

# Intellectual Property Law in Cyberspace

Second Edition

## CHAPTER 7 UNIQUE ONLINE TRADEMARK ISSUES

Howard S. Hogan  
*Gibson, Dunn & Crutcher*  
*Washington, D.C.*

Stephen W. Feingold  
*Kilpatrick, Townsend & Stockton*  
*New York, NY*

## CHAPTER 8 DOMAIN NAME REGISTRATION, MAINTENANCE AND PROTECTION

Howard S. Hogan  
*Gibson, Dunn & Crutcher*  
*Washington, D.C.*

Stephen W. Feingold  
*Kilpatrick, Townsend & Stockton*  
*New York, NY*



# Intellectual Property Law in Cyberspace

Second Edition

G. Peter Albert, Jr.  
*and*  
American  
Intellectual Property Law  
Association

CHAPTER 7  
UNIQUE ONLINE TRADEMARK ISSUES

CHAPTER 8  
DOMAIN NAME REGISTRATION, MAINTENANCE AND PROTECTION

**AIPLA**

American  
Intellectual Property Law  
Association  
Arlington, VA

**Bloomberg  
BNA**

*Reprinted with permission*  
*For more information contact: bna.com/bnabooks or call 1-800-960-1220*

Copyright © 2011

The Bureau of National Affairs, Inc.

**Library of Congress Cataloging-in-Publication Data**

Albert, G. Peter, 1964-

Intellectual property law in cyberspace / G. Peter Albert, Jr. -- 2nd ed.

p. cm.

Includes bibliographical references and index.

ISBN 978-1-57018-753-7 (alk. paper)

1. Industrial property--United States. 2. Computer networks--Law and legislation--United States. 3. Internet 4. Copyright and electronic data processing--United States. I. Title.

KF3095.A77 2011

346.7304'8--dc23

2011040494

All rights reserved. Photocopying any portion of this publication is strictly prohibited unless express written authorization is first obtained from BNA Books, 1231 25th St., NW, Washington, DC 20037, *bna.com/bnabooks*. Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by BNA Books for libraries and other users registered with the Copyright Clearance Center (CCC) Transactional Reporting Service, provided that \$1.00 per page is paid directly to CCC, 222 Rosewood Dr., Danvers, MA 01923, *copyright.com*, Telephone: 978-750-8400, Fax: 978-646-8600.

Published by BNA Books  
1801 S. Bell Street, Arlington, VA 22202  
*bna.com/bnabooks*

ISBN 978-1-57018-753-7

*Printed in the United States of America*

# UNIQUE ONLINE TRADEMARK ISSUES

Howard S. Hogan

*Gibson, Dunn & Crutcher LLP  
Washington, D.C.*

Stephen W. Feingold

*Kilpatrick Townsend & Stockton LLP  
New York, New York*

I.	The Elements of a Trademark Claim .....	308
A.	Is It a Two-Prong or Three-Prong Test to Establish Infringement? .....	308
B.	The Confusion Prong of the Infringement Test .....	314
II.	Confusion Online .....	317
A.	Types of Confusion on the Internet .....	319
1.	Point-of-Sale Confusion .....	319
2.	Post-Sale Confusion.....	320
3.	Initial Interest Confusion .....	321
a.	Historic Underpinnings .....	322
b.	Cases Finding Initial Interest Confusion Actionable.....	324
c.	Cases Rejecting the Doctrine of Initial Interest Confusion .....	325
d.	Cases Setting Standards for Initial Interest Confusion.....	329
B.	Does the Internet Make Confusion More Likely? .....	332
1.	Cases Finding that the Internet Exacerbates Confusion .....	332
2.	Cases Finding that the Internet Makes Confusion Less Likely.....	333
C.	Litigating Confusion: The Plaintiff's Perspective .....	334
D.	Litigating Confusion: The Defendant's Perspective.....	335

III.	Trademark Owners' Duty to Enforce on the Internet.....	336
A.	The Duty to Police Generally .....	336
B.	The Duty to Police as Applied to the Internet .....	338
C.	Creating a Rational Policing Policy .....	339
IV.	Domain Names as Trademarks Generally.....	341
A.	Vanity Telephone Number Cases.....	341
1.	<i>Dial-A-Mattress Franchise Corp. v. Page</i> .....	342
2.	<i>Dranoff-Perlstein Associates v. Sklar</i> .....	343
3.	<i>In re Dial-A-Mattress Operating Corporation</i> .....	344
B.	Domain Case Names .....	345
1.	Generic and Descriptive Domain Names.....	345
2.	Secondary Meaning .....	348
C.	U.S. Patent and Trademark Office's View.....	350
1.	Identifying Goods or Services .....	350
2.	Using a Domain Name as a Trademark .....	351
3.	Generic Second Level Domain Names.....	352
4.	Top-Level Domains .....	355
V.	Use of Trademarks on the Internet to Support Registration.....	356
A.	Service Marks.....	357
B.	Trademarks for Goods .....	359
1.	The <i>Dell</i> Decision and Various Responses .....	359
2.	<i>Dell's</i> Application .....	361
a.	TTAB Decisions Regarding the Picture Requirement.....	362
b.	TTAB Decisions on the Requirement for Information to Order the Goods .....	362
c.	TTAB Decisions Discussing Prominence of a Mark on a Website .....	364
VI.	Domain Names in Trademark Infringement .....	364
A.	Use in Commerce .....	364
1.	Cases Generally Finding Use in Commerce .....	365
2.	Cases Generally Not Finding Use in Commerce .....	367
B.	Likelihood of Confusion.....	369
1.	Cases Generally Finding Likelihood of Confusion .....	369
2.	Cases Generally Not Finding Likelihood of Confusion .....	371
C.	Potential Defenses and Responses: Laches, Acquiescence, and Progressive Encroachment .....	371
VII.	Overview of Different Types of Domain Name Trademark Disputes.....	373
VIII.	Trademark Dilution Online .....	376
A.	Famousness.....	377
B.	Blurring.....	378
C.	Tarnishment .....	380
IX.	Trademarks in Search Engines and Internet Advertising .....	381
A.	Use of Trademarks as Metatags.....	381
1.	Bad Faith Usage.....	382
2.	Permissible Use.....	383
B.	Pop-Up Adds as Trademark Use.....	384
1.	Use of Pop-Ups Impermissible .....	384

C. Search Engine Advertising and Trademarks .....	386
1. Purchase of Marks as Keywords as “Use in Commerce” .....	386
2. Likelihood of Confusion .....	390
3. Application of the Initial Interest Confusion Doctrine to the Search Engine Context.....	391
4. Liability for “Broad Match” Ads .....	392
X. Nominative Fair Use and The Internet.....	394
A. Introduction .....	394
B. Early Cases .....	395
C. Classic Fair Use.....	396
D. Advertising Practices Prior to 1971 Made Nominative Use Unusual .....	399
E. “The New Kid on the Block” .....	401
F. Other Ninth Circuit Cases .....	403
G. What Other Circuits Say.....	407
1. Fifth Circuit.....	407
2. Sixth Circuit.....	409
3. First Circuit.....	410
H. The Third Circuit’s Effort to Clarify the Issue .....	410
I. Post-Century 21 Nominative Fair Use Developments .....	414
1. Congress Muddies the Waters.....	414
2. The Second Circuit Refuses to Adopt Either the Third or Ninth Circuit Analysis .....	414
3. The Latest from the Ninth Circuit.....	415
J. The Future: Nominative Fair Use and the Internet.....	417
XI. Free Speech and Parody Issues .....	417
A. Free Speech and the Lanham Act .....	417
B. Gripe Sites .....	418
C. Parody.....	422
XII. Use of Disclaimers Online .....	423
A. Disclaimers as Insufficient to Dispel Confusion .....	423
B. Effective Disclaimers .....	425
XIII. Trade Dress and the Internet .....	426
XIV. Social Media and Trademarks.....	427
A. Use and Misuse of Trademarks in Social Media .....	427
B. Trademark Policies of Popular Social Media Sites .....	429
1. Social Media Sites’ Efforts to Address Trademark Issues ....	429
2. Using Trademark Related Comments From Social Media Sites to Publicize a Brand.....	432
3. Twitter Copyright Case .....	434
XV. Counterfeiting and the Internet .....	436
A. Civil Litigation .....	436
1. Personal Jurisdiction .....	436
a. Interactive Websites Selling Goods in the Forum .....	437
b. Providing Services to Interactive Website Selling Counterfeit Goods in the Forum.....	437

c. Injury to Mark Holder in Forum.....	438
2. Post-Sale Confusion.....	439
3. <i>Ex Parte</i> Injunctive Relief .....	440
a. Asset Freeze.....	441
b. Expedited Discovery .....	442
c. Alternative Service of Process.....	443
4. Defenses to Trademark Counterfeiting.....	443
a. The Mark Is Not Identical .....	443
b. Parody.....	444
5. Statutory Damages .....	444
B. Government Enforcement .....	445
C. International Agreements.....	446
XVI. Secondary Trademark Liability.....	447
A. Origins of Secondary Liability for Trademark Infringement .....	447
1. <i>Inwood</i> and Its Progeny .....	447
a. The <i>Inwood</i> Decision.....	447
b. <i>Inwood</i> Applied to Brick and Mortar Service Providers .....	448
B. Secondary Liability in the Online Context.....	449
1. Online Auction Sites .....	450
2. Credit Card Processors.....	451
a. <i>Perfect 10 v. Visa Int'l Serv. Assoc.</i> .....	452
b. <i>Gucci America, Inc. v. Frontline Processing Corp.</i> .....	453
3. Internet Service Providers ("ISPs") .....	454
a. <i>Lockheed Martin Corp. v. Network Solutions</i> .....	454
b. <i>Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.</i> .....	455
c. <i>Roger Cleveland Golf Co. v. Prince</i> .....	456
4. Virtual World Infringement.....	457

## I. THE ELEMENTS OF A TRADEMARK CLAIM\*

### A. Is It a Two-Prong or Three-Prong Test to Establish Infringement?

The basic elements of a trademark infringement under Section 32 of the Lanham Act are that the defendant has used in commerce a reproduction or colorable imitation of the plaintiff's registered mark in a manner that is likely to cause confusion.<sup>1</sup> Section 43(a) of the Lanham Act is virtually identical to Section 32

---

\*Stephen W. Feingold gratefully acknowledges the invaluable assistance of Jaclyn T. Shanks, Jennifer Arkowitz and Phil Rosenberg, associates at Kilpatrick Townsend & Stockton LLP, and Joshua Goodbaum, formerly of Gibson, Dunn & Crutcher, in the writing of this chapter.

<sup>1</sup>15 U.S.C. §1114. See, e.g., *Mishawaka Rubber & Woolen Mfg. Co. v. Panther-Panco Rubber Co.*, 153 F.2d 662, 665 (1st Cir. 1946) ("We do not understand the court to mean that, to be a colorable imitation . . . the accused mark must be an exact duplication of the plaintiff's trade-mark. The basic test, of course, is the likelihood of confusion. . ."); *Indep. Nail & Packaging Co. v. Stronghold Screw Prods., Inc.*, 205 F.2d 921, 924 (7th Cir. 1953) ("Whether there is an infringement of a trade-mark does not depend upon the use of identical words, nor on the question as to whether they are so similar that a person looking at one would be deceived into the belief that

except it applies not only to registered marks but to marks recognized under the common law.<sup>2</sup> Historically, these elements were distilled into a two prong test consisting of establishing that (1) the plaintiff owned a valid and enforceable mark, and (2) the defendant was engaged in activities that were likely to cause confusion.<sup>3</sup>

In most instances, whether there was an infringement turned on the second prong of the test, whether there was a likelihood of confusion. However, under the first prong, a defendant might argue that the plaintiff's mark was generic or merely descriptive without secondary meaning. In trade dress cases, the first prong was relevant if the defendant argued that the trade dress was functional.

In recent years, however, some courts have inserted a third prong in describing the elements that a plaintiff must prove to establish trademark infringement, namely that the defendant is using the mark as a trademark in commerce.<sup>4</sup>

---

it was the other; but it is sufficient if one adopts a trade-name or a trade-mark so like another in form, spelling, or sound that one, with a not very definite or clear recollection as to the real trademark, is likely to become confused or misled."); Continental Motors Corp. v. Continental Aviation Corp., 375 F.2d 857, 859 (5th Cir. 1967) ("In an action for trademark infringement, this Court has often repeated that the controlling issue is whether the alleged infringer's use of a particular mark is likely to cause confusion, or to cause mistake, or to deceive.") (internal citations and quotations omitted); Hormel Foods Corp. v. Jim Henson Prods., Inc., 73 F.3d 497, 502 (2d Cir. 1996) ("The central inquiry is whether there is a likelihood of confusion, a likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.") (internal citations and quotations omitted).

<sup>2</sup>15 U.S.C. §1125. *See, e.g.*, Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992) ("[I]t is common ground that §43(a) protects qualifying unregistered trademarks"); Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205 (2000) (not only infringement of unregistered word marks but also of unregistered trade dress can be asserted under Lanham Act §43(a)); J. THOMAS McCARTHY, 5 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §27:14 (4th ed. 2011) (hereinafter MCCARTHY) ("All courts have held that §43(a) provides a federal vehicle for assertion of infringement of even *unregistered* marks and trade names.").

<sup>3</sup>*See, e.g.*, Security Ctr., Ltd. v. First Nat'l Sec. Ctrs., 750 F.2d 1295, 1298 (5th Cir. 1985); The Sports Authority Inc. v. Prime Hospitality Corp., 39 USPQ2d 1511, 1513 (2d Cir. 1996); Lone Star Steakhouse & Saloon, Inc. v. Longhorn Steaks, Inc., 106 F.R.D. 355, 360 (11th Cir. 1997); Comedy III Prods., Inc. v. New Line Cinema, 200 F.3d 593, 594 (9th Cir. 2000); Packman v. Chicago Tribune Co., 267 F.3d 628, 638 (7th Cir. 2001); Tumblebus Inc. v. Cranmer, 399 F.3d 754, 761 (6th Cir. 2005).

<sup>4</sup> MCCARTHY §23:11.50 ("The problem . . . is that the Lanham Act nowhere explicitly states that 'use as a trademark' is required for an accused use to be an infringement. The statutory requirement of 'trademark use' is indirect and implicit in the requirement that there be a likelihood of confusion to occur."). It is in the Internet context where courts have considered whether the complained-of activities online constitute "use in commerce." *See, e.g.*, Rescuedcom Corp. v. Google Inc., 562 F.3d 123 (2d Cir. 2009) (giving prominence in search engine results based on third-party use of trademark owner's trademark as keyword held to be "use in commerce"); Hearts on Fire Co., LLC v. Blue Nile, Inc., 603 F. Supp. 2d 274 (D. Mass. 2009) (competitor's adoption of owner's trademark as search engine keyword constituted "use" within meaning of Lanham Act); 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273 (D.N.J. 2006) (pay-for-priority Internet search engine made trademark use of owner's trademarks by giving prominence in search engine results to the highest bidder); *but see* U-Haul Int'l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723 (E.D. Va. 2003) (pop-up advertisement appearing in separate window on individual's computer, obstructing trademark holder's advertisement, was not "use in commerce" of holder's trademarks since the ads appeared on window that was separate and distinct from window in which holder's website appeared).

Significantly, prior to the advent of the Internet there were very few, if any, cases which raised the question of whether the defendant had used the mark in commerce. In perhaps the first case to raise this defense, decided as recently as 1993, the defendant moved to dismiss the complaint, arguing that it had not used the plaintiff's mark in commerce because it did not affix the mark to the goods or labels but merely imported them. The district court did not take the argument seriously, stating "the Ninth Circuit and others have entertained multitude of cases involving the resale of genuine goods bearing true marks. Notably, these courts never questioned whether the marks were used 'in commerce.'"<sup>5</sup>

Three years later, the Sixth Circuit became perhaps the first court to uphold one variation of what today is known as the "non-trademark use" defense. In that case, the defendant acquired 1800-H0[zero]LIDAY in order to capitalize on consumers who misdialed when attempting to call 1800-HOLIDAY, the plaintiff's reservation line.<sup>6</sup> The defendant in that case recognized that it did not have to market the number to attract customers and simply waited to fulfill the calls that inevitably came. The district court entered judgment for the plaintiff: "[I]f not for Holiday Inn's spending millions of dollars each year, defendants would have no service whatsoever to provide the customer."<sup>7</sup>

The Sixth Circuit reversed. It explained that the defendant had not done anything to create the confusion and had not used the phone number in advertising; it merely took advantage of confusion already existing in the marketplace.<sup>8</sup> The Eighth Circuit reached a similar result in 2003 in another case involving vanity phone numbers where the defendant never advertised the vanity equivalent but only the numeric number.<sup>9</sup>

While both of these cases involved claims of non-trademark use, they did not address the issue of whether the defendant's use was a "use in commerce" within the scope of the Lanham Act, but rather they turned on whether the defendant was actually using the claimed mark at all.

The rise of a non-trademark use defense based on whether the defendant was making a use in commerce within the scope of the Lanham Act is relatively recent. Two developments converged in the late 1990's that likely helped this defense gain traction in the courts. First, Congress passed the Federal Trademark Dilution Act ("FTDA") in 1996, which created a cause of action against use of a trademark even if there was no confusion.<sup>10</sup> This was before the Internet Corporation for Assigned Names and Numbers ("ICANN") had implemented the Uniform Dispute Resolution Policy ("UDRP") procedure to address claims of trademark infringement related to the registration of domain names, and Congress had not yet passed the Anti-Cybersquatting Protection Act. It was therefore more difficult for a trademark owner to deal with uses of its trademark as a domain name if the domain name was either inactive or had content totally unrelated to the products offered by the trademark owner.

---

<sup>5</sup>Sebastian v. Long Drugs, 29 USPQ2d 1710 (C.D. Cal. 1993).

<sup>6</sup>Holiday Inns, Inc. v. 800 Reservations, Inc., 86 F.3d 619, 620 (6th Cir. 1996).

<sup>7</sup>*Id.* at 624.

<sup>8</sup>*Id.* at 626.

<sup>9</sup>DaimlerChrysler AG v. Bloom, 315 F.3d 932 (8th Cir. 2003).

<sup>10</sup>See *infra* §VIII.

On the day of the FTDA's passage, Senator Patrick Leahy came to the floor and noted, “[i]t is my hope that this anti-dilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others.”<sup>11</sup> Trademark owners were able to parlay this evidence of “legislative intent” into a series of decisions against cybersquatters where the only commercial use of the mark was an effort to sell the domain name back to the trademark owner or operating a web site with little if any content.<sup>12</sup>

Courts were especially sympathetic to the concerns of trademark owners in this pre-ACPA and UDRP environment. One of the first published decisions involving domain names recognized that a “domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base.”<sup>13</sup> And in an era where search engines were either unknown to most users or not nearly as robust as they are today, courts recognized that navigating the Internet presented real issues for trademark owners. As one court observed, “A customer who is unsure about a company’s domain name will often guess that the domain name is also the company’s name.”<sup>14</sup>

The application of the FTDA to solve the issues of the trademark community led to many marks being found famous that would unlikely have gained such status in any other context. However, even the FTDA could not provide relief for all trademarks.

Initial interest confusion, also known as “foot in the door confusion,” was an acknowledged form of confusion prior to the Internet.<sup>15</sup> In fact, in the 1970’s one district court adopted a subliminal confusion theory.<sup>16</sup> The concept of “initial confusion,” however, seemed perfectly matched for an online world where consumers were guessing—often erroneously—on how to find web sites or their favorite brands.

In 1999, the same year that saw passage of the ACPA and the introduction of the UDRP, the Ninth Circuit, in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,<sup>17</sup> used artful imagery to explain how the concept of initial interest confusion applied to the nation’s new “information superhighway”:

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 7”—where West Coast

---

<sup>11</sup>141 CONG. REC. §19312-01 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy).

<sup>12</sup>See *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1326 (9th Cir. 1998); *TeleTech Customer Care Mgmt., Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1413 (C.D. Cal. 1997). According to Professor McCarthy, the passage in 1999 of the Anti-Cybersquatting Act (ACPA) made dilution by cybersquatting largely obsolete. 4 McCARTHY §24:72 (“In fact, it may no longer be usable at all.”). See, e.g., *Porsche Cars North America, Inc. v. Porsche.Net*, 302 F.3d 248, 262 (4th Cir. 2002) (“Porsche may not seek possession of any offending domain name through a trademark dilution claim under 15 U.S.C. §1125(c) . . .”); *Ford Motor Co. v. Greatdomains.com, Inc.*, 177 F. Supp. 2d 635 (E.D. Mich. 2001)(finding that cybersquatting claims must be brought under the ACPA).

<sup>13</sup>*MTV Networks, Inc. v. Curry*, 867 F. Supp. 202, 203–4, n.2 (S.D.N.Y. 1994).

<sup>14</sup>*Cardservice Int’l v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997).

<sup>15</sup>See, e.g., *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987).

<sup>16</sup>*Ortho Pharm. Corp. v. American Cyanamid Co.*, 361 F. Supp. 1032, 1044 (D.N.J. 1973).

<sup>17</sup>174 F.3d 1036, 1064 (9th Cir. 1999).

is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired goodwill.<sup>18</sup>

The *Brookfield* case was warmly greeted by the trademark bar and quickly adopted by other courts.<sup>19</sup>

At the end of 1999, with the adoption of the UDRP, the ACPA, and such decisions as *Brookfield*, there was a widespread sentiment in the trademark community that trademark owners had successfully navigated the most important development within the world of branding in a generation. Outside of the Internet, the picture was equally positive. Dilution was now a federal cause of action. The U.S. Supreme Court had even appeared to accept that the décor of a restaurant could be protected as inherently distinctive trade dress,<sup>20</sup> paving the way for trade dress protection to be extended to the way wine was organized within a wine store<sup>21</sup> or the methods by which one registered for a conference.<sup>22</sup>

It is therefore not surprising that a new defense to claims of trademark owners emerged, in the light of the growing power of brand owners to control the use of their marks. In particular, critics contended that courts, at the urging of the trademark bar, had adopted theories that gave trademark owners too much power over the use of their marks. The expansive application of the initial interest test to some appeared as just another effort by trademark owners to change the rules when the desired result was not reached.

The *Brookfield* case, grounded in its perception of consumers on a highway from which they could be easily diverted, evidenced what some saw as a complete

<sup>18</sup>*Id.*

<sup>19</sup>See, e.g., 4 McCARTHY §25:76; James A. Rossi, *Protection for Trademark Owners: The Ultimate System of Regulating Search Engine Results*, 42 SANTA CLARA L. REV. 295, 327 (2002)(applauding the *Brookfield* court); Australian Gold, Inc. v. Hatfield, 436 F.3d 1228, 1240 (10th Cir. 2006) (vague disclaimer on web site does not dispel the likelihood of initial interest confusion caused by use of plaintiff's trademark in defendant's meta tag); Playboy Enters., Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020 (9th Cir. 2004) (applying initial interest confusion theory to search engine banner advertising); Nissan Motor Co. v. Nissan Computer Corp., 378 F.3d 1002 (9th Cir. 2004)(when a person named Uzi Nissan placed links to auto-related web sites on his nissan.com web site, infringement was found because defendant was then capitalizing on web users' initial interest confusion in thinking that this was a web site related to the NISSAN auto company); Eli Lilly & Co. v. Natural Answers, Inc., 86 F. Supp. 2d 834, 844 (S.D. Ind. 2000) (use of plaintiff's PROZAC mark in meta tags of defendant's Web site advertising its HERBROZAC herbal alternative created initial interest confusion), *aff'd on other grounds*, 233 F.3d 456 (7th Cir. 2000) (remarking that use of another trademark as a metatag "is significant evidence of intent to confuse and mislead").

<sup>20</sup>Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992).

<sup>21</sup>Best Cellars Inc. v. Grape Finds at Dupont, Inc., 90 F. Supp. 2d 431 (S.D.N.Y. 2000).

<sup>22</sup>Toy Mfrs. of Am., Inc. v. Helmsley-Spear, Inc., 960 F. Supp. 673 (S.D.N.Y. 1997).

misapprehension of the Internet. One of the original judges on the *Brookfield* case subsequently wrote a concurring opinion in which she expressed doubt about the validity of the *Brookfield* metaphor: “[S]uppose a customer walks into a bookstore and asks for Playboy magazine and is then directed to the adult magazine section, where he or she sees Penthouse or Hustler up front on the rack while Playboy is buried in back. One would not say that Penthouse or Hustler had violated Playboy’s trademark. This conclusion holds true even if Hustler paid the store owner to put its magazines in front of Playboy’s.”<sup>23</sup>

The Internet also raised questions about how consumers use trademarks. It is possible that consumers, at least some of the time, use brand names as proxies for shopping categories.<sup>24</sup> In other words, some commentators advanced a view of the Internet in which consumers use trademarks in a generic sense, as when a person might say “FedEx that to me today” rather than “Get that to me overnight” without a view as to which carrier to use. Indeed, in the early days of the Internet, when consumers were not familiar with search engines or how to search, there was less information about how consumers perceive the use of trademarks on the Internet. Indeed, some commentators expressed a fear that courts would give excessive deference to the rights of trademark owners to control others’ uses of their mark, because “goodwill misappropriation is a conclusion and not an analytic tool.”<sup>25</sup>

The non-trademark use defense is premised on the very technical definitions of trademark use that appear in Section 45 of the Lanham Act. Although the Act defines “use in commerce” as “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark,”<sup>26</sup> advocates of the non-trademark use defense urged an interpretation under which a mark is only used in commerce on goods when it is affixed to a product or appears in sales displays adjacent to the product, such that the use of the mark on the Internet is not a technical trademark use.

Pop-up advertisers were quick to adopt this defense arguing that by using a trademark to trigger an advertisement they were not making trademark use.<sup>27</sup> Google then picked up the mantle in its defense of keyword sales.<sup>28</sup> Significantly, these arguments were advanced in a pre-answer motion to dismiss in an effort to allow defendants to avoid the costs of defense. From a practical level, defending against likelihood of confusion was expensive and summary judgment was unlikely until at least the close of discovery.

Taken to its logical conclusion, the “non-trademark use” defense makes the existence *vel non* of confusion irrelevant. Indeed, to many of its supporters,

<sup>23</sup>Playboy Enters. v. Netscape Commc’n Corp., 354 F.3d 1020, 1035 (9th Cir. 2004) (Berzon J., concurring).

<sup>24</sup>Stephen W. Feingold, *Trademark Means To Avoid Confusion or Property Right?*, N.Y.L.J., July 26, 1999.

<sup>25</sup>Eric Goldman, *Deregulating Relevance in Internet Trademark Law*, 54 EMORY L. REV. 507 (2006).

<sup>26</sup>15 U.S.C. §1127.

<sup>27</sup>1-800 Contacts, Inc. v. WhenU.Com, Inc., 414 F.3d 400 (2d Cir. 2005); U-Haul Int’l, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723 (E.D. Va. 2003); Wells Fargo & Co. v. WhenU.com, Inc., 293 F. Supp. 2d 734 (E.D. Mich. 2003); *see also infra*, IX.B.

<sup>28</sup>See *infra* §IX.C. for discussion of how different courts have addressed this issue.

that is its greatest virtue. As Google argued before the U.S. District Court for the Northern District of New York, the trademark laws “are not meant to protect consumer good will created through extensive, skillful, and costly advertising.”<sup>29</sup> As a result, advocates of the non-trademark use defense argued that courts should not address confusion unless there is technical trademark use.

