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D. Troy Blair

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My Trademark Is Not Your Domain: Development and Recent Interpretation of the Anticybersquatting Consumer Protection Act

INTRODUCTION

The Internet has become an integral part of everyday life in America. In the United States alone, the Internet links more than 57 million people.¹ The Internet provides sellers of goods and services with the opportunity to advertise and reach an audience of millions of people with a minimal investment.² Companies and groups have rushed to register their names³ and stake their claims in cyberspace to either solidify their existing business position or embark on new e-business ventures.⁴ Accordingly, a domain name has become one of the most valuable and important pieces of intellectual property for business today.

Cybersquatters are “individuals [who] attempt to profit from the Internet by reserving and later selling or licensing domain names back to the companies that spent millions of dollars developing the good will of the trademark.”⁵ A cybersquatter registers a trademark or trade name of a third party as an internet domain name, with the intent of selling the domain name to the legitimate owner of the mark or a third party.⁶ “Due to the lack of any regulatory control over domain name registration . . . ‘cybersquatting’ has become increasingly common in recent years.”⁷

The enactment of the Anticybersquatting Consumer Protection Act (“ACPA”) by Congress is an attempt to protect consumers and

1. *World Wide Web User Statistics* (last modified Mar. 6, 1999) <<http://www.why-not.com/company/stats.htm>>. This estimate is based upon data from May, 1998. *Id.* Obviously, the number of people has probably greatly increased.

2. ADAM L. BROOKMAN, TRADEMARK LAW 7-3, 7-4 (1999).

3. There were 28,781,217 domains registered worldwide as of September 19, 2000. *Net Names* (visited September 19, 2000) <<http://www.domainstats.com>>.

4. *World Wide Web User Statistics* (last modified Mar. 6, 1999) <<http://www.why-not.com/company/stats.htm>>. During the 1998 holiday retail season, U.S. consumer purchasing on the Internet accounted for over \$8,000,000,000. *Id.*

5. *Intermatic, Inc. v. Toepfen*, 947 F. Supp. 1227, 1233 (N.D. Ill. 1996).

6. ADAM L. BROOKMAN, TRADEMARK LAW 7-6 (1999).

7. *Sporty's Farm v. Sportsman's Mkt.*, 202 F.3d 489, 493 (2d Cir. 2000), *cert. denied*, 120 S. Ct. 2719 (2000).

trademark owners from cybersquatters.⁸ This comment examines cybersquatting in relation to federal trademark law and is divided into four sections to achieve this goal. Part II examines attempts, prior to enactment of the ACPA, to stop cybersquatters under federal trademark law using both trademark infringement and dilution claims. Part III analyzes the history, development and pertinent sections of the ACPA. Part IV reviews the only interpretation of the ACPA to date by a federal court of appeals. Finally, this comment ends by providing conclusions and recommendations for analyzing cybersquatting cases under federal trademark law.

I. TECHNICAL BACKGROUND

In order to more fully understand the problem of cybersquatting, a brief discussion of the technical aspects of the Internet is appropriate. Internet web sites are designated by an address commonly known as a "domain name."⁹ The domain name is comprised of two parts, the top-level domain and the secondary level domain. The top-level domain is the domain name's suffix and commonly classifies the general type of web site or owner of the domain name. The major top-level domains are ".com" (commercial), ".org" (organization), ".net" (network provider), ".gov" (government), and ".edu" (educational). The secondary level domain is the "address" and pinpoints the web site on the Internet. As an example, for the web site microsoft.com, the top-level domain of the web site is ".com," signifying the type of web site (commercial), and the secondary level domain is "Microsoft," providing the address or pinpoint for the web site. Each domain name is a unique identifying address for the corresponding web site.

Until recently, Network Solutions, Inc. ("NSI") was the sole

8. 15 U.S.C. § 1125(d) (West Supp. 2000). The stated purpose of the ACPA by the House of Representatives was "to prevent the misappropriation of marks." H.R. REP. NO. 4122, at 1 (1999). The act was originally titled the Anticybersquatting Consumer Protection Act during the Senate proceedings and debate. S. REP. NO. 10629-01, at 1 (1999). The act was renamed the Trademark Cyberpiracy Prevention Act in the subsequent House Report. H.R. REP. NO. 4122, at 1 (1999). For this comment, the more common name of Anticybersquatting Consumer Protection Act will be used.

9. See Peter Brown, *17th Annual Institute on Computer Law: The Evolving Law of the Internet-Commerce, Free Speech, Security, Obscenity and Entertainment*, 471 P.L.I./Pat 151 (1997); J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:72 (4th ed. 1997); *Name Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573 (2d Cir. 2000) for a more thorough discussion of the technical aspects of domain names.

source for distributing domain names to registrants.¹⁰ NSI distributed domain names on a “first come, first serve” basis, only checking for uniqueness by determining if the precise name had been registered by another party.¹¹ Therefore, individuals were able to register domain names without regard to any potential intellectual property rights existing in the name. Several organizations now distribute and register Internet domain names, including NSI.¹² A not-for-profit corporation, the Internet Corporation for Assigned Names and Numbers (“ICANN”), was established in 1998 to assume management and oversight of domain name registration practices.¹³

II. CYBERSQUATTING PRIOR TO ENACTMENT OF THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT

Before examining the ACPA, a review of cybersquatting cases under traditional trademark law, prior to the enactment of the ACPA, is necessary to understand the difficulty in preventing cybersquatting. Prior to enactment of the ACPA, acts of cybersquatting were primarily combated by filing trademark infringement claims and dilution claims under state law and under federal law via the Lanham Trademark Act (“Lanham Act”).¹⁴ Courts “stretched the law” to combat the actions of cybersquatters under federal trademark law.¹⁵

Under federal law, a trademark is “any word, name, symbol, or device, or any combination thereof—1) used by a person, or 2) which a person has a bona fide intention to use in commerce and applies to register on the principal register, . . . to identify and distinguish his or her goods, including a unique product, from those

10. As of August 1, 1999, NSI was responsible for approximately 75% of all registered domain names. ADAM L. BROOKMAN, TRADEMARK LAW § 7.02, at 7-5 (1999) (citing *Internic Registrations* <<http://www.domainnamestats.com/internic.cfm>>.)

