Trademarks, Cybersquatters and Domain Names

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I. INTRODUCTION

The controversy over domain names is merely part of a larger picture in which trademark and unfair competition law will govern cyberspace. I foresee two factors driving the continued escalation of trademark disputes in cyberspace. First, cyberspace provides millions of people with a low cost way to become an instant publisher of an on-line magazine with a potential global audience. For decades it has seemed like every possible splinter religious group, offbeat political viewpoint, movie star fan club and collector's association has had a newsletter or fanzine. Now, each individual within every splinter group can have his or her own web page, putting out a message with eye-catching graphics on computer screens around the world. Each of the millions of web pages is a potential source of trademark infringement. Secondly, trademark disputes will continue to escalate as cyberspace emerges as the new global medium for both advertising and selling every kind of goods or services imaginable. It is predicted that traditional businesses from travel agents to stock brokers to music CD distribution will all be changed beyond recognition by the advent of cyberspace.

From the legal perspective, two things will happen. First, trademark infringement in commercially oriented cyberspace will increase. Second, the number of on-line trademarks and web site
trade dresses which are “cyber-protectable” will also increase. More trade means more trademarks. With more trademarks comes correspondingly more trademark registrations and more trademark disputes. Depending on one’s perspective, this will be viewed as either a growth plan for the trademark bar or a drag on the development of e-commerce. In any event, I see it as inevitable.

II. METATAGS, KEYWORDS AND BANNER ADVERTISING

The Internet has presented two new kinds of possible trademark infringement: 1) metatags and 2) the selling by search engines of key words for banner advertising.

A. Metatags

Several synonyms exist for metatags. Sometimes they are called “hidden code,” “buried code,” or “html code.” 1 A “metatag” is a list of words normally hidden in a web site that acts as an index or reference source identifying the content of the web site for search engines. This has been analogized to the subject index of a library card catalog, indicating the general subject of a book. 2 For example, a web site on the life of Winston Churchill might have metatags such as “British Parliament,” “English history,” “World War II,” “Nobel prizes,” etc. “Cyber-stuffing,” is somewhat different, as will be explained later.

1 See Brookfield Communications v. West Coast Entertainment Corp., 174 F.3d 1036, n. 23 (9th Cir. 1999) (using the term “metatags” as encompassing all these terms).

2 Playboy Enterprises Inc. v. Welles, 47 U.S.P.Q.2d 1186 (S.D. Cal. 1998), aff’d without opinion, 162 F.3d 1169 (9th Cir. 1998) (“Much like the subject index of a card catalog, the metatags give the websurfer using a search engine a clearer indication of the content of a web-site.”); I.S. Nathenson, Internet Infoglut and Invisible Ink: Spamdexing Search Engines with Meta Tags, 12 HARV. JOUR. L. & TECHNOLOGY 44, 47 (1998) (“By themselves, metatags represent a modern variant on long-utilized systems of keyword indexing, such as those used by libraries in their card catalogs.”)
When one searches the World Wide Web or Internet for something of interest, several competing search engines\(^3\) are available. Most readers are probably familiar with entities such as Excite, Yahoo, Lycos, Alta-Vista and Goto. These search engines are very fast but very literal. Imagine that Mrs. Smith in Oak Brook, Illinois types a word, like “Disney” in the Excite search engine because she is taking her children to visit San Francisco and is looking for the web page of the Walt Disney Company. She wants to find out where the Disney retail store in San Francisco is located. The search engine then reads some web sites and counts the number of times it sees the word “Disney,” giving special weight to the supposedly descriptive metatags. The search engine then lists what it found, with the number one choice being the site that had the most mentions of the word “Disney,” the second choice being the site with the second most mentions of “Disney” and so on.\(^4\)

Mrs. Smith clicks on the link to the number one choice and she suddenly finds herself in the web site of a religious group that is boycotting Disney because it thinks that Disney movies and its employment practices are immoral. Or perhaps she clicks on the number two choice and finds herself in the web site of a small animation studio located in Bombay, India that tells her that it can fulfill her commercial animation needs at one tenth the cost of Disney animators. Or perhaps she finds herself at the web site of a person who says he will sell “genuine” collectors’ quality Disney animation cells at 50% off.

Mrs. Smith asks herself: “How did I get diverted from where I wanted to go? Why did these other sites have more references of the word ‘Disney’ than the genuine Walt Disney web site?” The reason might be that these sites have “cyber stuffed” or “wall-papered” their sites with code by simply repeating the word “Disney” over and over thousands of times. Or, those sites may

\(^3\) Admittedly, “search engines” are technically distinct from “portals.” I will use the terms “search engines” and “portals” interchangeably.