In 2005, the Second Circuit issued a decision providing an extensive discussion of the history and status of the “use in commerce” element of a trademark infringement matter. In particular, it found that courts must evaluate the alleged use of a trademark and the likelihood of confusion separately:

Again, this rationale [i.e., noting plaintiff’s argument pointing to evidence supporting a finding of likely confusion] puts the cart before the horse. Not only are ‘use,’ ‘in commerce,’ and ‘likelihood of confusion’ three distinct elements of a trademark infringement claim, but ‘use’ must be decided as a threshold matter because, while any number of activities may be ‘in commerce’ or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the ‘use’ of a trademark.<sup>30</sup>

As a result, it has been increasingly common for courts to include a third prong to the infringement test.<sup>31</sup> Thus, an argument summarily dismissed in 1993 has now morphed to become part of the plaintiff’s burden, in at least some jurisdictions, to prove an infringement. At the same time, in its most extensive consideration of the asserted “use in commerce” element of a trademark claim, the Second Circuit explicitly *rejected* the notion that this element somehow insulates the use of a trademark in seemingly invisible ways, such as “in an internal computer directory” or to determine “product placement” because Congress did not intend to leave defendants “free to use trademarks in ways designed to deceive and cause consumer confusion.”<sup>32</sup> As a result, the standard required to meet this “use in commerce” element continues to be evaluated by courts.<sup>33</sup>

## B. The Confusion Prong of the Infringement Test

One important goal of trademark law is to allow the public to identify the source of the products and services they consume.<sup>34</sup> This is why the question of likelihood of consumer confusion has been called the “*sine qua non* of trademark

<sup>29</sup>Reply Memorandum of Law in Further Support of Defendant Google, Inc.’s Motion to Dismiss, 2005 WL 3683038, at n.4, Rescuecom Corp. v. Google, Inc., 456 F. Supp. 2d 393 (N.D.N.Y. 2005)(No. 5:04-CV-1055), *rev’d*, 562 F.3d 123 (2d Cir. 2009).

<sup>30</sup>*I-800 Contacts*, 414 F.3d at 412.

<sup>31</sup>Brown & Brown, Inc. v. Cola, 2011 WL 1103867, at \*9 (E.D. Pa. Mar. 23, 2011); Am. Acad. of Husband-Coached Childbirth v. Thomas, 2010 WL 5184779, at \*1 (D. Colo. Dec. 15, 2010); Hensley Mfg. v. ProPride, Inc., 579 F.3d 603, 609 (6th Cir. 2009) (“To state a claim for trademark infringement under the Lanham Act, a plaintiff must allege facts establishing that: (1) it owns the registered trademark; (2) the defendant used the mark in commerce; and (3) the use was likely to cause confusion.”).

<sup>32</sup>*Rescuecom*, 562 F.3d at 130–31.

<sup>33</sup>See *infra* §§VI.A. and IX.

<sup>34</sup>E.g., *Moseley* v. V Secret Catalogue, Inc., 537 U.S. 418, 428 (2003).

infringement.”<sup>35</sup> Importantly, though, trademark law is not premised on proof of *actual confusion* but rather on proof that consumers are *likely to be confused*.<sup>36</sup>

Conceptually, it is impossible to introduce direct evidence about how consumers are likely to respond to a particular mark. For instance, depending on the circumstances, evidence about perceptions of those who actually bought the plaintiff’s or its competitor’s product in the last year may not necessarily indicate whether prospective purchasers in the future are likely to be confused.<sup>37</sup>

Proving likelihood of confusion under the Lanham Act remains a fact-specific inquiry,<sup>38</sup> although courts often police the outside limits of the factual inquiry through summary judgment.<sup>39</sup> The party asserting infringement bears the burden of proving likelihood of confusion.<sup>40</sup>

The U.S. Supreme Court, despite numerous opportunities, has never prescribed the proper analysis to determine likelihood of confusion. Instead, each of the thirteen courts of appeals has developed its own multi-factored test, which range in number from six to thirteen potential considerations.<sup>41</sup> Common factors include: the strength of the senior user’s mark; the degree of similarity between the marks; the marketing channels used; the degree of care likely to be exercised by purchasers in selecting the goods at issue; the quality of the products or services at issue; the relatedness of the products or services; the likelihood of expansion of the product lines; the junior user’s intent; and evidence of actual confusion.

---

<sup>35</sup>E.g., Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1142 (9th Cir. 2011).

<sup>36</sup>15 U.S.C. §1114(1)(a) (creating a cause of action for the “use in commerce” by any person of “any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is *likely to cause confusion, or to cause mistake, or to deceive*”) (emphasis added).

<sup>37</sup>University of Kansas v. Sinks, 2008 WL 755065, at \*3 (D. Kan. 2008) (“In a trademark infringement case such as this, where the plaintiff alleges that the defendant’s mark causes consumers of the defendant’s products to mistakenly believe that the defendant’s products are from the same source as, or are connected with, the plaintiff’s products, the proper universe is the potential purchasers of the defendant’s . . .”) (citing Leelanau Wine Cellars, Ltd. v. Black & Red, Inc., 452 F. Supp. 2d 772, 781–81 (W.D. Mich. 2006)).

<sup>38</sup>Utah Lighthouse Ministry v. Foundation for Apologetic Info. & Research, 527 F.3d 1045, 1055 (10th Cir. 2008).

<sup>39</sup>Warner Bros. Inc. v. Am. Broad. Cos., 720 F.2d 231, 246 (2d Cir. 1983) (“[C]ourts retain an important authority to monitor the outer limits of substantial similarity within which a jury is permitted to make the factual determination whether there is a likelihood of confusion as to source.”).

<sup>40</sup>KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 118 (2004).

<sup>41</sup>First Circuit: I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 43 (1st Cir. 1998).

Second Circuit: Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).

Third Circuit: Interpace Corp. v. Lapp, Inc., 721 F.2d 460, 462–63 (3d Cir. 1983).

Fourth Circuit: Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1527 (4th Cir. 1984).

Fifth Circuit: Roto-Rooter Corp. v. O’Neal, 513 F.2d 44, 45 (5th Cir. 1975).

Sixth Circuit: Frisch’s Rests., Inc. v. Elby’s Big Boy, 670 F.2d 642, 648 (6th Cir. 1982).

Seventh Circuit: Helene Curtis Indus., Inc. v. Church & Dwight Co., 560 F.2d 1325, 1330 (7th Cir. 1977).

Eighth Circuit: SquirtCo v. Seven-Up Co., 628 F.2d 1086, 1091 (8th Cir. 1980).

Ninth Circuit: AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979).

Tenth Circuit: Sally Beauty Co. v. Beautyco, Inc., 304 F.3d 964, 972 (10th Cir. 2002).

This inquiry, moreover, is not a purely mechanical one. Courts will not merely add up the factors favoring each litigant and declare a winner.<sup>42</sup> The Ninth Circuit had held that, in the “context of the Web,” the three “most important” factors are similarity of the mark, relatedness of the goods or services, and the parties’ simultaneous use of the Internet as a marketing channel.<sup>43</sup> Under this approach, when this “Internet trinity” favors likelihood of confusion, “the other factors must weigh strongly against a likelihood of confusion to avoid the finding of infringement.”<sup>44</sup> Other circuits have expressed reservations about this approach,<sup>45</sup> and the Ninth Circuit has criticized a district court for relying too heavily on the Internet “troika” factors.<sup>46</sup> Indeed, courts frequently remind us that the principles of trademark infringement are largely the same in the online world as in the physical one.<sup>47</sup>

These various multi-factor tests all represent efforts to identify the circumstantial evidence that is relevant to deducing the ultimate answer to whether there is a likelihood of confusion. The experienced and successful trademark lawyer recognizes the fluidity of these factors and learns how to create a case that either makes the most favorable factors appear to be most salient or important, or otherwise builds a factual record so that the factors either weigh in favor of or against a finding of the relevant species of confusion. For instance, courts have long generally recognized that the more sophisticated the consumer the less likely they are to be confused.<sup>48</sup> In some instances, however, attorneys have

---

Eleventh Circuit: *Alliance Metals, Inc. v. Hinley Indus., Inc.*, 222 F.3d 895, 907 (11th Cir. 2000).

D.C. Circuit: *Basile, S.p.A. v. Basile*, 899 F.2d 35, 37 (D.C. Cir. 1990).

Federal Circuit: *In re E. I. Du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

<sup>42</sup>*Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 942 (9th Cir. 2002) (“This eight factor test is pliant, and the relative import of each factor is case specific.”); *Interactive Prods. Corp. v. a2z Mobile Office Solutions*, 326 F.3d 687, 695 (6th Cir. 2003) (“[E]ach case presents its own complex set of circumstances and not all of these factors may be particularly helpful in any given case.”).

<sup>43</sup>*GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1205 (9th Cir. 2000) (describing “controlling troika”).

<sup>44</sup>*Interstellar Starship Servs.*, 304 F.3d at 942; see also *Brookfield Commc’ns v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1058 (9th Cir. 1999).

<sup>45</sup>Cf. *College Network, Inc. v. Moore Educ. Publishers, Inc.*, 378 F. App’x 403, 414 (5th Cir. 2010) (describing Ninth Circuit test and noting lack of support).

<sup>46</sup>*Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1148–49 (9th Cir. 2011) (agreeing that “the troika” is “helpful to resolve disputes involving websites with similar names or appearances,” but counseling against “read[ing the case law] so expansively as to forever enshrine these three factors . . . as the test for trademark infringement on the Internet”).

<sup>47</sup>Cf. *Brookfield Commc’ns*, 174 F.3d at 1055, 1066 (“The domain name is more than a mere address: like trademarks, second-level domain names communicate information as to source. . . . [R]egistration of a domain name for a Web site does not trump long-established principles of trademark law. When a firm uses a competitor’s trademark in the domain name of its web site, users are likely to be confused as to its source or sponsorship.”).

<sup>48</sup>4 MCCARTHY §23:96; *PC Club v. Primex Tech., Inc.*, 32 Fed. App’x 576, 579 (Fed. Cir. 2002) (“The risk of likelihood of confusion is increased, however, when the products are relatively low-priced and subject to impulse buying because purchasers are held to a lesser standard of purchasing care.”); *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1046 (2d

successfully argues that sophisticated consumers are *more* likely to be confused because he or she is more likely to realize how licensing and endorsements work and therefore be more likely to assume sponsorships or affiliations than other consumers.<sup>49</sup> Similarly, courts have often found that the stronger a mark is, the more likely the defendant's mark is infringing. However, in some instances the defendants have successfully argued that the strength of the plaintiff's mark actually reduces the likelihood of confusion because no one would ever mistake any other brand for that strong brand.<sup>50</sup>

The Internet, as a new and evolving media, presents the trademark lawyer with many opportunities to explore the realities of how consumers make purchasing decisions and to exploit that information for the benefit of his client. One fundamental question that lurks in virtually every Internet case is whether the court views the Internet as being akin to a highway from which travelers can be diverted and misled or as a supermarket where consumers are exposed to more choice and opportunity for comparison shopping than ever before. While the early precedent clearly reflected one reality, it remains to be seen whether that reality is changing and, if so, what the ultimate effect will be on trademark law for the 21st century.

## II. CONFUSION ONLINE\*

With the Internet fast becoming the primary mode of purchase for many consumers, the potential for confusion online has garnered increased attention by the courts. Although, for the most part, courts have applied the traditional likelihood of confusion factors to trademark infringement on the Internet,<sup>51</sup> some have emphasized certain factors over others to account for the fact that a consumer today can move from one store to the next with just a click of a button.<sup>52</sup> Indeed,

---

Cir. 1992) (“Generally, the more sophisticated and careful the average consumer of a product is, the less likely it is that similarities in trade dress or trade marks will result in confusion concerning the source or sponsorship of the product.”); Homeowners Group, Inc. v. Home Marketing Specialists, Inc., 931 F.2d 1100, 1111 (6th Cir. 1991) (“Because of the significance of the services sold by [Defendants] and the sophistication of [Plaintiff’s] customers, this factor may be material in determining whether a likelihood of confusion exists.”).

<sup>49</sup>See 4 McCARTHY §23:101–02; Lois Sportswear, Inc. v. Levi Strauss & Co., 799 F.2d 867, 875 (2d Cir. 1986) (“[W]e believe that it is a sophisticated jeans consumer who is most likely to assume that the presence of appellee’s trademark stitching pattern on appellants’ jeans indicates some sort of association between the two manufacturers.”)

<sup>50</sup>See Hormel Foods Corp. v. Jim Henson Prods., 73 F.3d 497, 503 (2d Cir. 1996) (finding consumers of Muppet merchandise unlikely to confuse a character named “Spa’am” with the well-known meat product brand).

\*This section was written by Holly Gaudreau, counsel at Kilpatrick Townsend & Stockton LLP, and Stephen W. Feingold.

<sup>51</sup>See, e.g., Interstellar Starship Services, Ltd. v. Epix, Inc., 304 F.3d. 936, 943 (9th Cir. 2002) (because the “Internet Troika” test did not indicate confusion, the district court properly considered all the relevant likelihood of confusion factors).

<sup>52</sup>Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1148 (9th Cir. 2011) (emphasizing certain likelihood of confusion factors to consider in keyword advertising cases; “Given the multifaceted nature of the Internet and the ever-expanding ways in which we all use

such treatment is consistent with the view of one circuit court, which advised: “[W]e must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach.”<sup>53</sup>

Any consideration of confusion on the Internet must also account for the rapid changes affecting the way the Internet functions and how consumers use this media. For instance, one early decision stated definitively that consumers often guessed at a domain name by simply typing in a company name or brand name into their browser.<sup>54</sup> Therefore, some early cases assumed that using the mark of another in a domain name was likely to cause confusion.<sup>55</sup> More recently, the Ninth Circuit noted that this assumption is simply out of date:

[I]n the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. They skip from site to site, ready to hit the back button whenever they’re not satisfied with a site’s contents. They fully expect to find some sites that aren’t what they imagine based on a glance at the domain name or search engine summary. Outside the special case of . . . domains that actively claim affiliation with the trademark holder, consumers don’t form any firm expectations about the sponsorship of a website until they’ve seen the landing page—if then.<sup>56</sup>

Throughout the 1990s and the beginning of the 21st century, many search engines used metatags as an important factor in ranking how high a website should appear in response to a particular query. Not surprisingly, therefore, the courts found the use of a metatag corresponding to a competitor’s trademark to be strong evidence of likelihood of confusion.<sup>57</sup>

Google’s success in the search engine space is often attributed to the fact that, unlike most of its now defunct predecessors in the search industry, Google organic search results depend little, if at all, on the metatags used to describe the site.<sup>58</sup> For that reason, the logic of those cases finding likely confusion based on metatag use would appear to no longer apply. A trademark owner bringing

---

the technology . . . it makes no sense to prioritize the same three factors for every type of potential online community activity.”); *Hearts on Fire Co., LLC v. Blue Nile, Inc.*, 603 F. Supp. 2d 274, 289 (D. Mass. 2009) (offering multi-factored test in the context of sponsored links as a supplement to the traditional likelihood of confusion factors); *Playboy Enters., Inc. v. Netscape Commun’cs, Inc.*, 354 F.3d 1020, 1026 (9th Cir. 2004) (“In the Internet context, courts must be flexible in the factors, as some may not apply. Moreover, some factors are more important than others.”); *Trans Union LLC v. Credit Research, Inc.*, 142 F. Supp. 2d 1029, 1044 (N.D. Ill. 2001) (emphasizing certain factors as “the most important considerations” when considering online confusion.).

<sup>53</sup>*Brookfield Commun’cs, Inc. v. West Coast Entertm’t Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999).

<sup>54</sup>*Cardservice Int’l v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997).

<sup>55</sup>See, e.g., *PACCAR Inc. v. Telescan Technologies, LLC*, 319 F.3d 243, 250 (6th Cir. 2003), *overruled in part, by KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

<sup>56</sup>*Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1179 (9th Cir. 2010).

<sup>57</sup>See discussion, *infra*, at §§II.3.(b) and IX.

<sup>58</sup>*See Network Automation, Inc. v. Advanced Sys. Concepts*, 638 F.3d 1137, 1146 n.3 (9th Cir. 2011).

a claim of likely confusion based on metatag use should be prepared to explain how such use is causing confusion.

### A. Types of Confusion on the Internet

Trademark law initially focused on preventing one party from selling its wares to consumers who bought them believing that they were the wares of a third party. The Lanham Act expanded the scope of potentially infringing activities to include not only this type of primary source confusion, but also confusion as to affiliation, sponsorship and/or endorsement. In analyzing such likelihood of confusion, courts recognize that confusion can occur at the time of sale, after a sale or even before a sale has occurred.

#### 1. *Point-of-Sale Confusion*

The most common type of confusion alleged in trademark infringement cases is point-of-sale confusion occurring at the time of purchase.<sup>59</sup> There is no such confusion “where a defendant conspicuously and unequivocally informs buyers that the defendant, and not the plaintiff, is the source of the product.”<sup>60</sup> This fundamental inquiry remains the same whether the sale takes place online or through a more traditional purchasing channel. Thus, the fundamental inquiry for point-of-sale confusion is not affected by the fact that the Internet sale occurs online.

As one might expect, however, the Internet does challenge our perception of what constitutes a “point of sale.” The potential buyer is not physically in the store. He or she cannot perform a “hands on” examination of the product packaging, the traditional insignia relied upon to help negate any confusion.

This change of the commercial context in which the buying decision is made has not spawned much debate. Courts have intuitively understood that whether confusion occurs at the point of sale on the Internet “will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.”<sup>61</sup> Moreover, given that virtually every business today utilizes the Internet, some courts find that use of similar online marketing channels adds little to the point-of-sale confusion analysis.<sup>62</sup>

---

<sup>59</sup>4 MCCARTHY, §23:5 (4th ed. 2011).

<sup>60</sup>General Motors Corp. v. Keystone Auto. Indus., Inc., 453 F.3d 351, 355 (6th Cir. 2006).

<sup>61</sup>Hearts on Fire Co., LLC v. Blue Nile, Inc., 603 F. Supp. 2d 274, 289 (D. Mass. 2009).

<sup>62</sup>See, e.g., Network Automation, Inc. v. Advanced Systems Concept, Inc., 638 F.3d 1137, 1151 (9th Cir. 2011) (“Today, it would be the rare commercial retailer that did not advertise online, and the shared use of a ubiquitous marketing channel does not shed much light on likelihood of confusion.”); but see PACCAR, Inc. v. TeleScan Technologies, LLC, 319 F.3d 243, 252–53 (6th Cir. 2003) (district court finding that the parties’ use of the Internet as marketing channel increases likelihood of confusion is “not clearly erroneous.”)

## 2. Post-Sale Confusion

Historically, confusion had to occur at the point of sale for it to be actionable. In 1962, the Lanham Act was amended to remove this limitation.<sup>63</sup>

Post-sale confusion occurs when a member of the consuming public observes a product and is confused about the origin or sponsorship of a product after it has been purchased by another.<sup>64</sup> The *Restatement of the Law (Third), Unfair Competition* explains that the good will of a brand can be adversely impacted based on perceptions of potential buyers who conclude that the brand has become too commonplace and therefore no longer desirable.<sup>65</sup>

A classic example of this type of confusion was presented in *Lois Sportswear, USA, Inc. v. Levi Strauss & Co.*<sup>66</sup> involving knock-off jeans. There, the U.S. Court of Appeals for the Second Circuit held that although the labeling of defendants' jeans prevented confusion at the point of sale, such labeling (later discarded by the consumer) did not alleviate confusion when the jeans' similar stitching designs were viewed by others outside the retail environment. Thus, the court explained, an observer of the jeans worn by others may be led to believe that the mark owner is associated with or has consented to the mark's use.<sup>67</sup> When this happens, the owner may suffer a loss of sales that are diverted to the infringer.<sup>68</sup>

The U.S. Court of Appeals for the Sixth Circuit in *General Motors Corp. v. Keystone Automotive Industries, Inc.*<sup>69</sup> has also recognized that "injecting of knockoffs into the stream of commerce" can harm consumers and the brand owner

<sup>63</sup>See 4 McCARTHY §23.7. The original text of the Lanham Act provided that conduct was actionable when a mark was "likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services." In 1962, Congress amended the Lanham Act by eliminating the term "purchasers." Courts view this amendment as supporting infringement in the post-sale environment where non-purchasers may be confused. See, e.g., Checkpoint Sys., Inc. v. Check Point Software Technologies, Inc., 269 F.3d 270, 295 (3rd Cir. 2001); but see Electronic Design & Sales, Inc. v. Electronic Data Sys. Corp., 954 F.2d 713, 716 (Fed. Cir. 1992) ("we do not construe this deletion [of "purchasers"] to suggest, much less compel, that purchaser confusion is no longer the primary focus of the inquiry. Instead, we believe that, at least in the case of goods and services that are sold, the inquiry generally will turn on whether actual potential 'purchasers' are confused.")

<sup>64</sup>See, e.g., *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955), *cert denied*, 350 U.S. 832 (1955); *Insty\*Bit v. Poly-Tech Industries, Inc.*, 95 F.3d 663, 671 (8th Cir. 1996) ("The Lanham Act protects post-sale as well as point-of-sale confusion."); *Ferrari S.P.A. Esercizio v. Roberts*, 944 F.2d 1235, 1244 (6th Cir. 1991) (affirming injunctive relief for automobile manufacturer despite lack of point-of-sale confusion, declaring "Once a product is injected into commerce, there is no bar to confusion, mistake, or deception occurring at some future point in time.") (*quoting Rolex Watch U.S.A., Inc. v. Canner*, 645 F. Supp. 484, 492–93 (S.D. Fla. 1986)); *Payless Shoesource, Inc. v. Reebok*, 998 F.2d 985, 989–90 (Fed. Cir. 1993) (finding abuse of discretion by district court for failure to consider the existence of post-sale confusion); *CAE, Inc v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 683 (7th Cir. 2001).

<sup>65</sup>RESTATEMENT OF THE LAW (THIRD), UNFAIR COMPETITION, §20, comment b (1995).

<sup>66</sup>799 F.2d 867, 872–73 (2d Cir. 1986) (affirming summary judgment in favor of plaintiff jeans manufacturer).

<sup>67</sup>799 F.2d at 873–874.

<sup>68</sup>*General Motors Corp. v. Keystone Auto. Indus.*, Inc., 453 F.3d 351, 358 (6th Cir. 2006).

<sup>69</sup>453 F.3d at 358.

in more ways than one, including reputational harm to the owner if the inferior quality of the infringing product is attributed to it by consumers.<sup>70</sup>

In determining whether post-sale confusion has occurred, courts give less deference to likelihood of confusion factors such as overlap in marketing channels and degree of purchasing care since post-sale viewers may be unaware that products were purchased at different stores and for what price.<sup>71</sup> Some courts also consider the identity of the viewing public to determine whether post-sale confusion is actionable. For example, in *Butcher Co. v. Bouthot*,<sup>72</sup> the U.S. District Court for Maine held there was no post-sale confusion when persons who may have been confused were not “commercially relevant” because they did not influence buying decisions.<sup>73</sup>

### 3. Initial Interest Confusion

Prior to the advent of the online world into the mainstream, courts had on occasion recognized at least one other form of confusion. Initial interest confusion, sometimes referred to as “foot in the door” confusion, acknowledges that often the hardest part of any sale is getting the potential customer to stop and consider the product for sale. If the prospective buyer believes that the product is from a well-known brand, he or she may be more willing to stop and consider making this purchase. By the time of the purchase, it is most likely that the buyer will know exactly from whom he is buying the product and has no misconceptions. But the seller would have arguably never made that sale but for the brief time when the buyer thought the product was related to a well-known brand.

---

<sup>70</sup>*Id.* at 358. The Sixth Circuit identified six different types of harm resulting from post-sale confusion: “(1) the viewing public, as well as subsequent purchasers, may be deceived if expertise is required to distinguish the original from the counterfeit; (2) the purchaser of an original may be harmed if the widespread existence of knockoffs decreases the original’s value by making the previously scarce commonplace; (3) consumers desiring high quality products may be harmed if the original manufacturer decreases its investment in quality in order to compete more economically with less expensive knockoffs; (4) the original manufacturer’s reputation for quality may be damaged if individuals mistake an inferior counterfeit for the original; (5) the original manufacturer’s reputation for rarity may be harmed by the influx of knockoffs onto the market; and (6) the original manufacturer may be harmed if sales decline due to the public’s fear that what they are purchasing may not be the original.” (internal citations omitted).

<sup>71</sup>*Adidas Am., Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029, 1055 (D. Or. 2008) (“channels of trade are largely irrelevant in determining the likelihood of *post-sale* confusion.”) (emphasis in original); *Payless Shoesource, Inc. v. Reebok*, 998 F.2d 985, 989–90 (Fed. Cir. 1993).

<sup>72</sup>124 F. Supp. 750 (D. Me. 2001).

<sup>73</sup>124 F. Supp. at 758 (no post-sale confusion due to lack of evidence that janitors who viewed cleaning suppliers in post-sale environment made purchasing decisions); *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 382 (7th Cir. 1996) (in the post-sale context, the “proper examination is not whether some people viewing [the product] might be confused, but rather whether *consumers* in the market for [that product] are likely to be confused.”) (emphasis in original); *Munsingwear, Inc. v. Jockey Int’l, Inc.*, 1994 U.S. Dist. LEXIS 8243, \*13 (D. Minn. 1994), *aff’d*, 39 F.3d 1184 (8th Cir. 1994) (post-sale confusion not relevant since men’s underwear is concealed after point of sale thereby diminishing concern for post-sale confusion.)

Under these circumstances, courts have held that the defendant has appropriated the good will of the established mark for its own benefit.<sup>74</sup> The U.S. Court of Appeals for the Third Circuit has declared that “[w]ithout initial interest protection, an infringer could use an established mark to create confusion as to a product’s source thereby receiving a ‘free ride on the good will’ of the established mark.”<sup>75</sup> Likewise, the U.S. Court of Appeals for the Seventh Circuit in *Promatek Industries, Ltd. v. Equitrac Corp.*<sup>76</sup> has emphasized “what is important is not the duration of the confusion, it is the misappropriation of [plaintiff’s] goodwill.”<sup>77</sup> Indeed, courts often equate initial interest confusion to a “bait and switch.”<sup>78</sup>

In *BigStar Entertainment, Inc. v. Next Big Star, Inc.*,<sup>79</sup> the U.S. District Court for the Southern District of New York summed up the harm facing trademark owners as: (1) “the original diversion of the prospective customers’ interest; (2) the potential consequent effect of that diversion on the customer’s ultimate decision whether or not to purchase caused by an erroneous impression that two sources of a product may be associated; and (3) the initial credibility which may be accorded by the interested buyer to the junior user’s products—customer consideration that otherwise may be unwarranted and that may be built on the strength of the senior user’s mark, reputation and goodwill.”<sup>80</sup>

#### a. Historic Underpinnings

The concept of initial interest confusion was first recognized in 1975 by the U.S. Court of Appeals for the Second Circuit in *Grotian, Helfferich, Schultz, Th Steinweg Nachf v. Steinway & Sons.*<sup>81</sup> The Second Circuit held that, despite the lack of confusion at the time of purchase due to consumer sophistication and high cost of the product, a potential buyer of a Steinway piano may still be “misled

<sup>74</sup>See, e.g., *Brookfield Commn’cs, Inc. v. West Coast Enm’t Gr., Inc.*, 174 F.3d 1036, 1057 (9th Cir. 1999). We discuss *Brookfield* in greater detail, *infra*, at §§II.3.(b) and IX.

<sup>75</sup>*Checkpoint Sys. Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 294–95 (3d Cir. 2001) (quoting *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d. Cir. 1987))

<sup>76</sup>300 F.3d 808 (7th Cir. 2002).

<sup>77</sup>300 F.3d at 812.

<sup>78</sup>See, e.g., *Dorr-Oliver, Inc. v. Fluid Quip, Inc.*, 94 F.3d 376, 382 (7th Cir. 1996) (“[T]he Lanham Act forbids a competitor from luring potential customers away from a producer by initially passing off its goods as those of the producer’s even if confusion as to the source of the goods is dispelled by the time any sales are consummated. This ‘bait and switch’ of producers, also known as ‘initial interest’ confusion, will affect the buying decisions of consumers in the market for the goods, effectively allowing the competitor to get its foot in the door by confusing consumers.”) (internal cites omitted)

<sup>79</sup>105 F. Supp. 2d 185 (S.D.N.Y. 2000)

<sup>80</sup>105 F. Supp. 2d at 207. The district court ultimately denied plaintiff’s motion for preliminary injunction on grounds that the marks were not identical, the parties did not compete, defendants did not intentionally use plaintiff’s marks in its metatags, and plaintiff’s mark was weak. *Id.* at 211.

