Sporty's Farm L.L.C., v. Sportman Market Inc.--Protecting Against Cybersquatting or Extending the Allowable Reach of Trademark Law on the World Wide Web

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SPORTY'S FARM L.L.C., V. SPORTSMAN MARKET INC.—PROTECTING AGAINST CYBERSQUATTING OR EXTENDING THE ALLOWABLE REACH OF TRADEMARK LAW ON THE WORLD WIDE WEB

INTRODUCTION

With the explosion of Internet usage and the development of e-commerce, businesses are no longer able to avoid the World Wide Web. As commercial transactions evolved and producers became more and more distant from individual consumers, businesses came to rely on trademarks to distinguish their products.¹ Today, businesses use trademarks to differentiate their products, as an indicator of consistent quality, and to develop brand names.² Because the Internet has even further removed the producer from the consumer, the need for businesses to capitalize on their trademarks is more pronounced. Indeed, the use of one’s trademark as a domain name has been increasingly important in securing a business’ Internet dominance. Unfortunately, domain name registration policies work against the trademark holder and because traditional doctrines in trademark law such as infringement, dilution and unfair competition proved insufficient to protect a trademark owner’s rights, many have been pushing for alternative solutions. In 1999, Congress responded by enacting the Anticybersquatting Consumer Protection Act (“ACPA”).³ The

² Id. at 790 (citing J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 3.01(2)).

(d) (1) (A) Any person who, with a bad faith intent to profit from the goodwill of a trademark or service mark of another, registers, traffics in, or uses a domain that is identical to,
ACPA targets cybersquatting, the deliberate registration of a domain name in violation of a trademark owner’s rights, by prohibiting bad faith registrations of distinctive marks as Internet domain names that are intended to profit from the trademark’s goodwill. Specifically, Congress sought to prevent the registration of distinctive trademarks by four different classes of cybersquatters.

In the first application of the ACPA by an appellate court, the Second Circuit held in *Sporty’s Farm L.L.C. v. Sportsman Market, Inc.*, that the appellant, Sporty’s Farm, was liable for registering the domain name “Sporty’s” in violation of the trademark owner’s rights. Although the lower court had applied the Federal Trademark Dilution Act (FTDA), the appellate court, in choosing to apply the newly passed ACPA, affirmed the district court’s holding on different grounds.

6 S. REP. NO 106-140, at 6. The types of cybersquatters targeted by the ACPA include those registering domain names to exact payment from the trademark owner, or to the highest bidder, to divert consumers from the mark owner’s site to the cybersquatter’s site, or those that instead are defrauding consumers by suggesting associations with the well known trademark.
7 *Sporty’s Farm*, 202 F.3d at 499.
8 *Id.* at 500.
In Part I, this comment explores why the domain name registration process has created a problem for trademark owners. Additionally, Part I will examine how trademark holders have attempted to resolve the problem by utilizing the traditional remedies afforded trademark owners. Finally, Part I will examine congressional intent in passing the ACPA and how it intended to protect trademark owners from cybersquatters. Part II examines the Second Circuit's ruling in *Sporty's Farm L.L.C. v. Sportsman Market, Inc.* and subsequent cases and how the Court's have applied the ACPA. Finally, Part III of the comment discusses the impact of the Second Circuit's decision on the future of the ACPA and whether it offers a viable alternative to protect trademark owner's rights on the Internet.

I. BACKGROUND

A. Conflict Between Domain Name Registration and Trademark Protection

1. Defining What A Domain Is

Each site on the Internet is given an Internet protocol ("IP") address that consists of a series of numbers. To locate a site on the World Wide Web, one must enter the IP address of the desired site. However, because of the relative difficulty of remembering the IP address, an easy to remember alphanumeric domain name, corresponding to the IP address, is used instead.


10 Id.

11 Id. at 919. To communicate on the Internet, it is necessary to log on through a server. The server will interpret a domain name into its IP address. Because all servers interpret domain names exactly alike, the same domain name will locate the same site regardless of the server used; see generally G.
The domain name, which reads from right to left consists of several different levels each separated by a period. Beginning from the far right, all domain names are composed of a top-level domain name (TLD), corresponding to either a generic or geographic designation. The second level domain (SLD), a subdomain of the TLD, appears to its immediate left. The domain name holder usually chooses the SLD name and any additional subdomains that appear to the left of the second level. To locate a site on the World Wide Web, the entire domain name, including the TLD, must be entered following the standard "http://www." string citation.

2. Domain Name Registration

Prior to May 1999, Network Solutions Inc. ("NSI"), was primarily responsible for registering domain names; now there are more than twenty-four companies handling the registration of

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Peter Albert, Article, Right on the Mark: Defining the Nexus Between Trademarks and Internet Domain Names, 15 J. MARSHALL J. COMPUTER & INFO. L. 277 (1997).
12 Id. at 920.
13 Id. at 919-920. The six generic TLDs include: " .com" for commercial; " .edu" for educational institutions; " .gov" for federal governmental agencies; " .net" for Internet infrastructure; " .mil" for the U.S. military; " .org" for organizations; the geographical TLDs correspond to country designations; see generally G. Peter Albert, Article, Right on the Mark: Defining the Nexus Between Trademarks and Internet Domain Names, 15 J. MARSHALL J. COMPUTER & INFO. L. 277.
14 G. Peter Albert, Article, Right on the Mark: Defining the Nexus Between Trademarks and Internet Domain Names, 15 J. MARSHALL J. COMPUTER & INFO. L. 277,280. "An example of a domain name with additional levels is 'purchasing.xyzcompany.com.'"
15 Id.
16 Ira Nathanson, Showdown at the Domain Name Coral: Property Rights and Personal Jurisdiction Over Squatters, Poachers and Other Parasites, 58 U. PITT. L. REV. at 919. The "http:" stands for Hypertext Transfer Protocol and the "www" to the "host," in this case the world wide web.
17 Id. at 919.
domain names. Because these domain name registries do not check the Patent Trademark Office (PTO) registries, a domain name holder can register a federally protected trademark as a domain name as long as the domain name holder seeks registration prior to the trademark holder. Once a trademark has been registered as a domain name, the trademark owner may attempt to resolve the conflict by utilizing the registry’s formal dispute resolution policy. If a domain name holder is able to prove that it obtained a valid trademark registration on the principal registry prior to receiving a cease and desist letter by the trademark owner, the domain registry will not pursue the matter any further; thus, it does not matter that the trademark owner had a prior trademark registration date. If the domain name holder cannot provide such proof, it does have the right to contest the trademark owner’s complaint by having the domain name placed on “Hold” status. Neither the domain name holder nor the trademark owner may use a domain name on “Hold”. Once the domain name is on “Hold,” the parties may only resolve the dispute through litigation.