\(^4\) The mechanics behind how a typical search engine chooses the web sites that it does is much more complicated than explained here and is beyond the scope of this article.
have inserted in their site hidden “metatag” keywords with the word “Disney.”

Keyword tags are invisible to the human user but perceptible to the search engine. As in this hypothetical, hidden words—such as “Disney”—are intentionally inserted to intercept search engines and the humans that use them to divert the user to a site she did not intend to visit and did not expect. The hope is that once there, the user will linger and see the advertising and content. Or, the hope is at least to count the web surfer’s visit as a “hit” to be touted to potential advertisers.

Is this use of another’s trademark an infringement? Is someone or something being confused and deceived? It is apparent that the tool used by the human searcher (i.e., the search engine) is being intentionally confused and the human is confused into going somewhere she does not want to go. No transaction, however, is completed on-line while the user is confused because as soon as the user arrives at the bogus site, it is obvious that this is not the “real” Disney web site. Rather, the user was lured there under false pretenses.

A variation on the theme of metatag misuse is for hypothetical seller Nasty Co. to use its competitor Perfect Company’s mark or trade name in hidden code, thereby attempting to divert to Nasty’s web site potential customers who use a search engine to look for the web site of the Perfect Co. Such a use would seem to be a clear case of trademark infringement by direct palming off by Nasty Co.⁵

The type of confusion created by the use of misleading metatags is not as great as if the accused used another’s trademark as its domain name. This is because the search engine presents the user with a list of “hits” supposedly in order of relevance to the search request. Display of this list still allows the web surfer to choose among the hits listed.⁶ Nevertheless, a real potential for confusion

⁵ See Niton Corp. v. Radiation Monitoring Devices, Inc., 27 F. Supp. 2d 102 (D. Mass. 1998) (defendant was enjoined from using its web site in a manner likely to lead users to believe that RMD was plaintiff Niton or affiliated with it or that RMD’s web site was Niton’s web site).

⁶ As the Ninth Circuit noted, “in scanning [the] list, the Web user will often be able to find the particular web site he is seeking.” Brookfield Communications, 174 F.3d at 1062.
exists. In fact, confusion was exactly what was intended in the previous hypothetical scenarios.

In my trademark treatise, I proposed that in metatag cases the courts should use the trademark law concept called "initial interest confusion." The Ninth Circuit Court of Appeals recently adopted my suggestion in the *Brookfield* case and applied the initial interest rule to a case involving metatags. The *Brookfield* decision, however, was different from the previous hypothetical scenarios. In *Brookfield*, the metatag issue arose as a tag-along issue to a domain name case which applied the traditional rules of trademark law. The parties were disputing who had trademark rights in the word "movie buff" for searchable on-line web sites about the motion picture industry. The court found that the plaintiff had established priority of use of the contested designation. In addition to a preliminary injunction against the defendant's use of the domain name "moviebuff.com," the plaintiff also received an injunction against the defendant's use of "movie buff" in metatags and buried code.

In a careful analysis of the metatag issue, the Ninth Circuit in *Brookfield* agreed with my initial interest confusion proposal and held that the use of a metatag which is confusingly similar to the mark of a senior user is a form of infringement. The Court built on the metaphor of a misleading sign on a freeway that I first proposed in 1997. The Court gave this version of the metaphor:

> Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading -- "West Coast Video: 2 miles ahead at Exit

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7 Infringement can be based upon confusion which creates initial customer interest, even though no actual sale is finally completed as a result of the confusion. J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition*, § 25.69 (4th ed. 2000 rev.).

8 *Brookfield Communications*, 174 F.3d 1036.

9 A. Davis, "'Invisible' Trademarks on the Web Raise Novel Issue of Infringement," *Wall St. J.*, Sept. 15, 1997 (quoting J. Thomas McCarthy: "Intercepting people on the information superhighway is like putting up a big sign on a freeway that says Exxon, but that's not what you find once you get there").
This hypothetical nicely illustrates how the initial interest confusion rule applies to attempts to lure web users to other sites. Important to note is that the repetitious use of a generic, non-fademark designation in hidden code, such as the repetition thousands of times in a web site of the generic term “seed catalog,” would not constitute trademark infringement. Such a practice, however, tends to destroy the usefulness of a search engine.