<sup>81</sup>523 F.2d 1331 (2d. Cir. 1975). Courts have also credited the 1962 amendment to the Lanham Act, discussed *supra*, footnote 63, as broadening the Act’s protection to address initial interest confusion. See, e.g., *Checkpoint Sys., Inc. v. Check Point Software Technologies, Inc.*, 269 F.3d 270 (3d Cir. 2001) (“We agree with the view that Congress’s amendment of the Lanham Act in 1962 expanded trademark protection to include instances in which a mark creates initial confusion.”); *Hearts On Fire Co., LLC v. Blue Nile, Inc.*, 603 F. Supp. 2d 274, 283 (D. Mass. 2009).

into an initial interest” for the competing Grotian-Steinweg piano based on the similarity of the names.<sup>82</sup> The court reasoned that such confusion is actionable because a consumer may associate Grotian-Steinweg with Steinway and would consider purchasing it on that basis alone.<sup>83</sup> Because Grotian-Steinweg was misappropriating Steinway’s good will, “such initial confusion works an injury to Steinway.”<sup>84</sup>

Twelve years later, the Second Circuit handed down another significant decision applying the doctrine of initial interest confusion to hold that “Pegasus Petroleum” infringed plaintiff’s well known “flying horse” trademark.<sup>85</sup> Affirming the district court’s judgment in favor of plaintiff, the Second Circuit in *Mobile Oil Corp. v. Pegasus Petroleum Corp.*<sup>86</sup> explained that a likelihood of confusion was found “not in the fact that a third party would do business with Pegasus Petroleum believing it related to Mobile, but rather in the likelihood that Pegasus Petroleum would gain crucial credibility during the initial phases of a deal. For example, an oil trader might listen to a cold call from Pegasus Petroleum. . . . when otherwise he might not because of the possibility that Pegasus Petroleum is related to Mobile.”<sup>87</sup>

Courts in the majority of circuits, including the Second, Third, Fifth, Sixth, Seventh, Ninth and Tenth Circuits, have expressly found initial interest confusion actionable under the Lanham Act.<sup>88</sup> While the doctrine may have never been questioned prior to the dawn of the Internet, it was rarely used. Prior to 1990, one scholar found that there were less than a dozen published decisions that even referenced the concept. Between 1990 and 2005, there were more than

---

<sup>82</sup>523 F.2d at 1341.

<sup>83</sup>*Id.* at 1342.

<sup>84</sup>*Id.*

<sup>85</sup>818 F.2d at 259.

<sup>86</sup>818 F.2d 254 (2d Cir. 1987).

<sup>87</sup>*Id.* at 259.

<sup>88</sup>See, e.g., *Brookfield Commn’cs, Inc. v. West Group Entm’t Corp.*, 174 F.3d 1036 (9th Cir. 1999); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006); *Checkpoint Sys., Inc. v. Check Point Software Technologies, Inc.*, 269 F.3d 270, 292 (3d Cir. 2001) (“Initial interest confusion is actionable under the Lanham Act.”); *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, 192 F.3d 633, 638 (7th Cir. 1999) (“We agree that initial confusion may, in certain cases, be sufficient for a finding of likelihood of confusion even if the confusion is later dispelled.”); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812–13 (7th Cir. 2002) (enjoining defendant from using plaintiff’s mark in metatag on defendant website); *Savin v. Savin Corp. v. The Savin Group*, 391 F.3d 439 (2d Cir. 2004), *cert. denied*, 126 S. Ct. 116 (2005); *PACCAR Inc. v. Telescan Technologies, LLC*, 319 F.3d 243, 253 (6th Cir. 2003), *overruled in part on different grounds*, by *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) (initial interest confusion is recognized as an infringement under the Lanham Act.); *Pet Silk, Inc. v. Jackson*, 481 F. Supp. 2d 824, 829–30 (S.D. Tex. 2007) (“even if [plaintiff] had not shown actual confusion, the fact that [defendant] adopted the mark as part of its domain name creates initial interest confusion as to the source or sponsor of the website and this is recognized as infringement under the Lanham Act.”); *SecuraComm Consulting, Inc. v. SecuraCom, Inc.*, 984 F. Supp. 286, 295 (D.N.J. 1997), *reversed on other grounds*, 166 F.3d 182, 186 (3d Cir. 1999), *appeal after remand*, 224 F.3d 273 (3d Cir. 2001); *see also EMC Corp. v. Hewlett-Packard Co.*, 59 F. Supp. 2d 147, 150 (D. Mass. 1999) (disagreeing with defendant’s contention that the First Circuit has expressly rejected the initial interest confusion doctrine.)

one hundred cases discussing this doctrine, the vast majority of which involved Internet-related fact patterns.<sup>89</sup>

*b. Cases Finding Initial Interest Confusion Actionable*

By far the most influential and, at the same time, controversial, decision on the application of the doctrine of initial interest confusion to the Internet is the U.S. Court of Appeals for the Ninth Circuit's opinion in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*<sup>90</sup> In *Brookfield*, the Ninth Circuit held that defendant's use of plaintiff's "moviebuff" mark in hidden metatags on its website to attract search results was actionable as initial interest confusion.<sup>91</sup> In reaching this conclusion, the Ninth Circuit analogized the use of another's trademark in metatags as "posting a sign with another's trademark in front of one's store."<sup>92</sup>

Suppose West Coast's competitor (let's call it "Blockbuster") puts up a billboard on a highway reading: "West Coast Video: 2 miles ahead to Exit 7"—where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast's store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast's acquired good will.<sup>93</sup>

Five years later, the Ninth Circuit again tackled trademark infringement on the Internet in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*,<sup>94</sup> this time in the context of keyword advertising. Netscape sold keyword terms, which, when searched, resulted in the sponsor's banner advertisement being displayed on the results page. Playboy argued that Netscape infringed its marks by including them in the list of terms for purchase. Analyzing the practice under initial interest confusion, the Ninth Circuit held that because the linked banner ads were not labeled to identify their source, consumers were likely misled into believing they had followed a link to Playboy's website.<sup>95</sup> Citing *Brookfield*, the court explained that "[E]ven if they realize 'immediately upon accessing' the competitor's site that they have reached a site 'wholly unrelated to' PEI's,

---

<sup>89</sup>J. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 109, 110 (2005).

<sup>90</sup>174 F.3d 1036 (9th Cir. 1999).

<sup>91</sup>174 F.3d at 1065. The court also held there was a likelihood of source confusion resulting from defendant's use of plaintiff's mark "moviebuff" in its domain name.

<sup>92</sup>*Id.* at 1064.

<sup>93</sup>174 F.3d at 1064. The *Brookfield* analogy has been criticized as not applicable to the Internet under the rationale that users are not actually misdirected nor is it difficult to return to search results. See discussion *infra*, note 103.

<sup>94</sup>354 F.3d 1020 (9th Cir. 2004).

<sup>95</sup>354 F.3d at 1025.

the damage has been done: Through initial consumer confusion, the competitor ‘will still have gained a customer by appropriating the goodwill that [PEI] has developed in its mark.’” The Ninth Circuit also expressly restricted its holding to those banner ads which did not identify their source.<sup>96</sup> The court reversed the district court’s summary judgment for Netscape.<sup>97</sup>

In a strongly worded concurrence, Judge Berzon, who had sat on the *Brookfield* panel, expressed serious reservations, not with the decision in *Playboy v. Netscape* but with *Brookfield*. On reflection, she had decided that *Brookfield* had been “wrongly decided” since, under that precedent, there could be trademark infringement even if the ads at issue were clearly labeled. Judge Berzon analogized the browsing of labeled keyword advertisements to shopping at a department store; a shopper en route to a designer brand section may be diverted by the department store’s more prominent display of its brand and never reach the designer brand. Judge Berzon reasoned this “[d]istracting a potential customer with another *choice*, when it is clear that it is a choice” does not constitute trademark infringement.<sup>98</sup>

Siding with *Brookfield*, the U.S. Court of Appeals for the Tenth Circuit later applied the doctrine of initial interest confusion to a “choice of product” scenario similar to the one Judge Berzon addressed in her hypothetical. In *Australian Gold, Inc. v. Hatfield*,<sup>99</sup> defendant resellers of tanning lotion products displayed plaintiff’s marks on their sites and used those marks in metatags to divert customers to their websites. Once at the websites, customers would be presented with both plaintiff’s products and those of its competitors.<sup>100</sup> The jury found in favor of plaintiff and the district court denied defendants’ motion for judgment as a matter of law. The Tenth Circuit affirmed, concluding: “Defendants used the goodwill associated with Plaintiff’s trademarks in such a way that consumers might be lured to the lotions from Plaintiff’s competitors. This is a violation of the Lanham Act.”<sup>101</sup>

### c. Cases Rejecting the Doctrine of Initial Interest Confusion

The real dilemma with the doctrine of initial interest confusion is that the very nature of the Internet with its search engines, links, and the like provides a

---

<sup>96</sup>*Id.* at 1025 n.16. (“Note that if a banner advertisement clearly identifies its source, or, even better, overtly compared [Playboy] products to the sponsor’s own, no confusion would occur under [Playboy’s] theory.”)

<sup>97</sup>On the heels of *Playboy Enterprises, Inc. v. Netscape Communications, Inc., came Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, 2005 U.S. Dist. LEXIS 6228, \*29–30 (N.D. Cal. 2005), a decision involving sponsored links triggered by Google’s AdWords program. Defendants argued that the sponsored links fell within Judge Berzon’s department store analogy. The U.S. District Court for the Northern District of California, however, found that factual issues and “novel legal questions” warranted denial of defendants’ motion to dismiss.

<sup>98</sup>354 F.3d at 1036 (emphasis in original).

<sup>99</sup>436 F.3d 1228 (10th Cir. 2006).

<sup>100</sup>436 F.3d at 1239. Defendants also used plaintiff’s marks to divert traffic to their sites when not selling plaintiff’s products.

<sup>101</sup>*Id.* at 1239. *But see* Designer Skin, LLC v. S&L Vitamins, Inc., 560 F. Supp. 2d 811, 820 (D. Ariz. 2008) (finding no initial interest confusion on similar facts), discussed *infra*, §II 3 (c).

backdrop that makes the doctrine relevant to virtually any Internet fact pattern. It has also come under attack from members of the academic community.<sup>102</sup> Indeed, some courts have declined to endorse it or have taken to restrict its application.<sup>103</sup>

On the premise that consumers are merely offered a choice in products and not confused, the U.S. District Court for the Eastern District of Pennsylvania in *J.G. Wentworth v. Settlement Funding*<sup>104</sup> expressly rejected the Ninth Circuit's billboard analogy in *Brookfield* to find no actionable initial interest confusion. Plaintiff finance company claimed that defendant infringed its marks by purchasing them through Google's AdWords program and using them in metatags for defendant's website.<sup>105</sup> After finding that defendant's purchase of plaintiff's marks as keywords and incorporation of metatags did indeed constitute a "use in commerce,"<sup>106</sup> the court went on to hold there was no likelihood of confusion. While noting that the Third Circuit has not yet extended application of initial interest confusion to metatags, the court described the Ninth Circuit's reasoning in *Brookfield* as "a material mischaracterization of the operation of internet search engines,"<sup>107</sup> explaining:

At no point are potential consumers "taken by a search engine" to defendant's website due to defendant's use of plaintiff's marks in metatags. Rather, as in the present case, a link to defendant's website appears on the search results page as one of many choices for the potential consumer to investigate. As stated above, the links

---

<sup>102</sup>See J. ROTHMAN, INITIAL INTEREST CONFUSION: STANDING AT THE CROSSROADS OF TRADEMARK LAW, 27 CARDozo L. REV. 109, 121–159 (2005).

<sup>103</sup>See, e.g., *Lamparello v. Falwell*, 420 F.3d 309, 315 (4th Cir. 2005), *cert. denied*, 126 S. Ct. 1772 (2006) (declaring the Fourth Circuit has not endorsed the initial interest confusion doctrine, characterizing it as "relatively new and sporadically applied."); *Hasbro, Inc. v. Clue Computing, Inc.*, 232 F.3d 1, 2 (1st Cir. 2000) ("in a case involving such disparate products and services as this, the court's refusal to enter the 'initial interest confusion' thicket is well taken given the unlikelihood of 'legally significant' confusion."); *Astra Pharm. Prods., Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 1207 (1st Cir. 1983), *superseded by statute on other grounds*, 2011 U.S. Dist. LEXIS 36320 (N.D. Tex. 2011) (holding "temporary" confusion had no effect on the ultimate purchase); *Southern Snow Mfg. Co. v. Sno Wizard Holdings, Inc.*, 2011 U.S. Dist. LEXIS 15723, \*9 (E.D. La. 2011) (likelihood of confusion is not established "as a matter of law" simply because initial interest confusion may result from defendant's use of plaintiff's mark of metatag on its website); *Suntree Technologies, Inc. v. Ecosense Int'l, Inc.*, 2011 U.S. Dist. LEXIS 78642, \*14–15 (M.D. Fl. July 20, 2011) (recognizing the Eleventh Circuit "has not explicitly addressed whether initial interest confusion is sufficient to satisfy the likelihood of confusion element. However, the Eleventh Circuit has suggested that—at least where the initial interest confusion is remedied prior to the consummation of a sale—such confusion is not sufficient to satisfy the likelihood of confusion test."); *but see MasterCard Int'l Inc. v. Yanda*, 2009 U.S. Dist. LEXIS 116785, \*25 (N.D. Fla. 2009) (consent judgment and permanent injunction stating that defendant "undisputedly profited from these instances of initial interest confusion" with its infringing MASTERCARD domain names); *see also Gibson Guitar Corp. v. Paul Reed Smith Guitars*, 423 F.3d 539, 551 (6th Cir. 2005) (declining to apply initial interest confusion to product shape trademark.)

<sup>104</sup>2007 U.S. Dist. LEXIS 288 (E.D. Pa. 2007)

<sup>105</sup>2007 U.S. Dist. LEXIS 288 at \*6–7.

<sup>106</sup>*Id.* at \*18. The court reasoned: "By establishing an opportunity to reach consumers via alleged purchase and/or use of a protected trademark, defendant has crossed the line from internal use to use in commerce under the Lanham Act." *See infra* §VI.A.

<sup>107</sup>*Id.* at \*22.

to defendant's website always appear as independent and distinct links on the search result pages regardless of whether they are generated through Google's AdWords program or search of the keyword metatags of defendant's website.<sup>108</sup>

The court concluded there was no opportunity for confusion to occur due to the "separate and distinct nature" of the website links on the search result pages presented to the consumer.<sup>109</sup>

The U.S. District Court for Utah relied on a similar analogy for keyword advertising in *1-800 Contact, Inc. v. Lens.com, Inc.*<sup>110</sup> to find no likelihood of confusion resulting from defendant's purchase of variations of plaintiff's marks as keywords. Plaintiff argued that the appearance of defendant's ads triggered by the keywords was "akin to a consumer asking a pharmacist for Advil and the pharmacist handing the consumer Tylenol."<sup>111</sup> The court disagreed and instead likened the results obtained by keyword advertising to the following scenario: "when a consumer asks a pharmacist for Advil, the pharmacist directs the consumer to an aisle where the consumer is presented with any number of different pain relievers, including Tylenol. If a consumer truly wants Advil, he or she will not be confused by the fact that a bottle of Tylenol is on a shelf next to Advil because of their different appearances."<sup>112</sup> The court denied plaintiff's motion for summary judgment, concluding that the mere purchase of keywords cannot result in consumer confusion when the trademark does not appear in the sponsored ad.<sup>113</sup>

Similarly, the U.S. District Court for Arizona in *Designer Skin, LLC v. S&L Vitamins, Inc.*<sup>114</sup> held that defendant reseller's use of plaintiff's trademarks as metatags and keywords on its website to describe the plaintiff's products sold on defendant's website did not constitute initial interest confusion. Acknowledging that its holding was "at odds" with the Tenth Circuit's decision in *Australian Gold v. Hatfield*, the district court explained there is a "meaningful distinction" between using a mark to attract consumers to a website that only offers products competing with those of the mark owner (i.e., a "bait and switch") and using a mark to attract consumers to a website that offers the mark owner's products along with competing products.<sup>115</sup>

---

<sup>108</sup>*Id.* at \*22–23.

<sup>109</sup>*Id.* at \*23–24.

<sup>110</sup>755 F. Supp. 2d 1151 (D. Utah 2010).

<sup>111</sup>755 F. Supp. 2d at 1173.

<sup>112</sup>*Id.* at 1173; see also *1-800 Contacts, Inc. v. WhenUCom, Inc.*, 414 F.3d 400, 411 (2d Cir. 2005) (analogizing keyword advertising to a drug store placing "its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the store's less expensive alternative.")

<sup>113</sup>*Id.* at 1181–82.

<sup>114</sup>560 F. Supp. 2d 811 (D. Ariz. 2008).

<sup>115</sup>560 F. Supp. at 820. See also *Network Automation, Inc. v. Advanced Sys. Concept, Inc.*, 638 F.3d 1137, 1148 (9th Cir. 2011) ("it would be wrong to expand the initial interest confusion theory of infringement beyond the realm of misleading and deceptive to the context of legitimate comparative and contextual advertising").

Courts also consider consumer sophistication as a factor militating against initial interest confusion.<sup>116</sup> Affirming summary judgment in favor of defendant, the U.S. Court of Appeals for the Eighth Circuit in *Sensient Technologies Corp. v. SensoryEffects Flavor Co.*<sup>117</sup> refused to apply the doctrine of initial interest confusion without evidence that defendant attempted to “lure away” plaintiff’s customers by “passing off” its products as defendant’s.<sup>118</sup> The court emphasized that the sophistication of the consumer food companies and the high degree of purchasing care over a period of time dispelled any potential for confusion.<sup>119</sup> The court declared: “We decline [plaintiff’s] invitation to adopt ‘initial interest confusion’ doctrine in this case, because, even if the doctrine applied generally in this circuit, it would not apply in this case.”<sup>120</sup> Despite the similarities of the product, the court held that consumer “sophistication makes it less likely customers will experience initial confusion, ultimately resulting in a benefit to the alleged infringer.”<sup>121</sup>

One court emphasized that when dealing with sophisticated consumers, there must be evidence that the initial contact with the brand was linked to an eventual purchasing decision. The U.S. District Court for Massachusetts in *CCBN.com, Inc. v. C-Call.Com, Inc.*<sup>122</sup> declared that, even if sophisticated purchasers are “initially” confused between similar domain names, there is no likelihood of confusion if that confusion has dissipated by the time of purchase and does not affect the “ultimate purchase decision.”<sup>123</sup> The court reasoned that any “de minimis confusion, which is easily resolved, and does not affect the ultimate purchase decision, is of minimal relevance.”<sup>124</sup>

---

<sup>116</sup>*Id.* at 766; *see also* Interstellar Starship Serv., Ltd. v. Epix, Inc., 304 F.3d. 936, 945 (9th Cir. 2002) (“actionable initial interest confusion on the Internet is determined, in large part, by the relatedness of the goods offered and the level of care exercised by the consumer.”); Checkpoint Sys., Inc. v. Check Point Software Technologies, Inc., 269 F.3d 270, 296 (3d Cir. 2001) (recognizing that product relatedness and high level of care exercised by consumers is relevant to the determination of initial interest confusion); Montblanc-Simplo v. Aurora Due S.r.l., 363 F. Supp. 2d 467, 478 (E.D.N.Y. 2005) (suggesting initial interest confusion pertains only to competitors).

<sup>117</sup>613 F.3d 754 (8th Cir. 2010).

<sup>118</sup>*Id.* at 764.

<sup>119</sup>*Id.* at 764.

<sup>120</sup>*Id.* at 766.

<sup>121</sup>Still, other courts have found initial interest confusion despite the sophistication of customers and the negotiation process. In *SecuraComm Consulting, Inc. v. SecuraCom, Inc.*, 984 F. Supp. 286, 295 (D.N.J. 1997), *reversed on other grounds*, 166 F.3d 182, 186 (3d Cir. 1999), the court rejected defendant’s argument that initial interest confusion did not occur because the clients were highly sophisticated and did not enter contracts without carefully examining the identity of the potential contracting party. The court reasoned: “while this all may be true, it ignores all of the confusion which can and has happened when contracts are not entered into or during the period before final contracts are signed. It ignores the fact that because of mistaken identity, SCI may have been prevented from ever being considered as a potential contracting party.”; *see also* *Axiom Corp. v. Axiom*, 27 F. Supp. 2d 478, 493, 497–98 (D. Del. 1998) (finding initial interest confusion despite the fact that the parties did not compete, the products were expensive and consumers sophisticated.)

<sup>122</sup>73 F. Supp. 2d 106 (D. Mass. 1999).

<sup>123</sup>*Id.* at 113.

<sup>124</sup>*Id.*

Courts also sometimes limit application of the initial interest confusion concept to circumstances when a defendant will gain financially. In a domain name case, the U.S. Court of Appeals for the Fourth Circuit in *Lamparello v. Falwell*<sup>125</sup> rejected the initial interest confusion on grounds that a consumer encountering defendant's parody site would not be confused into thinking the site was associated with plaintiff, and the defendant was not using plaintiff's mark for its own financial benefit.<sup>126</sup> The Fourth Circuit observed that "even if [it] did endorse the initial interest confusion theory," such confusion was not actionable on the facts presented, explaining: "when an alleged infringer does not compete with the markholder for sales, some initial confusion will not likely facilitate free riding on the goodwill of another work or otherwise harm the user claiming infringement."<sup>127</sup> The court reversed the district court's summary judgment in favor of plaintiff, directing judgment to be entered in favor of defendant.<sup>128</sup> Likewise, in *Northland Ins. Cos. v. Blaylock*,<sup>129</sup> the U.S. District Court for Minnesota held that although the Eighth Circuit had not yet addressed the doctrine of initial interest confusion, the concept did not apply in the case at hand since defendant did not stand to "materially or financially gain from said initial confusion by trading in on the value of plaintiff's mark to initially attract customers."<sup>130</sup>

#### d. Cases Setting Standards for Initial Interest Confusion

A few courts have attempted to devise standards for when the initial interest confusion test in the Internet context is helpful. For instance, some courts have suggested that initial interest confusion is only actionable if there is some intentional conduct by the defendant to benefit from that confusion.<sup>131</sup> In one such case, the district court granted a preliminary injunction because the domain name selected by the defendant was very close to the trademark, and the defendant included the trademark in its metatags. Such use was an obvious attempt to gain attention from potential consumers based on the association with the plaintiff's mark.<sup>132</sup>

---

<sup>125</sup>420 F.3d 309 (4th Cir. 2005), *cert denied*, 126 S. Ct. 1772 (2006).

<sup>126</sup>420 F.3d at 316.

<sup>127</sup>*Id.* at 317.

<sup>128</sup>Despite the Fourth Circuit's reluctance to embrace the initial interest confusion, at least one district court in the Fourth Circuit has invoked the doctrine to enjoin use of an infringing domain name. *Asia Apparel Co., LLC v. Cunneen*, 2008 U.S. Dist. LEXIS 57678, at \*9 (W.D.N.C. 2008) (observing that "[I]nitial interest confusion is 'every bit as actionable as if plaintiff had proven that it will actually lose sales.'") (internal citation omitted).

<sup>129</sup>115 F. Supp. 2d 1108 (D. Minn. 2000).

<sup>130</sup>115 F. Supp. 2d at 1120.

<sup>131</sup>*See, e.g., Lilly & Co. v. Natural Answers, Inc.*, 86 F. Supp. 2d 834, 845 (S.D. Ind. 2000) (initial interest confusion occurs "when a competitor lures potential customers by initially passing off its goods as those of another."); *BigStar Entm't, Inc. v. Next Big Star, Inc.*, 105 F. Supp. 2d 185, 209 (S.D.N.Y. 2000) (no initial interest confusion on the facts presented, distinguishing the Brookfield court's finding of initial interest confusion based on the "knowing or intentional use" of plaintiff's mark that enabled defendants to profit from plaintiff's good will); *see also* discussion, *supra*, at §II.3(c).

<sup>132</sup>*Lilly & Co.*, 86 F. Supp. 2d at 845.

Other courts have said that the initial interest confusion doctrine should only apply when consumers were actually confused instead of being diverted. In *Hearts on Fire Co. v. Blue Nile, Inc.*,<sup>133</sup> the plaintiff diamond wholesaler claimed that Blue Nile, a diamond retailer, infringed its “hearts on fire” mark by both displaying a sponsored link in conjunction with defendant’s website address and using “hearts on fire” as a keyword to generate sponsored links.<sup>134</sup>

Acknowledging that the *Brookfield* billboard analogy is not always a perfect fit for the Internet,<sup>135</sup> the court addressed the possibility of initial interest confusion by equating the sponsored links on a search results page to a store offering an array of similar products. Under such a scenario, the court reasoned, “the goodwill invested in the protected mark remains undisturbed while the consumer reaps the benefit of competing goods. Trademark infringement would seem unsupportable in this scenario. Mere diversion, without any hint of confusion, is not enough.”<sup>136</sup> However, because whether defendant’s actions result in a “misleading billboard” or a “choice-enhancing menu” is often a close call, the court posed two questions to determine the likelihood of confusion: (1) “Were consumers misdirected by the search results, like a misleading billboard, or simply offered a menu of distinct, competing products?” and (2) “If consumers were potentially misdirected by Blue Nile’s sponsored links, was that potential for confusion sufficient to state a claim for trademark infringement?”<sup>137</sup> The court concluded that plaintiff sufficiently alleged facts to support its claim that the sponsored links, even those not displaying it marks, caused initial interest confusion.<sup>138</sup>

In denying Blue Nile’s motion to dismiss, the court also took the opportunity to offer its own multi-factor test to assess what the consumer “sees on the screen and reasonably believes.”<sup>139</sup> The court identified the following factors: “(1) the overall mechanics of web-browsing and internet navigation, in which a consumer can easily reverse course; (2) the mechanics of the specific consumer search at issue; (3) the content of the search results webpage that was displayed, including the content of the sponsored link itself; (4) downstream content on the Defendant’s linked website likely to compound any confusion; (5) the web-savvy and sophistication of the Plaintiff’s potential customers; (6) the specific context of a consumer who has deliberately searched for trademarked diamonds

---

<sup>133</sup>603 F. Supp. 2d 274 (D. Mass. 2009).

<sup>134</sup>*Id.* at 279.

<sup>135</sup>*Id.* at 285. The court agreed with the view of “many scholars who find the deceptive billboard analogy often inapt in the internet context” because a user can return “almost instantly to search results to find sought after brand.”; *see also* Bihari v. Gross, 119 F. Supp. 309, 320 n.15 (S.D.N.Y. 2000) (“Use of the highway billboard metaphor is not the best analogy to a metatag on the Internet. The harm caused by a misleading billboard on the highway is difficult to correct. In contrast, on the information superhighway, resuming one’s search for the correct website is relatively simple. With one click of the mouse and a few seconds delay, a viewer can return to the search engine’s results and resume searching for the original website.”).

<sup>136</sup>603 F. Supp. at 285–86.

<sup>137</sup>*Id.* at 288.

<sup>138</sup>*Id.* at 289.