3. The Source of Conflict

The ability of a trademark owner to use the trademark as a domain name is of vital importance. When an Internet user is not aware of a company domain name, the user may find the desired web site by performing a key word search on an Internet search

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19 *Id.* at 60
20 *Id.* at 61
21 *Id.*
22 *Id.* at 62
23 *Id.*
25 *Id.*
If the company has a recognizable trademark, the user will often use this trademark as a key word. To ensure that its site is easily located, it is in the best interests of a company to use its trademark as a domain name. Because the inability to use one's trademark as a domain name due to another Internet user's registration diminishes the ability to profit from one's own trademark on the Web, this is often the source of litigation against cybersquatters.

B. Judicial Interpretation of Federal Dilution Doctrine in Cybersquatting Cases

Despite the existing dispute resolution policies, many trademark owners have involved the courts in protecting their trademarks. The federal causes of action applied include trademark infringement, unfair competition and dilution under the Federal Lanham Act. Although courts have held cybersquatters liable for trademark infringement, relying on Senator Leahy who, prior to co-authoring the ACPA, exclaimed "it is my hope that this anti-dilution statute (FTDA) can help stem the deceptive Internet addresses," courts have increasingly found cybersquatters culpable for dilution. Thus, I will primarily limit my review of cybersquatting cases to those applying the FTDA.

Trademark law, unlike the Constitutionally mandated copyright and patent law, was designed with the aim of reducing consumer confusion, not to promote and reward creativity. Thus, courts have been unwilling to elevate the trademark right to a property right in gross, as with a patent or copyright grant. The "trademark owner has a property right (in his trademark) only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation." Thus, the central concern in trademark infringement suits has been the likelihood of consumer confusion.

Because trademark dilution, a cause of action emerging from state statutes, protects a trademark's distinctive quality from dilution even in the absence of confusion, it represents a departure from the traditional consumer confusion model. Frank Schechter, the earliest proponent of dilution theory advocated granting distinctive trademark owners an in gross property right.

To obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to – (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

33 Klieger, supra note 1, at 792.
34 Id.
35 Id. (quoting Int'l Order of Job's Daughter's v. Lindeburg & Co., 633 F.2d 912, 919 (9th Cir. 1980)).
36 Id. at 793.
37 Klieger, supra note 1, at 793.
38 Id. at 796-797.
In his view, because the trademark represented a business asset indistinguishable from any other tangible asset, it deserved to be protected like any other property investment.\textsuperscript{39} Although courts have now almost uniformly accepted Schechter's proposal that the gradual whittling away of mark's distinctive quality is the real harm caused by the concurrent uses of similar marks, the in gross property right theory has never been legislatively adopted.\textsuperscript{40} Because the in gross property right has not been adopted, mere proof that a junior user's mark is identical or similar to a senior user's mark is not sufficient to establish dilution.\textsuperscript{41} Instead, when Congress passed the Federal Trademark Dilution Act ("FTDA"), the Act specifically required that the infringing use must "cause dilution" of the famous and distinctive trademark.\textsuperscript{42}

In formulating a test for dilution under the FTDA, courts have uniformly accepted the first few statutory requirements—that the mark is famous and distinctive, that the defendant's use is in commerce, and is commercial. However, they have differed on the final element, specifically how to interpret what "causes dilution" means.\textsuperscript{43} Many courts have interpreted the FTDA's "causes dilution" language to require a demonstration of likelihood of dilution\textsuperscript{44} through either blurring or tarnishment.\textsuperscript{45} Many courts

\textsuperscript{39} Id. at 797.

\textsuperscript{40} Ringling Bros.-Barnum & Bailey Combined Shows, Inc., v. Utah Div. Of Travel Dev., 170 F.3d 449, 454 (4th Cir. 1999).

\textsuperscript{41} Id.

\textsuperscript{42} 15 U.S.C. § 1125(c)(1).

\textsuperscript{43} See generally Ringling Bros.-Barnum & Bailey., 170 F.3d at 457. According to the Court, "the real interpretative problem [in determining what causes dilution] has been how harm to the senior mark's selling power resulting from the junior user mark's use could be proved." In response to this dilemma, have adopted several approaches to determine "what causes dilution."


\textsuperscript{45} Blurring is the gradual diminishment of an "established trademark's selling power and value through its unauthorized use," Hormel Foods Corp. v. Jim Henson Prod., No. 95 Civ. 5473 (KMW), 1995 U.S. Dist. LEXIS 13886 *14 (S.D. NY Sept. 22, 1995) (quoting Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A. Inc., 875 F.2d 1026, 1031 (2nd. Cir. 1989)). Tarnishment,
have applied a multi-factor test first proposed by Judge Sweet in analyzing a state anti-dilution claim to determine the likelihood of dilution under the FTDA. 46 However, the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, held that because the multi-factor likelihood of dilution test was ineffective in considering the harm to the senior mark’s selling power that resulted from the junior mark’s use, the FTDA required proof of actual dilution. 47 Specifically, the *Ringling Bros.* court held that to prove dilution the similarity between the marks must evoke a mental association of the two “which is the effective cause of an actual lessening of the senior mark’s selling power, expressed as ‘its capacity to identify and distinguish goods or services.’” 48 Thus, the court held that to prevent granting rights in gross in a trademark, dilution could not be based solely on “visual similarity.” 49

2. The Application of the FTDA to Cybersquatters.

Because the element of direct competition or consumer confusion is often absent in trademark suits against cybersquatters, the plaintiffs have increasingly relied on the FTDA for help. As a result, courts have adjusted their interpretation of FTDA to respond to the unique issues that cybersquatting presents. For example, the courts now recognize three categories of dilution, besides the more traditional notions of blurring and tarnishment, the courts now recognize dilution through cybersquatting. 50

contrast to the often abstract “whittling away of a trademark’s selling power,” results from direct injury to a plaintiff’s goodwill and reputation. *Id.*


47 *Ringling Bros.-Barnum & Bailey*, 170 F.3d at 464.

48 *Id.* at 458.

49 *Id.* at 459.