B. Selling Key Words and Banner Advertising

Negating the traditional usefulness of a search engine that lists hits in order of importance and relevance is the practice of some search engines to “sell” or “auction” high placement on the list of hits for certain key words. Many users believe that every search engine lists the hits it finds in order of relative importance. However, some search engines are now “selling” high placements on the list of hits. In a hypothetical example, the imaginary law firm of Dewey, Cheatum & Howe could “buy” from the hypothetical “Rainbow” search engine the number one listing whenever a web user typed in the search term “intellectual property.” One search engine even lists how much it costs to get the top listing and, in auction fashion, offers the number one listing to any subsequent higher bidder. A user can no longer trust the objectivity of the rankings presented by such search engines.
TRADEMARKS AND DOMAIN NAMES

A variation on this theme is the sale by search engines of banner advertising on search results depending on the search words input by the user. For example, assume, hypothetically, that the “Excite” search engine sells to “Fragrance Counter,” a discount perfume distributor, banner ads that will appear on the search result every time a user searches for perfume trademarks such as “Estee Lauder.” If the user then clicks on Fragrance Counter’s animated and prominent banner ad at the top of the search list, the user is taken to the Fragrance Counter website where another brand of fragrance, such as Versace, is often prominently advertised as a special deal.

Estee Lauder is challenging this activity in a lawsuit pending in New York.\(^{11}\) Estee Lauder claims that Excite is selling to Fragrance Counter the commercial magnetism and drawing power of the Estee Lauder trademarks so that Fragrance Counter can use that selling power to attract attention to itself, thereby assisting Fragrance Counter to sell competing brands of fragrances. Is this fair competition or a dirty trick? Is it a form of trademark dilution? The court will tell us.

Meanwhile, in Los Angeles, Judge Alice Marie Stotler refused to grant a preliminary injunction against the Excite and Netscape portals’ search engine from selling a list of 450 keywords, including “playboy” and “playmate,” to advertisers of sexually explicit web sites.\(^{12}\) The owners of the Playboy trademark claimed that this was a form of trademark infringement because Excite was selling the drawing power of the Playboy marks to competitors who wanted banner ads for sexual material to appear on the search result screen after someone typed in “playboy” or “playmate.”

12 Playboy Enterprises Inc. v. Netscape Communications Corp., 52 U.S.P.Q.2d 1162, 1175 (C.D. Cal. 1999) (“The words ‘playboy’ and ‘playmate’ are being used as words in the English language and not as trademarks to identify a product or service. There should be no liability for that reason.”).
Judge Stotler said that this had nothing to do with those trademarks because it was unknown whether the web user was using the words “playboy” or “playmate” in their generic sense or in their trademark sense.

In my opinion, it is highly unlikely that a teenage boy typing the word “playboy” in a search engine does not intend to look for information about the magazine, Playmate of the month and all of the other products of Playboy Enterprises. Moreover, it is highly probable that most teenage boys have never even heard of the generic dictionary meaning of “playboy” as “a wealthy, carefree man who devotes most of his time to leisure, self-amusement and hedonistic pleasures, conventionally frequenting parties and night clubs, romancing a rapid succession of attractive young women and racing speedboats or sports cars.”

In cases such as Estee Lauder and Playboy, where keyword placement of banner advertising is being sold, the portals and search engines are certainly taking advantage of the drawing power and goodwill of these famous marks. The question is whether this activity is fair competition or whether it is a form of unfair poaching on famous marks. Judge Stotler’s Playboy decision is certainly not the last word on this issue.

III. DOMAIN NAMES AS TRADEMARKS AND AS TRADEMARK INFRINGEMENTS

The current judicial battles over domain names are battles over a commercially valuable “intuitive” domain name—a domain name that clearly identifies the entity that owns the web site. Currently,


14 Also valuable as “intuitive” domain names are generic words that immediately tell the kind of goods or services available. However, this does not create trademark issues. For example, in 1999, over $800,000 was paid for the domain name “drugs.com” at an auction. See T. Harrigan, Internet ‘Drugs.com’ Sold in Bidding War for More Than $800,000, Associated Press, August 7, 1999; San Francisco Chronicle, August 7, 1999. The auction was conducted by
no official directory of web sites or domain names exists. This lack of a directory for domain names is the driving force behind all the current trademark litigation regarding domain names. This, however, may change. Network Solutions Inc. (hereinafter “NSI”), the original exclusive registrar of the “.com” (hereinafter “dot-com”) top level domain, announced in the spring of 1999 that it would introduce a “dot-com directory” of domain names—similar to a white pages telephone directory.