<sup>139</sup>*Id.* at 289. Although no other court has formally adopted these factors, the Ninth Circuit, in *Network Automation, Inc. v. Advanced Systems Concept, Inc.*, has acknowledged them as “useful.” The court, however, declined to incorporate them as part of its analysis 683 F.3d 1137, 1154 n.6.

only to find a sponsored link to a diamond retailer; and, in light of the foregoing factors,(7) the duration of any resulting confusion.”<sup>140</sup>

Other courts have tried to limit the wide application of the doctrine by restricting its application to cases where the plaintiff can prove bad faith. On remand from the Ninth Circuit,<sup>141</sup> the U.S. District Court for Oregon in *Interstellar Starship Services v. Epix Inc.*<sup>142</sup> held that just because potential consumers mistakenly visited a website incorporating the owner’s mark did not mean confusion had occurred. Distinguishing its facts from those in *Brookfield* where the defendant had deliberately used plaintiff’s trademark to divert users to their site, the court found no initial interest confusion because the alleged infringer registered its domain name without knowledge of the owner’s mark and thus did not intentionally benefit in bad faith.<sup>143</sup> Likewise, in another domain name dispute, the U.S. Court of Appeals for the Second Circuit in *Savin Corp. v. Savin Group*<sup>144</sup> held that “a showing of intentional deception” is required for initial interest confusion on the Internet to be actionable.<sup>145</sup> The Second Circuit reasoned that “consumers diverted on the Internet can more readily get back on track than those in actual space, thus minimizing the harm to the owner of the searched-for site from consumers becoming trapped in a competing site.”<sup>146</sup>

The degree to which the initial interest confusion doctrine is a useful tool for analyzing confusion on the Internet will continue to be at the center of many decisions in the coming years. However, courts should be careful before concluding that the doctrine requires a showing of bad faith. While bad faith may be one factor justifying application of this doctrine, the wrong being addressed is whether the defendant unfairly benefited from an erroneous assumption made by the consumer when first encountering the defendant. If the defendant has caused that confusion—even unintentionally—the harm to the trademark owner is no less.

Moreover, by linking the application of this doctrine to bad faith, the courts will in effect be encouraging plaintiffs to focus on creating a record to justify such a showing. Typically, a defendant will agree to settle if it loses the preliminary injunction hearing. However, if the injunction turned on initial interest confusion—which was only relevant if the court found the defendant had acted in bad faith—then the granting of a preliminary injunction will be the equivalent of finding bad faith. A large brand owner may be forced to pursue the case through trial merely to overturn that aspect of the ruling. As a result, many cases that now settle may not.

---

<sup>140</sup>*Id.*

<sup>141</sup>184 F.3d 1107 (9th Cir. 1999).

<sup>142</sup>125 F. Supp. 2d 1269 (D. Ore. 2001), *aff’d*, 304 F.3d 936 (9th Cir. 2002).

<sup>143</sup>125 F. Supp. 2d at 1280.

<sup>144</sup>391 F.3d 439 (2d Cir. 2004), *cert. denied*, 126 S. Ct. 116 (2005).

<sup>145</sup>391 F.3d at 462 n.13. *See also* Bihari v. Gross, 119 F. Supp. 2d 309, 320–21 (S.D.N.Y. 2000) (rejecting application of initial interest confusion due to lack of “bad faith attempt to trick” users to visit defendant’s websites that were critical of the trademark owner; preliminary injunction denied.)

<sup>146</sup>*Id.*

## B. Does the Internet Make Confusion More Likely?

Setting aside the question of initial interest confusion, are there other ways that the Internet makes confusion more likely? There is no doubt that the Internet presents significant challenges to a brand owner's exercise of control over its trademarks. The sheer volume of data online—available with just a click of a button—along with a competitor's ability to manipulate search results through hidden search algorithms and keywords is daunting. Conversely, with increased Internet usage comes more sophisticated consumers who are familiar with navigating websites and utilizing search engines to locate the desired products. To them, what they see on the computer screen when purchasing products is arguably no different than the various product displays they encounter in a brick and mortar establishment. Indeed, the cases cited herein illustrate why the question is not easily answered.

### 1. Cases Finding that the Internet Exacerbates Confusion

In the view of some early decisions, the nature of the Internet lends itself to an increased likelihood of confusion.<sup>147</sup> And such confusion is not necessarily diminished by the sophistication of the consumer. For example, in *PACCAR Inc. v. Telescan Technologies, LLC*,<sup>148</sup> the U.S. Court of Appeals for the Sixth Circuit discounted the sophistication of the consumers to find that defendant TeleScan's use of plaintiff PACCAR's trademarks in its domain names resulted in consumer confusion. PACCAR and TeleScan both provided online truck locator services. Defendant TeleScan argued that the sophistication of the consumers and care taken to purchase expensive trucks mitigated against any confusion, and, in any event, Internet users have learned not to linger on websites that do not provide the desired information.<sup>149</sup> The Sixth Circuit, however, was not persuaded, holding that initial interest confusion still occurs because the user is misdirected to the wrong site and such “initial interest confusion ‘afflicts sophisticated Internet users no less than it does unsophisticated users.’”<sup>150</sup> Relying on *Brookfield*, the Sixth Circuit also emphasized that the Internet as a marketing channel exacerbated confusion; because entering a website takes such little effort “web surfers are more likely to be confused as to the ownership of a website than traditional

---

<sup>147</sup>See, e.g., *GoTo.com v. Walt Disney Co.*, 202 F.3d 1199, 1207 (9th Cir. 2000) (stating that the Internet “as a marketing channel, is particularly susceptible to a likelihood of confusion since . . . it allows for competing marks to be encountered at the same time, on the same screen”).

<sup>148</sup>319 F.3d 243 (6th Cir. 2003), *overruled in part on different grounds.*, by *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004). The Sixth Circuit also rejected TeleScan's argument that its use of PACCAR's trademarks in its domain website constitutes “fair use,” holding that likelihood of confusion precludes the fair use defense. In resolving a division among the circuits on this question, the U.S. Supreme Court in *KP Permanent Make-Up, Inc. v. Lasting Impression I., Inc.*, 543 U.S. 111, 72 USPQ2d 1833 (2004), held that a party asserting the fair use defense did not have the burden to prove no likelihood of confusion.

<sup>149</sup>319 F.3d at 254.

<sup>150</sup>*Id.* (internal cite omitted).

patrons of a brick-and-mortar store would be of a store's ownership.”<sup>151</sup> Noting the similarity of the marks and services at issue, the Sixth Circuit found the district court's ruling on customer care “not clearly erroneous” and affirmed the preliminary injunction as to the domain names.<sup>152</sup>

With the rise in social networking, courts must also now address how such specialized marketing impacts the likelihood of confusion on the Internet. In *Quia Corp v. Mattel, Inc.*,<sup>153</sup> competing toy makers both advertised their competing products on various social networking sites including Facebook, YouTube and blogging sites. Notably, plaintiff did not assert any harm based on search engine placement, but instead relied on the traditional *Sleekcraft*<sup>154</sup> factors to claim that defendants’ “aggressive social networking strategy” placed their product in the similar marketing channels as plaintiff’s, increasing the likelihood of confusion.<sup>155</sup> In denying defendants’ motion for summary judgment, the U.S. District Court for the Northern District of California observed that although “the mere existence of online advertising” did not establish likelihood of confusion, social media marketing is more akin to niche marketplaces such as the specialty retail outlets and trade magazines presented in *Sleekcraft* and thus could contribute to the likelihood of confusion.<sup>156</sup>

## 2. Cases Finding that the Internet Makes Confusion Less Likely

Many courts take the position that the sophistication of the consumer and their ability to view marks in context lessens the potential for confusion online. In the words of one court, “Internet surfers are inured to the false starts and excursions awaiting them”<sup>157</sup> and thus are not more likely to be confused than consumers who are purchasing in brick and mortar stores.

One of the earliest cases noting the importance of the context of use (beyond the mere fact that both marks were used on the Internet) involved one of the early search engine giants, AltaVista. In denying preliminary injunction relief, the U.S. District Court for Massachusetts in *Alta Vista Corp. v. Digital Equipment Corp.*,<sup>158</sup> held there was no likelihood of confusion between two nearly identical marks—ALTA VISTA and ALTAVIDSTA—because, when viewed in context, the

---

<sup>151</sup>*Id.* at 252.

<sup>152</sup>*Id.* at 258. The court vacated the injunction as to defendant’s use of plaintiff’s trademarks in metatags on its websites and remanded for further consideration since the district court had failed to separately analyze the question.

<sup>153</sup>2011 U.S. Dist. LEXIS 76157 (N.D. Cal. 2011).

<sup>154</sup>*AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49, 204 USPQ 808 (9th Cir. 1979). Those factors are: 1) the strength of the mark; 2) proximity or relatedness of the goods; 3) the similarity of the marks; 4) evidence of actual confusion; 5) the marketing channels used; 6) the degree of care customers are likely to exercise in purchasing the goods; 7) the defendant’s intent in selecting the mark, and 8) the likelihood of expansion into other markets. *Id.*

<sup>155</sup>2011 U.S. Dist. LEXIS 76157 at \*11.

<sup>156</sup>*Id.* at \*12.

<sup>157</sup>*Chatam Int’l, Inc. v. Bodum, Inc.*, 157 F. Supp. 2d 549, 559 (E.D. Pa. 2001), *aff’d*, 40 Fed. App. 685, 2002 U.S. App. LEXIS 14567 (3rd Cir. 2002) (granting summary judgment for defendant in domain name infringement case).

<sup>158</sup>44 F. Supp. 2d 72 (D. Mass. 1998).

marks did not lend themselves to confusion. The court counseled that “marks should not be compared in the abstract, out of context.”<sup>159</sup> In the situation presented, an Internet user could distinguish between the two marks based on their respective websites reflecting their different services (Internet search service versus a literary agency).<sup>160</sup>

In 2011, the Ninth Circuit handed down *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*,<sup>161</sup> further clarifying the standard for trademark infringement on the Internet. Authored by Judge Wardlaw, a member of the panel that decided *Brookfield* twelve years earlier, the Ninth Circuit opinion vacated an injunction in favor of the trademark owner, finding there was no likelihood of confusion regarding defendant’s use of plaintiff’s mark in keyword advertising. In doing so, the Ninth Circuit rejected the notion that Internet users generally exercise a low degree of care, explaining that “the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.”<sup>162</sup> The court also emphasized that in the keyword advertising context, “the likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.”<sup>163</sup>

Further, at least one district court has observed that the manner in which purchases are made on the Internet negates confusion: “Website customers would have to spend time creating an account and inevitably may have to provide, at least initially, a password, an e-mail address, a billing address, shipping address, shipping method and payment information prior to completing a purchase. These prerequisites demand a certain level of commitment and motivation that is likely to further refine the compass of the relevant ordinary reasonably informed purchasers by lifting the overall level of sophistication on the strength of the stalwarts.”<sup>164</sup>

### C. Litigating Confusion: The Plaintiff’s Perspective

What is quickly evident in this review of cases—with respect to claims against competitors—is that the divergence in results correlates to the courts’ differing views of the Internet and whether it is more akin to a billboard misdirecting consumers or the ultimate in consumer choice. With respect to claims against search

---

<sup>159</sup>44 F. Supp. 2d at 76.

<sup>160</sup>*Id.* at 76. See also CCBN.Com, Inc. v. C-Call.com, 73 F. Supp. 2d 106, 112 (D. Mass. 1999) (differences in website appearances such as layout, design and color scheme are to be considered when evaluating the similarity of trademarks on the Internet.)

<sup>161</sup>638 F.3d 1137 (9th Cir. 2011)

<sup>162</sup>638 F.3d at 1152.

<sup>163</sup>*Id.* at 1153 (quoting *Hearts on Fire Co. v. Blue Nile, Inc.*, 603 F. Supp. 2d 274, 289 (D. Mass. 2009)). The Ninth Circuit identified the following as key factors for determining likelihood of confusion in the context of Internet keyword advertising: (1) the strength of the mark; (2) evidence of actual confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; and (4) the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.

<sup>164</sup>*BigStar Entm’t, Inc. v. Next Big Star, Inc.*, 105 F. Supp. 2d 185, 216 (S.D.N.Y. 2000).

engines or similarly situated companies that participate in the infrastructure of the Internet and the like, the question is whether the court views these entities as akin to the phone or electric company. You don't sue the phone company because you get too many cold marketing calls. On the other hand, you do sue the electrician hired to wire your home who does so negligently and causes a fire.

The most important strategic decision a plaintiff must make before instituting a claim for Internet-based infringement is to identify the very real ways in which the alleged confusion is causing it economic injury. Courts have expressed increasing skepticism about facial claims of infringement stocked with allegations of irreparable injury and mass injury to the public based on nothing more than the fact that the plaintiff owns an admittedly strong mark but where the real injury is so intangible as to be almost ephemeral.

The typical manner in which plaintiffs try and add meat to their claim is to commission a survey, but that requires a minimum investment of at least \$40,000 and often much more. There are, however, other avenues to find strong evidence. The first question is to identify the most likely scenarios for a consumer to be confused and to make an educated guess as to which web site that confusion would lead him.

For instance, if the concern is product diversion, to which sites do you suspect the consumer is diverted? If you are correct and 1000 users are misdirected to web site X, then at least one or two of them would probably realize they had been diverted and immediately navigate to your site. Most web traffic tracking systems show the sites from which a visitor came. Unfortunately, this information is often held by marketing personnel who do not recognize the value of such data and therefore do not save or organize the data in a manner for it to be easily located. Remember, even a small number of such visitors would provide compelling evidence that the Internet-feared injury is not just imagined but real. If the tracking data is not available, consider posting an alert on your home page notifying consumers about the issue and requesting their assistance if they had been diverted.

#### D. Litigating Confusion: The Defendant's Perspective

If a defendant has adopted a mark with knowledge of a specific risk of infringement, it ought to have a plan in place from day one for addressing any potential claims of confusion. First, are there any concrete steps it can take today to minimize the potential for confusion (short of abandoning use)? If there are, but those steps are not taken, the defendant should have a clear explanation developed prior to the demand letter or complaint.

Second, if the defendant believes its use is not infringing because it is a crowded field or because of specific market conditions, it should collect information about that field at the same time it clears the mark; not just the information contained in the search report but information from its own inquiry (most likely via a private investigator). Establish confidence in your marketing decision by putting into place a written plan intended to capture any evidence of possible confusion and be sure to paint the development of this plan as a sign of responsibility and confidence and not to target those individuals with additional sales efforts.

Avoid reliance on truisms or the hope that because the potential plaintiff has not gone after others, you are safe. Larger companies often fall into that trap forgetting that for a small business, your infringing conduct may be its best chance at satisfying its income targets for the year.

Finally, remember that a jury might believe that the reason a defendant is fighting so hard to keep a mark when it could have easily adopted a new one is precisely because the defendant is benefitting from confusion in the marketplace. The smart defendant and his advocate will have a compelling story to explain why the defendant has decided to “fight and not switch.”

### III. TRADEMARK OWNERS’ DUTY TO ENFORCE ON THE INTERNET\*

#### A. The Duty to Police Generally

It is a well-settled principle that trademark owners have a duty to proactively police their mark and that the absence of such efforts can lead to the loss of trademark rights in the relevant market.<sup>165</sup> The Seventh Circuit has stated that “those who sleep on their rights, lose them.”<sup>166</sup> Similarly, the Second Circuit has warned that “When a senior user delays in enforcing its rights, a junior user may acquire a valid trademark in a related field, enforceable against even the senior user.”<sup>167</sup>

This proposition has appeared in so many decisions or scholarly discussions, that it has caused some trademark counsel to conclude that toleration of *any* third party use could destroy the integrity of the brand. As a result, in the early days of the Internet, it was not uncommon for presentations about cybersquatting to emphasize the duty of the trademark owner to stop virtually all such use or suffer potentially severe consequences.

---

\*This section was written by Stephen W. Feingold, Jennifer Huang, a law student at Harvard Law School, and Tali Alban, an associate at Kilpatrick Townsend & Stockton. Both provided invaluable assistance.

<sup>165</sup>See, e.g., 6 McCARTHY §31:38 at 31–97. *Du Pont de Nemours & Co. v. Yoshida Int’l, Inc.*, 393 F. Supp. 502, 512 (E.D.N.Y. 1975) (noting the importance of policing efforts “to ensure that whatever distinctiveness or exclusivity has been achieved is not lost through neglect, inattention or consent to infringing use”); *Bachellerie v. Z. Cavaricci, Inc.*, 762 F. Supp. 1070 (S.D.N.Y. 1991) (concluding that failure of plaintiff to enforce its mark against third party users “diminishes the strength of the mark”); *Morningside Grp. Ltd. v. Morningside Capital Grp., L.L.C.*, 182 F.3d 133 (2d Cir. 1999) (observing that successful policing of a mark adds to its strength by preventing weakening of the mark’s distinctiveness in the relevant market); *Dictaphone Corp. v. Dictamatic Corp.*, 199 USPQ 437 (D. Or. 1978) (same).

<sup>166</sup>*Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 820 (7th Cir. 1999). See also *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252 (5th Cir. 1980) (sugar manufacturer failed to contest more than 70 applications for identical or virtually identical marks to its DOMINO mark, thereby negating any inference of likely confusion); *La Maur, Inc. v. Bagwells Enters.*, 199 USPQ 601 (T.T.A.B. 1978) (fact that trademark owner had not objected to more than 40 uses of trademark demonstrated that consumers had learned to distinguish mark based on minor differences).

<sup>167</sup>*Patsy’s Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 216–17 (2d Cir. 2003).

The duty to police has been criticized, though, by some scholars as being an excuse for large trademark owners to bully smaller companies and individuals into stopping use of their marks on unrelated products or in ways that are unlikely to cause confusion. As one often quoted trademark critic has noted, the Lanham Act makes no reference to any “duty” to police but nevertheless this concept has become entrenched in trademark culture: it is like “the proverbial monster under a child’s bed. It’s not actually there, but boy, it sure seems scary.”<sup>168</sup>

Putting aside the question of whether the duty should exist, the blanket application of the doctrine to *any* infringing use of a trademark on the Internet is simply unrealistic. Indeed, as discussed *infra*,<sup>169</sup> virtually every consumer brand has become the target of cybersquatting in an effort by “domainers” to capture “click” generated income. The economic injury to the mark in most instances is either nonexistent or negligible. An overly aggressive brand owner could literally bankrupt itself if it pursued every instance of cybersquatting.

Fortunately, a trademark owner’s obligation to police its mark is founded on the need to maintain the mark’s *commercial* distinctiveness. For instance, the Trademark Trial and Appeal Board has stated:

[I]t is entirely reasonable for the [trademark owner] to object to the use of certain marks in use on some goods which it believes would conflict with the use of its marks . . . while not objecting to use of a similar mark on other goods which it does not believe would conflict with its own use.<sup>170</sup>

Another court has held that a trademark owner is obligated to fight only one infringement at a time.<sup>171</sup>

In fact, trademark owners should be cautious about sending out demand letters without pursuing the alleged infringer. In one case, for instance, a junior user in Queens, New York, responded to the cease and desist letter of a trademark owner in Manhattan by denying any likely confusion but offering to change its name.<sup>172</sup> When the trademark owner did not respond, the junior user wrote again stating that if it did not hear from the trademark owner, it would not proceed with the name change. More than a year later, the junior user opened up an office in Manhattan, prompting the trademark owner to file a complaint. The district court granted summary judgment to the defendant based on theories of acquiescence and laches. On appeal, the Second Circuit held that it was reasonable for the defendant to rely on the trademark owner’s silence, but remanded for the district

---

<sup>168</sup>Eric Goldman, Department of Commerce Releases Worthless Report On Trademark Bullying, Technology & Marketing Law Blog (April 29, 2011), available at [http://blog.ericgoldman.org/archives/2011/04/department\\_of\\_c.htm](http://blog.ericgoldman.org/archives/2011/04/department_of_c.htm).

<sup>169</sup>For more on cybersquatting, see *infra* §C.2.d.

<sup>170</sup>McDonald’s Corp. v. McKinley, 13 USPQ2d 1895 (T.T.A.B. 1989). See also Elizabeth Taylor Cosmetics Co. v. Annick Goutal, S.A.R.L., 673 F. Supp. 1238 (S.D.N.Y. 1987) (trademark owner not required to pursue every infringer); Playboy Enters. Inc. v. Chuckleberry Publ’g Inc., 486 F. Supp. 414, 422–23 (S.D.N.Y. 1980) (same); McNeil Labs., Inc. v. American Home Prods. Corp., 416 F. Supp. 804, 809 (D.N.J. 1976) (same).

<sup>171</sup>See Cuban Cigar Brands N.V. v. Upmann Int’l, Inc., 457 F. Supp. 1090, 1097 n.28 (S.D.N.Y. 1978) (Weinfeld, J.), aff’d without op., 607 F.2d 995 (2d Cir. 1979).

<sup>172</sup>Profitness Physical Therapy Center v. Pro-Fit Orthopedic & Sports Physical Therapy, 314 F.3d 62 (2d Cir. 2002).

court to evaluate the scope of that acquiescence and to consider the possibility of progressive encroachment.<sup>173</sup> While the plaintiff avoided summary judgment in this case, the result may have been different if the plaintiff had decided to expand into Queens and then sought to enjoin the junior user, because in that situation, the junior user could have potentially asserted territorial rights in Queens—and the doctrine of progressive encroachment would be of no help to the plaintiff.

A proper reading of these cases reveals that the “duty” to police third party uses of a mark is just another component of the trademark owner’s duty to control the quality of goods associated with its mark in order to ensure that the mark continues to be distinctive as a source of origin.<sup>174</sup> Indeed, courts are quick to grant latitude to trademark owners who show an overall attentiveness to protecting their mark(s).<sup>175</sup>

## B. The Duty to Police as Applied to the Internet

This duty to maintain a mark’s distinctiveness applies as much to the Internet as any other business environment. In *Hard Rock Cafe International (USA) Inc. v. Morton*,<sup>176</sup> the court found that defendants Peter Morton and Hard Rock Hotel, Inc. (“Hard Rock Hotel”) infringed upon plaintiff Hard Rock Cafe International (USA), Inc.’s (“HRCI”) trademark,<sup>177</sup> yet denied HRCI any form of monetary relief because of its acquiescence to the infringement.<sup>178</sup> The evidence at trial showed that HRCI was aware of at least 220 Hard Rock-related sites, “all of which [were] borderline embarrassing, and below [HRCI] standards.”<sup>179</sup> Additionally, Hard Rock Hotel’s website had developed as a joint project with HRCI, and HRCI had “actively maintained, both on and off the Internet, the public perception that Hard Rock Hotel and Hard Rock Cafes [were] affiliated entities.”<sup>180</sup> For over a year, HRCI had knowledge of Hard Rock Hotel’s infringing use of its trademark, leading the court to decide that consumer confusion was minimized. The court concluded that, as of the date of trial, “HRCI did not have an adequate program of trademark control, policing, or due diligence in place regarding third-party use of its trademarks on the Internet.”<sup>181</sup>

---

<sup>173</sup>*Id.* at 70.

<sup>174</sup>See *Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F. Supp. 96 (S.D.N.Y. 1989) (fact of successful policing of mark against most significant prior users of AT A GLANCE found more relevant than use of mark by small third parties).

<sup>175</sup>See *E.I. Du Pont de Nemours & Co. v. Yoshida Int’l, Inc.*, 393 F. Supp. 502, 527–28 (holding that doubt should be resolved in favor of the trademark owner, especially if he or she presents evidence of sufficient policing activity to prevent unauthorized use of the mark by others). See also 3 MCCARTHY, 3 §17:17.

<sup>176</sup>97 Civ. 9483 (RPP), 1999 WL 717995 (S.D.N.Y. Sept. 9, 1999).

<sup>177</sup>*Id.* at \*30.

<sup>178</sup>*Id.* at \*31.

<sup>179</sup>*Id.* at \*16.

<sup>180</sup>*Id.* at \*31.

<sup>181</sup>*Id.* at \*17.

This case illustrates the interrelationship between a duty to police with naked licensing and the failure to exercise quality control. Specifically, when the court believed that the trademark owner has stopped exercising quality control, it refused to find infringement.

In another case, a court was not impressed with the extensive third party use of similar marks because it was clear that the brand owner—in this case, Microsoft—diligently maintained the quality and distinctiveness of its WINDOWS trademark. In *Microsoft Corp. v. Lindows.com, Inc.*,<sup>182</sup> Microsoft sought to enjoin the use of LINDOWS.com for a competing product to its WINDOWS operating system. The defendant claimed that Microsoft had no ability to enforce its right in WINDOWS for several reasons, including the proliferation of similar marks on the Internet. While the court ultimately refused to enjoin Lindows, it rejected this defense: “the sheer volume of windows-related uses in the computer industry [was] notable. Microsoft [was] correct that its decision not to prosecute all the users of its marks . . . is not an indication of abandonment of the mark.”<sup>183</sup>

These two cases demonstrate that courts can reach different, seemingly inconsistent results under different sets of facts. The key question is whether the asserted third-party use diminished consumer recognition of the mark, and its ability to designate a specific source. In the *Microsoft* case, the evidence of third party use simply did not negate a finding that WINDOWS operated as a designation of origin. In other words, the existence of infringing uses on the Internet does not negate a brand owner’s rights unless it impairs the ability of the mark to function as a source of origin.

Importantly, trademark law is designed to reflect commercial reality. As a result, abstract bright-line tests are often suspect.

With this principle in hand, it becomes clear that brand owners should not feel obliged to spend hours searching the Internet to assure themselves that they are “infringement free.” As one court explained, a brand owner “is ‘not required to constantly monitor every nook and cranny of the entire nation and to fire both barrels of [its] shotgun instantly upon spotting a possible infringer.’”<sup>184</sup>

### C. Creating a Rational Policing Program

In light of these principles, a trademark owner should actively monitor the marketplace to ensure that its mark’s distinctiveness is not compromised. But at the same time, such a program should be driven by a realistic evaluation of the brand and the most pressing challenges to a policing policy.

The process of creating an effective policy must begin by asking, what is the nature of the brand? What is its conceptual strength—i.e., simplistically stated, does the mark consist of common words or does it possess some quality that makes it somewhat unique? For instance, certain brands such as UNITED

<sup>182</sup>No. C01-25115C, 2002 WL 31499324 (W.D. Wash. Mar. 15, 2002).

<sup>183</sup>*Id.* at \*11.

<sup>184</sup>United Cullman Ventures, Inc. v. Columbian Art Works, Inc., 717 F. Supp. 96, 127 (S.D.N.Y. 1989). See also *Saul Zaentz Co. v. Wozniak Travel, Inc.*, 627 F. Supp. 2d 1096, 1110–11 (N.D. Cal. 2008) (same).

AIRLINES or NEW YORK TIMES are combinations of common words which must be considered when developing the contours of the policing program.

Second, the trademark owner should evaluate the market strength of the brand including its potential for expansion, both geographically and in related product markets.

The third factor bearing consideration is the marketing channels and targeted consumers for the product. For instance, a business-to-business product may require far less policing than a consumer product brand.

Answering these questions will help to develop parameters for the zones of protection that the brand owner will seek to maintain. In this way the question of how to respond to a particular potentially infringement will be consistent and not based on subjective or, perhaps, transient, factors.<sup>185</sup>

An effective policing program should place an emphasis on early detection of potential infringements. The reality is that most companies do not have the budget to become ensnarled in every potential trademark dispute. If a company learns that a potential new name may draw it into a dispute before it has invested significantly in that new brand name, it may be far more likely to agree to change its brand. For that reason, the trademark counselor should consider the best sources of information for new product launches or new entrants into the relevant market. In many cases, the general commercial trademark watch services available by the leading search companies may be adequate. For other types of goods and services, however, it may be necessary to discovery alternative or additional avenues for tracking potential issues.

One frequently overlooked resource is the consumers of the brand in question. Some brand owners have successfully galvanized their consumer base into a “Fifth Column” of brand enforcement. Some companies even provide space on the web sites for consumers to report infringements.<sup>186</sup>

Finally, one other way for a company to enhance its policing efforts is to publicize its enforcement efforts. In many cases, this is done through press releases touting infringement “victories.” Another helpful strategy may be to designate a portion of the company’s website to enforcement issues. While virtually every website displays “terms of use” that prohibit unauthorized uses of a trademark, many lay persons, including infringers, assume that the brand owner will not do more than threaten. However, by creating a “Victories” page identifying intellectual property victories the company has had, the company can send a clear message that it WILL act in defense of its brand. If done correctly, the creation of a “Victories Page” on the brand owner’s home page, in and of itself, may help reduce infringement.