50 Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 880 (9th Cir. 1999) (citing *Panavision*, 141 F.3d at 1326).
In non-cybersquatting cases, satisfying the “commercial use” requirement has not been problematic. In the typical dilution case, it is the commercial use of another’s trademark that causes the lessening of the mark’s ability to function as an identifier. However, the typical cybersquatter is not registering the trademark as a domain name and then using the domain name as a trademark. In other words, the cybersquatter is not generally attempting to sell anything from the web site, but rather to warehouse the domain name to later sell it back to the trademark owner or the highest bidder. Thus, courts have to stretch the commercial use requirement from its traditional conception.

i. The Toeppen Cybersquatting Cases.

a. Intermatic Inc., v. Toeppen

In one of the seminal cybersquatting cases, Intermatic v. Toeppen, the Seventh Circuit applying the FTDA denied summary judgment in favor of defendant, Dennis Toeppen, leaving him to face charges that he violated the FTDA through cybersquatting. Toeppen had registered more than 200 domain names, including the trademarked names of many business, such as deltaairlines.com, ramadainn.com, and also the plaintiff’s trademark as intermatic.com. Toeppen did not use intermatic.com in connection with any goods or services nor did he attempt to sell anything from the intermatic.com site. According to Toeppen, his only aim in registering the sites was to later resell or license the domain name back to trademark holders such as Intermatic. The court, in denying Toeppen’s summary judgement motion, held that because Intermatic had exclusively used its “strong fanciful federally registered mark” for over fifty

51 Intermatic, 947 F. Supp. at 1227.
52 Id. at 1241.
53 Id. at 1230.
54 Id. at 1233.
55 Intermatic, 947 F. Supp. at 1236.
years, its mark was famous enough to come within the purview of the FTDA. 56 Significantly, the court held that Toeppen’s desire to resell the domain name was sufficient to satisfy the “in commerce” requirement.57

b. Panavision Int’l, L.P. v. Toeppen58

In this case against Toeppen, Panavision brought suit against Toeppen for registering its trademark, Panavision, claiming that Toeppen had diluted its trademark through the registration of the corresponding domain name.59 In Panavision, Toeppen’s web page at Panavision.com, displayed an aerial view of Pana, Illinois.60 The court followed Intermatic, in holding that Toeppen’s registration satisfied the commercial use requirement.61 Furthermore, the court recognized that the registration of the trademark as a domain name by someone other than the trademark holder could potentially frustrate consumers trying to locate the trademark owner’s site.62 Because this frustration could lead many consumers to conclude that the trademark owner owned no website or discourage them from continuing to search for the desired site, the court held that Toeppen’s registration of Panavision’s trademark as a domain name constituted dilution.63

ii. Jews For Jesus v. Brodsky64

Jews for Jesus represented a departure from the traditional cases against cybersquatters such as the cases against Dennis Toeppen. Here, the plaintiff, a non-profit religious organization brought suit

56 Id. at 1239.
57Id.
58 Panavision, 141 F.3d 1316.
59 Id. at 1319.
60 Id. at 1325.
61 Id.
62 Id. at 1327.
63 Id.
against the defendant for the "deliberate diversion by the defendant's site of Internet users to the Internet site established by the defendant." Unlike Toeppen, the defendant cybersquatter was not attempting to sell the registered domain name; rather, the defendant, an attorney, registered the site "jewsforjesus.org" to post critical commentary about the plaintiff's organization and its religious teachings. Also distinct from the Toeppen cases was the fact that the plaintiff organization had already registered "jewsforjesus.org" as a domain name. In analyzing the plaintiff's federal dilution claim, the court found that the plaintiff's use of its name Jews for Jesus for the past twenty-four years, and its extensive media advertising and publication supported that it was a famous mark, thereby entitling it to protection under the FTDA. The court held that the defendant's use was not a protected non-commercial use. To the contrary, the court found that the in commerce requirement was satisfied because the defendant's disparaging comments prevented the plaintiff from exploiting its name and mark.

iii. Avery Dennison Corp., v. Sumpton

In Avery Dennison v. Sumpton, the Ninth Circuit reversed a lower court holding that plaintiff Avery Dennison was entitled to enjoin the defendant's use of the domain names "avery.net" and "dennison.net," and remanded with instructions that summary judgement be entered in favor of the defendant. The plaintiff had been using the mark since the 1930's and owned the trademark for "Avery" since 1963. The mark "Dennison" had been use since

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65 Id. at 287.
66 Id. at 290.
67 Id.
68 Id. at 306.
69 Jews For Jesus, 993 F. Supp. at 308.
70 Id.
71 Avery Dennison, 189 F.3d 868.
72 Id. at 871.
73 Id. at 873.
the late 1880's and was registered in 1908. The company also owned the domain names “avery.com” and “averydennison.com.” The dispute involved a defendant who had registered over 12,000 Internet domain names. Unlike most cybersquatters, the defendants maintained that they chose the trademark domain names not because they represented trademarks but because they were common last names. Further, they were not selling the domains to the trademark owners or even the highest bidders, instead they were licensing the domain names at modest prices for use as email addresses.

The Circuit Court distinguished famousness from distinctiveness in holding that the plaintiff had failed to demonstrate that its marks were famous. In making its ruling, the court weighed heavily its belief that dilution causes of action “tread very closely to granting ‘rights in gross’ in a trademark.” To prevent the overprotection of trademarks, the court held that only those trademarks that were truly famous were entitled to protection from dilution. In assessing the commercial use requirement, the court held that because the defendants were licensing the domain names for emailing purposes, a non-commercial and personal use, it was not using the trademarks as traditional trademarks as required by case law to establish commercial use. In addressing dilution through cybersquatting, the Avery Dennison court held that defendants use of the “.net” TLD versus the plaintiff’s “.com” TLD created a genuine issue as to whether Internet users would be confused into thinking that the plaintiff’s site did not exist. The court deferred

74 Id.
76 Id. at 1338.
77 Id.
78 Id.
79 Avery Dennison, 189 F.3d at 875.
80 Id.
81 Id.
82 Id. at 880.
83 Id. In examining the likelihood of dilution, the court addressed both dilution through cybersquatting and tarnishment.
84 Id. at 881.
judgment on the tarnishment claim as an issue that could not be resolved at summary judgment.  

C. The Anticybersquatting Consumer Protection Act

1. Congressional Intent.

Congress in passing the ACPA indicated several reasons for the legislation. Specifically, it noted that despite the relative effectiveness of the FTDA, cybersquatters have become sophisticated enough to escape liability, leaving trademark holders without an effective way to protect their trademarks. Also of significance was the Congressional finding that often the number of domain name infringements creates such a costly situation that trademark owners are prevented from asserting their legitimate rights. To protect trademark owners with distinctive or famous marks from having to pay-off cybersquatters, but still preserving protected trademark uses, Congress limited liability under the ACPA to “bad-faith registrations” only. Congress further voiced its intention to preserve the fair use defense and to protect all uses

85 Avery Dennison, 189 F.3d at 881.
88 Id.

In cases where a trademark owner can sue, the sheer number of domain name infringements, the costs associated with hundreds of litigation matters, and the difficulty of obtaining damages in standard trademark infringement and dilution actions are significant obstacles for legitimate trademark holders. Frequently, these obstacles lead trademark owners to simply “pay off” cybersquatters, in exchange for domain name registration, rather than seek to enforce their rights.