11. See John D. Mercer, *Cybersquatting: Blackmail on the Information Superhighway*, 6 B.U. J. SCI. & TECH. L. 11 (2000).

12. See, e.g., *Register.com* (visited September 19, 2000) <<http://www.register.com>>. The InternIC web site, a service mark of the U.S. Department of Commerce, contains a listing of accredited domain name registration services. *Internic.net* (last modified Jan. 5, 2000) <<http://rs.internic.net>>

13. Nancy J. Felsten, *Trademarks, Domain Names, Metatags, Cybersquatting and the Internet*, 601PLI/Pat 251, 260 (2000). See MCCARTHY, *supra* note 9, at § 25:74.2 for a discussion of the ICANN dispute resolution procedures.

14. See, e.g., *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999); *Panavision International, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998); *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227 (N.D. Ill. 1996).

15. MCCARTHY, *supra* note 9, § 25:77.

manufactured or sold by others.”¹⁶ Trademarks signify the source or origin of goods or services for consumers and are an important instrument in the advertising and selling of goods or services.¹⁷ The Lanham Act prohibits the use of another’s trademark without permission in connection with the sale or offering for sale of goods and services in a manner likely to cause confusion, mistake, or deception as to the origin of the goods.¹⁸

A. *Dilution Under the Federal Trademark Dilution Act*

Trademark owners have frequently claimed trademark dilution under the Federal Trademark Dilution Act (“FTDA”)¹⁹ to prevent cybersquatting. Under the FTDA for a trademark dilution claim to be successful, a plaintiff must show that: (1) the mark is famous, (2) the defendant is using the mark in commerce, (3) the defendant’s use of the mark began after the mark became famous, and (4) defendant’s use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services.²⁰ Dilution is defined by the FTDA as “the lessening of the capacity of a famous mark to identify and distinguish goods or services.”²¹ Dilution occurs when a defendant’s use of a famous trademark lessens the distinctiveness of the mark by blurring or tarnishing the trademark holder’s commercial image.²²

An illustrative example of a trademark dilution claim for cybersquatting under the FTDA, prior to enactment of the ACPA, is the group of cases involving Dennis Toeppen²³ (“Toeppen”).²⁴ The

16. 15 U.S.C. § 1127 (1994).

17. See MCCARTHY, *supra* note 9, at § 3:01.

18. 15 U.S.C.A. § 1125(a) (West 1998).

19. 15 U.S.C.A. § 1125(c) (West 1998).

20. 15 U.S.C. § 1125(c). It is clear that Congress intended the FTDA to combat cybersquatting. “[I]t is my hope that this anti-dilution 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.” 141 CONG. REC. § 19312-01 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy).

21. 15 U.S.C.A. § 1127.

22. Blurring occurs when a party uses another’s trademark to identify goods and services not associated with the trademark holder thereby lessening its ability to serve as a unique identifier of the trademark holders goods and services. MCCARTHY, *supra* note 9, § 24:68. Tarnishment occurs when a trademark is associated with an inferior or offensive good or service. *Id.* at § 24:104.

23. Toeppen has been referred to as the “poster child” of cybersquatting. Jeremy D. Mishkin, *Master of Your Domain – An Overview of the Anticybersquatting Consumer Protection Act*, 18-SPG COMM. LAW 3 (2000).

24. See *Panavision*, 141 F.3d 1316; *Intermatic*, 947 F. Supp. 1227. Mr. Toeppen

seminal case involving Toeppen arose in 1995 when Panavision International (“Panavision”) attempted to register “panavision.com” as an internet domain name, but found the name had already been registered by Toeppen.²⁵ The web page for panavision.com developed by Toeppen displayed photographs of the City of Pana, Illinois.²⁶ Counsel for Panavision sent a letter to Toeppen informing him that the word “panavision” was a trademark of Panavision and requesting Toeppen to stop using the trademark and domain name panavision.com.²⁷ In response, Toeppen stated he had the right to use the domain name and continued:

[i]f your attorney has advised you otherwise, he is trying to screw you. He wants to blaze new trails in the legal frontier at your expense. Why do you want to fund your attorney’s purchase of a new boat (or whatever) when you can facilitate the acquisition of ‘panavision.com’ cheaply and simply instead.²⁸

Toeppen subsequently offered to “settle the matter” in exchange for \$13,000.²⁹

Panavision brought suit against Toeppen in the Federal District Court for the Central District of California, alleging federal trademark dilution under the Lanham Act and state law.³⁰ In the suit, Panavision asserted that Toeppen “was in the business of stealing trademarks, registering them as domain names on the Internet, and then selling the domain names to the rightful trademark owners.”³¹ The district court granted summary judgment in favor of Panavision on both the federal and state trademark dilution claims.³² Toeppen appealed to the United States Court of

registered hundreds of domain names comprising a veritable who’s who of trademarks including deltaairlines.com, britishairways.com, crateandbarrel.com, eddiebauer.com, and ussteel.com. *Intermatic*, 947 F. Supp. at 1230.

25. *Panavision*, 141 F.3d at 1319.

26. *Id.* The panavision.com web site is currently listed as the future home of Panavision.com with links to Panavision web sites for other countries. *Panavision* (visited Nov. 27, 2000) <<http://www.panavision.com>>.

27. *Id.*

28. *Id.*

29. *Id.* Panavision refused Toeppen’s demand. *Id.* In response Toeppen registered the domain name for another trademark held by Panavision, “panaflex.com.” *Id.* The page for panaflex.com simply said “Hello.” *Id.*

30. *Panavision*, 141 F.3d at 1319. See *Panavision v. Toeppen*, 945 F. Supp. 1296 (C.D. Cal. 1996).