---

<sup>185</sup>It is the author’s experience that in companies without an established policy defining the scope of protection a brand will seek to maintain, deciding which marks to attack is far too often dependent on the identity of the person discovering the infringement. For example, if a high-ranking officer of the company happens to discover the infringement, the resulting enforcement actions may be more aggressive than is warranted, simply because the officer who discovered the infringement had less than ideal information about the scope or extent of other similar uses in the marketplace.

<sup>186</sup>See [www.chippendales.com](http://www.chippendales.com) for one such example. In the past, Chippendales offered incentives in the form of free tickets to persons whose reports of infringement led to a successful halt to those activities.

## IV. DOMAIN NAMES AS TRADEMARKS GENERALLY\*

By now, it is well established that designating websites by alphanumeric domain names may allow for trademark rights to be developed in those domain names.<sup>187</sup> In defining the contours of these rights, early trademark cases involving domain names drew guidance from case law involving telephone number ciphers—the alphanumeric representation of a telephone number, more commonly known as a “vanity” telephone number.<sup>188</sup> These early cases continue to provide some, albeit limited,<sup>189</sup> instruction on how the courts may approach domain names as potential trademarks.<sup>190</sup>

### A. Vanity Telephone Number Cases

It is generally settled that vanity telephone numbers can act as trademarks.<sup>191</sup> However, application of traditional principles to new technologies was not

---

\*This section was primarily drafted by Lucas C. Townsend, an associate with the Washington, D.C. office of Gibson, Dunn & Crutcher LLP. Prior to joining Gibson Dunn, Mr. Townsend served as a judicial clerk to the Honorable Samuel A. Alito, Jr. of the Supreme Court of the United States, the Honorable Maryanne Trump Barry of the United States Court of Appeals for the Third Circuit, and the Honorable Harold A. Ackerman of the United States District Court for the District of New Jersey. Additional invaluable research assistance was provided by Julie A. Slater, a law student at Brigham Young University.

<sup>187</sup>See, e.g., 15 U.S.C. §1125(d)(1)(B)(i)(I) (identifying “the trademark or other intellectual property rights of the person, if any, in the domain name” as a factor courts may consider in assessing the bad faith of an alleged domain “cybersquatter”); Area 55, Inc. v. Pandamerican LLC, 2010 WL 3564715, at \*4 (S.D. Cal. Sept. 10, 2010) (defendants’ registration of an Internet domain name that incorporated and was confusingly similar to plaintiff’s trademark warranted ordering defendants to transfer the infringing domain to plaintiff); Asia Apparel Co., LLC v. Cunneen, 2008 WL 2949244, at \*3–4 (W.D.N.C. July 30, 2008) (former owner of RIPSwear underwear brand was enjoined from continuing to use rips.com domain name where the domain name and continued references to RIPS underwear on the website caused likelihood of confusion with the new owner of the RIPS mark).

Similar rights have been recognized in other countries as well. See, e.g., Paeffgen GmbH v. ad-acta Datenschutz und Recycling GmbH, Bundesverfassungsgericht, No. 1 BVR 1306/02 (Nov. 24, 2004) (German Federal Constitutional Court holding that under the German Constitution a domain name registration is a property right granted by a contract, and subject to trademark law, such that a lower court’s cancellation of the domain registration raised constitutional concerns).

<sup>188</sup>See Reno v. American Civil Liberties Union, 521 U.S. 844, 852 (1997) (observing that the address of a webpage is “‘rather like a telephone number’”); see also Panavision Int’l, LP v. Toeppen, 141 F.3d 1316 (9th Cir. 1998); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949 (C.D. Cal. 1997).

<sup>189</sup>See Name.Space, Inc. v. Network Solutions, Inc., 202 F.3d 573, 584–84 (2d Cir. 2000) (acknowledging the limits of the analogy to vanity telephone numbers).

<sup>190</sup>See Carl Oppedahl, *Internet Domain Names that Infringe Trademarks*, N.Y.L.J., Feb. 14, 1995, at 5 (concluding that domain name trademark issues are substantially similar to telephone number trademark issues).

<sup>191</sup>See Dial-A-Mattress Franchise Corp. v. Page, 880 F.2d 675 (2d Cir. 1989); see also Holiday Inns, Inc. v. 800 Reservation, Inc., 86 F.3d 619 (6th Cir. 1996); Bell v. Kidan, 836 F. Supp. 125 (S.D.N.Y. 1993).

seamless,<sup>192</sup> and differences emerged. For example, although traditional trademark law does not extend to generic terms, at least one court has held that trademark protection is possible for vanity telephone numbers that are “mainly generic or descriptive terms.”<sup>193</sup> An unresolved split in authority exists today.<sup>194</sup>

### I. Dial-A-Mattress Franchise Corp. v. Page

In *Dial-A-Mattress*, the U.S. Court of Appeals for the Second Circuit stated that telephone numbers may be protected as trademarks.<sup>195</sup> Dial-A-Mattress Corporation was a retail mattress dealer that used a local New York metropolitan telephone number to take orders from customers.<sup>196</sup> The telephone number digits correspond to the letters MAT-TRES on the telephone dial.<sup>197</sup> Competitor Anthony Page, whose sofa-bed business had expanded into the mattress business, obtained and began advertising and using the telephone number 1-800-MAT-TRES.<sup>198</sup> Dial-A-Mattress Corporation filed suit against Page, alleging trademark infringement, unfair competition, and unjust enrichment under federal and New York state law.<sup>199</sup> The trial court issued a preliminary injunction ordering Page to disclaim any connection to Dial-A-Mattress, and to notify the telephone company to refrain from connecting calls placed to the number 1-800-MAT-TRES from any of the New York metropolitan area codes.<sup>200</sup> Page appealed the order.

In reviewing the case, the Second Circuit stated that Dial-A-Mattress could not claim trademark rights to the word “mattress” if the word was used solely to identify the company or its product.<sup>201</sup> Nor would protection be available for the variation (MATTRES, without the final S) used by Dial-A-Mattress, since the variation did not change the generic significance for the buyer.<sup>202</sup> However, the court also stated that a second user, though entitled to use a generic term already used by competitors, may be enjoined from passing itself off as the first user, or passing its product off as the product of the first user.<sup>203</sup>

---

<sup>192</sup>See, e.g., *Denver Area Educ. Telecommc'sns Consortium, Inc. v. FCC*, 518 U.S. 727, 742 (1996) (Breyer, J., plurality) (“[A]ware as we are of the changes taking place in the law, the technology, and the industrial structure related to telecommunications, . . . we believe it unwise and unnecessary definitively to pick one analogy or one specific set of words now”).

<sup>193</sup>See *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675 (2d Cir. 1989).

<sup>194</sup>See *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852 (3d Cir. 1992). See generally Terry Ann Smith, *Telephone Numbers That Spell Generic Terms: A Protectable Trademark or an Invitation to Monopolize a Market?*, 28 U.S.F.L. REV. 1079 (1994) (arguing that telephone numbers should not be protected because protection would hinder the pro-competition policies of the Lanham Act).

<sup>195</sup>880 F.2d 675, 678 (2d Cir. 1989).

<sup>196</sup>*Id.* at 676.

<sup>197</sup>*Id.*

<sup>198</sup>*Id.* at 677.

<sup>199</sup>*Id.*

<sup>200</sup>*Id.*

<sup>201</sup>*Id.*

<sup>202</sup>*Id.*

<sup>203</sup>*Id.* at 678.

The Second Circuit found that companies doing a significant business through telephone orders frequently promote their telephone numbers as a key identifier of the source of their products.<sup>204</sup> Thus, the court concluded that a competitor's use of a confusingly similar telephone number may be enjoined as both trademark infringement and unfair competition.<sup>205</sup> The court went so far as to say that a plaintiff does not lose the right to protection against a defendant's use of a confusingly similar telephone number and a confusingly similar set of letters that correspond to that number on the telephone dial just because the letters spell a generic term.<sup>206</sup>

The Court of Appeals' opinion explained that the "principles limiting protection for the use of generic terms serve to prevent a marketer from appropriating for its exclusive use words that must remain available to competitors to inform their customers of the nature of the competitor's business or product."<sup>207</sup> However, these principles do not require that a competitor remain free to confuse the public with a telephone number that is deceptively similar to that of the first user.<sup>208</sup> Thus, the Second Circuit affirmed the trial court's preliminary injunction.<sup>209</sup>

## 2. Dranoff-Perlstein Associates v. Sklar

Three years later in *Dranoff-Perlstein*, the United States Court of Appeals for the Third Circuit also adopted the position that vanity telephone numbers can function as trademarks.<sup>210</sup> While noting that most courts had come to this conclusion,<sup>211</sup> in contrast to the findings of the Second Circuit in *Dial-A-Mattress*, the Third Circuit in *Dranoff-Perlstein* found that the asserted vanity number was merely generic and could not be protected.<sup>212</sup>

Dranoff-Perlstein Associates began advertising and using the telephone number INJURY-1 for its personal injury law practice.<sup>213</sup> Sometime afterward, Harris Sklar began using and advertising INJURY-9 for his personal injury law practice.<sup>214</sup> Both parties filed federal trademark applications for their respective marks and, before the USPTO took action on either application, Dranoff-Perlstein filed suit against Sklar for trademark infringement and state trademark dilution.<sup>215</sup> Dranoff-Perlstein also requested and was granted a suspension of prosecution of Sklar's trademark application during the pendency of the case.<sup>216</sup>

---

<sup>204</sup>*Id.*

<sup>205</sup>*Id.*

<sup>206</sup>*Id.*

<sup>207</sup>*Id.*

<sup>208</sup>*Id.*

<sup>209</sup>*Id.*

<sup>210</sup>See *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852, 857 (3d Cir. 1992).

<sup>211</sup>*Id.*

<sup>212</sup>*Id.*

<sup>213</sup>*Id.* at 853.

<sup>214</sup>*Id.* at 854.

<sup>215</sup>*Id.*

<sup>216</sup>*Id.* at 857.

In reviewing the case, the Third Circuit stated that the mere fact that the parties' marks corresponded to their telephone numbers did not substantially alter the analysis of the case.<sup>217</sup> The appellate court then stated that in order to function as a trademark, a term must be an indicator of source, sponsorship, approval, or affiliation. If a mark that corresponds to a telephone number performs these functions, the mark may, if the other requirements of trademark law are met, be entitled to trademark protection.<sup>218</sup>

Upon reviewing the relevant case law, the Third Circuit determined that the term INJURY was generic in the context of personal injury legal services and reversed the order of the trial court.<sup>219</sup> However, since the mark for which protection was sought was not INJURY but INJURY-1, the court remanded the case for further proceedings and ordered the trial court to determine if the mark INJURY-1, as a whole, was entitled to protection and infringed.<sup>220</sup>

### 3. *In re Dial-A-Mattress Operating Corporation*

In *In re Dial-A-Mattress Operating Corp.*,<sup>221</sup> the U.S. Court of Appeals for the Federal Circuit rejected the view of the Third Circuit and upheld the validity of a registered service mark that included a toll-free number designator followed by the generic term "MATRESS."<sup>222</sup>

The plaintiff, Dial-A-Mattress, filed an intent-to-use application to register "1-888-MATRESS" as a service mark for "telephone shop-at-home retail services in the field of mattresses."<sup>223</sup> Dial-A-Mattress claimed that the mark was inherently distinctive; however, the examining attorney rejected the application because the mark was generic for the relevant services and not registrable. On appeal, the Trademark Trial and Appeal Board (the "TTAB" or "Board") upheld the examiner's finding on the grounds that because the (888) toll-free designator was devoid of source-indicating significance and the term "MATRESS" was generic, the mnemonic "1-888-MATRESS" was generic.

The Court of Appeals explicitly rejected the Board's decision and viewed the mark as a whole instead of as a mechanical combination of two generic terms. In reaching its decision, the court expressly rejected the reasoning of *Dranoff-Perlstein*, stating that "a rule precluding registrability merely shifts the race from the Trademark Office to the telephone company."<sup>224</sup> The court viewed the "telephone shop-at-home retail services in the field of mattresses" as a generic description of a class of products, or genus, and concluded that since the relevant public did not equate "1-888-MATRESS" with the genus, the mark was not generic.

---

<sup>217</sup>*Id.* at 855.

<sup>218</sup>*Id.* at 856.

<sup>219</sup>*Id.* at 860–63.

<sup>220</sup>*Id.* at 863.

<sup>221</sup>240 F.3d 1341 (Fed. Cir. 2001).

<sup>222</sup>*Id.* at 1345–46.

<sup>223</sup>*Id.* at 1343.

<sup>224</sup>*Id.* at 1346.

## B. Domain Name Cases

Cases involving trademark rights in domain names have built on the concepts developed and applied in earlier cases on vanity telephone numbers. It is now generally accepted that domain names may carry trademark rights if they function as an identifier of the source of goods or services.<sup>225</sup> Domain names that are generic or merely descriptive of a category of services or products generally carry no protected trademark rights. As in traditional trademark law, however, even descriptive domain names may acquire secondary meaning so as to constitute distinctive, and thus protectable, trademarks.

### 1. Generic and Descriptive Domain Names

As under traditional principles of trademark law, generic domain names—domain names that describe categories of goods or services—generally will be ineligible for trademark protection. To determine whether a mark is generic and unprotectable, the trier of fact must assess, first, what genus of goods or services is at issue, and, second, whether the term sought to be registered is understood by the relevant public primarily to refer to that genus of goods or services.<sup>226</sup> In practice, this evaluation can be fact-intensive and may, on occasion, lead to results that are difficult to reconcile. Unsurprisingly, the emerging body of case law with respect to protection of possibly generic domain names is similarly fact intensive and, at times, can appear inconsistent.

For example, in *Advertise.com v. AOL Advertising Inc.*,<sup>227</sup> the U.S. Court of Appeals for the Ninth Circuit held that a preliminary injunction should not have issued against defendant, the owner of the domain name “advertise.com,” because it had provided sufficient evidence that plaintiff’s registered mark “advertising.com” was generic.

The district court entered a preliminary injunction against defendant, reasoning that plaintiff’s “advertising.com” mark described the services that plaintiff offered—Internet advertising—and signified that plaintiff either was a commercial entity or provided Internet-related services.<sup>228</sup> On appeal, the Ninth Circuit held that the district court incorrectly applied the relevant legal standard. Starting with the “who-are-you/what-are-you” test, the Ninth Circuit reasoned that “advertising.com” merely described the genus of online advertising services and thus was likely generic.<sup>229</sup> The Ninth Circuit rejected plaintiff’s argument that this was a rare case in which the combination of two generic terms—“advertising”

---

<sup>225</sup>See §VI, *infra*.

<sup>226</sup>“Lawyers.com” Is Generic, Unregisterable For Reed Elsevier’s Legal News Database, May 4, 2007, available at [http://news.bna.com/epln/EPLNWB/split\\_display.adp?fedfid=7295136&vname=eiplnotallissues&wsn=528094000&searchid=14738716&doctypeid=1&type=date&mode=doc&split=0&scm=EPLNWB&pg=0](http://news.bna.com/epln/EPLNWB/split_display.adp?fedfid=7295136&vname=eiplnotallissues&wsn=528094000&searchid=14738716&doctypeid=1&type=date&mode=doc&split=0&scm=EPLNWB&pg=0) (last visited June 21, 2011).

<sup>227</sup>616 F.3d 974 (9th Cir. 2010).

<sup>228</sup>*Id.* at 981.

<sup>229</sup>See *id.* at 978 (“When any online advertising company, including AOL’s competitors, is asked the question ‘what are you?’ it would be entirely appropriate for the company to respond ‘an advertising.com’ or ‘an advertising dot-com.’”).

and “.com”—resulted in a distinctive mark because “the services offered under ADVERTISING.COM remain, at core, the simple provision of online advertising services.”<sup>230</sup> The Court of Appeals also noted that the existence of thirty-two separate domains containing “advertising.com,” such as “travel-advertising.com” and “aplusadvertising.com,” was strong evidence of genericness.<sup>231</sup>

The Ninth Circuit expressed unease with the breadth of plaintiff’s power to exclude others if it enjoyed protected trademark rights in “advertising.com.” “In addition to potentially covering all combinations of the generic term with any [top-level domain] (e.g., ‘.com’; ‘.biz’; ‘.org’), such trademark protection would potentially reach almost any use of the generic term in a domain name.”<sup>232</sup> Such overly broad trademark protections “would make it much more difficult for [other] entities to accurately describe their services.”<sup>233</sup> For these reasons, the Ninth Circuit concluded, defendant was likely to rebut the presumption of validity that plaintiff enjoyed in its registered mark and thus “prevail on its claim that ADVERTISING.COM is generic.”<sup>234</sup>

In another case, *Courtenay Communications Corp. v. Hall*,<sup>235</sup> the U.S. District Court for the Southern District of New York ruled that the term “iMarketing” is a generic term that refers to marketing on the Internet. The plaintiff, Courtenay, hired the defendant as a financial advisor to plaintiff’s “iMarketing News” publication. The defendant placed plaintiff’s logo on its website along with plaintiff’s alleged endorsements of the defendant’s services. The plaintiff claimed that the logo was entitled to trademark protection because it was inherently distinctive, not descriptive, containing an orange sphere behind the “i” and a distinctive typeface for the words.

The district court sidestepped the descriptive analysis by finding the mark generic and, therefore, ineligible for trademark protection. It noted that the term “iMarketing” referred to marketing on the Internet, and that by adding “News,” the plaintiff describes a generic class within the Internet marketing industry. The court stated that “it would be hard to think of a name for a publication regarding Internet marketing that more accurately described its contents than the name of the industry, ‘iMarketing’ plus the word ‘News.’”<sup>236</sup>

On appeal, however, the U.S. Court of Appeals for the Second Circuit vacated the district court’s judgment that the mark was generic.<sup>237</sup> The Court of Appeals held that the district court failed to view in a light most favorable to the plaintiff allegations that plaintiff’s mark was either distinctive or descriptive and had acquired secondary meaning—and therefore protectable under trademark law. Additionally, the Court of Appeals held that the district court erred by engaging in premature fact-finding in concluding that the plaintiff’s mark as a whole was generic. The Court of Appeals observed that, “even if the words ‘iMarketing News’

<sup>230</sup>*Id.* at 979.

<sup>231</sup>*Id.* at 980.

<sup>232</sup>*Id.* at 980–81.

<sup>233</sup>*Id.* at 981.

<sup>234</sup>*Id.*

<sup>235</sup>2001 WL 669258 (S.D.N.Y. 2001).

<sup>236</sup>*Id.*

<sup>237</sup>*Courtenay Commc’ns Corp. v. Hall*, 334 F.3d 210 (2d Cir. 2003).

are generic, [Courtenay] may nonetheless be entitled to trademark protection for its composite mark as a whole.”<sup>238</sup>

In a third case, *Fryer v. Brown*,<sup>239</sup> for example, the U.S. District Court for the Western District of Washington held that the domain name “autoupholsterykits.com” was distinctive and therefore protected against infringement by a competitor’s domain name “autophosterykit.com.” Plaintiff operated an auto upholstery business under the name “Fryer’s Auto Upholstery” and, in 2000, registered the domain name “autoupholsterykits.com.” Defendant had worked as an independent contractor for plaintiff but later established a competing business called “ABC Auto Upholstery Auto Glass and Repair,” using the domain name “autophosterykit.com.” Plaintiff sued on several grounds, including trademark infringement, and defendant moved for summary judgment on the theory that plaintiff’s “autoupholsterykits.com” is generic—that is, it merely “describes the type of product and answers the question ‘what are you.’”<sup>240</sup>

Despite the apparent generic nature of the domain name, the district court found that the mark was protectable.<sup>241</sup> Importantly, the court found that “evidence of deliberate copying establishes a *prima facie* case of secondary meaning, subject to rebuttal by the defendant, with the defendant bearing the ultimate burden of proof once deliberate copying is proven.”<sup>242</sup> Because the defendant could not overcome the inference that it copied the plaintiff’s domain name precisely because consumers sought it out, the court held the defendant’s use of a similar mark likely to cause consumer confusion, and thus be infringing.

In another case involving the use of a “top-level domain,” or “TLD” as part of a mark, Savin Corp. filed an intent-to-use application for SAVIN NET for a “computer software system for processing parts and supplies orders via a real-time on-line system.” The examining attorney requested that the applicant disclaim the “NET” portion of the mark, stating that it is merely descriptive of global computer networks like the Internet. On appeal, the TTAB agreed with the examining attorney, finding that the “NET” portion of the mark was merely descriptive.

The Federal Circuit, in a *per curiam* opinion, stated that the record contained sufficient evidence to support the Board and examining attorney’s findings that “NET” was descriptive.<sup>243</sup> The Federal Circuit looked to the dictionary, which defined the term as a network of computers. The Federal Circuit rejected the applicant’s argument, that “NET” can have several disparate meanings, concluding that today’s consumers would immediately recognize that “NET” described a network of computers.

Cases evaluating whether a domain name is generic or protectable, therefore, often turn on the quality of evidence before the finder of fact. As a result, experienced practitioners understand that it is usually, if not always, helpful to develop evidence that an arguably generic domain name (or portion of a domain name)

<sup>238</sup>*Id.* at 215–16.

<sup>239</sup>2005 WL 1677940 (W.D. Wash. July 15, 2005).

<sup>240</sup>*Id.* at \*2.

<sup>241</sup>*Id.* at \*3.

<sup>242</sup>*Id.*

<sup>243</sup>*In re Savin Corp.*, 2003 WL 21316775 (Fed. Cir. 2003).

genuinely conveys to significant numbers of consumers a particular source. For some domain names, however, such as single words that are used in ways that are closely related to their dictionary meaning, no amount of purported evidence of secondary meaning will suffice.

## 2. Secondary Meaning

In contrast to terms defined as generic, “descriptive” terms may qualify for trademark protection if they have acquired secondary meaning in the minds of consumers.

“A mark acquires secondary meaning when it has been used so long and so exclusively by one company in association with its products or services in that particular industry that the word, term, name, symbol, or device has come to mean that those products or services are the company’s trademark.”<sup>244</sup> The court in *Best Vacuum Inc. v. Ian Design Inc.*, however, found that the trademark owner had *not* established secondary meaning.<sup>245</sup> There, the U.S. District Court for the Northern District of Illinois held that the plaintiff’s mark “Best Vacuum,” as used in bestvacuum.com, lacked sufficient distinctiveness to preclude use by another vacuum cleaner retailer of the domain name bestchoicevacuums.com.<sup>246</sup>

Plaintiff, a vacuum cleaner retailer, used the mark “Best Vacuum” since 1983 and used bestvacuum.com as its domain name since 1996. In 2004 defendant began to use the domain name bestchoicevacuums.com, which, plaintiff claimed, infringed its trademark and constituted unfair competition. Although plaintiff did not have a registered trademark right in “Best Vacuum,” plaintiff alleged that the mark was a protected descriptive mark because it had acquired secondary meaning.<sup>247</sup> Plaintiff provided the evidence that since 1983, it had spent more than \$1 million to promote its Best Vacuum mark and its website. As of March 2004, it was spending approximately \$60,000 per month on Internet advertising and in 2003, its gross sales through its website were approximately \$3.75 million.

Despite this showing, the district court held the evidence was insufficient to provide any significant support for secondary meaning. “Plaintiff’s mark does not have secondary meaning. Therefore, it has no distinctiveness and cannot support a dilution claim.”<sup>248</sup>

More recently, in *Visa International Service Association v. JSL Corp.*,<sup>249</sup> the United States Court of Appeals for the Ninth Circuit found that despite dictionary usage of the term “visa,” the mark VISA had acquired enough secondary meaning to enjoin defendant’s use of “evisa.com” for an online “multilingual education and information business” because of the likelihood of dilution of the Visa financial services brand.

---

<sup>244</sup>Best Vacuum Inc. v. Ian Design Inc., No. 04C 2249 at 9 (N.D. Ill. Nov. 29, 2006) (*citing* Platinum Home Mortgage Co. v. Platinum Fin. Group, Inc., 149 F.3d 722, 728 (7th Cir. 1998)).

<sup>245</sup>*Id.*

<sup>246</sup>*Id.*

<sup>247</sup>*Id.* at 8.

<sup>248</sup>*Id.* at 13.

<sup>249</sup>610 F.3d 1088 (9th Cir. 2010).

Defendant maintained that the “e” in “evisa” stood for “Eikaiwa,” a Japanese word meaning English conversation, and “visa” signified the “ability to travel, both linguistically and physically, through the English-speaking world.”<sup>250</sup> Defendant argued that “visa” is a word used every day for its common English usage as a travel document, and that this use undermined plaintiff’s contention that the “eVisa” mark and “evisa.com” domain blurred the VISA brand.<sup>251</sup> The Ninth Circuit disagreed, however, noting that VISA was a strong trademark whose goodwill, rather than any association between the word “visa” and travel, was the primary reason that the public associated credit cards with the VISA brand.<sup>252</sup> The Court of Appeals pointed out that “despite widespread use of the word visa in its common English meaning, the introduction of the eVisa mark to the marketplace means that there are now two products, and not just one, competing for association with that word.”<sup>253</sup> Because “that is the quintessential harm addressed by anti-dilution law,” the Ninth Circuit sustained the injunction against defendant’s use of the mark.<sup>254</sup>

Similarly, in *In re America Online, Inc.*,<sup>255</sup> the TTAB concluded that the mark “INSTANT MESSENGER” was registrable despite concerns that it lacked secondary meaning. The examining attorney refused registration on grounds that the mark was generic, but the TTAB reversed that determination. The Board held that extensive evidence submitted by the applicant showed a significant amount of proper trademark use and also that the mark acquired distinctiveness through trademark recognition by customers, publishers, and other third parties. The TTAB reversed the examining attorney’s rejections and ordered that the mark be published with a notation that it was descriptive, but had acquired distinctiveness.

In contrast, in *Shoe Mart Factory Outlet Inc. v. DomainHouse.com Inc.*,<sup>256</sup> an arbitration panel held that the mark SHOEMART was generic and had not acquired secondary meaning so as to require respondent to forfeit its registration of the domain name “shoemart.com.”

Respondent, the owner of the domain name “shoemart.com,” was the subject of a complaint brought under ICANN’s Uniform Domain Name Dispute Resolution Policy (“UDRP”) by the complainant, who had used the unregistered SHOEMART trademark for nearly fifty years and who had registered the domain “theshoemart.com.” Among other contentions, complainant alleged that the domain name “shoemart.com” was confusingly similar to its SHOEMART mark, and that complainant’s rights in that mark required that respondent transfer “shoemart.com” to complainant. A majority of the arbitration panel found, however, that complainant had failed to establish that the SHOEMART mark had acquired secondary meaning so as to become a protectable common-law trademark of the complainant. Thus, the majority found, respondent had not violated the prohibi-

<sup>250</sup>*Id.* at 1089.

<sup>251</sup>*Id.* at 1091.

<sup>252</sup>*Id.* at 1090–91.

<sup>253</sup>*Id.* at 1091.

<sup>254</sup>*Id.* at 1091, 1092.

<sup>255</sup>77 USPQ2d (TTAB 2006).

<sup>256</sup>Nat’l Arbitration Forum, No. FA0504000462916 (June 10, 2005).

tion under ICANN UDRP decisions against registering domain names consisting of protectable marks for sale to the owners of those marks.

### C. U.S. Patent and Trademark Office's View

The PTO's view on the registration of Internet domain names is set forth in the eighth edition of the *Trademark Manual of Examining Procedure* ("TMEP"), published in October 2011. This edition specifically addresses the substantive examination of trademark applications for domain names in Chapter 1200. There, the PTO states that a mark "comprised of an Internet domain name is registrable as a trademark or service mark only if it functions as an identifier of the source of goods or services."<sup>257</sup>

#### 1. Identifying Goods or Services

Several issues arise when identifying the goods or services in a trademark application for an Internet domain name. As with all trademark applications, the proposed mark is not protected for any and all goods or services. The applicant must specify the goods and services offered under the trademark or domain name. While the Trademark Office has attempted to create clear guidelines on these issues, the application of these rules by individual examiners can at time appear inconsistent. Because there are times when an applicant and its counsel know more about the goods or services—and the market—at issue than the PTO's examining attorney, it often pays to challenge an examiner's initial position on classification.

