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THE NEW FEDERAL CYBERSQUATTING LAWS

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I. Introduction

On November 29, 1999, President Clinton signed into law an appropriations bill that included the Intellectual Property and Communications Omnibus Reform Act of 1999 ("Act"). The Act includes numerous changes to the federal patent, trademark, and copyright statutes. This article addresses only the provisions that pertain to "cybersquatting." The article begins with a general discussion of cybersquatting, followed by a discussion and summary of the provisions in the Act that create new federal causes of action for cybersquatting, and the remedies provided therein.

II. Cybersquatting Comes of Age

Over the last several years, the Internet has experienced explosive growth as an entertainment, communication, and business medium. Use of the Internet typically ***266** involves the use of a domain name to identify a site on the Internet. A user can easily type in a domain name on the user's computer and rely upon the browser software to find and connect the user's computer with the site associated with the domain name. For example, a user who types in "http:// www.martindale.com" will find the site maintained by Martindale-Hubbell, a lawyer locator service. In this example, the domain name is

"martindale.com." Thus, the domain name operates as a type of address in cyberspace.

The growth of Internet use has been accompanied by the phenomenon of """"cybersquatting." This is a rather vague term often used as a catchall for a number of different actions. Domain names have been registered almost entirely on a "first-come, first-served" basis. Even today, it is striking that so many well-known names and marks are still available for domain name registration.[1] The various forms of cybersquatting include the following:

• Registering another's mark as a domain name. Examples include the infamous efforts of Dennis Toeppen, who registered domain names for the following: Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and many others.[2]

• Registering a misspelling of another's mark as a domain name. Examples include the use of "www.dosney.com" (instead of "www.disney.com") and " " "www.delll.com" (instead of "www.dell.com").

• Registering another's mark and using a top level domain ("TLD") designation other than the ".com."[3]

• Registering another's mark or name as part of a domain name, such as " " "dellspareparts.com" for a business selling spare parts for Dell computers.[4]

• Registering another individual's name as a domain name. Examples include the registration of "www.billclinton.com," " " "www.hillaryclinton.com," or "www.billandhillary.com."

***267** Yet another type of cybersquatting involves registering a competitor's name or mark, or that of an opposing organization. The latter situation arose when Richard Bucci registered the domain name for """"plannedparenthood.com."[5] Mr. Bucci also operated a web site at the domain name "catholicradio.com" and was active in the pro-life/antiabortion movement. When users typed in the "plannedparenthood.com" domain name, they saw Mr. Bucci's site, which included information promoting his views regarding abortion, as well as a "Welcome to the Planned Parenthood Home Page" message. Judge Kimba Wood granted a preliminary injunction preventing Mr. Bucci's use of the domain name "plannedparenthood.com," because his use created a likelihood of confusion. Thus, the court relied only on Planned Parenthood's claim of trademark infringement to issue the preliminary injunction, and not on other theories such as trademark dilution.

Under traditional trademark law principles, use of a term constitutes trademark infringement only if it is likely to cause confusion, mistake, or deception.[6] It is difficult to understand how the mere registration of a domain name would constitute "use" of a mark sufficient to create a likelihood of confusion. Similarly, it is difficult to understand how the mere registration of a domain name dilutes a trademark, since dilution generally requires use of a famous mark in a way that either blurs or tarnishes the mark.[7] Simply registering a mark as a domain name by itself does not involve blurring or tarnishment.[8]

Nevertheless, in *Panavision International, L.P. v. Toeppen,*[9] the United States Court of Appeals for the Ninth Circuit held that, by registering and offering numerous domain name registrations for sale, Mr. Toeppen was using the PANAVISION and PANAFLEX marks in his business of trading in domain name registrations.[10] Thus, the Ninth Circuit joined a handful of district courts in holding that such conduct constituted dilution, even though there was no tarnishment or blurring of the marks, and no "use" of the domain name as a trademark.[11]

Against this background, both the House and Senate considered bills regarding cybersquatting and other intellectual property issues in 1999. The legislative history of the numerous House and Senate proposals reflects Congress' concern with the various ***268** forms of cybersquatting. The cybersquatting provisions of the Act add a new section 43(d) to the Lanham Act, which provides new causes of action for cybersquatting. The Act also includes provisions that affect cybersquatting in the form of registering another individual's name. These provisions are summarized in the following sections.