31. *Id.*

32. *Id.*

Appeals for the Ninth Circuit.³³ The two primary issues addressed by the court of appeals in relation to the dilution claims were whether Toeppen made “commercial use” of the mark and whether the use caused dilution of the mark.³⁴

Toeppen argued that his use of panavision.com as a domain name was not “commercial use” of the mark under the FTDA.³⁵ The court of appeals pointed out that “[c]ase law supports this argument.”³⁶ Toeppen contended that the domain name simply is an address, unrelated to the content of the page, and a user who accesses “panavision.com” and sees no reference to Panavision is unlikely to conclude the page is related to Panavision.³⁷ The court of appeals rejected this argument holding that Toeppen’s “use is not as benign as he suggests.”³⁸ The court of appeals found that Toeppen traded on the value of Panavision’s marks and attempted to exploit the value on the Internet.³⁹ In summary, the court of appeals held that Toeppen made commercial use of the mark through his attempt to sell the trademarks themselves, which is sufficient for “use in commerce” under the FTDA.⁴⁰

The court of appeals next addressed whether Toeppen’s use of Panavision’s trademarks diluted the marks.⁴¹ Toeppen argued “he is not diluting the capacity of Panavision marks to identify goods and services” and that Panavision could simply use some other address.⁴² The court of appeals rejected this argument holding that “[a] significant purpose of a domain name is to identify the entity

33. *Id.*

34. *Id.* at 1324.

35. *Panavision*, 141 F.3d at 1324. “[O]wner of a famous mark shall be entitled . . . to an injunction against another person’s *commercial use* in commerce of a mark.” 15 U.S.C.A. § 1125(c)(1) (emphasis added).

36. *Panavision*, 141 F.3d at 1325. See *Avery*, 189 F.3d 868 (“Commercial use under the [FTDA] requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status.”); *Panavision*, 945 F. Supp. at 1303 (“Registration of a trade[mark] as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the [FTDA].”); *Academy of Motion Picture Arts & Sciences v. Network Solutions, Inc.*, 989 F. Supp. 1276 (C.D. Cal. 1997) (mere registration of a domain name does not constitute commercial use); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949 (C.D. Cal. 1997) (NSI’s acceptance of a domain name for registration is not a commercial use within the meaning of the FTDA); *Juno Online Servs. v. Juno Lighting*, 979 F. Supp. 684, 691 (N.D. Ill. 1996) (“warehousing” of domain name insufficient for finding that defendant used or displayed mark in sale or advertising of services).

37. *Panavision*, 141 F.3d at 1324-25.

38. *Id.* at 1325.

39. *Id.*

40. *Id.* at 1325-26.

41. *Panavision*, 141 F.3d at 1326.

42. *Id.* at 1326-27.

that owns the web site.”⁴³ A person unsure about the location of a company’s web site address will often guess that the domain name is the same as the company’s name.⁴⁴ “A domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communications with a customer base.”⁴⁵ Customers searching for the Panavision web site will have to wade through hundreds of domain names to find the correct site if the domain name is not protected.⁴⁶ The federal court of appeals held that “[t]his dilutes the value of Panavision’s trademark.”⁴⁷

The decision of the Ninth Circuit Court of Appeals in *Panavision* properly enforced the rights of the trademark holder, but illustrates the problems encountered by trademark holders in attempting to prevent cybersquatting using dilution claims under the FTDA. Finding “commercial use” sufficient to satisfy the FTDA must constitute more than simply registering the domain name.⁴⁸ A cybersquatter could register a domain name and simply “squat” on the name and avoid liability under the FTDA. Further, in the *Panavision* case, Toeppen did not challenge the fame of the Panavision mark.⁴⁹ However, in other cases, whether a mark is famous or not has often been difficult to establish.⁵⁰ As one commentator has pointed out, “[t]here is no place to go to find out if a particular mark is ‘famous.’ There is no special register for famous marks. Fame must be determined on a case by case basis in litigation.”⁵¹ In short, the FTDA provides inadequate protection for trademark holders in relation to cybersquatting.

43. *Id.* at 1327. “The domain name serves a dual purpose. It marks the location of the site within cyberspace . . . but it may also indicate to users some information as to the content of the site.” Peter Brown, *17th Annual Institute on Computer Law: The Evolving Law of the Internet-Commerce, Free Speech, Security, Obscenity and Entertainment*, 471 *PLI/Pat* 151 (1997).

44. *Panavision*, 141 F.3d at 1327 (citing *Cardservice, Int’l v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997)).

45. *Id.* (citing *MTV Networks, Inc. v. Curry*, 867 F. Supp. 202, 203-04 n.2 (S.D.N.Y. 1994)). Courts have treated domain names as an asset with independent value, and, consequentially, the value of a web site depends upon the domain name. WILLIAM L. NORTON, JR., 6A *NORTON BANKR. L. & PRAC.* 2D § 151:48 (2000).

46. *Panavision*, 141 F.3d at 1327.

47. *Id.*

48. *See supra* note 36.

49. *Panavision*, 141 F.3d at 1324.

50. *Avery*, 189 F.3d at 874-75 (The Avery Dennison mark did not satisfy the “famousness” element for protection under the FTDA because the mark was not “truly prominent and renowned”).