In general, the PTO does not consider the fact that a service "happens to be provided over the Internet" to change the character of that service.<sup>258</sup> Thus, services falling within international classes 35, 36, 37, 39, 40, 41, 44, and 45, if provided online, will properly be classified in the class where the underlying service is classified.<sup>259</sup> Likewise, services that provide information via the Internet are classified according to the information subject.<sup>260</sup> Online retail and distributorship services are classified in international class 35 (advertising and business), and online publications, regardless of the subject matter, are classified in international class 41 (education and entertainment).<sup>261</sup> Descriptions of these online services generally should state that the service is provided "via the Internet" or an "electronic" medium.<sup>262</sup>

---

<sup>257</sup>MANUAL OF TRADEMARK EXAMINING PROCEDURE, 8th ed. §§1209.03(m), 1215.02(a) (October 2011). *See also* Can You Trademark a Website Domain?, INVENTORS DIGEST (remarks of Deborah Cohn, Comm'r for Trademarks), available at <http://www.inventorsdigest.com/archives/6268> (last visited Nov. 8, 2011).

<sup>258</sup>MANUAL OF TRADEMARK EXAMINING PROCEDURE §1402.11(a).

<sup>259</sup>*Id.*

<sup>260</sup>*Id.*

<sup>261</sup>*Id.*

<sup>262</sup>*Id.*

The advertising and selling of one's own goods by itself is not considered an appropriate "service" under traditional trademark theory.<sup>263</sup> Thus, the provision of goods via the Internet may not support the registration of a domain name as a service mark.<sup>264</sup> However, the PTO has said that "the providing of a convenient place to purchase goods" is a service.<sup>265</sup> For example, to obtain registration for a website that sells t-shirts, the PTO has said that the application should identify "retail store and online retail store services featuring t-shirts."<sup>266</sup>

In general, the addition of some value-added content to the website may be sufficient to make the domain name registrable as an information service. The PTO has historically set a low threshold for value-added activity on such sites to qualify them as information services.<sup>267</sup> For example, "a specialty food producer may advertise and offer its products for sale on its [w]eb site."<sup>268</sup> That, in itself, may not be sufficient to support registration of the domain name of the site as a trademark. However, if the site also included recipes, the history of some of the products, and other similar noncommercial information, the domain name could be accepted as the identifier of an information service in the field of food and food preparation.<sup>269</sup>

## 2. Using a Domain Name as a Trademark

The PTO has made clear that an Internet domain name must be used in a manner that "identifies and distinguishes" the goods or services in order to qualify as a trademark.<sup>270</sup> Simply using the domain name as a URL address for a webpage or e-mail address identifying the cyberspace location of the services may not be sufficient.<sup>271</sup> The domain name must be used in a manner "iden-

---

<sup>263</sup> See, e.g., *id.* §1215.02(b) ("Advertising one's own products or services is not a service" (citing *In re Reichhold Chems., Inc.*, 167 USPQ 376 (TTAB 1970)).

<sup>264</sup>See PTO, Video transcript: *Goods and Services*, available at <http://www.uspto.gov/trademarks/process/TMIN.jsp> (last visited November 8, 2011).

<sup>265</sup>*Id.*

<sup>266</sup>*Id.*

<sup>267</sup>PTO, REGISTRATION OF DOMAIN NAMES (last modified Feb. 12, 1996).

<sup>268</sup>*Id.*

<sup>269</sup>*Id.* Another example of a webpage with value-added information is one that contains a database of patent information and a search engine for performing searches of the database. In this case, the webpage actually performs a service and the Uniform Resource Locator (URL) containing the domain name actually identifies the service.

<sup>270</sup>This requirement is consistent with the PTO's requirements for other types of trademarks. See, e.g., MANUAL OF TRADEMARK EXAMINING PROCEDURE §1202.07(a) (for marks that identify columns or sections of printed publications, the PTO asks "whether a section title actually identifies and distinguishes"); *id.* §1202.15 (sound marks must "identif[y] and distinguish[ ] a product or service through audio rather than visual means").

<sup>271</sup>See *id.* §1215.02(a) ("The mark as depicted on the specimen must be presented in a manner that will be perceived by potential purchasers to indicate source and not as merely an informational indication of the domain name address used to access a website."); *id.* §1215.02(f) ("If the record indicates that the proposed mark would be perceived as merely an informational indication of the domain name address used to access a website rather than an indicator of source, the examining attorney should refuse registration in an application under §44 or §66(a) of the Trademark Act, on the ground that the subject matter does not function as a mark.").

tifying and distinguishing” the service, the source, or the sponsorship of the service.<sup>272</sup> Additional promotion, such as advertising the domain name or using the domain name in a conspicuous manner, may be sufficient to show use of a domain name as a trademark. For example, using the domain name somewhere in the webpage apart from the address may evidence a sufficient trademark use. Placing the appropriate legal symbols (“TM” and “SM”) and legends with the domain name further indicates the user’s intention to use the domain name in a trademark sense.<sup>273</sup>

Arbitrators have similarly applied ICANN’s Uniform Domain-Name Dispute Resolution Policy. For example, a city or municipality must prove that its domain name has acquired distinctiveness with respect to the goods or services it may offer in order to claim trademark or service mark rights in its name. In one case, the arbitration panel refused to acknowledge that the German city of Heidelberg has exclusive rights to the domain name Heidelberg.net.<sup>274</sup> The arbitrator in that case reasoned that a geographical name must have the characteristics of identifying and distinguishing goods or services from a source in order to claim trademark rights in the name. In other cases, however, municipal agencies have prevailed where such evidence is present.

### **3. Generic Second Level Domain Names**

In general, “[p]ortions of the uniform resource locator (‘URL’), including the beginning, (‘http://www.’) and the top-level Internet domain name (‘TLD’) (e.g., ‘.com,’ ‘.org,’ ‘.edu,’) function to indicate an address on the World Wide Web, and, therefore, generally serve no source-indicating function.”<sup>275</sup> The rule is not absolute, however. The PTO has stated that “in very rare instances” the top level

---

<sup>272</sup>E.g., *In re CyberFinancial.Net, Inc.*, 65 USPQ2d 1789, 1792 (TTAB 2002) (“Applicant seeks to register the generic term ‘bonds,’ which has no source-identifying significance in connection with applicant’s services, in combination with the top-level domain indicator ‘.com,’ which also has no source-identifying significance. And combining the two terms does not create a term capable of identifying and distinguishing applicant’s services.”); see also PTO, REGISTRATION OF DOMAIN NAMES (last modified Feb. 12, 1996):

[Generally, domain names] are . . . printed in small letters on business letterhead stationery, business cards or advertisements much in the same way addresses and telephone numbers are presented. They provide information on how to contact the entity, rather than act as identifiers of a service. Specimens of this type will have to be refused [for] not showing service mark use of the matter presented for registration. By analogy with trade names, the more distinctive the presentation of the domain name and the further it is physically removed from other merely informational data on the specimens, the more [likely the USPTO will perceive it to function] as a service mark, not just contact information for a particular entity.

<sup>273</sup>See James Juo, *Notice that Registered Trademark in the Window?*, 10 J. MARSHALL REV. INTELL. PROP. L. 736, 737 n.1, 739 n.12 (2011).

<sup>274</sup>Stadt Heidelberg v. Media Factory, Case No. D2001-1500 (WIPO Mar. 6, 2002).

<sup>275</sup>MANUAL OF TRADEMARK EXAMINING PROCEDURE §1209.03(m); see also id. §1215.02 (“Generally, when a trademark, service mark, collective mark, or certification mark is composed, in whole or in part, of a domain name, neither the beginning of the URL (‘http://www.’) nor the TLD have any source-indicating significance.”); id. §1215.08(a) (“Generally, an applicant may add or delete a non-source-identifying TLD to/from the drawing of a domain name mark (e.g., COOPER amended to COPPER.COM, or COOPER.COM amended to COOPER) without materially altering the mark.”).

of a domain name may affect the registrability of the mark as a whole.<sup>276</sup> Thus, the PTO has advised, “one must determine whether joining the individual terms” within a domain name “creates a composite that is itself generic.”<sup>277</sup> In most cases, if the term that carries the trademark significance of the mark (the term other than the computer protocol portions) is generic or describes services identified in the application, the entire mark will be denied registration.<sup>278</sup> Similarly, in most cases if the term that carries the trademark significance of the mark is confusingly similar to another mark, the entire mark will be denied registration.<sup>279</sup>

The Federal Circuit and TTAB have broadly sketched the contours of this principle in a series of decisions involving attempts to combine a generic second-level domain with a top-level domain. In the first of these, *In re Oppedahl & Larson LLP*,<sup>280</sup> the Federal Circuit affirmed a denial of registration for the mark PATENTS.COM. The trademark applicant sought to register the mark *patents.com* for “computer software for managing a database of records and for tracking the status of records by means of the Internet.” The PTO refused the registration, stating that the mark was merely descriptive of the goods and services offered, namely patent-tracking software. On appeal, the TTAB ruled that the TLD “.com” added no “source-identifying significance” and that the use of a TLD cannot make an otherwise descriptive or generic term registrable.

The Federal Circuit Court of Appeals affirmed the TTAB’s decision but did not adopt the TTAB’s bright-line rule. The Court of Appeals contrasted the per se rules for “corp.” and “co.,” which denote organization, with “.com” and other TLDs that confer the idea of both organization and connection to the Internet. Thus, while finding that the mark “patents.com” fell short of being registrable, the Court of Appeals stated that it could envision situations where the addition of a TLD to an otherwise generic mark could add to the prospects of registrability. Judge Randall Rader provided the example of “tennis.net” for a tennis net store, where the “.net” creates a double entendre which, in the opinion of Judge Rader, may aid the registrability of the mark.

The Federal Circuit addressed this issue again in *In re Steelbuilding.com*.<sup>281</sup> In this case, the applicant filed an intent-to-use trademark application for the mark STEELBUILDING.COM for the sale of pre-engineered metal buildings and roofing systems. The examining attorney denied registration of the mark,

---

<sup>276</sup>MANUAL OF TRADEMARK EXAMINING PROCEDURE §1209.01(c)(i).

<sup>277</sup>*Id.* Another narrow exception applies when a mark not used as an Internet domain includes a top-level domain. In such cases, the PTO has said, “adding or deleting the TLD may be a material alteration. *Id.* §1215.08(b)(providing as an example “[d]eleting the term .COM from the mark ‘.COM ☀’ used on sports magazines,” where such a change “would materially change the mark”).

<sup>278</sup>The examination for registration of domain names follows the policy applied to the registration of mnemonic telephone numbers, for example, 1-800-LAWYERS. A domain name can thus be refused under §1 of the Lanham Act if the mark is not used as a trademark or service mark, as well as under §§2(d) and 2(e). See MANUAL OF TRADEMARK EXAMINING PROCEDURE §1215.02(a)–(d).

<sup>279</sup>*Id.* §1215.09 (“When analyzing whether a domain name mark is likely to cause confusion with another pending or registered mark, the examining attorney must consider the marks as a whole, but generally should accord little weight to a non-source-identifying TLD portion of the mark.”).

<sup>280</sup>373 F.3d 1171 (Fed. Cir. 2004).

<sup>281</sup>415 F.3d 1293 (Fed. Cir. 2005).

finding it merely descriptive of the applicant's services. The applicant revised the description of its services to be "computerized on-line retail services in the field of pre-engineered metal buildings and roofing systems," submitted samples of advertising that described interactive design/purchase capabilities associated with its website, and submitted evidence of acquired distinctiveness. The examiner again denied the revised application, this time finding the mark generic. The TTAB affirmed the examiner's rejection, holding the mark to be generic or highly descriptive. The TTAB remarked that the ".com" portion of the mark added nothing of significance to give the term "steel building" source identification capabilities.

In reviewing the TTAB's holding, the Federal Circuit stated that "a term that is not distinctive by itself may acquire some additional meaning from the addition of a TLD, such as '.com,' '.net,' etc." The court went on to remark that the mark must be evaluated as a whole, including the TLD, and that "distinctiveness derived from a connection to the Internet, as indicated by the TLD indicator, is part of the calculus for registration." The court noted that the TTAB defined the applicant's services as "the sale of pre-engineered 'steel buildings' on the Internet," while the record indicated that the applicant's website did more than merely act as an online catalog. The site also offered design and cost estimate services well beyond mere online sales capabilities. These additional services allowed customers to create their own design, and then determine the approximate cost of the design, before ultimately purchasing the building they designed. As the customers developed their designs, a program on the website re-calculated design elements as necessary to meet codes and other engineering requirements. The pricing feature allowed a customer to compare prices of different designs. The court concluded that the TTAB failed to acknowledge the interactive design feature of the applicant's services.

The court went on to hold that this was one of the unusual cases mentioned in *Oppendahl*,<sup>282</sup> when the addition of a TLD changes the character of a mark by adding something of trademark significance. In this case, the court noted that the addition of ".com" to "STEELBUILDING" expanded the meaning of the mark to include services beyond the mere sale of steel buildings. Specifically, the TLD expanded the mark to include Internet services that included "building" or designing steel structures on the website, followed by a calculation of an appropriate price, before ordering the unique structure. Based on this, the court reversed the TTAB's affirmation that the mark was generic. Nevertheless, in the end, the court determined that the mark was merely descriptive and that the applicant's evidence of acquired distinctiveness was inadequate to overturn the TTAB's descriptiveness holding.

The TTAB also addressed this issue in *In re Reed Elsevier Properties Inc.*<sup>283</sup> This time the applicant sought to register the mark LAWYERS.COM as a service mark for its online legal news and information database. The examining attorney

---

<sup>282</sup>373 F.3d 1171 (Fed. Cir. 2004).

<sup>283</sup>77 USPQ2d 1649 (TTAB 2005).

denied registration, finding the mark generic. The applicant submitted evidence of acquired distinctiveness and argued that while the term may be descriptive or generic for legal services, registration was not precluded for other services such as its online legal news service. The TTAB noted that the many other domain names and websites that include the term “*lawyers.com*” were evidence that the mark was generic. Therefore, the TTAB affirmed the examining attorney’s refusal to register the mark.

The Federal Circuit affirmed.<sup>284</sup> The Court of Appeals held that the TTAB properly reviewed the applicant’s website in defining the genus of the services at issue to include “information about lawyers and information from lawyers.”<sup>285</sup> The Court of Appeals rejected the applicant’s argument that information about lawyers was distinct from “information about the law, legal news, and legal services,” and the court noted that eight other websites contained “*lawyer.com*” or “*lawyers.com*” in their domain names.<sup>286</sup> Such sources of information, the Court of Appeals held, provided substantial evidence supporting the TTAB’s decision.<sup>287</sup>

#### 4. Top-Level Domains

The PTO has indicated that marks composed solely of a generic top-level domain, or “gTLD,” such as .com or .net for services such as domain name registry services, will be refused.<sup>288</sup> At the same time, deleting or adding a gTLD to an otherwise protectable mark is generally permitted because the essence of the mark is considered to be the second-level domain name and the commercial impression usually remains the same with or without the gTLD.<sup>289</sup> This is also true if one gTLD is substituted for another.<sup>290</sup> However, adding or deleting the gTLD from a mark that is not used as a domain name may not be acceptable because it could constitute a material alteration.<sup>291</sup> Marks that contain the phonetic equivalent of a gTLD (e.g., “domainname dotcom”) will generally be treated in the same manner as a mark composed of a gTLD.<sup>292</sup> It remains to be seen how these principles will be effected by ICANN’s decision to approve additional, privately managed gTLDs.<sup>293</sup>

---

<sup>284</sup>*In re Reed Elsevier Props. Inc.*, 482 F.3d 1376 (Fed. Cir. 2007).

<sup>285</sup>*Id.* at 1378–79.

<sup>286</sup>*Id.* at 1380.

<sup>287</sup>*Id.* See also *In re HOTELS.COM*, 573 F.3d 1300, 1302–04 (Fed. Cir. 2009) (finding that HOTELS.COM is generic).

<sup>288</sup>MANUAL OF TRADEMARK EXAMINING PROCEDURE §1215.02(d).

<sup>289</sup>*Id.* §1215.08(a).

<sup>290</sup>*Id.*

<sup>291</sup>*Id.* §1215.08(b).

<sup>292</sup>*Id.* §1215.10.

<sup>293</sup>See *infra* at Ch. 8.VIII.

## V. USE OF TRADEMARKS ON THE INTERNET TO SUPPORT REGISTRATION\*

The Lanham Act mandates that an alleged trademark owner must show use of the mark in commerce to obtain trademark rights.<sup>294</sup> For example, in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*,<sup>295</sup> the U.S. Court of Appeals for the Ninth Circuit held that the mere registration of a domain name does not, by itself, convey any trademark rights in the domain name. Therefore, some use in commerce other than mere registration of a domain name must be shown to demonstrate trademark rights in the domain name. Accordingly, an application to register a mark requires a specimen “showing use of the mark on or in connection with the goods, or in the sale of the advertising services, in commerce.”<sup>296</sup>

The Trademark Trial and Appeal Board has also noted that “[i]t is a well-recognized fact of current commercial life that many goods and services are offered for sale on-line, and that on-line sales make up a significant portion of trade.”<sup>297</sup> Thus, it has applied the same principles defining use in commerce in other contexts to Internet usage, whether in the context of service marks or trademarks for goods.<sup>298</sup>

A condition precedent to registration is that the domain name must function as a mark. In other words, mere use as a domain name in a specimen is not sufficient. For instance, use of a web address at the bottom of an advertisement in small print probably will not support a claim of trademark use.

This principle is illustrated by the TTAB’s *In re Eilberg* decision,<sup>299</sup> in which the specimen submitted by the applicant consisted of letterhead that contained the proposed mark *www.eilberg.com* in a “small and subdued type face.”<sup>300</sup> The examining attorney rejected the application because the specimens failed to show use of the mark in a manner functioning as a service mark. The proposed mark appeared with “even less prominence and below other merely informational indications of applicant’s mailing address, phone, fax and e-mail address.”<sup>301</sup> The Board affirmed the examining attorney’s decision, stating that the mark, as displayed, did not function as a service mark; and as shown, identified the location of the applicant’s website.

---

\*This section was primarily drafted by Lucas C. Townsend with assistance from Julie A. Slater.

<sup>294</sup>See 15 U.S.C. §1051: “The owner of a trademark used in commerce may request registration of its trademark”; *id.* §1127 (defining “trademark” in reference to use in commerce).

<sup>295</sup>174 F.3d 1036, 50 USPQ2d 1545 (9th Cir. 1999).

<sup>296</sup>MANUAL OF TRADEMARK EXAMINING PROCEDURE §904 (citing 15 U.S.C. §1051(a)(1); 37 C.F.R §§2.34(A)(1)(iv), 2.56(a)). As the TTAB has noted, “[a] domain name does not become a trademark or service mark unless it is also used to identify and distinguish the source of goods or services.” *In re Supply Guys, Inc.*, 86 USPQ2d 1488, at \*7 (TTAB 2008) (quoting 1 McCARTHY §7.17.1).

<sup>297</sup>*In re Dell*, 71 USPQ2d 1725, 1727 (TTAB 2004).

<sup>298</sup>*Id.*

<sup>299</sup>49 USPQ2d 1955 (TTAB 1998).

<sup>300</sup>*Id.* at 1956.

<sup>301</sup>*Id.*

Another potential pitfall is if the applicant is the assignee of the mark. Under those circumstances, the goodwill associated with that mark must also be transferred. For example, in *Interstate Net Bank v. Netb@nk, Inc.*, the defendants, providers of online banking services, purchased the NetBank domain name and service mark from Software Agents.<sup>302</sup> Software Agents had provided automated electronic payment services for selling information over the Internet. The court determined that the NetBank mark only became associated with Internet banking services after assignment of the mark to the defendants. Therefore, the court held that the defendants made no attempt to benefit from the existing goodwill associated with the mark, the mark was acquired as an invalid assignment in gross, and registration of the mark should be canceled.

### A. Service Marks

A specimen is considered acceptable for granting rights to a service mark if the specimen shows use of the mark in association with the services. The mark must identify the services and indicate their source.<sup>303</sup>

The TTAB explained in *In re Perdue Holdings* that there must be “a direct association between the mark sought to be registered and the services recited in the application, and this association must be created by a sufficient reference in the specimens to the services.”<sup>304</sup> In that case the applicant sought to register the domain name for a website that offered various services related to food, including recipe exchange and food information.<sup>305</sup> The TTAB held, however, that the specimen that was submitted, a brochure listing the “perdue.com” website in a bulleted list, along with other information describing the product and the telephone number of the company, was insufficient.<sup>306</sup> It explained that the PERDUE.COM mark was “buried in the text of the advertising brochure” in a bulleted list that did not set it apart.<sup>307</sup> Thus, there was nothing to “create an association between the designation ‘perdue.com’ and the particular services identified in the application.”<sup>308</sup> The TTAB further explained that “the mere listing of a domain name only provides the information that a web site exists” and does not give information regarding the online services or “use the designation in connection with the

---

<sup>302</sup>348 F. Supp. 2d 340, 349 (D.N.J. 2004) (quoting Pilates, Inc. v. Current Concepts, Inc., 120 F. Supp. 2d 286, 311 (S.D.N.Y. 2000)).

<sup>303</sup>See MANUAL OF TRADEMARK EXAMINING PROCEDURE §1301.04(a). Thus, in *In re Reed Elsevier Properties Inc.*, 482 F.3d 1376 (Fed. Cir. 2007), the Federal Circuit held that publisher Reed Elsevier Properties could not register the term “lawyers.com” as a service mark for an online interactive database featuring legal news and information, because information about lawyers was an integral part of the publisher’s services, and the term was incapable of identifying the source of those services.

<sup>304</sup>2001 WL 431492, at \*2 (TTAB 2001).

<sup>305</sup>*Id.*

<sup>306</sup>*Id.* at \*1–2.

<sup>307</sup>*Id.* at \*2.

<sup>308</sup>*Id.*

website.”<sup>309</sup> The TTAB did recognize that specimens are not required to “explicitly refer to the services” and can use the mark in the “actual rendering or sale of the services,” but it held that this case “clearly” is not that type of situation.<sup>310</sup>

In a more recent case, *In re Boise State University*, the TTAB again asserted that “in order to be perceived as a mark identifying the source of the services, the specimens must show a direct association between the services and the mark sought to be registered.”<sup>311</sup> In this case, Boise State filed an application to register “BLUE TURF” for use as a service mark indicating “intercollegiate sporting events and sports exhibitions.”<sup>312</sup> The TTAB rejected one of the school’s submitted specimens, a printout from the school’s webpage stating “Roll out the Blue Turf.”<sup>313</sup> It explained that the website “does not serve in and of itself to identify the services” listed in the application, namely sporting events, because the page itself identified only education services.<sup>314</sup> Although the links on the side of the page did include one link to athletics, there was “no clear association of the mark with those services.”<sup>315</sup> In contrast, the TTAB did accept a different specimen, a printout from a blog called “Blue Turf.”<sup>316</sup> Here it found that BLUE TURF was used “in the manner of a mark.”<sup>317</sup> It noted that even though “the ‘blog’ is not an advertisement in the traditional sense, it nonetheless is clearly used by the University as a marketing device, that is, as a means to generate interest in and to promote and market upcoming sporting events conducted by the university.”<sup>318</sup>

Another case, *In re Retail Royalty Co.*, discussed the use of service marks for online retail stores.<sup>319</sup> Here the Board held that “‘online retail store services’ are a ‘service’ for which a service mark may be registered.”<sup>320</sup> It asserted that the same principles that apply to a brick-and-mortar retail store apply equally to online retail services, such that the specimen “must show that the mark is used in such a manner that it identifies and distinguishes” the services, which in the case of online stores would be the online retail store services themselves.<sup>321</sup> Under the facts of the specific case, the Board held that a website specimen was insufficient where the mark was only associated with the goods sold in the online retail store and not a “source-indicator” for the overall online store services.<sup>322</sup> The Board acknowledged that purchasers “obviously are aware that applicant is rendering online retail store services because they have accessed applicant’s website when they encounter the mark in connection with the goods and can purchase the goods

---

<sup>309</sup>*Id.*

<sup>310</sup>*Id.*

<sup>311</sup>No. 77574816, slip op. (TTAB Feb. 18, 2011).

<sup>312</sup>*Id.* at \*1.

<sup>313</sup>*Id.* at \*3.

<sup>314</sup>*Id.* at \*3–4.

<sup>315</sup>*Id.* at \*4.

<sup>316</sup>*Id.* at \*4–5.

<sup>317</sup>*Id.* at \*6.

<sup>318</sup>*Id.* at \*7.

<sup>319</sup>2010 WL 5010885 (TTAB 2010).

<sup>320</sup>*Id.* at \*5.

<sup>321</sup>*Id.*

<sup>322</sup>*Id.*

bearing the mark while shopping on the website,” but explained that “[s]uch a generalized association in the purchaser’s mind between the product mark and the online retail store services does not suffice as the requisite ‘direct association’ between the mark and the services which would make [it] a service mark for the online retail store services themselves.”<sup>323</sup>

## B. Trademarks for Goods

The use of trademarks on Internet sites has been analogized to the use of point-of-sale displays to promote goods. A website, therefore, may most effectively serve as evidence of the use of a trademark for goods in commerce if it presents the mark prominently, so as to catch the attention of prospective purchasers, like a display. As a result, and as outlined in the PTO’s Trademark Manual of Examining Procedure, a website’s use of a mark for goods should be related to the sale of such goods so that an association of the two is inevitable.<sup>324</sup>

### 1. *The Dell Decision and Various Responses*

The TTAB’s *In re Dell* decision has proven influential in outlining acceptable uses of websites as specimens of use in commerce for goods.<sup>325</sup> Although aspects of the decision have been called into question by the Federal Circuit, the *Dell* test has been cited in both the Trademark Manual of Examining Procedure and by at least one district court, and the TTAB continues to apply it. Thus, it is important to understand how *Dell* has been applied.

In *Dell*, the TTAB held that a website can be analogous to a point-of-sale display as long as the mark appears on the page in a manner in which it will be associated with the goods. If it does not, then the website is “mere advertising” and the mark will not be registered.<sup>326</sup> The TTAB based this holding on *Lands’ End, Inc. v. Manback*, a decision which held that a catalog is analogous to a point-of-sale display in a brick and mortar store.<sup>327</sup> Using a similar analogy, the TTAB asserted that “[w]eb pages which display goods and their trademarks and provide for the on-line ordering of such goods are, in fact, electronic displays which are associated with the goods. . . . In effect, the website is an electronic retail store, and the webpage is a shelf-talker or banner which encourages the consumer to buy the product.”<sup>328</sup> Thus, as long as the specimen shows that the mark is part

---

<sup>323</sup>*Id.* at \*6. The TTAB, moreover, has also noted that the reverse proposition may be true, explaining that “[t]he fact that the term may serve as a service mark to identify retail or online store services does not necessarily show that the term is also a trademark for applicant’s goods.” *See, e.g., In re Supply Guys, Inc.*, 86 USPQ2d 1488, 1493 (TTAB 2008).

<sup>324</sup>See MANUAL OF TRADEMARK EXAMINING PROCEDURE §904.03(g).

<sup>325</sup>71 USPQ2d 1725 (TTAB 2004).

<sup>326</sup>*Id.* at 1726.

<sup>327</sup>*Id.* at 1726–27; *see also Lands’ End, Inc. v. Manback*, 797 F. Supp. 511 (E.D. Va. 1992).

