet Addresses on the Selling Block*, PR NEWSWIRE, July 1, 1996, available in LEXIS, Nexis Library, UPI File. According to Christine Hudgins-Bonafield, editor of *Network Computing Business & Trends*, "[t]he goal [of the gathering] is to determine whether a free market in addresses will conserve the finite pool of addresses available through existing Internet technology." *Id.* Supporters for an open market for addresses view this approach "as the only way to sustain Internet growth." *Id.* For example, Stuart Trusty has registered 68 domain names with the sole intention of auctioning them off. "Nylons.com," (going for \$4000) and "seniorcitizens.com" (at \$111) are available for sale on the auction block at "http://www.vbn.com." Comelia Grumman, *Web of Internet Name Game Getting Tangled*, CHI. TRIB., Mar. 25, 1996, at 1.

Until the domain name allocation system is revised or NSI's policy amended to comply with current trademark law, domain name squatters will continue to rule the Internet until legal action is taken. Unfortunately, lawsuits are expensive and lengthy, and thus not always the most effective means to resolve a hostage situation. Accordingly, as the Internet becomes more and more critical in today's business and marketing world, cyberspace will inevitably experience an increase in the number of "new age bandits" on the loose. Legislators, courts and policy makers must rise to the occasion and meet these challenges.

*Stacy B. Sterling*<sup>\*</sup>

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