51. MCCARTHY, *supra* note 9, at § 24:90.

B. *Infringement Under the Lanham Act*

In addition to dilution claims, trademark holders have instituted actions on the basis of trademark infringement under the Lanham Act to prevent cybersquatting. In order to succeed on a claim of trademark infringement under the Lanham Act, the trademark holder must show: (1) rights in the trademark and (2) that the unauthorized use of the trademark by another will likely cause consumer confusion, deception, or mistake.⁵² In determining infringement, courts have predominantly applied the "likelihood of confusion" test set forth in *AMF Inc. v. Sleekcraft Boats* by the Ninth Circuit Court of Appeals.⁵³ In determining infringement using this test, a court will evaluate: "(1) the strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines."⁵⁴

An illustrative example of a trademark infringement claim under the Lanham Act prior to enactment of the ACPA is *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*⁵⁵ Brookfield Communications, Inc. ("Brookfield") is a content gathering organization that sells information, including marketing software and services, to the entertainment industry.⁵⁶ "Brookfield expanded into the broader consumer market with computer software featuring a searchable database containing entertainment-industry related information marketed under the 'Moviebuff' trademark."⁵⁷

When Brookfield attempted to register the domain name "moviebuff.com" in 1996 with NSI, it was informed the name had already been registered by West Coast Entertainment Corp. ("West Coast").⁵⁸ Brookfield consequently registered the domain names "brookfieldcomm.com" and "moviebuffonline.com," and offered

52. 15 U.S.C.A. § 1114(D) (1998).

53. 599 F.2d 341 (9th Cir. 1979). The test was first introduced in *Polaroid Corp. v. Polaroid Elec. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

54. *Sleekcraft*, 599 F.2d at 348-49.

55. 174 F.3d 1036 (9th Cir. 1999).

56. *Brookfield*, 174 F.3d at 1041.

57. *Id.* Brookfield was founded in 1987 and began using the "Moviebuff" mark to offer goods and services in 1993. *Id.*

58. *Id.* at 1042.

access to on-line database services through “inhollywood.com.”⁵⁹ In 1997, Brookfield submitted applications for federal registration of “Moviebuff” to designate both goods and services.⁶⁰ In 1998, “Brookfield learned that West Coast . . . intended to launch a web site at ‘moviebuff.com’ containing . . . a searchable entertainment database similar to [Brookfield’s].”⁶¹ Brookfield sent a “cease and desist” letter to West Coast claiming trademark infringement and enclosed a complaint that it threatened to file if West Coast did not comply.⁶²

Brookfield brought suit in the United States District Court for the Central District of California alleging principally trademark infringement and unfair competition under the Lanham Act.⁶³ In West Coast’s opposition brief, it argued that Brookfield could not claim infringement because West Coast was the senior user of “MovieBuff” after registering “The Movie Buff’s Movie Store” mark in 1991.⁶⁴ In the alternative, West Coast claimed senior use of “moviebuff.com” through use of the domain name prior to Brookfield’s offering of the “MovieBuff” on-line database.⁶⁵

The Ninth Circuit Court of Appeals held that West Coast could not “tack” use of “moviebuff.com” onto its trademark for “The Movie Buff’s Movie Store” and that Brookfield was the senior user and had established a likelihood of confusion because of West Coast’s use of “moviebuff.com.”⁶⁶ In addressing the trademark infringement claim, the court of appeals first addressed whether Brookfield was the senior user of the “MovieBuff” mark, and, thus, had “a valid, protectable trademark interest in the mark.”⁶⁷ “To acquire ownership of a trademark, it is not enough to have invented the mark first or even to have registered it first; the party

59. *Id.*

60. *Id.* The trademark application described the product as computer software providing information to the entertainment industry. *Id.* The service mark application described the services as providing on-line access to a database containing information about the entertainment industry. *Id.*

61. *Brookfield*, 174 F.3d at 1042.

62. *Id.* The next day West Coast issued a press release announcing the imminent launch of the “moviebuff.com” web site. *Id.*

63. *Id.* at 1043. Brookfield also claimed trademark dilution under the FTDA and state law. *Id.* at n.4.

64. *Id.* at 1043 n.5. “West Coast applied for federal trademark registration for this term in 1989, which issued in 1991 and became incontestable in 1996. West Coast purports to have spent over \$15 million on advertisements and promotions featuring this mark.” *Id.* at n.5.

65. *Id.* at 1043.

66. *Brookfield*, 174 F.3d at 1049, 1061.

67. *Id.* at 1046-47.

claiming ownership must have been the first to actually use the mark in the sale of goods or services.”⁶⁸ The court of appeals held Brookfield to be the senior user in the “MovieBuff” mark since Brookfield began marketing products under the mark well before West Coast began using “moviebuff.com.”⁶⁹

The court of appeals next evaluated whether West Coast’s use of “moviebuff.com” was likely to deceive or confuse the public about the source or ownership of the web site in violation of Brookfield’s trademark rights.⁷⁰ The court of appeals applied the factors for the “likelihood of confusion” test set forth in *Sleekcraft*⁷¹ to determine the similarity of the marks and likelihood of confusion.⁷² In applying the factors, the court of appeals found “MovieBuff” to be essentially identical to “moviebuff.com,”⁷³ the goods or services of both parties to be related to the entertainment industry,⁷⁴ and the web as the primary channel used by both parties to advertise and market their goods and services.⁷⁵ The court of appeals found in favor of the rights of Brookfield as the senior user and held that West Coast’s use of “moviebuff.com” constituted infringement under the Lanham Act.⁷⁶

The *Brookfield* case is illustrative of a positive application of federal trademark law to cybersquatting cases. However, federal trademark infringement claims under the Lanham Act to prevent cybersquatting have often produced inconsistent and varying results.⁷⁷ Many cybersquatters, such as Toeppen, would not offer

68. *Id.* at 1047 (citing *Sengoku Works Ltd. v. RMC Int’l Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996)).

69. *Id.* at 1049.

70. *Id.* at 1053.

71. *See supra* note 54 and accompanying text. The court of appeals recognized that the *Sleekcraft* factors are pliant, some factors are more important in determining a likelihood of confusion than others and they should be applied on a case specific basis. *Brookfield*, 174 F.3d at 1054.

72. *Brookfield*, 174 F.3d at 1054.

73. *Id.* at 1055.

74. *Id.* at 1056.

75. *Id.* at 1057.

76. *Id.* at 1061.