For example, assume a construction equipment maker has the trade name “Triangle Incorporated.” This company wants <triangle.com> as its domain name, not some other designation that would make it more difficult to find the site. In the United States, all the commercial companies want a dot-com domain name, not some other generic top level domain and not a country code top level domain. In the same way that businesses sometimes desire to have a prestige business address, businesses also want a prestige address in cyberspace—one that corresponds to the trade name of the company or to a company trademark. Similar to a street address or telephone number, all domain names serve the purely technological function of locating a web site in cyberspace.

If Triangle Incorporated discovers that someone else, like the “Triangle Ski Co.,” a ski manufacturer in Colorado, has already reserved with Network Solutions Inc. the domain name <triangle.com>, what can the construction company do? It has no grounds to object, since the ski company is just as entitled to <triangle.com> as is the construction company. First come, first reserved is the rule of the road in the domain name world. 15

A. How is a Domain Name “Reserved?”

A domain name is reserved or registered by a registrar or “NIC” (Network Information Center, hereinafter NIC). A registrar

Greatdomains.com and dotbroker.com, which were also auctioning other names such as “tobacco.com” and “videodating.com.”

15 When the University of San Francisco wanted to reserve the domain name “usf.edu” it found that the University of Southern Florida had already reserved “usf.edu.” So, the University of San Francisco had to settle for “usfca.edu.”

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reserves either a territorial domain name or a global generic Top-Level Domain name (hereinafter “TLD”), such as in the “.com,” “.net” and “.org” generic TLDs. Some other global TLDs are “.net,” “.org,” “.gov,” and “.edu.”

Each nation has its own country code TLD indicator, denoted by a two letter abbreviation. More than 240 national TLD indicators exist. For example, the country code TLD indicator for the United Kingdom is “.uk,” for Canada the country code TLD is “.ca” and the official web site of the British monarchy is <www.royal.gov.uk>. As of April 2000, over 15 million domain names had been reserved worldwide. Of these, almost 12 million are global TLDs and over 4 million are in country code TLDs. These amounts are growing at over 500,000 names per month. In fact, some small nations have sought to promote their national top-level domain names as attractive commercial sites. Such nations include Turkmenistan's “.tm,” and Tuvalu’s “.tv.”

In the United States, NSI is a private corporation that, until early 1999, had a government-bestowed monopoly as registrar for domain names. For several years, NSI was the only entity that reserved the coveted dot-com domain names. Currently, close to ten million dot-com domain names exist. NSI charged $70 per domain name and reported 1998 revenues of $90 million dollars. These numbers have given many people around the world the idea that being a domain name registrar is almost like being given a license to print money.

It is important to understand the distinction between trademark rights which are enhanced through “registration” with a government bureau or office, on the one hand, and Internet domain names which are obtained from registrars—typically private entities. To speak of both as involving a “registration” without an

17 Id.
18 Id.
19 J. Fry, Hot New Country-Code Domain Comes with a Steep Price Tag, Wall St. J., October 15, 1998 (The president of the company set up to register names in Tuvalu’s “.tv” domain for a $1000 deposit each was quoted as saying of Tuvalu’s 10,000 citizens: “The people of Tuvalu feel that this was literally a gift from God .... They call it manna from heaven.”).
explanatory adjective is an invitation to confusion and mistake. That is why I prefer referring to domain names as being “reserved” through a registrar, not “registered.”

B. Domain Names and Trademark Law

1. Domain Names as Marks

The relationship between domain names and trademark law falls into two parts: validity and infringement. The validity question is whether a domain name is, or can become, a trade or service mark. In other words, does a domain name serve as an Internet address or is a domain name a protectable, and registrable trademark or service mark? The correct answer is “yes.” That answer requires an explanation.

A domain name always has the technological job of designating a location on the Internet. But it does not always have to do the latter—act as a mark. The vast majority of domain names do not perform the function of a trademark or service mark. For a designation used as a domain name to achieve the legal status of a mark, registered or unregistered, it must behave like a trademark. Many web sites are essentially electronic magazines, offering information about certain topics.  

For a designation to act as a trademark or service mark under United States trademark law, the designation must be used to identify and distinguish a source of goods or services. Therefore, the Patent and Trademark Office requires proof, via examples or specimens of use, that the words making up the domain name are being used not merely to identify a place or address on the Internet. Rather, the words must be used as a trade or service mark to

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20 Magazine titles, newspaper titles and titles of newspaper columns have long been held to be protectable as trademarks or service marks. The fact that the reader does not pay in cyberspace is not relevant to trademark status. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION, § 10:6.1 (4th ed. 2000 rev.).
identify the source of goods or services. A specimen consisting merely of a business card or a corporate letterhead with telephone numbers and a domain name will not be accepted as evidence of use as a service mark.\textsuperscript{21}

The traditional criteria are applied to determine whether the designation has in fact been used as a mark: larger-sized print, all capital letters or initial capitals, distinctive or different print style, color and prominent position on label or advertising copy. The key is whether the designation claimed as a protectable mark has been used to make such a visual impression that the viewer would perceive it as a symbol of origin separate and apart from anything else.\textsuperscript{22} Only then does it perform the role of a mark to identify and distinguish source.