89 Id. at 8
traditionally protected by the First Amendment.\textsuperscript{90} Specifically, it noted that "lawful non-commercial or fair uses of others' marks online, such as in comparative advertising, comment, criticism, parody, news reporting, etc....even where done for profit would not alone satisfy the bad faith intent requirement."\textsuperscript{91}

2. Defining Bad Faith

Under Subsection (d)(1)(B) of the ACPA, Congress outlined a non-exclusive and non-exhaustive list of nine factors a court can examine to determine if the requisite bad faith exists.\textsuperscript{92} According to Congress, the first four factors suggest the absence of bad faith while the last three create a presumption of bad faith.\textsuperscript{93} In explaining the fourth factor, the non-commercial fair use exception, Congress made reference to \textit{Panavision}, specifically explaining that the ACPA was not intended to allow cybersquatters to evade the holding in that case.\textsuperscript{94}

3. In rem Jurisdiction

The ACPA offers trademark owners the ability to file an in rem suit against the domain name itself where it has unsuccessfully attempted to locate the domain name holder.\textsuperscript{95} The relief

\textsuperscript{90} \textit{Id.} at 11.
\textsuperscript{91} \textit{Id.} at 13.
\textsuperscript{93} S. REP. No. 106-140, at 9 (1999).
\textsuperscript{94} \textit{Id.} at 14. "This bill would not allow a person to evade the holding of that case - [\textit{Panavision} v. \textit{Toppen}] which found that Mr. Toeppen had made a commercial use of the Panavision marks and that such uses were in fact, diluting under the Federal Trademark Dilution Act-merely by posting non-infringing uses of the trademark on a site accessible under the offending domain name, as Mr. Toeppen did."
\textsuperscript{95} 15 U.S.C. § 1125 (d)(2)(A). The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registry or other domain name authority that registered or assigned the domain name is located if-(i) the domain name violates the right of the owner of a mark
attainable in an in rem suit, however, is limited to an injunction ordering forfeiture, cancellation, or transfer of the domain name.\textsuperscript{96} In assessing the need for in rem jurisdiction, Congress noted that because cybersquatters often register domain names under aliases to avoid identification, establishing a trademark infringement claim against a cybersquatter is even more difficult than a traditional infringement suit.\textsuperscript{97} However, in balancing the legitimate privacy interests of Internet users against the trademark owners' rights, Congress limited in rem jurisdiction to those cases where the trademark owner's due diligence failed to reveal the identity of the registrant, provided that the trademark owner can demonstrate a substantive violation of trademark law.\textsuperscript{98} Although the domain name registry is charged with turning over the domain name to the court during the pendency of in rem suit, the Act limits the domain name registry's liability to bad faith conduct.\textsuperscript{99}
4. Remedies Under the ACPA.

Under the ACPA a trademark owner would be entitled to traditional remedies afforded trademark owners such as the issuance of an injunction,\(^\text{100}\) and an award of damages.\(^\text{101}\) Additionally, the Act allows a trademark owner to recover statutory damages in an amount not less than $1,000 and not more than $10,000 for every domain name violation.\(^\text{102}\) However, any damages may be applied prospectively only, therefore the Act does not apply to any bad-faith registrations which occurred prior to its adoption.\(^\text{103}\)

\(^\text{100}\) 15 U.S.C. § 1116(a) is amended to read as follows: The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation of sections 1125(a), (c), or (d) of this title.

\(^\text{101}\) 15 U.S.C. § 1117(a) is amended to read as follows: When a violation of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125 (a), (c) or (d) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

\(^\text{102}\) 15 U.S.C. § 1117(d) now reads as follows: In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages, in an amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.

\(^\text{103}\) PUB. L. NO. 106-113 § 3010.
II. THE SECOND CIRCUIT’S DECISION IN SPORTY’S FARM V. SPORTSMAN’S MARKET

A. Facts

In the 1960’s, the defendant, Sportsman’s Market Inc. (“Sportsman”), a well-known mail order catalog among pilots, began using the mark “Sporty” in connection with its catalog.\(^{105}\) In 1985, it registered the mark Sporty with the Patent and Trademark Office (“PTO”).\(^{106}\) The mark has appeared on the cover of its catalog since that time and has been featured on both its international and domestic toll free numbers.\(^{107}\) Sportsman’s yearly advertising budget for the Sporty’s mark is 10 million dollars.\(^{108}\)

The Omega Company, a mail order catalog for scientific process, decided in late 1994 or early 1995, to enter the aviation catalog business by forming a wholly owned subsidiary called Pilot’s Depot, LLC.\(^{109}\) The owner of Omega, a pilot, had received Sportsman’s catalog and was therefore aware of the Sporty’s trademark.\(^{110}\)

In January 1996, Omega formed another subsidiary called Sporty’s Farm to sell and grow Christmas trees.\(^{111}\) Soon after forming the subsidiary, Omega registered the domain name “sportys.com” with NSI, and sold the rights to its domain name for $16,200 to its subsidiary.\(^{112}\) Sporty’s Farm then began advertising its Christmas trees on the “sportys.com” web page.\(^{113}\) However,

\(^{104}\) Sporty’s Farm, 202 F.3d 489 (2nd Cir. 2000).
\(^{105}\) Sporty’s Farm, 202 F.3d at 493.
\(^{106}\) Id. at 494
\(^{107}\) Id.
\(^{108}\) Id.
\(^{109}\) Id.
\(^{110}\) Id.
\(^{111}\) Sporty’s Farm, 202 F.3d at 494.
\(^{112}\) Id.
\(^{113}\) Id.
Sporty's Farm did not begin its operations or even obtain the domain name from Omega until filing suit against Sportsman.\textsuperscript{114}

Omega's CEO and manager of Sporty's Farm, when asked why he chose the particular domain name, explained that it was meant as a reference to the Pennsylvania land where Sporty's Farm operates.\textsuperscript{115} According to the CEO, as a child he had a dog-called Spotty, and when the dog strayed, his uncle took him to his farm in upstate New York;\textsuperscript{116} thereafter, he began calling the farm Spotty's Farm.\textsuperscript{117} He claimed that Sporty's Farm was a derivation of this phrase.\textsuperscript{118}