77. *See Intermatic*, 947 F. Supp. at 1240 (no similarity among products between web page developed by defendant, showing map of City of Urbana, and plaintiff, manufacturer of electrical and electronic products); *Cardservice*, 950 F. Supp. at 741 (use of domain name “cardservice.com” on a web site advertising merchant credit card services was held an infringement of the registered trademark “cardservice” used for credit card processing); *Academy of Motion Picture Arts and Sciences*, 989 F. Supp. at 1277-79 (concerning a claim that NSI infringed plaintiff’s registered OSCAR trademark by permitting registration of domain names containing “oscar” and “the oscars,” the court held the mere registration of domain name insufficient for “commercial use” for trademark infringement under the

services similar to the products offered by the trademark holder, thus avoiding application of infringement. In addition, the domain name must meet the “use in commerce” requirement to maintain an infringement claim under the Lanham Act.⁷⁸ As with dilution claims under the FTDA, infringement claims under the Lanham Act have been insufficient to combat cybersquatting.

III. HISTORY AND FOUNDATION OF THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT

To protect trademark holders from cybersquatting and promote the growth of online commerce,⁷⁹ the United States Congress passed the ACPA on October 6, 1999.⁸⁰ Congress determined that “legislation is needed to clarify the rights of trademark owners with respect to . . . abusive domain name registration practices, to provide clear deterrence to prevent bad faith and abusive conduct, and to provide adequate remedies for trademark owners.”⁸¹ On November 29, 1999, President Clinton signed the ACPA.⁸² The ACPA provides:

- (A) A person shall be liable in a civil action by the owner of a trademark or service mark if, without regard to the goods or services of the parties, that person—
- (i) has a bad faith intent to profit from that trademark or service mark; and
 - (ii) registers, traffics in, or uses a domain name that—
 - (I) in the case of a trademark or service mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to such mark;
 - (II) in the case of a famous trademark or service mark that is famous at the time of registration of the domain name, is dilutive of such mark,
 - (III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code [Red Cross], or section 220506 of title 36, United States Code [Olympic Committee].
- (B) In determining whether there is a bad faith intent

Lanham Act).

78. See *supra* note 36.

79. S. REP. NO. 106-140, at 4 (1999).

80. 15 U.S.C.A. § 1125(d).

81. S. REP. NO. 106-140, at 8.

82. 15 U.S.C.A. § 1125 (d).

described under subparagraph (A), a court may consider factors such as, but not limited to-

- (i) the trademark or other intellectual property rights of the person, if any, in the domain name;
- (ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
- (iii) the person's lawful use, if any, of the domain name in connection with the bona fide offering of any goods or services,
- (iv) the person's lawful noncommercial or fair use of the mark in a site accessible under the domain name,
- (v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
- (vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;
- (vii) the person's provision of material and misleading false contact information when applying for the registration of the domain name or the person's intentional failure to maintain accurate contact information;
- (viii) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to trademarks or service marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous trademarks or service marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of such persons;
- (ix) the person's history of offering to transfer, sell, or otherwise assign domain names incorporating marks of others to the mark owners or any third party for

- consideration without having used, or having an intent to use, the domain name in the bona fide offering of any goods and services;
- (x) the person's history of providing material and misleading false contact information when applying for the registration of other domain names which incorporate marks, or the person's history of using aliases in the registration of domain names which incorporate marks of others; and
 - (xi) the extent to which the trademark or service mark incorporated in the person's domain name registration is distinctive and famous within the meaning of subsection (c)(1) of section 43 of the Trademark Act of 1946 (15 U.S.C. 1125).⁸³

The ACPA creates a specific, federal remedy for trademark holders against cybersquatting. To summarize the pertinent sections of the ACPA, civil liability is imposed for cybersquatting where (1) the defendant has registered, trafficked in or used a domain name, (2) the domain name is identical or confusingly similar to a mark owned by the plaintiff, (3) the plaintiff's mark is distinctive at the time the domain name is registered, and (4) the defendant committed the acts with a bad faith intent to profit from the plaintiff's mark.⁸⁴

The ACPA was passed to remedy the perceived shortcomings in applying the Lanham Act to cybersquatting cases.⁸⁵ This theme is pervasive throughout the ACPA and deserves a closer inspection. First, mere registration of a domain name gives rise to liability under the ACPA.⁸⁶ A person is liable if that person "has a bad faith intent to profit from that mark; and . . . registers, traffics in or uses [a mark protected by the ACPA]."⁸⁷ In contrast, under the Lanham Act and FTDA, mere registration of a domain name is insufficient to constitute 'use in commerce' and is therefore not actionable on the basis of infringement or dilution.⁸⁸ Thus, the ACPA lowers the bar for prevention of cybersquatting; a cybersquatter's mere registration of a domain name is actionable under the ACPA.

Another significant provision of the new legislation is that the

83. 15 U.S.C.A. § 1125(d).

84. *See id.*; MCCARTHY, *supra* note 9, § 25:78.

85. *Sporty's*, 202 F.3d at 496.

86. 15 U.S.C.A. § 1125(d)(1)(A)(i).

87. 15 U.S.C.A. § 1125(d)(1)(A)(ii).

88. *See cases cited supra* note 36.

ACPA simply protects "marks." A "mark" is defined by the Lanham Act as "any trademark, service mark, collective mark, or certification mark."⁸⁹ As illustrated in the *Brookfield* case, to maintain a trademark infringement claim the mark must be registered under the Lanham Act.⁹⁰ Under the ACPA, there is no requirement for a mark to be federally registered for an action to exist. Therefore, even common law trademark owners could bring an action under the ACPA against cybersquatters.