### 2. Domain Names as Trademark Infringements

The other half of the domain name problem is whether a domain name can infringe someone else's valid trademark or service mark. Conflicts occur because registrars such as NSI do not, and probably could not, search thousands of proposed domain names to determine whether conflicts may arise with existing registered and common law trademarks.\textsuperscript{23} Rather, registrars grant domain names on a first-come, first-served basis. There are three possibilities by

\textsuperscript{21} Thus, the Trademark Board refused to register on the Supplemental Register as a service mark for legal services the domain name \texttt{<www.eilberg.com>}. The legal services were rendered by applicant William H. Eilberg and the specimens consisted of use of \texttt{"EMAIL:WHE@EILBERG.COM"} on business cards and letterheads along with, and in the same size type as, telephone and fax numbers. The Board held that this usage of the domain name did not function as a service mark to identify and distinguish applicant's legal services because this use solely served to indicate the location on the Internet where applicant's web site appeared. In re Eilberg 49 U.S.P.Q.2d 1955 (T.T.A.B. 1999).

\textsuperscript{22} See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION, § 3:3 (4th ed. 2000 rev.).

\textsuperscript{23} A court has held that NSI has no legal obligation to search and reject in the first instances domain names that may infringe on the rights of others. Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949 (C.D. Cal. 1997) \textit{aff'd}, 194 F.3d 980 (9th Cir. 1999).
which a person or corporation can acquire the “triangle” domain name. First is the possibility that a legitimate user of <triangle.com>, such as the Triangle Ski Co., was the first to reserve the domain name. Second, a “cyber-squatter” may have noticed that no one yet had taken “triangle.com” and reserved it in order to sell the nuisance rights to a prior user of the name. The final possibility is that someone in England has reserved <triangle.com.uk> even though an American entity has <triangle.com>.

The Ninth Circuit has held that when comparing a trademark with an accused domain name, the presence in the domain name of the “.com” top-level domain indicator is of little importance to distinguish the marks because it is so common and generic.24 The Court found that the domain name <moviebuff.com> infringed plaintiff’s trademark “moviebuff.” The Court also noted that if the owners of both marks utilize the Internet as a marketing and advertising tool, this heightens the likelihood of confusion.25

C. Gateway Pages

If a domain name dispute arises between two companies with legitimate rights to a disputed mark, one should consider settling the dispute by means of a “gateway page.” For example, the hypothetical “triangle” construction company and “triangle” ski maker could agree to this approach. A gateway page, also known as a “link page,” or “directory” consists of a page listing companies that share the same domain name. The availability of “gateway” or “link pages” would lessen the demand for more top level domains as a means of preventing the depletion of commercially useful domain names. Since many concerns could share the same domain name, there would be little likelihood of a paucity of marketable names. Also, the use of “link pages” or “gateways” would bring

24 Brookfield Communications, 174 F.3d 1036, 1055 (the court cited several decisions finding that a domain name containing the “.com” gTLD indicator infringed a mark that did not have that indicator).

25 Id. at 1057.
domain name usage more in line with global trademark law which permits several users in different territories or in different product lines to use the same mark.\footnote{A page linking two different companies using the same domain name and trademark can be seen at the web site <http://www.scrabble.com>. This page presents the user with links to two different companies which share the board game trademark “scrabble” in different nations of the world. The “scrabble” mark is owned in the United States and Canada by Hasbro, Inc. and in the rest of the world by a subsidiary of Mattel, Inc. Other gateway pages can be found at <http://www.playtex.com> and <http://www.disc.com>.


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\section*{D. Trademark Disputes}

In the “triangle.com” example, both the construction company and ski company had some legitimate claim to the use of the word “triangle” as a domain name. That conflict would be handled by the traditional and normal rules of trademark priority and the classic and venerable test of likelihood of confusion. These kinds of cases are resolved by traditional trademark principles and present no special kind of problem.\footnote{Brookfield Communications, 174 F.3d 1036.}

The mere reservation of a designation as a domain name does not create priority of use of that designation as a trademark. In the *Movie Buff* case, the Ninth Circuit recognized that several courts have held that reservation of a domain name does not itself constitute “use” for purposes of being an infringer.\footnote{J. Thomas McCarthy, *McCarthy On Trademarks & Unfair Competition*, § 25.76 (4th ed. 2000 rev.).} The court reasoned from this that therefore the reservation of a domain name should not constitute “use” for purposes of creating rights by establishing priority of ownership over another claimant.