III. New Section 43(d) of the Lanham Act

The Act adds section 43(d) to the Lanham Act.[12] Section 43(d)(1) creates a cause of action for bad faith cybersquatting. Section 43(d)(2) creates an in rem cause of action for cybersquatting. Section 43(d)(3) expressly provides that the new causes of action under sections 43(d)(1) and 43(d)(2) may be brought in addition to any other civil action or remedy otherwise

applicable.

A. New Cybersquatting Causes of Action

New section 43(d)(1) provides as follows:
A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person-
(i) *has a bad faith intent to profit from that mark,* including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that-
(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, work, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.[13]

The Act defines a domain name as "any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet."[14]

In sum, the elements of a section 43(d)(1) claim include the following:
(1) Ownership of a protectible mark;[15]

***269** (2) The defendant's bad faith intent to profit from the mark;

(3) Registration, trafficking, or use of a domain name that (a) infringes the mark, or dilutes the mark (which must be "famous" in the case of dilution), or (b) constitutes a mark covered by 18 U.S.C. § 706[16] or 36 U.S.C. § 220506;[17] and,

(4) The defendant is the domain name registrant or that registrant's licensee.

B. The "Bad Faith" Requirement

New section 43(d)(1)(B)(i) provides a nonexclusive list of nine factors that courts may consider when determining whether a person has the requisite bad faith intent under section 43(d)(1)(A):
In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to-
(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name

that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

***270** (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43.[18]

The legislative history describes the first four factors as indicative of good faith, and the remaining factors as indicative of bad faith.

In addition to factor (IV) in section 43(d)(1)(B)(i), section 43(d)(2)(B)(ii) provides that bad faith shall not be found "in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful." The courts have long recognized that certain uses of another's mark are "fair." Fair use may include using another's mark to describe one's products or services (e.g., spare parts for Ford cars) or to geographically describe a business (e.g., "Texas" in describing a business located in Texas). Fair use of a domain name probably includes these traditional concepts, and may well include other justifications, such as using another's mark in connection with a web site providing critical commentary.[19]

IV. New Remedies Available for Cybersquatting

The Act amends sections 34(a) and 35(a) of the Lanham Act to expressly allow courts to grant the same injunctive and monetary relief for cybersquatting that is currently allowed for trademark infringement, trademark dilution, and false advertising under the Lanham Act.[20] In addition, the Act adds section 35(d)[21] to provide for statutory damages. New section 35(d) 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, ***271** an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.[22]

In addition to these remedies, new section 43(d)(1)(C) provides that courts may order the forfeiture or cancellation of the domain name or alternatively, transfer the domain name to the owner of the mark.[23]

V. New In Rem Jurisdiction over Domain Names

Congress also was concerned with the registration of domain names by persons outside the United States who may not be subject to personal jurisdiction in this country. The Act creates an in rem cause of action by adding a new section 43(d)(2) to the Lanham Act. The key portion reads as follows:
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 registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if-

(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and

(ii) the court finds that the owner-
(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by-
(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.[24]

The in rem jurisdiction is in addition to any other jurisdiction that may already exist.[25] In an in rem action, a domain name is deemed to have its situs in the judicial district where the domain name registrar that registered or assigned the domain name is located, or where documents sufficient to establish control and authority regarding the ***272** disposition and use of the domain name are deposited with the court.[26] The remedies available in an in rem action are limited to an order for forfeiture or cancellation of the domain name, or its transfer to the owner of the mark.[27]

VI. Protection for Domain Name Registrars

The Act includes certain protections for domain name registrars that help the courts establish court control over domain names and otherwise encourage the registrars to comply with court orders. The Act also provides immunity to a domain name registrar from both monetary relief and, with some exceptions, injunctive relief. Thus, the Act protects a registrar when it complies with a court order under section 43(d) and disables, transfers, cancels, or removes from registration, a domain name as part of a "reasonable policy" prohibiting the registration of domain names that are identical to, confusingly similar to, or cause dilution of another's mark.