The remedies available to victims of cybersquatting before passage of the ACPA were costly, due to extensive litigation, and uncertain due to judicial inconsistency in applying available federal trademark law.⁹¹ According to the report of the U.S. House of Representatives:

Currently, the legal remedies available to trademark owners to prevent cyber[squatting]⁹² are both expensive and uncertain. Federal courts have generally found in favor of the owner of a trademark where a similar or identical domain name is actively used in connection with a cyber[squatters] web site. The law is less settled, however, where a cyber[squatter] has either registered the domain name and done nothing more, or where the cyber[squatter] uses a significant variation on the trademark. Regardless of the ultimate outcome of litigation, trademark owners must expend significant resources and endure the inevitable delay associated with bringing a civil action in order to validate their rights. Many companies simply choose to pay extortionate prices to cyber[squatters] in order to rid themselves of a potentially damaging headache with an uncertain outcome.⁹³

Under the ACPA, the remedies available to victims of cybersquatting⁹⁴ include the traditional remedies available under

89. 15 U.S.C.A. § 1127.

90. 15 U.S.C.A. §§ 1057(b), 1115(a) (West 1998 & Supp. 2000). See *Brookfield*, 174 F.3d at 1046-47 (The threshold issue for an infringement claim is whether the mark holder has registered the mark under the Lanham Act).

91. H.R. REP. NO. 412, at 6 (1999).

92. The House Report uses the term cyberpiracy to describe cybersquatting, and cyberpirate to describe a cybersquatter. For consistency, I have used the more common terms, cybersquatting and cybersquatter.

93. H.R. REP. NO. 412, at 6.

94. Damages under the ACPA are limited to actions based upon registration or use of a domain name occurring after November 29, 1999. Consumer Appropriation Act 2000, Pub. L. No. 106-113, § 3010, 113 Stat. 1501 (1999).

dilution and infringement claims: injunctions and actual damages.⁹⁵ The ACPA, however, expands the potential damages available by allowing plaintiffs the option to seek statutory damages in lieu of actual damages and profits.⁹⁶ The amount of statutory damages is to be determined through the discretion of the trial court with amounts ranging between \$1000 and \$100,000 per domain name.⁹⁷ This provision alleviates plaintiffs burden of proving actual damages caused by cybersquatting. Under the ACPA, plaintiffs may still attempt to prove damages, but they may request statutory damages anytime before final judgment.⁹⁸ In addition, the remedies under the ACPA are cumulative and not in lieu of any other rights or remedies available to a plaintiff at law.⁹⁹

IV. RECENT INTERPRETATION OF THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT

To date there has been only one federal appellate court interpretation of the ACPA—*Sporty's Farm v. Sportsman's Market*.¹⁰⁰ Sportsman's Market ("Sportsman's") is a mail order catalog company that primarily provides products for pilots and aviation enthusiasts, but also provides tools and home accessories.¹⁰¹ Sportsman's distributes approximately 18 million catalogs nationwide with annual revenues of about \$50 million.¹⁰² In the 1960's, Sportsman's began using the mark "sporty's" in association with its catalogs and products and subsequently registered the mark with the United States Patent and Trademark Office in 1985.¹⁰³

Omega, a mail order company that provides scientific measurement and control instruments, decided in the mid-1990's to enter the aviation catalog business and formed a wholly owned subsidiary called Pilot's Depot, LLC, for this purpose.¹⁰⁴ Omega

95. 15 U.S.C.A. §§ 1116(a), 1117(a) (West 1998 & Supp. 2000).

96. 15 U.S.C.A. § 1117(d) (West Supp. 2000).

97. 15 U.S.C.A. § 1117(d).

98. 15 U.S.C.A. § 1117(d).

99. 15 U.S.C.A. § 1125(d)(3).

100. 202 F.3d 489.

101. *Sporty's*, 202 F.3d at 493-94. "Aviation sales account for about 60% of Sportsman's revenue, while non-aviation sales comprise the remaining 40%." *Id.*

102. *Id.* at 493.

103. *Id.* at 494. Sportsman's annually spends approximately \$10 million advertising the sporty's mark. *Id.*

104. *Id.*

registered the domain name "sportys.com" shortly thereafter.¹⁰⁵ Nine months after registering the sportys.com domain name, Omega formed a new subsidiary, Sporty's Farm, to grow and sell Christmas Trees.¹⁰⁶ Omega sold the rights to sportys.com to Sporty's Farm for \$16,200 and began advertising Christmas trees for purchase on the web site.¹⁰⁷

In 1996 Sportsman's learned of Omega's registration and use of sportys.com as a domain name, and, before they could take action, Omega brought a declaratory action seeking the right to continue to use the name. Sportsman's counterclaimed and "also sued Omega as a third-party defendant for . . . (1) trademark infringement, (2) trademark dilution pursuant to the [Federal Trademark Dilution Act], and (3) unfair competition under state law."¹⁰⁸

The district court found in favor of Sportsman's Market on the basis of dilution holding that 1) the mark is "famous" and entitled to protection under the Lanham Act and 2) Sporty's Farm's registration of sportys.com diluted the sporty's trademark and compromised the ability of Sportsman's to distinguish their goods and services on the Internet.¹⁰⁹ However, the district court rejected Sportsman's claims of infringement, finding no likelihood of consumer confusion because the parties operate wholly unrelated businesses.¹¹⁰ The court granted injunctive relief prohibiting Sporty's Farm from using sportys.com, but held that Sportsman's was not entitled to punitive damages or costs under the FTDA since the conduct of Omega did not constitute willful dilution.¹¹¹

Both Sporty's Farm and Sportsman's appealed the decision of the

105. *Id.*

106. *Sporty's*, 202 F.3d at 494. When asked how the name "Sporty's Farm" was selected for Omega's Christmas tree subsidiary, the CEO of Omega stated that the idea came from his memory of a dog he had as a boy named Spotty that strayed too often and had to be taken to his uncle's farm in upstate New York. *Id.*

107. *Id.*

108. *Id.* During the litigation Sportsman's used the domain name "sportys-catalogs.com" as its primary domain name. *Id.*

109. *Id.* at 494-95. The district court held that "registration of the 'sportys.com' domain name effectively compromises Sportsman's Market's ability to identify and distinguish its goods on the Internet . . . [by] preclud[ing] Sportsman's Market from using its 'unique identifier.'" *Id.* at 495.