If the respective uses of the marks are so widely separated by product line or service category that confusion is unlikely, infringement will not occur. For example, if a hypothetical start up computer software company in Palo Alto using the “Janus” trademark sued an amateur theater group in Chicago which reserved the domain name <janus.com>, no infringement would
occur because the goods and services are so different that there is no likelihood of confusion. The software company is a start up, so their mark is not “famous” and cannot be diluted.

E. Cybersquatting

General consensus is lacking as to what exactly constitutes a “cybersquatter.” The World Intellectual Property Organization has one definition, the U.S. Congress another and the American courts a third definition. Everyone seems to agree that such a cyber squatter is Mr. Dennis Toeppen of Champaign, Illinois. Mr. Toeppen had reserved with NSI about 240 domain names consisting of a “who's who” of American trademarks. For example, Mr. Toeppen had reserved domain names <deltaairlines.com>, <crateandbarrel.com> and <ussteel.com>. Mr. Toeppen's business was to give up his rights to these domain names for the payment of money by the identified company. Since Mr. Toeppen was willing to defend his business practice in court (unlike the vast majority of cybersquatters), he has made a good deal of the case law regarding domain names and trademark infringement.

In my view, there was a poor fit between the actions of the typical cybersquatter and the federal trademark law as it existed prior to November, 1999. This includes the Anti-Dilution Act. The usual cybersquatter has no interest in using the domain name to identify a website. The cybersquatter typically wants only to warehouse the name and deprive the legitimate owner of its use, releasing it only for a fee. Thus, the prototypical cybersquatter does not use the reserved domain name as a trademark before the public. Because the public usually never is exposed to the cybersquatter’s domain name, the required element of likely consumer confusion is missing.

29 Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996) (“Toeppen is what is commonly referred to as a cyber-squatter . . . . These individuals attempt to profit from the Internet by reserving and later reselling or licensing domain names back to the companies that spent millions of dollars developing the goodwill of the trademark.”).
For all types of trademark infringement and false advertising, except for dilution, the Lanham Act requires that the accused use be “in connection with” goods or services so as to be likely to cause confusion. The hoarding cybersquatter who merely reserves a domain name and does nothing more fails to fit this statutory requirement. Therefore, courts have held that the act of reserving a domain name, without more, does not itself bring a party within the traditional language of the Lanham Act—regardless how lacking the cybersquatter’s claim to the domain name may be.

If a domain name is not used publicly by the cybersquatter, it cannot cause dilution in the public mind by blurring or tarnishment. The new Federal Anti-Dilution Act, as used to solve several domain name cases (such as cases against Toeppen), requires that the accused user make a “commercial use in commerce of a mark or trade name.” “Commercial use” implies a setting where some goods or services are bought, sold or advertised for sale or given away. This is not what the typical cybersquatter does. Rather, he hoards or warehouses dozens or hundreds of domain names for eventual sale to the rightful owners.

Thus, the courts have had to create an entire new category of “dilution” in order to find a legal weapon to combat this new and different form of reprehensible commercial activity. But dilution only protects “famous” marks, requiring the courts to expand and devalue the category of “famous” marks in order to combat cybersquatting. What was needed was a legal tool which is specific to the conduct of the typical cybersquatter.


31 Panavision Int'l L.P. v. Toeppen, 945 F. Supp. 1296 (C.D. Cal. 1996), aff'd, 141 F.3d 1316 (9th Cir. 1998) (“Registration of a trademark as a domain name, without more, is not a commercial use of the trademark and is therefore not within the prohibitions of [§43(c) of] the [Lanham] Act.”); Juno Online Services v. Juno Lighting, Inc., 979 F. Supp. 684 (N.D. Ill. 1997) (agreeing that “the mere reservation of a right in the domain name . . . is not enough to constitute ‘use’ as defendant has merely reserved the right to use the mark”).