\textbf{B. The Court's Analysis}

\textit{1. Procedural Posture}

In March 1996, Sportsman's first learned of Omega's "sportys.com" registration;\textsuperscript{119} however, before it could take any action, Sporty's Farm brought suit seeking a declaratory judgment for the right to continue using "sportys.com."\textsuperscript{120} Sportsman counter-claimed for trademark infringement, trademark dilution under the FTDA, and state unfair competition.\textsuperscript{121} Following a bench trial, the district court rejected the trademark infringement claim, holding that because the parties operated completely unrelated businesses there was no likelihood of confusion.\textsuperscript{122} The district court held in favor of Sportsman on its FTDA claim.\textsuperscript{123} It found that the "Sporty's" mark was a famous mark entitled to

\begin{itemize}
  \item \textsuperscript{114} Id. at 498.
  \item \textsuperscript{115} Id. at 494.
  \item \textsuperscript{116} Id.
  \item \textsuperscript{117} Sporty's Farm, 202 F.3d at 494.
  \item \textsuperscript{118} Id.
  \item \textsuperscript{119} Id.
  \item \textsuperscript{120} Id.
  \item \textsuperscript{121} Sporty's Farm, 202 F.3d at 494.
  \item \textsuperscript{122} Id.
  \item \textsuperscript{123} Id.
\end{itemize}
Further, the court found that because the registration of “sportys.com” prevented Sportsman’s from using its trademark as a domain name, Omega and its subsidiary Sporty’s Farm had affected Sportsman’s ability to distinguish its goods on the Internet, and thereby diluted its valid trademark; however, the court refused to award punitive damages or attorney’s fees under the FTDA because it held that evidence of willful dilution was absent. Instead, the court granted Sportsman an injunction requiring Sporty’s Farm to give up all rights to the “sportys.com” domain name. The district court also held that Sportsman had failed to support its state unfair competition claim because it had not established that Sporty’s Farm had behaved immorally, or unscrupulously.

Both Sporty’s Farm and Sportsman appealed the lower court’s ruling on different grounds—Sporty’s Farm appealed the district court’s injunctive grant and Sportsman cross-appealed the denial of damages.

2. The Applicability of the Anticybersquatting Consumer Protection Act

While the case was pending an appeal, Congress passed the Anticybersquatting Consumer Protection Act (“ACPA”). By the time the appellate court reviewed the case the ACPA was already in place, thus, the Second Circuit chose to affirm the lower court’s holding not based upon the FTDA, but solely on the new Act. The first part of the court’s analysis involved whether the ACPA applied to the case. In making its final determination,

124 Id.
125 Id. at 495.
126 Sporty’s Farm, 202 F.3d at 495.
127 Id.
128 Id.
129 Id.
130 Pub. L. No. 106-113. The ACPA was passed August 19, 1999.
131 Sporty’s Farm, 202 F.3d at 495.
132 Id.
the court relied heavily on the Congressional Record. Specifically, the court noted that Congress had passed the ACPA to remedy the inability of the FTDA to effectively address the cybersquatting issue.133 Because it found the present case to fall within the category of cybersquatting cases the Act was designed to address, the Court held that application of the ACPA was correct.134 Further, the facts of the case suggested that the Court could review the case under the ACPA “without difficulty.”135


i. Famous and Distinctive Marks

Having resolved that the ACPA was applicable, the Court began a substantive analysis of the Act. First, it examined whether the

133 Id. In concluding that the ACPA was “passed to remedy the perceived shortcomings of applying the FTDA in cybersquatting cases,” the court noted the following quote from S. Rep. No. 106-140, at 7:

While the [FTDA] has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the normal precautions to insulate themselves from liability. For example, many cybersquatters are now careful to no longer offer the domain name for the sale in any manner that could implicate liability under existing trademark dilution case law. And in cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law's application on the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs and uncertainty for consumers and trademark owners alike.

134 Sporty's Farm, 202 F.3d 497.
135 Id.
"Sporty's" mark was distinctive and famous. Without resolving whether the Sporty mark was famous, the court held that it was entitled to protection as a distinctive mark.\textsuperscript{136} Indeed, the Court found that in many respects, Sportsman had succeeded in proving that "Sporty's" met the criteria entitling a mark to protection under the FTDA—that it was both famous and distinctive.\textsuperscript{137} Further, the Court did not respond to Sporty's Farm's allegation that the "Sporty's" mark was not famous because Sportsman could not prove that it was as equally well known to Sporty's Farm consumers as in the aviation industry.\textsuperscript{138} Instead, the Court reasoned that the mark was entitled to protection under the ACPA because the Act specifically extended protection not only to famous but also to distinctive marks without regard to the level of fame.\textsuperscript{139} According to the Court, "distinctiveness refers to inherent qualities of a mark and is a completely different concept from fame."\textsuperscript{140} A famous mark, on the other hand, could be so "ordinary, or descriptive" as to be non-distinctive, despite its level of recognition.\textsuperscript{141}

\textit{ii. Identical or Confusingly Similar Marks}

The next substantive factor the court examined was whether the domain name was identical or confusingly similar to the trademark. In analyzing the SLD, the court concluded that although "sportys.com" was not exactly identical to the mark "sporty's," the differences were inconsequential.\textsuperscript{142} It held that the domain name was "confusingly similar" as demanded by the

\textsuperscript{136} Id.
\textsuperscript{137} Id. at note 10 (referring to the criteria set forth in 15 U.S.C. § 1125 (c)(1)).
\textsuperscript{138} Id. (referring to 15 U.S.C. § 1125(c)(1)(F)).
\textsuperscript{139} Sporty's Farm, Nos. 202 F.3d at 497.
\textsuperscript{140} Id.
\textsuperscript{141} Id.
\textsuperscript{142} Id. at 497-498.
ACPA, thus, precise similarity was not required to prove the second element.

iii. Bad-Faith Requirement

The final substantive issue involved the existence of bad-faith. The court made reference to the nine, non-exclusive factors the statute advises courts to look at when determining the existence of bad faith. In examining such factors, it noted that neither

143 Id.
145 Id. at note 12. 15 U.S.C. § 1125(d)(1)(B) reads as follows:
In determining whether there is a bad faith intent described under subparagraph (A), a court may consider such factors 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) a person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
(IV) the person's legitimate non commercial 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 likelihood of confusion as to 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 substantial consideration without having used, or having an intent to use, the domain name in the bona fide offering of goods or services;
(VII) the person's intentional provision of material and misleading false contact information when applying for the registration of the domain name;
(VIII) the person's registration or acquisition of multiple domain names which are identical to, confusingly similar to,
Omega nor Sporty’s Farm owned any intellectual property rights in the domain name “sportys.com,” and that it did not consist of Omega—the corporate entity registering the name. Additionally, although the domain name included elements of “Sporty’s Farm,” it recognized that Sporty’s Farm did not exist at the time of registration. Further, the Court held that the third statutory factor, the prior use of the domain name in connection with the bona fide sale of goods or services, weighed heavily against Sporty’s Farm because of the fact that Sporty’s Farm began selling its trees on the site only after litigation began demonstrated a lack of good faith. Finally, it examined two other factors suggesting bad faith. First, Sporty’s never claimed a non-commercial use of the site and secondly, because Omega sold its domain name under suspicious circumstances — only after filing suit and to a subsidiary selling non-competing goods.