<sup>328</sup>*Dell*, 71 USPQ2d at 1727.

of a display associated with the goods then it can be registered.<sup>329</sup> Applying the *Lands' End* case, the TTAB created a three-pronged test to determine whether advertising demonstrates use in commerce sufficient for registration, which requires that the website specimen (1) “includes a picture of the relevant goods;” (2) “shows the mark sufficiently near the picture of the goods to associate the mark with the goods;” and (3) “includes the information necessary to order the goods, (e.g., a phone number, mailing address, or e-mail address).”<sup>330</sup> Under the facts of the specific case, the court noted that all three elements of the test were present.<sup>331</sup> Although the proposed mark did not appear next to the photograph of the product, the TTAB still found the specimen sufficient because there was only one product on the page.<sup>332</sup> Further, even though the mark appeared in a bulleted list, it was “sufficiently prominent” because it appeared among critical information, and the “TM” trademark indicator next to it “lends a degree of visual prominence to the term.”<sup>333</sup>

*Dell* has been widely cited to and applied. The TMEP has adopted the *Dell* guidelines. Section 904(h) lists the three-step test as a way of determining whether a “catalog or similar specimen” is a display associated with goods.<sup>334</sup> Similarly the TMEP includes a section on electronic displays that reiterates that a website page that “displays a product, and provides a means of ordering the product, can constitute a ‘display associated with the goods’ as long as it appears in a way in which it is associated with those goods.”<sup>335</sup>

In *In re Sones*,<sup>336</sup> the Federal Circuit approved *Dell*'s basic premise, but found fault with its application of a bright-line test. Importantly, the court held that a website may function as a point-of-sale display and that “the test for an acceptable website-based specimen, just as any other specimen, is simply that it must in some way evince that the mark is ‘associated’ with the goods and serves as an indicator of source.”<sup>337</sup> At the same time, the Federal Circuit “decline[d] to follow . . . the three-part test, as applied to websites,” noting that there is no basis in the Lanham Act for the specific three-part test laid out by the TTAB, nor is there any similar requirement for “brick-and-mortar stores.”<sup>338</sup> Further, as the Federal Circuit pointed out, the case relied on in *Dell*, the Eastern District of Virginia *Lands' End* case, also did not impose this requirement; rather, its main focus was whether the customer had “the opportunity to look to the displayed mark as a means of identifying and distinguishing the source of goods.”<sup>339</sup> Rather than articulating its own test, the Federal Circuit remanded, with instructions that the following factors should be considered: whether the webpages “have a ‘point

---

<sup>329</sup>*Id.* at 1726.

<sup>330</sup>*Id.* at 1727.

<sup>331</sup>*Id.* at 1729.

<sup>332</sup>*Id.*

<sup>333</sup>*Id.*

<sup>334</sup>MANUAL OF TRADEMARK EXAMINING PROCEDURE §904(h).

<sup>335</sup>*Id.* §904.03(i).

<sup>336</sup>*In re Sones*, 590 F.3d 1282 (Fed. Cir. 2009).

<sup>337</sup>*Id.* at 1288.

<sup>338</sup>*Id.* at 1287–88.

<sup>339</sup>*Id.* at 1287 (internal quotations omitted).

of sale nature,’ and whether the actual features or inherent characteristics of the goods are recognizable from the textual description, given that the more standard the product is, the less comprehensive the textual description need be.”<sup>340</sup> The court also noted that although the lack of a picture should not be determinative, the presence or absence of a picture will still affect the analysis.<sup>341</sup>

Despite *Sones*, however, the TTAB has continued to apply the three prongs of the *Dell* test as a way of describing elements that can demonstrate appropriate use of a mark on a website in connection with the sale of goods.<sup>342</sup> One federal district court has also cited *Dell* favorably.<sup>343</sup> In *Specht v. Google, Inc.*, the U.S. District Court for the Northern District of Illinois considered whether use of a mark on an empty website, “androiddata.com,” was a sufficient “use in commerce” to prevent the court from finding abandonment of the trademark.<sup>344</sup> The court explained that “‘use in commerce’ for registration and abandonment purposes is the same.”<sup>345</sup> Accordingly, it applied the *Dell* test, finding that as there was nothing on the website that would allow a consumer to purchase the software, neither was there any other information about price or licensing the software, or detailed information on services offered, and thus there was nothing “to persuade the Court that the website was a point-of-sale display, and therefore could have been a bona fide use in commerce of ANDROID DATA.”<sup>346</sup> The court also noted that Android Data Corporation itself was not operating during this time and did not license or sell the software at all.<sup>347</sup> Thus, the court concluded that “[a] ‘ghost site’ such as this is not a bona fide use in commerce that can prevent the abandonment of a mark . . . . Allowing a mark owner to preserve trademark rights by posting the mark on a functional yet almost purposeless website, at such a nominal expense, is the type of token and residual use of a mark that the Lanham Act does not consider a bona fide use in commerce.”<sup>348</sup>

## 2. Dell’s Application

As one district court and other TTAB decisions have continued to apply *Dell*, and the test is still listed in the TMEP, an understanding of how the *Dell* factors are applied is helpful. TTAB decisions have focused on two areas: the requirement that the website contain a picture of the product and the requirement that there is information necessary to order the goods.

---

<sup>340</sup>*Id.* at 1289 (citation omitted).

<sup>341</sup>*Id.*

<sup>342</sup>See, e.g., *In re Vahe Imasdounian & Norma Imasdounian*, 2011 WL 1399221, at \*5 (TTAB 2011); *In re Columbia Ins. Co.*, 2011 WL 526099, at \*2 (TTAB 2011); *In re Quantum Foods, Inc.*, 2010 WL 1720595, at \*5 (TTAB 2010).

<sup>343</sup>758 F. Supp. 2d 570 (N.D. Ill. 2010).

<sup>344</sup>*Id.* at 591–92.

<sup>345</sup>*Id.* at 592.

<sup>346</sup>*Id.* at 593.

<sup>347</sup>*Id.*

<sup>348</sup>*Id.*

*a. TTAB Decisions Regarding the Picture Requirement*

Although the Federal Circuit has specifically questioned whether the presence or absence of a picture can itself be determinative, the TTAB has been consistent in asserting that a website specimen must have a picture of the goods. For example, in one case the TTAB explained simply that if a specimen fails to include a picture, then it cannot “meet the definition of a point-of-sale display.”<sup>349</sup> In another, where the webpage did show a picture of the type of items the company sells, but not detailed pictures of the actual products, the TTAB held that the pictures were insufficient because they functioned as “essentially decorative information, rather than a display of particular goods for sale with prices, form and quantities.”<sup>350</sup> Further, in *In re Mississippi Cheese Straw Factory*, the TTAB held that where the pictures of the goods and the means for purchasing were listed on two separate pages, the specimen was unacceptable.<sup>351</sup> It explained that a specimen “which spans two or more pages is too attenuated, particularly where the pages involved multiple trademarks, not all of which appear to be associated with the pictured goods.”<sup>352</sup> However, the TTAB did note, in another case, that “[t]here is no requirement that a specimen display all of the goods listed within a single class thereof.”<sup>353</sup>

*b. TTAB Decisions on the Requirement for Information to Order the Goods*

In applying the third prong of the *Dell* test, the TTAB has held in a series of cases that a website is not an acceptable specimen when it does not provide a mechanism to order the goods. For example, it held that buttons offering readers the options to “Attend” and “Find a Local Event” are insufficient,<sup>354</sup> as are links allowing a visitor to customize or configure the product.<sup>355</sup> Further, in *In re Genitope*, the TTAB held that a webpage was mere advertising because it only listed contact information for the purpose of obtaining “more information” on the product but did not include a link to order the product or even explain how to order it.<sup>356</sup> The Board explained in another case that the type of information that would be helpful includes “minimum quantities, cost, payment options, shipping options, etc.”<sup>357</sup> Contact information is insufficient because “[a]t most” it only shows how one can obtain more information about the products by contacting the applicant, and thus contact information “does not ipso facto make it a display used in association with the goods sufficient to support technical trademark use

---

<sup>349</sup>*In re Film E.C. Net*, 2009 WL 4079118, at \*10 (TTAB 2009).

<sup>350</sup>*In re Vahe Imasdounian & Norma Imasdounian*, 2011 WL 1399221, at \*5 (TTAB 2011).

<sup>351</sup>2009 WL 722037, at \*3 (TTAB 2009).

<sup>352</sup>*Id.*

<sup>353</sup>*In re Torres*, 2009 WL 1692513, at \*4 (TTAB 2009).

<sup>354</sup>*In re Brunswick Corp.*, 2008 WL 4155515, at \*7 (TTAB 2008).

<sup>355</sup>*In re USA Devview, Inc.*, 2008 WL 1741883 (TTAB 2008).

<sup>356</sup>78 USPQ2d 1819, 1821–22 (TTAB 2006).

<sup>357</sup>*In re Columbia Ins. Co.*, 2011 WL 526099, at \*2 (TTAB 2011).

for registration.”<sup>358</sup> Similarly, in yet another case, the TTAB held that a “list of distributors and a link to their websites” was insufficient because although the page may eventually result in sales, it must be possible to actually purchase the product directly from the webpage or by following information on the webpage.<sup>359</sup>

*Dell*, however, indicated that a description of how to order a product may be acceptable, and the TTAB has applied this principle depending on the facts of different applications pending before the Board. In the case of *In re Valentine, Inc.*, for example, the TTAB concluded that a webpage that did not include ordering information was sufficient because it had pictures of the goods, an online catalog, technical information regarding the products, an online calculator, and a link to and phone number for customer service, all of which gave the visitors enough information to select a product and call the number to place an order.<sup>360</sup> Further, it noted that consumers do actually order products by using the telephone, and that the term “customer service,” which was posted on the website, is broad enough to include ordering.<sup>361</sup> The TTAB emphasized that whether a specimen constitutes a display should be decided on a case-by-case basis, and that the page at issue did constitute a point of sale display because the products are “specialized industrial products” that customers would need technical assistance in purchasing.<sup>362</sup>

More recently, the TTAB recognized that the Federal Circuit has called into question *Dell*’s three-part test.<sup>363</sup> The TTAB applied the test nevertheless, asserting that “the requirement for inclusion of information necessary to order the goods is critical, just as the point-of-sale nature of a display (that is, it is placed where a sale can be consummated) is critical in the bricks-and-mortar environment, in determining whether a specimen is adequate to show trademark use.”<sup>364</sup> “If there is no way for a consumer . . . to order the goods being promoted, then the use of a proposed mark in connection with the goods on the webpage is nothing more than advertising.”<sup>365</sup> In that specific case, the Board held that the specimen was insufficient because there is “no sales form, no pricing information, no offers to accept orders, and no special instructions for placing orders.”<sup>366</sup>

---

<sup>358</sup>*Id.* at \*2–3; see also *In re Film E.C. Net*, 2009 WL 4079118, at \*9 (TTAB 2009) (holding that a webpage was mere advertising because it was not “calculated to consummate a sale” as the only ordering information was an e-mail address “sales@empowerproduction.com”); *In re Cash Sys., Inc.*, 2005 WL 1350782, at \*3 (TTAB 2005) (holding that there was insufficient information to order the product where the website listed its mail, e-mail, and website address to obtain “more information”). But see *In re Torres*, 2009 WL 1692513, at \*3 (TTAB 2009) (holding that the *Dell* test had been met when the webpage only listed a mailing address, phone number, and e-mail address).

<sup>359</sup>*In re Osterberg*, 83 USPQ2d 1220, 1224 (TTAB 2007).

<sup>360</sup>*In re Valentine, Inc.*, 84 USPQ2d 1346, 1349–50 (TTAB 2007).

<sup>361</sup>*Id.* at 1349.

<sup>362</sup>*Id.* at 1348–49.

<sup>363</sup>*In re Quantum Foods, Inc.*, 2010 WL 1720595, at \*5 (TTAB 2010).

<sup>364</sup>*Id.*

<sup>365</sup>*Id.*

<sup>366</sup>*Id.*

*c. TTAB Decisions Discussing Prominence of a Mark on a Website*

In addition, several TTAB decisions have focused on the question of how prominently a mark is displayed in an asserted website specimen. For example, in one case the TTAB held that although the mark was at the bottom of the page, near boilerplate legal language and standard links, it was still acceptable because the mark was larger and stood out from the text.<sup>367</sup> In another case the TTAB found that a mark which is “[b]uried” in the “middle of the text” was not displayed prominently enough.<sup>368</sup> The TTAB was particularly concerned that prospective customers might consider the mark to be a descriptive or informative term like the others surrounding it, especially because the mark appeared in part of a sentence.<sup>369</sup> The TTAB contrasted this to *Dell*, where the mark was set off in a bulleted list.<sup>370</sup> It emphasized that the specimen must be “displayed in such a way that the customer can easily associate the mark with the goods.”<sup>371</sup>

## VI. DOMAIN NAMES IN TRADEMARK INFRINGEMENT

### A. Use in Commerce

As discussed above, many courts also now require trademark plaintiffs to prove that a defendant has engaged in commercial use of a challenged mark in order to establish a claim for trademark infringement.<sup>372</sup> In particular, the Lanham Act provides that for claims of infringement of registered marks, the plaintiff must prove “use in commerce . . . in connection with the sale, offering for sale, or advertising of any goods or services.”<sup>373</sup> For claims of infringement of unregistered marks, the plaintiff must prove “use in commerce” “in connection with any goods or services.”<sup>374</sup>

Courts that impose this requirement have explained that it is designed to provide the jurisdictional hook that provides Congress with the authority to regulate the use of trademarks under the Lanham Act.<sup>375</sup> The Act defines “commerce” as broadly as possible under the U.S. Constitution.<sup>376</sup>

---

<sup>367</sup>*In re Odom’s Tennessee Pride Sausage, Inc.*, 2009 WL 4079143, at \*5 (TTAB 2009).

<sup>368</sup>*In re Osterberg*, 83 USPQ2d 1220, 1223 (TTAB 2007).

<sup>369</sup>*Id.*

<sup>370</sup>*Id.*

<sup>371</sup>*Id.*

<sup>372</sup>See *supra* at §I.A.

<sup>373</sup>15 U.S.C. §1114(1)(a).

<sup>374</sup>15 U.S.C. §1125(a)(1).

<sup>375</sup>*Lobo Enters., Inc. v. Tunnel, Inc.*, 822 F.2d 331, 333 (2d Cir. 1987).

<sup>376</sup>See 15 U.S.C. §1127 (defining “commerce” as “all commerce which may lawfully be regulated by Congress”); see also *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.*, 128 F.3d 86, 92 (2d Cir. 1997) (“The history and text of the Lanham Act show that ‘use in commerce’ reflects Congress’s intent to legislate to the limits of its authority under the Commerce Clause, rather than to limit the Lanham Act to profit-seeking uses of a trademark.”); *Playboy Enters., Inc.*

Some courts have found that the simple practice of establishing a website satisfies the commercial use element of a Lanham Act claim.<sup>377</sup> Other courts, however, have found that “[t]he mere use of another’s name on the Internet . . . is not per se commercial use.”<sup>378</sup> As a result, it is important to consider the factual context under which the asserted use in commerce arises.<sup>379</sup>

### 1. Cases Generally Finding Use in Commerce

The paradigmatic use of a mark in commerce is using another’s mark to advertise or conduct one’s business. Just as the Lanham Act prohibits these activities in the physical world, so too does it often prohibit them in the virtual world.<sup>380</sup>

A website generally need not have the traditional commercial focus of making money in order to satisfy the “use in commerce” element. Even without an obvious commercial component, such as a direct attempt to sell the junior

---

v. Netscape Commc’ns Corp., 354 F.3d 1020, 1024 n.11 (9th Cir. 2004) (“Federal jurisdiction over trademark cases rests on the Commerce Clause [and] sweeps as broadly as possible . . . .”).

<sup>377</sup>Savannah Coll. of Art & Design v. Houeix, 369 F. Supp. 2d 929, 942 (S.D. Ohio 2004) (“In the computer and Internet context, courts have consistently held that providing information over the Internet satisfies the commerce requirement of the Lanham Act.” (quoting Cable News Network L.P., L.L.L.P. v. CNNews.com, 177 F. Supp. 2d 506, 517 n.25 (E.D. Va. 2001))); OBH, Inc. v. Spotlight Magazine, 86 F. Supp. 2d 176, 186 (W.D.N.Y. 2000) (“[T]he national, and even international, nature of the Internet itself makes defendants’ use of plaintiffs’ trademark as a domain name a ‘use in commerce’ for purposes of the Lanham Act.”); Planned Parenthood Fed’n of Am. v. Bucci, 42 USPQ2d 1430, at \*3 (S.D.N.Y. 1997) (“Internet users constitute a national, even international, audience, who must use interstate telephone lines to access defendant’s web site on the Internet. The nature of the Internet indicates that establishing a typical home page on the Internet, for access to all users, would satisfy the Lanham Act’s ‘in commerce’ requirement.”), aff’d, 152 F.3d 920 (2d Cir. 1998).

<sup>378</sup>Bihari v. Gross, 119 F. Supp. 2d 309, 318 (S.D.N.Y. 2000) (quoting Bally Total Fitness Holding Corp. v. Faber, 29 F. Supp. 2d 1161, 1166 (C.D. Cal. 1998)).

<sup>379</sup>See, e.g., Planetary Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188, 1194–95 (11th Cir. 2001) (distinguishing different meanings of “use in commerce”).

<sup>380</sup>Second Circuit: Toys R Us Inc. v. Abir, 45 USPQ2d 1944, 1948 (S.D.N.Y. 1997) (“Abir’s communication with various Chinese toy manufacturers regarding his plan to operate an online toy catalog and toy store registry is an attempt to solicit business through the domain name [toysareus.com] and, therefore, is an obvious commercial use.”).

Fourth Circuit: Continental Airlines, Inc. v. continentalairlines.com, 390 F. Supp. 2d 501, 507 (E.D. Va. 2005) (plaintiff’s marks, Continental Airlines and Continental Express, were used in commerce on the websites continentalairlines.com and continentalexpressairlines.com because each mark was used to “direct Internet users to websites where airline tickets are sold.”).

Sixth Circuit: Audi AG v. D’Amato, 469 F.3d 534, 547 (6th Cir. 2006) (defendant’s use of Audi mark for website audisport.com was in commerce “because the website sold merchandise, email subscriptions, and advertising space, all with Audi’s logo”).

Seventh Circuit: Euromarket Designs, Inc. v. Crate & Barrel Ltd., 96 F. Supp. 2d 824, 832 (N.D. Ill. 2000) (defendant’s use of crateandbarrel-ie.com website to enter into sales contract constituted commercial use of Crate & Barrel mark).

Ninth Circuit: *See* Financial Express LLC v. Nowcom Corp., 564 F. Supp. 2d 1160, 1173 (C.D. Cal. 2008) (finding use in commerce because “Nowcom purchased eight different domain names that included Finance Express’ name and trademarks to drive Finance Express’ potential consumers to Nowcom’s website”).

user's goods or services, a website may still be commercial if it contains advertisements<sup>381</sup> or hyperlinks to commercial websites.<sup>382</sup> A website that provides news or information may also be sufficient, at least where that is the established business of the senior user.<sup>383</sup> More broadly still, in some jurisdictions, a website may satisfy the commercial use test merely because it "prevent[s]" Internet users "from obtaining or using [the senior user's] goods or services."<sup>384</sup> Other courts have rejected this so-called "interference" theory of commercial effects, reasoning that the requisite effect on commerce must involve a competing product or service and not merely the criticism of the senior user.<sup>385</sup>

Courts have increasingly held that "use in commerce" extends to business models that have arisen directly as a result of the Internet. For example, registering

<sup>381</sup>Taubman Co. v. Webfeats, 319 F.3d 770, 775 (6th Cir. 2003) ("We believe the advertisements on" a website, "though extremely minimal, constituted . . . use of Taubman's mark 'in connection with the advertising' of the goods sold by the advertisers. This is precisely what the Lanham Act prohibits.").

<sup>382</sup>People for the Ethical Treatment of Animals v. Doughney, 263 F.3d 359, 365 (4th Cir. 2001) (PETA.org used mark "in connection with" goods or services" because website contained hyperlinks to more than 30 commercial websites); Bihari v. Gross, 119 F. Supp. 2d 309, 318 (S.D.N.Y. 2000) (because the offending websites "contain hyperlinks to other websites which promote the services of other interior designers," they "effectively act as a conduit, steering potential customers away from Bihari Interiors and toward its competitors"); Jews for Jesus v. Brodsky, 993 F. Supp. 282, 308 (D.N.J.) (holding plaintiff's website was a "conduit" to fundraising because a hyperlink on the website led to a partner organization that sold merchandise), *aff'd*, 159 F.3d 1351 (3d Cir. 1998).

<sup>383</sup>Cable News Network L.P., L.L.L.P. v. CNNews.com, 177 F. Supp. 2d 506, 517 (E.D. Va. 2001) (website CNNews.com used CNN mark in commerce because "it is clear that the provision of news and information services on the Internet constitutes 'commerce' under the Act"), *aff'd in part and vacated in part on other grounds*, 56 F. App'x 599 (4th Cir. 2003).

<sup>384</sup>People for the Ethical Treatment of Animals v. Doughney, 263 F.3d 359, 365 (4th Cir. 2001); see also Faegre & Benson LLP v. Purdy, 70 USPQ2d 1315 (D. Minn. 2004) ("Defendants' use of domain names incorporating Faegre's mark is in connection with goods or services, because it is designed to, and is likely to, prevent some Internet users from reaching Faegre's official website."); OBH, Inc. v. Spotlight Magazine, 86 F. Supp. 2d 176, 186 (W.D.N.Y. 2000) (holding defendant's use of The Buffalo News mark in its domain name thebuffalonews.com was commercial "because it is likely to prevent or hinder Internet users from accessing plaintiffs' services on plaintiffs' own web site"); Jews for Jesus v. Brodsky, 993 F. Supp. 282, 308 (D.N.J.) (finding use of mark commercial because "it is designed to harm the Plaintiff Organization commercially by disparaging it and preventing the Plaintiff Organization from exploiting the Mark and the Name of the Plaintiff Organization"), *aff'd*, 159 F.3d 1351 (3d Cir. 1998); Planned Parenthood Fed'n of Am. v. Bucci, 42 USPQ2d 1430, at \*3 (S.D.N.Y. 1997) (holding, arguably in dicta, that defendant's anti-abortion website, plannedparenthood.com, satisfied commerce requirement because it "affected plaintiff's ability to offer [its] services, which, as health and information services offered in forty-eight states and over the Internet, are surely 'in commerce.'"), *aff'd*, 152 F.3d 920 (2d Cir. 1998).

<sup>385</sup>Utah Lighthouse Ministry v. Foundation for Apologetic Info. & Research, 527 F.3d 1045, 1054 (10th Cir. 2008) (holding that defendant "must use the mark in connection with the goods or services of a competing producer, not merely to make a comment on the trademark owner's goods or services"); Bosley Med. Inst. v. Kremer, 403 F.3d 672, 679 (9th Cir. 2005) ("Kremer is not Bosley's competitor; he is their critic. His use of the Bosley mark is not in connection with a sale of goods or services—it is in connection with the expression of his opinion about Bosley's goods and services."); cf. Ford Motor Co. v. 2600 Enters., 177 F. Supp. 2d 661, 664-65 (E.D. Mich. 2001) ("[T]he implication in *Planned Parenthood* and *Jews for Jesus* that the 'commercial use' requirement is satisfied any time unauthorized use of a protected mark hinders the mark owner's ability to establish a presence on the Internet or otherwise disparages the mark owner is flawed.").

a domain name using a protected mark for the purpose of selling the domain name to the mark's rightful owner generally constitutes a use in commerce.<sup>386</sup> One court of appeals has suggested, however, that characterizing such "cybersquatting" as a "use in commerce" is appropriate only where "the defendant ha[s] made a habit and a business of such practices" or when his "initial motive in selecting [the plaintiff's] mark was to re-sell the name."<sup>387</sup> Another court of appeals has held that the junior user must "be using the trademark as a trademark, capitalizing on its trademark status,"<sup>388</sup> although one can question whether this distinction should make any difference in the "use in commerce" analysis.<sup>389</sup>

The enactment of the Anticybersquatting Consumer Protection Act ("ACPA")<sup>390</sup> in 1999 provided a separate cause of action against certain bad-faith domain name registrations, which has reduced the need for courts to parse the analysis of cybersquatting as technical trademark infringement.<sup>391</sup>

On a separate theory of liability, at least three courts of appeals have held that the use of a trademark as a search engine keyword that triggers the display of a competitor's advertisement constitutes use of the mark in commerce for the purpose of the Lanham Act.<sup>392</sup>

Use of the mark exclusively outside the United States may not keep an infringer safe from liability. While "use in commerce" may be understood to refer to American commerce, all the Lanham Act requires is an effect on American commerce, and this can occur even when the allegedly infringing website is "ostensibly directed solely at internet users outside the U.S."<sup>393</sup>

## 2. Cases Generally Not Finding Use in Commerce

Courts have, however, been willing to impose limits on the "use in commerce" doctrine. For example, the mere registration of a potentially infringing

---

<sup>386</sup>Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1325 (9th Cir. 1998) ("Toeppen made a commercial use of Panavision's trademarks. It does not matter that he did not attach the marks to a product. Toeppen's commercial use was his attempt to sell the trademarks themselves.").

<sup>387</sup>Taubman Co. v. Webfeats, 319 F.3d 770, 776 (6th Cir. 2003).

<sup>388</sup>Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 879–80 (9th Cir. 1999) (holding that junior user who purchased domain names containing common surnames "with the consequent intent to capitalize on the surname status" did not "use trademarks qua trademarks as required by the caselaw").

<sup>389</sup>Ford Motor Co. v. 2600 Enters., 177 F. Supp. 2d 635, 650–52 (E.D. Mich. 2001) (challenging usefulness of "trademarks qua trademarks" reasoning).

<sup>390</sup>15 U.S.C. §1125(d).

<sup>391</sup>See, e.g., Agri-Supply Co. v. Agrisupply.com, 457 F. Supp. 2d 660, 662–64 (E.D. Va. 2006) (analyzing both ACPA and Lanham Act infringement claims and finding both satisfied by bad-faith registration of domain name containing plaintiff's registered mark).

<sup>392</sup>Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1144–45 (9th Cir. 2011); Rescuecom Corp. v. Google Inc., 562 F.3d 123, 127 (2d Cir. 2009); North Am. Med. Corp. v. Axiom Worldwide, Inc., 522 F.3d 1211, 1218–19 (11th Cir. 2008); *see also supra* §IX.C.

<sup>393</sup>Cable News Network L.P., L.L.L.P. v. CNNNews.com, 177 F. Supp. 2d 506 (E.D. Va. 2001) (Chinese language website CNNNews.com impacts American commerce due to "the global nature of the Internet, the existence in this country of a not insubstantial number of persons with Chinese language skills, the fact that '.com' is essentially an American top-level domain, and the fact that CNN is a famous mark in this country and indeed internationally"), *aff'd in part and vacated in part on other grounds*, 56 F. App'x 599 (4th Cir. 2003).

domain name, absent an attempt to sell, generally has been held not to constitute use in commerce under the Lanham Act.<sup>394</sup> Likewise, courts have found that a non-commercial website without commercial hyperlinks does not use the mark in commerce.<sup>395</sup> Similarly, when hyperlinks on potentially infringing websites do not evince intent to draw Internet users to a commercial enterprise, courts have found the link “too attenuated” to support liability.<sup>396</sup>

One of the largest categories of non-commercial uses of protected marks in domain names is the “gripe site,” a website that employs the name of a company or product to criticize its target.<sup>397</sup> Courts have consistently held that using a mark merely to disparage the senior user’s product or service does not, in itself, constitute use of the mark in commerce.<sup>398</sup> Indeed, some courts have expressed concern that the invocation of the Lanham Act to prohibit entirely non-commercial gripe

<sup>394</sup>Second Circuit: Cline v. 1-888-Plumbing Group, Inc., 146 F. Supp. 2d 351, 369–70 (S.D.N.Y. 2001) (citing numerous cases holding that parties use a mark in commerce “not when they reserve a domain name likely to be confused with the registered mark, but when they use it”).