The Act also creates section 32(2)(D) of the Lanham Act. New section 32(2)(D)(iii) protects domain name registrars from liability due to the registration process:

> A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.[28]

In addition, new section 32(2)(D)(i)(I) provides registrars with immunity from liability for certain actions:

> A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause [32(2)(D)(i)(II)], for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.[29]

New subsection 32(2)(D)(i)(II) addresses injunctive relief against a domain name registrar:
A domain name registrar, domain name registry, or other domain name registration authority described in subclause [32(2)(D)(i)(I)] may be subject to injunctive relief only if such registrar, registry, or other registration authority has-
(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to ***273** establish the court's control and authority regarding the disposition of the registration and use of the domain name;

(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of

the court; or

(cc) willfully failed to comply with any such court order.[30]

New section 32(2)(D)(ii) describes the potential actions of a registrar that are immune to damages and injunctive relief:
An action referred to under clause [32(2)(D)(i)(I)] is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name-
(I) in compliance with a court order under section 43(d); or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.[31]

New subsections 32(2)(D)(iv) and (v) provide relief to domain name registrants under attack, who are subject to actions of registrars that are allowed and encouraged by new section 32(2)(D):
If a registrar, registry, or other registration authority takes an action described under clause [32(2)(D)(ii)] based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause [32(2)(D)(ii)(II)] may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.[32]

VII. New Protection for Individuals' Names

In addition to the Lanham Act amendments, section 3002(b)(1)(A) of the Act creates a new cause of action for domain name registrations of individuals' names:

> Any person who registers a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's consent, with ***274** the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party, shall be liable in a civil action by such person.[33]

Section 3002(b)(1)(B) of the Act provides a rather broad exception to section 3002(b)(1)(A). As long as the domain name registrant "in good faith registers a domain name consisting of the name of another living person" and uses the name "in, affiliated with, or related to a work" protected by a copyright owned or licensed by the registrant, there is no violation of section 3002(b)(1)(B) as long as the registrant intends to sell the domain name in conjunction with the lawful exploitation of the work.[34] Thus, a domain name registration of """"heidi-fleiss.com" or "janet-reno.com" does not violate section 3002(b)(1)(B) as long as the registrant uses the chosen domain name for a site that includes a movie, photograph, drawing, story, play, sound recording, or other copyrightable works that relates to or mentions Heidi Fleiss or Attorney General Janet Reno, respectively.

Section 3002(b)(2) of the Act provides that courts may award injunctive relief in an action brought under section 3002(b)(1), including the forfeiture or cancellation of the domain name or the transfer of the domain name to the plaintiff. This section also provides that courts have the discretion to award costs and attorneys fees to the prevailing party.[35]

Unlike the new section 43(d) of the Lanham Act, section 3002(b) applies only to domain names registered on or after the date of the enactment of the Act.

VIII. Conclusion

One might easily question whether the new section 43(d) of the Lanham Act really changes much, since the Ninth Circuit and other courts have already departed from traditional trademark law in holding against cybersquatters. The new provisions on statutory damages and in rem jurisdiction, however, seem to address issues that were not resolved by the courts.[36] Moreover, new section 43(d)(1) seems to extend beyond the *Toeppen*-style of cybersquatting to include other activities, such as registering a competitor's mark as a domain name to divert Internet traffic.[37] It remains to be seen just how extensively the courts will take apply section 43(d).

While the protection of individuals' names (without regard to distinctiveness or rights of publicity) is new, the specific intent requirement and the copyrightable work ***275** exception are likely to render section 3002(b) toothless. Interestingly, section 3002(b) applies only to living individuals; registration of a deceased's name remains subject only to the Lanham Act and laws regarding privacy and publicity rights. Thus, section 3002(b) appears to add only limited protections against cybersquatting.

Although the Act provides additional causes of action and remedies against cybersquatters, the best defense for trademark owners against cybersquatters remains an aggressive policy of registering their marks as both domain names and trademarks. The cost of applying for trademark and domain name registrations is far less than the cost of litigation.

Footnotes

a1 Vinson & Elkins L.L.P., Houston, Texas. This paper reflects the author's current views, and not those of Vinson & Elkins L.L.P. or its clients.

1 The availability of various domain names can be researched through the Network Solutions web site at "networksolutions.com."

2 *See* Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 46 U.S.P.Q.2d (BNA) 1511 (9th Cir. 1998) (holding that Toeppen's domain name registrations of PANAVISION and PANAFLEX as part of a business to sell them to others constituted trademark dilution under section 43(c) of the Lanham Act).

3 *See* Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 51 U.S.P.Q.2d (BNA) 1801 (9th Cir. 1999) (holding that domain name registrations for """"avery.net" and "dennison.net" for e-mail services for persons with surnames """"Avery" and "Dennison" do not infringe or dilute the AVERY or DENNISON trademarks).