The Court in explaining the existence of bad faith as the most important basis for its holding, recognized several non-enumerated factors which equally demonstrated bad faith. For example, the Omega owners were quite aware of the strength of the Sporty’s mark for aviation related products before attempting to register the domain name “sporty’s.com.” Furthermore, the facts revealed that Omega planned to become a direct competitor of Sportsman in the aviation market.

The Court also weighed heavily that Omega created its “Sporty’s Farm” subsidiary several months after

or dilutive of trademarks or other service marks of others that are distinctive at the time of registration of such domain names without regard to the goods or services of such persons; and

(IX) the extent to which the mark in the person’s domain name is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43 [subsection (c)(1) of this section].

146 Id.
147 Id.
148 Id. at 499.
149 Sporty’s Farm, 202 F.3d at 499.
150 Id.
151 Id.
152 Id.
initiating litigation only to 1) use the “sportys.com” domain name commercially; 2) prevent Sportsman from using its trademark as a domain name and 3) to insulate itself from a likelihood of confusion claim under trademark infringement. The final factor the Court relied upon was that the explanation given for adopting the name Sporty’s Farm was extremely lacking in credibility.

4. The Court’s Remedy

The Court held that based upon its substantive analysis of the ACPA, Sporty’s Farm violated Sportsman’s rights. In deciding what remedy to provide, the Court noted that while damages are allowed under the ACPA, it prohibited any retroactive awards. Because the Court was unwilling to overturn the district court’s holding that there was no evidence of willfulness as clearly erroneous, it was unavailable to provide damages under the FTDA; however, because according to the ACPA injunctions may be awarded retroactively, the court chose to affirm the injunction issued by the district court. Specifically, the court affirmed the district court’s cancellation and transfer of the “sportys.com” domain name and permanently enjoined both Omega and Sporty’s Farm from taking any action that might hinder Sportsman from obtaining the domain name.

In response to the injunction, Sporty’s Farm argued that even if it did violate the FTDA or the ACPA, requiring it to abandon its

153 Id.
154 Id.
155 Sporty’s Farm, 202 F.3d at 499.
156 Id at 500. In this instance, because the ACPA was passed while the case was pending, Sportsman’s Market, Inc. would not be awarded damages retroactively.
157 Id. at 501. Although the court held that there was ample evidence demonstrating both Omega’s and Sporty’s Farm’s bad faith, it held that even assuming the Sporty’s mark was famous, it could not disturb the district court’s failure to find willful dilution given the uncertainty of the law.
158 PUB. L. No. 106-113 § 3010
159 Sporty’s Farm, 202 F.3d at 501.
use of the mark would be impermissibly retroactive. The court responded, holding that application of a statute passed during the pendency of a suit is permissible when the statute affects prospective relief. In such an instance, the Court reasoned that the statute is not being applied retroactively. Because the injunction did nothing more than prevent future harm, the Court held that the ACPA was being applied prospectively and thus, no retroactivity problem existed. In so ruling, the Court dismissed Sporty Farm's last minute arguments that the district court's application of the FTDA constituted an unconstitutional taking of its property in the "sportys.com" domain name and its injunction grant under the FTDA was inequitable.

5. Cases Following Sporty's Farm v. Sportsman's, Inc.

i. Shields v. Zuccarini

The plaintiff, Joseph Shields, sought to enjoin the defendant, an admitted domain name wholesaler, from operating from five of the three thousand domain names he had registered. Specifically, Shields was concerned with five domain name registrations that were variants of the name Joe Cartoon, a cartoon he had popularized. Although Shields had previously registered the domain name as his web site, the defendant registered several variants of the domain name including: joescartoon.com, joecarton.com, joescartoons.com and cartoonsjoe.com. Once an individual had mistakenly logged on to any of the defendants Joe

160 Id. at 502.
161 Id.
162 Id.
163 Id.
164 Id. at note 17.
166 Id. at 635.
167 Id.
168 Id.
Cartoon sites, they were unable to exit the site without first clicking on a series of advertisements. The defendant received between ten to twenty-five cents for every click from various advertisers. Once Shields filed suit, the defendant changed the content of the five disputed web sites to include political protests against Shield's cartoons and their "alleged" graphic content.

In applying the ACPA, the court followed the substantive factors set forth by the Second Circuit in Sporty's Farm, determining first whether the mark was distinctive or famous, and secondly whether the domain names were confusingly similar and finally whether the defendant acted in bad faith. In analyzing the first factor, the court followed Sporty's Farm in applying the criteria set forth under the FTDA for determining famousness. After noting that Shields, the only individual using the Joe Cartoon name, had operated under the name for fifteen years, the court concluded that the mark was distinctive. After further analyzing the factors set forth by the FTDA, the court held that the Joe Cartoon mark was both famous and distinctive and therefore entitled to the protections afforded by the ACPA. However, the court acknowledged that unlike the FTDA, Shields was only required to demonstrate either distinctiveness and fame under the new Act.

The court quickly concluded that Shields had proved the second element—that the defendant's domain name registrations were confusingly similar to Shield's mark by noting that the defendant had chosen the marks precisely for their similarities to the Joe Cartoon mark. In addition, the court noted that several consumers had acknowledged having been confused by the defendant's domain names.