The courts stretched the Federal Anti-Dilution Act like a rubber band to reach cybersquatters. But where is the statutorily required "commercial use" by the cybersquatter? In one of Toeppen's cases, Toeppen reserved with NSI the two domain names <panavision.com> and <panaflex.com> both of which were registered trademarks of plaintiff Panavision International, a maker of motion picture, television camera and photographic equipment. 33 Toeppen said he wanted $13,000 from Panavision for the domain names. Panavision, refusing to pay this "ransom," sued Toeppen in federal court in Los Angeles. Judge Pregerson granted Panavision summary judgment under the 1996 Federal Anti-Dilution Act. But where was Toeppen's "commercial use" of the domain names?

The Court accepted the argument that Toeppen did utilize the designation Panavision in a "commercial use" because Toeppen's "business" was to reserve famous trademarks as domain names and then ransom the domain names to the true trademark owners. 34 Dilution was found by foreclosure. That is, Toeppen prevented Panavision from using its own name as a " .com " domain name on its own authorized Internet page. 35 Judge Pregerson was careful to limit his decision to one who reserves another's famous trademark

33 Panavision, 945 F. Supp. 1296, aff'd, 141 F.3d 1316 (9th Cir. 1998).
34 "Toeppen's 'business' is to register trademarks as domain names and then to sell the domain names to the trademark owners . . . . His 'business' is premised on the desire of the companies to use their trademarks as domain names and the calculation that it will be cheaper to pay him than to sue him. Panavision, however, chose to litigate rather than to accede to Toeppen's $13,000 'fee.'" Panavision, 945 F. Supp. at 1303.
35 "The court finds that Toeppen's conduct, which prevented Panavision from using its marks in a new and important business medium, has diluted Panavision's marks within the meaning of the [federal] statute." Panavision, 945 F. Supp. at 1304. Similarly, in affirming, the Ninth Circuit said that potential customers of Panavision "will be discouraged" if they cannot find the web page at "panavision.com" and that this "dilutes the value of Panavision's trademark." Panavision, 141 F.3d at 1327. Undoubtedly, the court stretched the law to reach the reprehensible actions of a cybersquatter. The Ninth Circuit admitted that it was creating a new category of dilution which was shaped to fit cybersquatting: "Toeppen's conduct varied from the two standard dilution theories of blurring and tarnishment." Panavision, 141 F.3d at 1326.
as a domain name for the purpose of trading on the value of the mark by selling the domain name to the trademark owner.36

Certainly these decisions against Toeppen have stretched the law of the Anti-Dilution statute regarding what constitutes commercial use for a mark. This seems appropriate so long as the precedent is limited to the cybersquatter factual situation. However, in Avery-Dennison,37 Judge Letts stretched the “cybersquatter” category to include the defendant Mailbank, a company that reserved over 12,000 “.net” domain names. Mailbank reserved surname domain names such as “ford.net,” “strauss.net” and “mcdonald.net” in order to license them to people with that personal name to use as vanity e-mail addresses. Mailbank’s “avery.net” and “dennison.net” were held to be diluting and Judge Letts granted Avery Dennison summary judgment.

The Ninth Circuit did not approve of the dismissal on summary judgment, reversed and ordered Judge Letts to grant summary judgment for the defendant Mailbank.38 The Court said that the Mailbank company was not a cybersquatter merely because it was in the business of stockpiling domain names. Unlike the typical cybersquatter, Mailbank was seeking to profit from the surname value of words like “Avery” and “Dennison,” not from their trademark meaning. The Court said “commercial use under the Federal Trademark Dilution Act requires the defendant to be using the trademark as a trademark, capitalizing on its trademark status.”39 In addition, the Ninth Circuit held that to be “famous,” a mark has to meet very stringent standards and be truly prominent

36 Panavision, 945 F. Supp. 1296, aff’d, 141 F.3d 1316 (9th Cir. 1998) (dictum that a citizen who uses an allegedly infringing domain name on a web site that only provides a community forum to discuss local political issues “would come under the [43(c) statutory] exemption for noncommercial use”).
37 Avery Dennison Corp. v. Sumpton, 999 F. Supp. 1337 (C.D. Cal. 1998), rev’d, 189 F.3d 868 (9th Cir. 1999).
38 Avery Dennison Corp., 189 F.3d 868 (9th Cir. 1999).
39 Id. at 880 (“[The Mailbank defendants] do not use trademarks qua trademarks as required by the caselaw to establish commercial use. Rather [defendants] use words that happen to be trademarks for their non-trademark value.”).
and renowned. Since the Court held that the evidence did not prove that the “Avery” and “Dennison” marks qualified as being individually “famous,” Avery-Dennison could not invoke the very special protection offered by the anti-dilution law.