110. *Id.* at 494. In order to be successful in an action for trademark infringement the party must show that unauthorized use of the registered trademark will likely cause consumer confusion, deception or mistake. 15 U.S.C. § 1114(1) (1994). See *L.E. Waterman Co. v. Gordon*, 72 F.2d 272, 273 (2d Cir. 1934).

111. *Sporty's*, 202 F.3d at 495. After the trial, Sportman's obtained the sportys.com domain name. *Id.*

district court to the United States Court of Appeals for the Second Circuit.¹¹² Sporty's Farm appealed the grant of an injunction in favor of Sportsman's. Sportsman's cross-appealed the denial of damages under both the FTDA and the Connecticut Unfair Trade Practices Act ("CUTPA").¹¹³ While the appeal was pending, Congress passed the ACPA.¹¹⁴

The first issue addressed by the court was whether to apply the ACPA to Sportsman's appeal, since the legislation was passed while the appeal was pending.¹¹⁵ The court held that the laws in effect at the time of the appeal, in this case the ACPA, should be applied to the appeal.¹¹⁶

In applying the ACPA to the case, the court addressed whether 1) the "sporty's" mark is distinctive or famous and entitled to protection under the ACPA,¹¹⁷ 2) the domain name is identical or confusingly similar to "sporty's" mark,¹¹⁸ and 3) Sporty's Farm acted with a "bad faith intent to profit from the 'sporty's' mark when it registered the domain name 'sportys.com.'" ¹¹⁹

The court agreed with the district court in holding that the "sporty's" mark is distinctive. However, the court refrained from determining whether the mark is also a "famous" mark.¹²⁰ The court in finding the mark "distinctive" explained that a mark may be distinctive before even being used in commerce, when there is no fame attached to the mark.¹²¹ In addition, Sportsman's registered the mark in compliance with 15 U.S.C. § 1065; therefore,

112. *Id.* Omega prevailed on all claims and, therefore, did not appeal the judgment. *Id.* at 495 & n.8.

113. *Id.* The district court held that the conduct of Sporty's Farm did not rise to the level of conduct that is immoral, unethical, oppressive, or unscrupulous, that is necessary to support a claim under CUPTA. *Id.* The Federal Circuit Court of Appeals upheld the decision of the district court in relation to the CUPTA claim. *Id.* at 501.

114. *Id.* at 495.

115. *Id.* at 496.

116. *Sporty's*, 202 F.3d at 496 (citing *Hamm v. City of Rock Hill*, 379 U.S. 306, 312-13 (1964)).

117. *Id.* at 497. Under the ACPA, a mark is only protected if the trademark or service mark is distinctive or famous at the time of registration. 15 U.S.C.A. § 1125(d)(1)(A)(ii)(I), (II). The ACPA also protects "trademark[s], word[s], or name[s] protected by reason of section 706 of title 18 [Red Cross], United States Code, or section 220506 of title 36 [Olympic Committee], United States Code." 15 U.S.C.A. § 1125(d)(1)(A)(ii)(III). *See also* text accompanying note 42.

118. *Sporty's*, 202 F.3d at 497. *See* 15 U.S.C.A. § 1125(d)(1)(A)(ii)(I).

119. *Sporty's*, 202 F.3d at 498. *See* 15 U.S.C.A. § 1125(d)(1)(A)(i).

120. *Sporty's*, 202 F.3d at 497. In order to receive protection under the FTDA, a mark must be famous and distinctive; however, under the ACPA, protection is provided for distinctive marks regardless of fame. *Id.* at n.10. *See also* 15 U.S.C.A. § 1125(c)(1)(A)-(E).

121. *Sporty's*, 202 F.3d at 497.

Sportsman's was entitled "to a presumption that its registered trademark is inherently distinctive," sufficient for protection under the ACPA.¹²²

The court next addressed whether the domain name "sportys.com" is "identical or confusingly similar" to the "sporty's" mark.¹²³ Apostrophes cannot be used in domain names; therefore, the court found that the "sportys.com" domain name is virtually indistinguishable from the "sporty's" mark.¹²⁴ The court held that while the "sportys.com" domain name is not identical to "sporty's," it was certainly "confusingly similar" and sufficient for protection under the ACPA.¹²⁵

The court then analyzed whether "Sporty's Farm acted with a 'bad faith intent to profit' from the mark 'sporty's' when it registered the domain name 'sportys.com.'" ¹²⁶ The court examined the nine factors provided in the ACPA to determine whether the defendant acted in bad faith, but recognized that the factors are "indicia that may be considered along with other facts."¹²⁷ In evaluating the factors provided by the ACPA, the court first pointed out that neither Sporty's Farm nor Omega had any intellectual property interest in "sportys.com" at the time the domain name was registered.¹²⁸ Second, the domain name registered by Omega did not contain any portion of the legal name of the party that registered the name.¹²⁹ Third, the domain name was not used in connection with the bona fide offering of goods or services until after litigation was initiated, "undermining the claim that the

122. *Id.* (citing *Equine Techs., Inc. v. Equitechnology, Inc.*, 68 F.3d 542, 545 (1st Cir. 1995)).

123. *Sporty's*, 202 F.3d at 497. See 15 U.S.C.A. § 1125(d)(1)(A)(ii)(I). The "confusingly similar" standard differs from the "likelihood of confusion" standard applied in trademark infringement cases under the Lanham Act. *Id.* at n.11. (citing *Polaroid*, 287 F.2d 492).

124. *Sporty's*, 202 F.3d at 497-98.