169 Id.
170 Shields, 89 F. Supp. 2d at 635.
171 Id.
172 Id. 638-640.
173 Id. 638.
174 Id.
175 Shields, 89 F. Supp. 2d at 638.
176 Id. at 639.
177 Id.
178 Id. (citing Plaintiff's Exhibit 22 at 4).
The court, applying the statutory factors for determining bad faith, concluded that there was "compelling evidence of his [defendant] bad faith."\textsuperscript{179} Most notably, the court cited the defendant’s practice of deliberately registering common misspellings of the plaintiff’s mark to divert unsuspecting consumers to his sites.\textsuperscript{180} The court was also mindful that the defendant had begun his non-commercial political protest of Shields only after being sued.\textsuperscript{181} Moreover, the court saw little merit to the defendant’s argument that the cartoons were too graphic.\textsuperscript{182} In opting to issue a preliminary injunction, the court also took into consideration the threat of damage to the plaintiff’s reputation and good will.\textsuperscript{183}

The defendant, like Sporty’s Farm, responded that the court had impermissibly retroactively applied the ACPA and therefore the injunction constituted an unconstitutional taking.\textsuperscript{184} The court, following the Second Circuit in Sporty’s Farm, concluded that the injunction was only providing prospective relief.\textsuperscript{185}

\textit{i. Cello Holdings, L.L.C. v. Lawrence-Dahl Co.}\textsuperscript{186}

The Plaintiff, Cello Holdings, L.L.C. (hereinafter “Cello”) was involved in the “hi-end” market for professional recording studio work, selling audio equipment.\textsuperscript{187} In 1995, Cello obtained a federal trademark for the mark “Cello” in connection with “amplifiers, preamplifiers, tone controls, speakers, switch boxes,}

\begin{footnotes}
\item[179] Id. at 640.
\item[180] Shields, 89 F. Supp. 2d at 640.
\item[181] Id.
\item[182] Id. at 640-641. We find it hard to believe, in light of all the graphic, violent, and more troubling images present in popular culture, that Shield’s cartoon so shocked and appalled Zuccarini that he was compelled to launch a political protest.
\item[183] Id. at 641.
\item[184] Shields, 89 F. Supp.2d at 642.
\item[185] Id..
\item[187] Id. at 467.
\end{footnotes}
power supplies and associated accessories.” 188 In 1997, the defendant, Storey, registered the domain name “cello.com” as part of an effort to register several other musical instruments. 189 He was unsuccessful in all attempts except “cello.com.” 190 At the time, he was unaware that Cello was a brand name for audio equipment. 191 After registering the mark Storey sent several e-mail messages in an attempt to sell “cello.com” as well as offering it for sale via a website called “logicaldomain.com.” 192

Cello brought an action alleging a claim under the FTDA, however, while a summary judgment ruling was pending, the ACPA was enacted. 193 Therefore, Cello sought to amend the complaint to include a claim under the ACPA. 194 Like Shields, the court in Cello opted to follow the Second Circuit’s interpretation of the ACPA. Applying the eight-factor test annunciated in the FTDA as well as the ACPA, the court concluded that a reasonable fact finder could find that the Cello mark was not famous. 195 The court weighed heavily the fact that cello is a common noun and has been widely used by third parties, including several domain name registrations including the word cello. 196 The wide spread usage of the word cello by various companies led the court to conclude that the mark could be viewed as a weak, rather than distinctive mark. 197

Because the “cello.com” domain name was virtually identical to the “Cello” mark, the court did not examine the second element confusing or identical similarity. The court did, however, examine whether the defendant had acted in bad faith. Although, the court found several of the statutory factors under the ACPA suggested bad faith, it held that there was ample evidence

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188 Id. at 468 (quoting Adams Decl. Ex. B).
189 Id.
190 Id.
191 Id.
192 Cello, 89 F. Supp.2d at 468.
193 Id. at 469.
194 Id.
195 Id. at 472.
196 Id.
197 Cello, 89 F. Supp.2d at 473.
suggesting that the defendant had not acted in bad faith and that he had not attempted to extort another’s trademark. In so concluding, the court differentiated an innocent intent to profit from the proscribed bad-faith intent to profit holding that a reasonable person might not find Storey’s attempt to register the common domain as evidence of trademark extortion. Finally in denying both parties summary judgment motions, the court weighed heavily that Cello had not explained why the court should be granting it greater rights “than the other dozens of companies that have registered “Cello” alone or in combination, or that have been using “Cello” in their company name.

ii. People For the Ethical Treatment of Animals, Inc. v. Doughney

The defendant, Michael Doughney, registered the domain name “PETA.org” with Network Solutions for a non-profit organization, “People for Eating Tasty Animals.” Doughney used the Internet site as “a resource for those who enjoy eating meat, wearing fur and leather, hunting, and the fruits of scientific research.” In response to a suit initiated by People for the Ethical Treatment of Animals (“PETA”) for trademark dilution, the defendant claimed that his site was a mere parody of PETA. The court found in favor of the plaintiff under the FTDA, holding that the defendant’s web site had blurred PETA’s famous mark. The court held that the defendant’s site had lessened the PETA trademark’s selling power by including material directly adverse to PETA’s purpose and including links to “commercial enterprises engaged in conduct

198 Id. at 474.
199 Id.
200 Id. at 474-475.
202 Id. at 918.
203 Id.
204 Id. at 921.
205 Id. at 920.
directly contrary to PETA’s animal protection efforts.” Thus, the court held that by providing hyperlinks to commercial web sites, the defendant’s web site satisfied the commercial use requirement of the FTDA, even though his site contained no commercial activities.

The court further held that the defendant violated the ACPA. As evidence of bad faith the court noted once again that the defendant had intended to divert consumers to his web site to display information contrary to the plaintiff’s mission, thereby harming the goodwill of PETA. The court rejected the defendant’s parody argument, holding that a parody exists only when “two antithetical ideas appear at the same time.” According to the court, because an Internet user would not know that the defendant’s site was not an official PETA site until they actually entered the site, the defendant could not claim the parody defense.

III. IMPACT

Because the primary focus of Federal dilution law is not consumer confusion, but a property right in the mark, there is a danger of overextending the allowable reach of trademark law and providing a trademark owner a property right in gross, much like in patent or copyright law. It was this concern that led the

206 Id.
207 People for the Ethical Treatment of Animals, 113 F. Supp.2d at 920.
208 Id.
209 Id.
210 Id. at 921.
211 Id.
212 Robert Klieger, Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection, 58 U. Pitt. L. Rev. at 820. “In the final analysis, however courts have neither divorced dilution from the recognition of rights in gross nor erected any significant barriers to its overtaking the consumer protection model;” see also Ringling Bros.-Barnum & Bailey, 170 F.3d at 456. “As commentators have fairly observed, the effect of this radical dilution model would have been to create property rights in the narrow category of marks it protected, making them comparable...to those protected by patent
Fourth Circuit to advocate an actual dilution test under the FTDA.\textsuperscript{213} The ACPA was enacted out of concerns for a business’ viability on the Internet and its ability to capitalize on the growing e-commerce industry.\textsuperscript{214} Although the ACPA was designed with some of the more egregious forms of cybersquatting in mind, it also comes dangerously close to granting the trademark owner a property right in gross. Under the ACPA, the threshold is dropped even further—now trademark owners not entitled to protection under federal dilution law are granted an in gross property right on the Internet, thanks to the ACPA. This follows because a trademark does not need to be famous to qualify for protection under the ACPA, where at least arguably it did under the FTDA. Secondly, how thoroughly courts choose to examine the bad faith element could impact whether trademark owners will have extended protections under the ACPA. If examined superficially, the bad faith element may provide the court an opportunity to extend the trademark owner’s rights.