F. The 1999 Anti-Cybersquatting Consumer Protection Act

As previously mentioned, traditional federal trademark law, including the Anti-Dilution Act, did not offer adequate redress against the actions of the typical cybersquatter. Congress recognized this and on November 29, 1999 enacted “The Anti-cybersquatting Consumer Protection Act” (ACPA). This was directed at preventing cybersquatting on the Internet by registering domain names similar to trademarks and person’s names. The trademark related portions of the Act outlawed the act of registering, with the bad faith intent to profit, a domain name that is confusingly similar to a registered or unregistered mark or dilutive of a famous mark. The in rem jurisdictional authorization of the Act permits court disposition of a domain name when the owner cannot be found or cannot be served in the United States. Also part of the Act were special protections against the cybersquatting of a person’s non-trademarked name, which were not included as a part of the Lanham Act. In addition, the 1999 Act immunized a domain name registrar from monetary and injunctive relief for most actions in the implementation of a

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40 Id. at 874 (“Dilution is a cause of action invented and reserved for a select class of marks—those marks with such powerful consumer associations that even non-competing uses can impinge on their value.”). The Ninth Circuit in *Avery Dennison* and the First Circuit in the 1998 *Kohler* case both agreed with the author that to qualify as “famous,” a mark must be “truly prominent and renowned.” J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION, §24:91 (4th ed. 2000 rev.). See I.P. Lund Trading ApS. v. Kohler Co., 163 F.3d 27, 46 (1st Cir. 1998) (quoting McCarthy treatise).

reasonable policy of the registrar prohibiting the registration of an infringing domain name.

Congress added a new Lanham Act section 43(d), which is aimed at stopping the conduct of cybersquatters or cyberpirates. In the first appellate decision under the Cyberpiracy Act, the Second Circuit found a violation where a competitor reserved and used the domain name <sportys.com> with a bad faith intent to profit by preventing the senior user "Sporty's" catalog business from getting that domain name. The junior user's later attempt to legitimatize the use by creating a subsidiary called "Sporty's Farm" that sold Christmas trees at the web site was found to be a transparent sham.

G. The 2000 Uniform Dispute Resolution Procedure for Domain Name Disputes

In 2000, a second legal tool specifically directed at cybersquatters became available to trademark owners. As of January, 2000, all global top level registrars (including NSI) had adopted the ICANN Uniform Domain Name Dispute Resolution Policy (UDRP). That is, the ICANN policy applies to all accredited registrars in the three major gTLD domains: the .com, .net and .org top-level domains. The Policy is supported by detailed procedural rules.

All those who reserve a domain name in the .com, .net and .org top level domains must agree to abide by this dispute resolution policy, which permits the owner of a mark to initiate an administrative complaint against an alleged cybersquatter. The test of similarity is likelihood of confusion and proof of the "bad faith" of the domain name holder is required. Defenses include proof

44 The "Policy" and "Rules for Uniform Domain Name Dispute Resolution Policy" are found at <http://www.icann.org>.
that the challenged domain name embodies prior trademark rights or the holder’s recognized name and the defense of noncommercial use or fair use. The complaint is quickly decided by a panel of one or three decision makers who render a written and published decision as to ownership of the disputed domain name. Independent judicial review is available.

It is not clear what weight a court would give to the decision of a dispute resolution panel. While the domain name registrant is contractually bound “to submit to a mandatory administrative proceeding” the ICANN policy (and the agreement between registrant and gTLD registrar) does not require the registrant to agree to not challenge a panel decision or to treat it as if it were an arbitration award. In fact the ICANN UDRP explicitly states in '4(k) that the mandatory administrative proceedings requirement does not prevent either the registrant or the challenger from submitting the dispute to a court for “independent resolution” before or after the administrative proceeding. “Independent resolution” implies that an ICANN panel decision does not have the weight of an arbitration award and will not be given the judicial deference usually accorded an arbitral tribunal. There appears to be nothing in the ICANN policy or in the registrant-registrar contract that would prevent a court after the panel decision from determining the dispute de novo and adjudging it according to the substantive rules of trademark law invoked in court by the party displeased with the panel decision. However, in the author’s opinion, a reviewing court should give some degree of respect and consideration to a panel decision.

IV. CONCLUSION

Striving to resolve trademark issues in cyberspace has been compared to attempting to board a moving bus. The factual settings and Internet technology change almost daily and the law struggles to keep up. For an attorney faced with difficult questions from a client, it is frightening, challenging and exciting. And these developments are just the beginning. I believe we are witnessing the creation of a whole new mode of global communications and
marketing. Perhaps we are victims (or beneficiaries) of that ancient Chinese curse: “May you live in interesting times.”