4 *See* Ty, Inc. v. Beanie World, Inc., No. 99 C 4199, 1999 WL 782092 (N.D. Ill. Sept. 23, 1999) (suit alleging trademark infringement and dilution, unfair competition, and the like due to defendant's use of the domain name """"ilovebeanies.com").

5 *See* Planned Parenthood Fed'n of Am., Inc. v. Bucci, 42 U.S.P.Q.2d (BNA) 1430 (S.D.N.Y. 1997).

6 *See* Elvis Presley Enter., Inc. v. Capece, 141 F.3d 188, 46 U.S.P.Q.2d (BNA) 1737 (5th Cir. 1998).

7 *See* Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 547 n.15, 48 U.S.P.Q.2d (BNA) 1065, 1088 n.15 (5th Cir. 1998).

8 A leading treatise observes that a "non-trademark use of a famous mark does not dilute," and that dilution from blurring involves "presenting consumers with two commercial sources under the same mark, not by foreclosing the senior user from particular venue or medium for advertising its mark." 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR

COMPETITION 25:77, at 25-153, n. 9 (4th ed. 1998).

[9] 141 F.3d 1316, 46 U.S.P.Q.2d (BNA) 1511 (9th Cir. 1998)

[10] *Id.* at 1324-25, 46 U.S.P.Q.2d at 1518-19.

[11] *See id.*

[12] Lanham Act § 43, 15 U.S.C. § 1125 (1994 & Supp. IV 1998).

[13] Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, § 3002(a), 113 Stat. 1501, 1537 (1999) (emphasis added) (to be codified at 15 U.S.C. § 1125(d)).

[14] *Id.* at § 3005.

[15] The mark need only be distinctive at the time the domain name is registered. The mark itself need not be federally registered. Although section 43(d)(1) (section 3002 (a) of the Act) covers individuals' names that are distinctive marks, section 3002(b) goes further by protecting non-distinctive names.

[16] 18 U.S.C. § 706 (1994) (protection for the RED CROSS mark and emblems of the Greek red cross on a white background).

[17] 36 U.S.C. § 220506 (1994) (protection for the OLYMPIC marks and related names, marks, and emblems).

[18] Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, § 3002(a), 113 Stat. 1501, 1537 (1999).

[19] *See* Ford Motor Co. v. Lane, 67 F. Supp. 2d 745, 52 U.S.P.Q.2d (BNA) 1345 (E.D. Mich. 1999) (addressing First Amendment issues raised by web sites critical of Ford).

[20] The Lanham Act provides for injunctive relief prohibiting the offending use of a mark. 15 U.S.C. § 1116(a) (1994 & Supp. IV 1998). The Lanham Act also provides for a recovery of plaintiff's damages and an accounting of defendant's profits, as well as attorney's fees in exceptional cases. In addition, the court may increase the award of damages, up to three times the amount of actual damages; the court may also enter judgment for a reduced amount. 15 U.S.C. § 1117(a) (1994 & Supp. IV 1998).

[21] To be codified at 15 U.S.C. § 1117(d).

[22] Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, § 3003(b), 113 Stat. 1501, 1537 (1999).

[23] *See id.* at § 3002(a). The owner of the mark will obviously prefer a court to order transferring the domain name to the owner, over an order requiring relinquishment of the domain name to the registrar with a notice of the date of relinquishment. *See, e.g.,* Washington Speakers Bureau, Inc. v. Leading Auths., Inc., 49 F. Supp. 2d 496, 51 U.S.P.Q.2d (BNA) 1478 (E.D. Va. 1999).

[24] Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, § 3002(a), 113 Stat. 1501, 1537 (1999).

[25] *See id.*

[26] *See id.*

[27] *See id.*

[28] *See id.* at § 3004(2).

[29] *Id.*

[30] *Id.*

[31] *Id.*

[32] *Id.*

[33] *Id.* at § 3002(b)(1)(A).

[34] *Id.* at § 3002(b)(1)(B).

[35] *Id.* at § 3002(b)(2).

[36] *See* Porsche Cars North Am., Inc. v. Porsch.com, 51 F. Supp. 2d 707, 51 U.S.P.Q.2d (BNA) 1461 (E.D. Va. 1999) (dismissing complaint seeking exercise of in rem jurisdiction over various domain names).

[37] *See* McMaster-Carr Supply Co. v. Supply Depot, Inc., No. 98 C 1903, 1999 WL 417352 (N.D. Ill. June 16, 1999).