\textit{A. The ACPA and the Overprotection of Trademark Rights.}

Critics of the FTDA, who contend that the Act provides an in gross property right, often cite the Act’s failure to conclusively identify what marks are famous enough to warrant protection.\textsuperscript{215} None of the eight statutory factors as written, critics maintain, adequately identify which marks qualify for protection under the

\begin{footnotesize}
\begin{enumerate}
\item[213] Ringling Bros.-Barnum & Bailey, 170 F.3d at 464.
\end{enumerate}
\end{footnotesize}
FTDA. What is even more problematic, say critics, is that often courts apply the fame requirement without even mentioning the eight statutory factors, relying on conclusory language instead. The end result is a broad grant of an in gross property right. It was precisely the fear of extending the trademark right that resulted in limiting dilution protection to famous marks only.

If dilution protection were accorded to trademarks based on a showing of inherent or acquired distinctiveness, we would upset the balance in favor of over-protecting trademarks, at the expense of potential non-infringing uses.

While distinctiveness of a mark is incorporated by statute into the analysis, it alone will not support a finding of fame; thus, even arbitrary or fanciful marks, considered inherently distinctive in the confusion context, are not necessarily entitled to dilution protection.

While the dilution analysis under the FTDA may lead to overprotection of marks that are not truly famous, the ACPA, by protecting both distinctive and famous marks, would increase the likelihood of overprotection. Under the ACPA, any distinctive mark is entitled to protection, even though it does not rise to the threshold level of fame. What is more problematic is that the ACPA does not make clear whether it is using the same standard for determining distinctiveness as under infringement analysis.

216 Id. at 850.
217 Id. at 849 (noting that the court in Hasbro, Inc. v. Internet Entertainment Group, Ltd., held that the plaintiff had demonstrated a likelihood of prevailing on its federal dilution claim without even considering whether the plaintiff's mark was famous).
218 Id. at 850.
219 Avery Dennison, 189 F.3d at 875.
220 Id.
222 Id. at 843. The problem posed here is similar to that faced by those attempting to interpret the FTDA because the House Report regarding the FTDA never addresses whether distinctiveness for dilution purposes is analyzed.
Thus, a finding that a trademark is arbitrary, which is considered distinctive under traditional infringement analysis, would suffice to afford a mark protection under the ACPA. While it is a wise policy decision to protect such a trademark from a cybersquatter attempting to extort money from the trademark owner, it is not wise to protect such a mark in the absence of such conduct. It would only result in the granting of a monopoly in a trademark over the Internet where none would exist traditionally.

The aim of trademark law is after all to prevent consumer confusion, not to grant the trademark owner a monopoly as is afforded a copyright owner or patent owner. This is precisely why traditional trademark law takes into consideration such factors as similarity of the products in its traditional likelihood of confusion analysis to determine trademark infringement. Even under traditional dilution analysis courts often consider “the geographical extent of the trading area in which the mark is used.” All such tests are designed to limit the trademark owners right in the trademark. In the world of cyberspace, and now with the passage of the ACPA, all considerations to limit the trademark owners right in the trademark have fallen by the wayside and are wholly absent. In cyberspace, a trademark owner is granted an in-gross property right in the mark; thus, the only requirement for a plaintiff to secure this right is to register its mark with the PTO. The ACPA has led trademark law down a dangerous path indeed.

B. The Bad-Faith Requirement—Will it Mitigate the Possible Overprotection

As the bad faith requirement stands, review by the courts is wholly discretionary. Furthermore, the ACPA does not mandate that the court consider any one of the factors set forth to determine

in the same fashion as under the likelihood of confusion test. Yet again, Congress failed to take the opportunity to make any clarifications regarding the distinctiveness analysis.

bad faith; thus, courts eager to prevent cybersquatting could with only a cursory review find bad faith even when none really exists. There is nothing in the ACPA to suggest that such an outcome is not likely. On the other hand, Courts may give too much weight to certain factors such as, the intention to divert consumers in a way that could harm the goodwill of a trademark.

The court in the PETA case weighed heavily this factor and thereby prevented critical commentary, even parody of the People for the Ethical Treatment of Animals. Doughney, unlike Toeppen, was not the classic cybersquatter, nor was he attempting to blur his product for the product being offered by the PETA organization. Furthermore, neither dilution by tarnishment, nor any cause of action under trademark law was not designed to prevent parody or to set limits on the First Amendment. However, if the PETA case is any indicator, the ACPA could have a chilling effect on free speech on the World Wide Web. Future individuals may shy away from displaying their critical commentary or parody of groups like PETA for fear that they may be liable under the ACPA. Further, such individuals might be relegated to using obscure domain names, and thereby loose all ability to reach the masses with their Constitutionally protected speech.

However, if courts were to seriously consider that the bad-faith requirement was meant to prevent the classic cybersquatters, and not chill free speech then it is conceivable that this factor may mitigate the granting of an in-gross property right to trademark owners. Unfortunately, as the PETA case demonstrates, there is nothing to prevent such an effect under current ACPA law.

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224 Debra Baker, *Standing up to Cybersquatters, Judges Are Seizing on New Legislation to keep Web Site Pirates from Taking a Name for Themselves*, 86 ABA Journal 21 (2000).

225 Though the court found blurring, specifically because the hyperlinks to other commercial web sites had lessened the trademarks selling power, there is no justification for concluding that providing critical commentary, though it might lessen one's trademark's selling power, is actionable given First Amendment protections.
CONCLUSION

When the ACPA was enacted there was a serious need in traditional trademark law to prevent cybersquatting and individuals like Dennis Toeppen from engaging in extortion. Though Congress was right to address this issue, the subsequent case law seems to suggest that the ACPA is not as narrow as it should have been tailored. As a result, concerns regarding the overprotection of trademarks, which began with the advent of dilution law, have failed to fall by the wayside. In fact, the World Wide Web, indeed the digital age itself, has bred new life into these issues. Only time will tell if courts are mindful of the overprotection of trademarks. After all, they are the last bastions to defend the original purpose of trademark law.

Yasaman Navai