125. *Id.* at 498. "[A] trademark or service mark that is famous at the time of registration of the domain name, is identical or confusingly similar to such mark." *Id.* The court of appeals cited *Brookfield* in support of the contention that the sporty's trademark and sportys.com domain name are "confusingly similar." *Id.* In *Brookfield*, the Ninth Circuit Court of Appeals found the trademark "MovieBuff" and the domain name "moviebuff.com" virtually indistinguishable since domain names are not capital letter sensitive. *Brookfield*, 174 F.3d at 1055. Similarly, the apostrophe used in the "sporty's" trademark cannot be used in the "sportys.com" domain name. *Sporty's*, 202 F.3d at 498.

126. *Sporty's*, 202 F.3d at 498. See 15 U.S.C.A. § 1125(d)(1)(A)(i).

127. *Sporty's*, 202 F.3d at 498.

128. *Id.*

129. *Id.* at 498-99. Sporty's Farm was not even in existence when Omega registered the domain name sportys.com. *Id.* at 494.

offering of Christmas trees” was in good faith.¹³⁰ In addition, the court found that the following factors supported a conclusion that bad faith intent existed: Sporty’s Farm never claimed the use of the domain name was noncommercial or fair use of the mark;¹³¹ Omega sold the domain name to Sporty’s Farm under suspicious circumstances;¹³² and the “sporty’s” mark is undoubtedly distinctive.¹³³

The most important factor the court found in determining that Sporty’s Farm acted with a bad faith intent to profit was not included in the indicia provided by Congress, but may be considered under the ACPA.¹³⁴ Based upon the facts provided by the district court, it is clear that Omega planned to enter into direct competition with Sportsman’s, and Omega’s owners received the Sportsman’s catalogs and, thus, had knowledge “sporty’s” was a strong trademark in the field.¹³⁵ The court found, based upon the record, that Omega registered sportys.com for the primary purpose of keeping Sportsman’s from using the domain name.¹³⁶ Omega, after the suit was initiated, created a wholly unrelated business (Sporty’s Farm) to “(1) use the sportys.com domain name in some commercial fashion, (2) keep the name away from Sportsman’s, and (3) protect itself in the event that Sportsman’s brought an infringement claim alleging that a ‘likelihood of confusion’ had been created by Omega’s version of cybersquatting.”¹³⁷ Finally, the court recognized that the story provided by Omega relating to the creation of the Sporty’s Farm name was “more amusing than credible.”¹³⁸ Based upon these facts, the federal court of appeals held that Sporty’s Farm acted with a bad faith intent to profit from the sportys.com domain name under the ACPA.¹³⁹

130. *Id.* at 499.

131. *See* 15 U.S.C.A. § 1125(d)(1)(B)(i)(IV).

132. *See* Sporty’s Farm v. Sportsman’s Market, No. 96CV0756 (D. Conn. 1998); 15 U.S.C.A. § 1125(d)(1)(B)(i)(VI).

133. *Sporty’s*, 202 F.3d at 499. *See* 15 U.S.C.A. § 1125(d)(1)(B)(i)(IX).

134. *Sporty’s*, 202 F.3d at 499. “In determining whether there is a bad-faith intent . . . a court *may consider factors such as, but not limited to*” 15 U.S.C.A. § 1125(d)(1)(B) (emphasis added).

135. *Sporty’s*, 202 F.3d at 499.

136. *Id.*

137. *Id.*

138. *Id.* *See supra* note 106.

139. *Sporty’s*, 202 F.3d at 499. However, the federal court of appeals refused to award damages under the ACPA because Sporty’s Farm registered and used the domain name prior to the passage of the law. *Id.* at 500 (citing Pub. L. No. 106-113, § 3010).

CONCLUSION

As the Internet has expanded, courts have been forced to stretch existing trademark law to protect the rights of trademark owners from cybersquatters.¹⁴⁰ A domain name has become one of the most important and valuable pieces of intellectual property and will continue to be an important item as the Internet continues to expand.

Applying the FTDA to cybersquatting cases has expanded the scope of the law beyond original intentions. The FTDA was intended to protect only "famous" marks.¹⁴¹ In using the FTDA against cybersquatters, courts have granted protection to indisputably "famous" marks, but have also allowed protection to questionable marks. In addition, by expanding the scope of the "use in commerce" requirement the courts have created precedent that may allow trademark owners to encroach upon even noncommercial uses.

The use of trademark infringement claims has often produced inconsistent and confusing results.¹⁴² To succeed on an infringement claim, trademark owners must establish that the use of the domain name is likely to deceive or confuse the public about the source of ownership or sponsorship of the web site.¹⁴³ This is difficult to establish where the cybersquatter may not be promoting any goods or services via the Internet, let alone similar goods and services.¹⁴⁴

As the case illustrations contained in this comment demonstrate, trademark owners have had some success protecting the value of their marks under existing trademark infringement and dilution law. However, Congress recognized that the laws did not adequately protect mark owners and consumers on the Internet. The ACPA lowers the bar to bring an action against cybersquatters by imposing liability for even mere registration of a domain name.¹⁴⁵ Trademark owners asserting their rights may still bring claims under traditional infringement and dilution law, but now may add a claim for violation of the ACPA.¹⁴⁶ The ACPA simply harmonizes registration of Internet domain name policy with existing trademark

140. See MCCARTHY, *supra* note 9, § 25:77.

141. 15 U.S.C.A. § 1125(c).

142. See *supra* note 77.

143. See *supra* notes 53-54 and accompanying text.

144. See *supra* note 110 and accompanying text.

145. See *supra* note 36.

146. 15 U.S.C.A. § 1125(d)(3). See also, *supra*, text accompanying note 99.

law. As Dennis Toeppen so eloquently stated in his letter to Panavision after registering “panavision.com,” your lawyer is trying “to blaze new trails in the legal frontier at your expense.”¹⁴⁷ Due to the enactment of the ACPA, your lawyer no longer has to do so.

D. Troy Blair

147. *Panavision*, 141 F.3d at 1319.