Third Circuit: Jews for Jesus v. Brodsky, 993 F. Supp. 282, 307 (D.N.J.) (holding, in dilution context, that “the mere registration of a domain name, without more, is not a ‘commercial use’ of a trademark”), *aff’d*, 159 F.3d 1351 (3d Cir. 1998).

Fourth Circuit: HQM, Ltd. v. Hatfield, 71 F. Supp. 2d 500, 507–08 (D. Md. 1999) (rejecting argument that “simply registering and activating a domain name under the .com designation, and then failing to respond to letters from a mark holder constitutes ‘commercial use’”).

Ninth Circuit: Panavision Int’l, L.P. v. Toeppen, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996) (“Registration of a trade[mark] as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the [Lanham] Act.”), *aff’d*, 141 F.3d 1316 (9th Cir. 1998); *cf.* Brookfield Commc’ns v. W. Coast Entm’t Corp., 174 F.3d 1036, 1052 (9th Cir. 1999) (holding, for purposes of establishing ownership of a mark, that “mere registration of a domain name was not sufficient to constitute commercial use for purposes of the Lanham Act”).

<sup>395</sup>TMI, Inc. v. Maxwell, 368 F.3d 433, 435, 438 (5th Cir. 2004) (holding that the commercial use requirement is not satisfied where defendant’s website was not commercial and had no outside links).

<sup>396</sup>Bosley Med. Inst. v. Kremer, 403 F.3d 672, 678 (9th Cir. 2005) (“Kremer’s website contains no commercial links, but rather contains links to a discussion group, which in turn contains advertising.”); *see also* Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research, 527 F.3d 1045, 1051–53 (10th Cir. 2008) (holding that allegedly infringing website’s link to another website, which was “overwhelmingly noncommercial in nature, and contain[ed] only an inconspicuous link to [a related] online bookstore” did not use the mark “in connection with any goods or services”).

<sup>397</sup>See webgripesites.com (cataloging gripe sites). For additional information about gripe sites, *see* §XI.B.

<sup>398</sup>Fourth Circuit: Lucent Techs., Inc. v. Lucentsucks.com, 95 F. Supp. 2d 528, 535–36 (E.D. Va. 2000) (“A successful showing that lucentsucks.com is effective parody and/or a site for critical commentary would seriously undermine” a finding of use in commerce).

Sixth Circuit: Career Agents Network, Inc. v. careeragentsnetwork.biz, 96 USPQ2d 1884, at \*10 (E.D. Mich. 2010) (“[T]hat Defendants [who ran gripe site] were attempting to harm Plaintiff’s business is not sufficient to translate criticism into commercial use.”); Savannah Coll. of Art & Design v. Houeix, 369 F. Supp. 2d 929, 942–48 (S.D. Ohio 2004) (“Houeix’s use of the mark at issue to provide critical commentary on Savannah College does not constitute a commercial use of the mark.”).

Eighth Circuit: Northland Ins. Cos. v. Blaylock, 115 F. Supp. 2d 1108, 1123 (D. Minn. 2000) (holding, for purposes of dilution, that defendant’s gripe site, northlandinsurance.com, was “for noncommercial commentary purposes”).

Ninth Circuit: Bosley Med. Inst. v. Kremer, 403 F.3d 672, 674 (9th Cir. 2005) (holding that “noncommercial use of a trademark as the domain name of a website—the subject of which is

sites may potentially violate the First Amendment guarantee of free speech.<sup>399</sup> This concern is particularly acute when the criticism is political in nature.<sup>400</sup>

A website's status as a gripe site, however, will not prevent it from satisfying the "use in commerce" element for other reasons: for example, where it includes banner advertisements;<sup>401</sup> where it links to defendant's commercial site;<sup>402</sup> or where it contains hyperlinks to other "commercial operations offering goods and services."<sup>403</sup>

## B. Likelihood of Confusion

As with any trademark infringement claim, a plaintiff asserting that the use of a trademark as domain name constitutes infringement must also establish that the challenged use is likely to cause consumer confusion.<sup>404</sup>

### 1. Cases Generally Finding Likelihood of Confusion

Likelihood of confusion is perhaps easiest to find where the junior user attempts to pass off its website as the online companion of the senior user's product or service.<sup>405</sup> The same holds true when the junior user is the senior

---

consumer commentary about the products and services represented by the mark—does not constitute infringement under the Lanham Act").

<sup>399</sup>Taubman Co. v. Webfeats, 319 F.3d 770, 778 (6th Cir. 2003) ("The rooftops of our past have evolved into the internet domain names of our present. We find that the domain name is a type of public expression, no different in scope than a billboard or a pulpit, and defendant has a First Amendment right to express his opinion about Taubman, and as long as his speech is not commercially misleading, the Lanham Act cannot be summoned to prevent it.").

<sup>400</sup>Koch Indus., Inc. v. Does, \_\_\_ F. Supp. \_\_\_, 2011 WL 1775765, at \*3–\*5 (D. Utah May 9, 2011) (holding that defendant's website that criticized plaintiff corporation's owners for funding organizations that deny climate change did not use mark in commerce, and noting that the "Lanham Act regulates only economic, not ideological or political, competition"). For more information on the First Amendment implications of domain names, see §XI.

<sup>401</sup>Savannah Coll. of Art & Design v. Houeix, 369 F. Supp. 2d 929, 944 (S.D. Ohio 2004) ("It is clear that when Houeix's scad.info website contained an advertisement for Register.com Houeix's use of the SCAD mark at issue was 'in connection with the advertising'" of the goods sold by the advertiser.").

<sup>402</sup>OBH, Inc. v. Spotlight Magazine, 86 F. Supp. 2d 176, 186 (W.D.N.Y. 2000) (holding that defendant's gripe site used plaintiff's mark "in connection with" goods or services because it "contains a hyperlink that connects users to defendants' other web site" through which defendants "offer their own services over the Internet").

<sup>403</sup>People for the Ethical Treatment of Animals v. Doughney, 263 F.3d 359, 366 (4th Cir. 2001) ("By providing links to these commercial operations, Doughney's use of PETA's mark is 'in connection with' the sale of goods or services.").

<sup>404</sup>Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research, 527 F.3d 1045, 1055 (10th Cir. 2008). *See also supra* §I.A.

<sup>405</sup>Int'l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco, 329 F.3d 359, 361 n.1, 382 (4th Cir. 2003) (finding no clear error in district court's determination that junior user's domain names, such as casinodemontecarlo.com, would likely be confused with senior user Casino de Monte Carlo, based on "[t]he domain addresses in question, their use of

user's licensee<sup>406</sup> or former business partner.<sup>407</sup> Only slightly less clear-cut is the case of the junior user that attempts to leverage the senior user's fame for its own business advantage. This too will often lead to a finding of likely confusion.<sup>408</sup> Indeed, when a defendant chooses a mark specifically to cause associations with the plaintiff's product or service the likelihood of confusion is greatly heightened.<sup>409</sup>

The addition of generic terms to famous marks, moreover, such as victorias-sexsecret.com rather than victoriassecret.com, are unlikely to dispel likely customer confusion,<sup>410</sup> nor will simply making the senior user's singular mark into a plural word.<sup>411</sup> Switching the order of words in a senior user's domain name<sup>412</sup> and

pictures and renderings of the actual Casino de Monte Carlo, and the web sites implying that they provided online gambling as an alternative to their non-existent Monte Carlo-based casino"); People for Ethical Treatment of Animals, Inc. v. Doughney, 113 F. Supp. 2d 915, 919–20 (E.D. Va. 2000) ("Doughney copied the mark identically. This creates a presumption of likelihood of confusion among internet users as a matter of law."), *aff'd*, 236 F.3d 359 (2001).

<sup>406</sup>Hard Rock Café Int'l (USA) Inc. v. Morton, 1999 WL 717995, at \*30 (S.D.N.Y. 1999) ("When a licensee makes both permissible and impermissible use of a trademark in selling merchandise on the Internet, the likelihood of confusion is strong. It is improbable that the public will be able to ascertain which uses are unauthorized and which are not.").

<sup>407</sup>Minarik Elec. Co. v. Electro Sales Co., 223 F. Supp. 2d 334, 342 (D. Mass. 2002).

<sup>408</sup>Perfumebay.com Inc. v. eBay, Inc., 506 F.3d 1165, 1173–76 (9th Cir. 2007) (affirming finding of likelihood of confusion between junior user perfumebay.com and senior user ebay.com); Brookfield Commc'n's v. W. Coast Entm't Corp., 174 F.3d 1036, 1059 (9th Cir. 1999) ("In the Internet context, in particular, courts have appropriately recognized that the intentional registration of a domain name knowing that the second-level domain is another company's valuable trademark weighs in favor of likelihood of confusion"); Advance Magazine Publishers Inc. v. Vogue Int'l, 123 F. Supp. 2d 790, 796–98 (D.N.J. 2000) (finding likely confusion where defendant used teenvogue.com and similar websites to sell clothing, cosmetics, and fashion accessories, which plaintiff publication had written about for over 100 years).

<sup>409</sup>Graduate Mgmt. Admission Council v. Raju, 267 F. Supp. 2d 505, 510 (E.D. Va. 2003) (finding domain names GMATplus.com and GMATplus.net for selling GMAT preparation materials likely to confuse consumers); March Madness Athletic Ass'n, L.L.C. v. Netfire, Inc., 310 F. Supp. 2d 786, 812 (N.D. Tex. 2003) (finding that "[f]ans seeking to find a website about the NCAA Tournament are likely to suffer confusion when they intuitively type marchmadness.com into their web browsers, and, rather than arriving at an authorized NCAA site, end up at the [fan] site owned by Defendants"), *aff'd*, 120 F. App'x 540 (5th Cir. 2005).

<sup>410</sup>Victoria's Cyber Secret Ltd. P'ship v. V Secret Catalogue, Inc., 161 F. Supp. 2d 1339, 1351 (S.D. Fla. 2001) (holding that junior user's "addition of 'sex' or 'sexy' to the VICTORIA'S SECRET Mark" did nothing "to dispel similarity and confusion" because "slight differences between domain names and registered marks, such as the addition of minor or generic words to the disputed domain names are irrelevant"); PACCAR, Inc. v. Telescan Techs., L.L.C., 115 F. Supp. 2d 772, 777–78 (E.D. Mich. 2000) (holding that addition of words such as "trucks," "used trucks," and "new trucks" did not eliminate likelihood of confusion with the plaintiff's PETERBILT and KENWORTH trademarks), *aff'd in part and vacated in part on other grounds*, 319 F.3d 243, 252 (6th Cir. 2003) (excluding "genetic or common descriptive words following the marks" for the purposes of analysis); HER, Inc. v. RE/MAX First Choice, LLC, 468 F. Supp. 2d 964, 973, 978–79 (S.D. Ohio 2007) (comparing Real Living mark with insiderealliving.com domain name).

<sup>411</sup>Trade Media Holdings Ltd. v. Huang & Assocs., 123 F. Supp. 2d 233, 240 (D.N.J. 2000) ("There can be no doubt that but for the presence or absence of an 's', the allegedly infringing mark here is identical to plaintiff's mark.").

<sup>412</sup>PetMed Express, Inc. v. MedPets.Com, Inc., 336 F. Supp. 2d 1213 (S.D. Fla. 2004) (holding that "www.MedPets.com and www.1888MedPets.com are likely to cause confusion among con-

using common misspellings of the senior user’s mark<sup>413</sup> are each likely to confuse consumers.

## 2. Cases Generally Not Finding Likelihood of Confusion

Several key facts will often militate against a finding of likely confusion. A substantial difference in the senior and junior users’ products or services can often defeat an assertion of likely confusion.<sup>414</sup> Similarly, significant differences in the overall consumer impression conveyed by the marks at issue may also prevent consumer confusion.<sup>415</sup> And consumers are also unlikely to be confused if there are significant differences between the plaintiff’s and the defendant’s markets.<sup>416</sup>

In addition, some courts have refused to allow a finding of consumer confusion when a defendant’s only use of a plaintiff’s mark is in the post-domain name portion of a Uniform Resource Locator (“URL”) because post-domain URLs often do not identify the source of goods or services.<sup>417</sup>

## C. Potential Defenses and Responses: Laches, Acquiescence, and Progressive Encroachment

As discussed above in section III.A, federal trademark law requires a mark’s owner to police the use of its mark by others, lest the senior user be perceived

---

sumers as to whether PetMed and MedPets are one and the same,” although noting that defendant did not mount a defense).

<sup>413</sup>Dell Inc. v. BelgiumDomains, LLC, 2007 WL 6862342, at \*11 (S.D. Fla. 2007) (comparing Alienware mark with al9ienware.com).

<sup>414</sup>Interstellar Starship Servs., Ltd. v. Epix, Inc., 304 F.3d 936, 945 (9th Cir. 2002) (The products of ISS “are extraordinarily different from Epix’s digital imaging products. . . . Upon arriving at ISS’s epix.com website, the consumer would not think that Epix licensed, sponsored, or owned the ISS website. She would simply come to the inevitable and correct conclusion that more than one company uses the EPIX name and that Epix operates its website at a different address.”); Brookfield Commc’ns v. W. Coast Entm’t Corp., 174 F.3d 1036, 1055–56 (9th Cir. 1999); BigStar Entm’t, Inc. v. Next Big Star, Inc., 105 F. Supp. 2d 185, 211–12 (S.D.N.Y. 2000) (finding “insufficient competitive proximity between defendants’ talent competition service and plaintiff’s sale of movie videos and related merchandise” and that “ordinary purchasers are likely to be confused by virtue of products that are essentially non-competing”).

<sup>415</sup>Scholastic, Inc. v. Escolastica.com, 100 F. App’x 152, 154 (4th Cir. 2004) (“[D]ifferences between the word ‘escolastica’ and the word ‘scholastic’ made confusion unlikely.”).

<sup>416</sup>Brookfield Commc’ns v. W. Coast Entm’t Corp., 174 F.3d 1036, 1054 (9th Cir. 1999).

<sup>417</sup>Interactive Prods. Corp. v. a2z Mobile Office Solutions, 326 F.3d 687, 698 (6th Cir. 2003) (“Because post-domain paths do not typically signify source, it is unlikely that the presence of another’s trademark in a post-domain path of a URL would ever violate trademark law.”); *see also* Knight-McConnell v. Cummins, 2004 WL 1713824, at \*3 (S.D.N.Y. 2004) (“[D]efendant’s use of the plaintiff’s name in the post-domain path of a URL and placement of URLs using the plaintiff’s name in the post-domain paths on chat forums, discussion boards, and search engines do not give rise to any source confusion.”); Patmont Motor Werks, Inc. v. Gateway Marine, Inc., 1997 WL 811770, at \*4 n.6 (N.D. Cal. 1997).

as abandoning its rights to the junior user.<sup>418</sup> When the owner of the mark unreasonably delays seeking redress to the detriment of the alleged infringer, courts may apply the doctrine of estoppel by laches or acquiescence to deny equitable relief—most importantly, an injunction—to the senior user.<sup>419</sup> The party claiming these defenses bears the burden of proving that the senior user was aware or negligently unaware of the allegedly infringing content and unreasonably failed to enforce its rights.<sup>420</sup> The junior user must also prove prejudice stemming from its investment in the brand itself.<sup>421</sup>

The doctrine of progressive encroachment may allow a senior user to overcome the laches or acquiescence defense. Under this doctrine, the court calculates the delay from the time when the senior user should have been aware of the viability of its infringement claim.<sup>422</sup> In these cases, the alleged infringer's initial use of the mark was not actionable because differences between the senior and junior users' businesses prevented any customer confusion—a required element under the Lanham Act. A trademark infringement cause of action may, however, develop slowly if the alleged infringer's conduct becomes more objectionable over time.

---

<sup>418</sup>Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., Inc., 559 F.3d 985, 989-90 (9th Cir. 2009) (a party “cannot sit on the knowledge that another company is using its trademark, and then later come forward and seek to enforce its rights”). *But see* Cuban Cigar Brands N.V. v. Upmann Int’l, Inc., 457 F. Supp. 1090, 1097–99 (S.D.N.Y. 1978) (Weinfeld, J.) (trademark owners need only fight one trademark battle at a time), *aff’d*, 607 F.2d 995 (2d Cir. 1979).

<sup>419</sup>Newport News Holdings Corp. v. Virtual City Vision, Inc., \_\_ F.3d \_\_, 2011 WL 1467183, at \*8 (4th Cir. 2011); Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829, 835 (9th Cir. 2002) (“Laches is an equitable time limitation on a party’s right to bring suit, resting on the maxim that one who seeks the help of a court of equity must not sleep on his rights.”); Audi AG v. Shokan Coachworks, Inc., 592 F. Supp. 2d 246, 263–64 (N.D.N.Y. 2008); Johnny’s Fine Foods, Inc. v. Johnny’s Inc., 286 F. Supp. 2d 876, 880–82 (M.D. Tenn. 2003) (comparing laches and acquiescence).

<sup>420</sup>Bigfoot Ventures, LLC v. Compania Mexicana de Aviacion, S.A. de C.V., 2010 WL 2985832, at \*4 (S.D. Cal. 2010) (“Bigfoot falls short of producing evidence to show that Mexicana was aware of any infringing content on the [website at issue] prior to December 1, 2007, such that Mexicana knew or should have known about a cause of action under the Lanham Act. Therefore, Bigfoot has not met its burden to show a genuine issue of material fact exists with respect to Mexicana’s alleged delay . . . .”).

<sup>421</sup>Compare Johnny’s Fine Foods, Inc. v. Johnny’s Inc., 286 F. Supp. 2d 876, 881 (M.D. Tenn. 2003) (“[D]uring those intervening years the defendant invested significant effort and funds in expanding its business using various incarnations of the term ‘Johnny’s,’ all in reasonable reliance on the tacit assurance by the plaintiff’s predecessor company that such use was permissible.”), *with* Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., Inc., 559 F.3d 985, 992 (9th Cir. 2009) (rejecting laches defense because junior user’s investment “create[d] little to no brand awareness”).

<sup>422</sup>Angel Flight of Ga., Inc. v. Angel Flight Am., Inc., 522 F.3d 1200, 1207 (11th Cir. 2008) (“Under the doctrine of progressive encroachment, delay is to be measured from the time at which the plaintiff knows or should know she has a provable claim for infringement.”); Audi AG v. Shokan Coachworks, Inc., 592 F. Supp. 2d 246, 267 (N.D.N.Y. 2008) (doctrine of progressive encroachment “provides that a plaintiff is not obligated to file suit until the likelihood of confusion ‘looms large’ and its rights to trademark protection have clearly ripened”); Johnny’s Fine Foods, Inc. v. Johnny’s Inc., 286 F. Supp. 2d 876, 884 (M.D. Tenn. 2003) (“The progressive encroachment theory exists in order to prevent would-be plaintiffs from being forced to sue at the first sight of possible infringement, before the potential for actual confusion in the marketplace has become apparent or been realized.”).

In these situations, courts often look to see where the senior user should have foreseen a convergence with the junior user's use of the mark.<sup>423</sup>

## VII. OVERVIEW OF DIFFERENT TYPES OF DOMAIN NAME TRADEMARK DISPUTES\*

Domain name disputes raising trademark law issues take a variety of forms, yet the practices that lead to these disputes are often variations on a theme. It may be useful to try to understand these different kinds of potential abuses in order to more fully understand the possible legal responses.

**Cybersquatting.** One of the oldest types of domain name disputes involves cybersquatting, the practice of buying a domain name that includes a trademark owned by another. When Congress enacted the Anticybersquatting Consumer Protection Act ("ACPA"),<sup>424</sup> it noted the many problems associated with cybersquatting, including attempts to sell domain names to trademark holders at exorbitant prices, lost business opportunities for the mark holder, and dilution of the mark.<sup>425</sup> One particularly nefarious form of abuse involves cybersquatters' intentional tarnishment of famous marks by placing pornographic, gambling, or other potentially unsavory content on an associated website in order to incentivize the trademark owner to buy the domain name.<sup>426</sup>

**Fan Sites and Gripe Sites.** Trademark owners often express concern over unauthorized "fan sites" that reserve domain names incorporating a mark out of a strong attraction to the mark owner (such as www.vintagecocacola.com for Coca-Cola) or, more seriously, so called "gripe sites" that exist to criticize a mark owner (such as www.lucentsucks.com for the communications company Lucent).<sup>427</sup> Disputes over the legitimacy of these sites highlight the tension between trademark law of domain names and the First Amendment, since many of these sites contain commentary that may warrant First Amendment protection.<sup>428</sup> The argument for constitutional protection may be particularly strong where the domain name itself conveys admiration or criticism of a company or product, since that diminishes

<sup>423</sup>Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., Inc., 559 F.3d 985, 990–91 (9th Cir. 2009) (rejecting trademark owner's "argument that defendant 'progressively encroached' on its market when it shifted from offering dial-up access to DSL access" because "[o]ffering DSL was not an expansion into a new market, but rather a natural growth of its existing business").

\*This section was primarily drafted by Joshua Goodbaum with additional invaluable research assistance from Philip S. Alito, a law student at Duke University.

<sup>424</sup>Pub. L. No. 106-113, 113 Stat. 1501A-545 (codified at 15 U.S.C. §1125(d)).

<sup>425</sup>H.R. REP. No. 106-412, at 5–6 (1999).

<sup>426</sup>Hasbro, Inc. v. Internet Entm't Group, Ltd., 40 USPQ 2d 1479 (W.D. Wash. 1996) (preliminarily enjoining, on dilution grounds, defendant's use of candyland.com to offer pornographic content); cf. 18 U.S.C. §2252B(b) (making it a crime to "knowingly use[ ] a misleading domain name on the Internet with the intent to deceive a minor into viewing material that is harmful to minors").

<sup>427</sup>See §XI.B.

<sup>428</sup>See Cleary Bldg., Corp. v. Dame, Inc., 674 F. Supp. 2d 1257, 1266–67 (D. Colo. 2009) (dismissing cyberpiracy claim against website that discussed the defendant's "experiences with the [p]laintiff's company, which he believed performed inferior work"); see also §XI.A.

the likelihood of confusion. Thus, one court has reasoned that domain names that make the website's expressive elements apparent "seriously undermine" the elements of a cybersquatting claim against a fan or gripe site.<sup>429</sup>

**Typosquatting.** One of the more popular variants of cybersquatting—typosquatting—involves registering domain names that just slightly differ from the names of the websites operated by the trademark owners. In many cases, these typosquatted sites are simple misspellings of popular websites, such as www.wilipedia.org for Wikipedia or www.united.com for United Airlines. Other times they involve changing the top-level domain name of the website—such as the parody website www.whitehouse.org for www.whitehouse.gov. This practice may be more common than one might imagine. Indeed, one 2007 survey estimated that approximately 1 of 14 possible typos of domain names led to an alternative website.<sup>430</sup>

**Phishing.** Many of these typosquatted websites are covert attempts to coax personal or financial information from Internet users—a practice known as phishing. In 2008, Congress considered banning this nefarious practice with the Anti-Phishing and Consumer Protection Act, in part because, between August 2006 and 2007, "roughly 3,500,000 United States computer users were victims of phishing scams, and suffered losses totaling \$3,200,000,000."<sup>431</sup> Although the legislation ultimately did not pass, it perhaps signals that Congress has noticed the dangers posed by phishing and may act in the future to address the issue. In the meantime, victims are left to pursue claims under existing law.

**Domain Parking.** Another variant of typosquatting is called domain parking, which occurs when a so-called "parking" company registers numerous typosquat variants of famous websites, often in an attempt to monetize the ownership through various channels. In one notable case, a company registered a variety of domain names resembling the homepage for the clothing company Lands' End in order to take advantage of Lands' End's offer to pay a commission to websites that referred customers.<sup>432</sup> A more common method of typosquatting is to "aggregate[ ] domain names from individual domain registrants and contract with an advertising service . . . to license and monetize those domain names."<sup>433</sup> In other words, parking companies register a number of typosquatted domain names and place advertisements on the sites using online advertisement syndication services. Although each individual website may be worthless, "a significant minority of typo-squatter sites . . . generate revenue" by collecting pay-per-click revenue from advertisements posted on millions of websites affixed to domain names that are close variants of famous marks, thus bolstering the practice.<sup>434</sup>

Trademark owners have had various responses to domain parking, with some finding it difficult to sue the domain parking companies themselves. A potential

<sup>429</sup>Lucent Tech. v. Lucentsucks.com, 95 F. Supp. 2d 528, 535 (E.D. Va. 2000).

<sup>430</sup>Shane Keats, McAfee, *What's In a Name: The State of Typo-Squatting* (Nov. 2007), [http://www.siteadvisor.com/studies/typo\\_squatters\\_nov2007.html](http://www.siteadvisor.com/studies/typo_squatters_nov2007.html).

<sup>431</sup>Anti-Phishing and Consumer Protection Act §2, S. 2661 (unenacted).

<sup>432</sup>Lands' End, Inc. v. Remy, 447 F. Supp. 2d 941, 945 (W.D. Wis. 2006).

<sup>433</sup>Vulcan Golf, LLC v. Google, Inc., 552 F. Supp. 2d 752, 760 n.2 (N.D. Ill. 2008).

<sup>434</sup>Shane Keats, McAfee, *What's In a Name: The State of Typo-Squatting* (Nov. 2007), [http://www.siteadvisor.com/studies/typo\\_squatters\\_nov2007.html](http://www.siteadvisor.com/studies/typo_squatters_nov2007.html).

solution has been for mark holders to sue the advertising companies and other intermediaries that facilitate the parking. The prospects for success in this type of litigation strategy remain uncertain. Some courts have held that the practice of advertising on typosquatted websites might constitute trafficking in an infringing domain name under the ACPA, even without registering or owning the allegedly infringing sites.<sup>435</sup> Other courts have disagreed, holding that “trafficking” under the ACPA requires “some level of ownership or control passing between the person transferring and the person receiving.”<sup>436</sup>

**Domain Tasting.** Domain parking was, for a time, facilitated by a practice called domain tasting—a system of short-term, no-cost domain name registration. When an Internet user registers a domain name, he or she may cancel the domain name within five days. Prior to 2008, when users did this, they received a refund of the registration cost and a refund of a nominal transaction cost (\$0.20). The result was that cybersquatters could freely “register[] and delete[] domain names . . . that [did] not generate sufficient traffic to turn a profit.”<sup>437</sup> And this enabled domain parkers to maximize their revenues by using only profitable domain names. Given the massive scale of some domain parking operations,<sup>438</sup> domain tasting may have allowed some parking companies to remain solvent.

Policy changes have effectively eliminated the practice of domain tasting. First, in February 2008, Google stopped placing advertisements on websites during the five-day grace period, thus undermining the ability of would-be domain parkers to estimate the profitability of any given domain name.<sup>439</sup> And second, later that year, the Internet Corporation for Assigned Names and Numbers (ICANN)<sup>440</sup> took steps to prevent the nominal transaction cost associated with registering a domain name from being refunded, imposed limits on the number of domains a registrar could delete each month, and imposed a \$6.75 penalty for each domain a company imposed above that limit.<sup>441</sup> These reforms have effectively rendered domain tasting a thing of the past.<sup>442</sup>

**Domain Name Front Running.** Related to domain tasting is front running, a practice by which domain registrars use inside information to preempt registration of particular domain names.<sup>443</sup> Front running may facilitate cybersquatting because

---

<sup>435</sup>Vulcan Golf, LLC v. Google, Inc., 552 F. Supp. 2d 752, 764 (N.D. Ill. 2008).

<sup>436</sup>Ford Motor Co. v. Greatdomains.com, 177 F. Supp. 2d 635, 644-45 (E.D. Mich. 2001) (holding that company that auctioned domain names, some of which were typosquatted, could not be held liable under the ACPA).

<sup>437</sup>Dell, Inc. v. BelgiumDomains, LLC, 2007 WL 6862342, at \*4 (S.D. Fla. Nov. 21, 2007).

<sup>438</sup>*Id.* at \*3 (noting defendant’s registration of over one million domain names, many of which were typosquatted domain names resembling famous trademarks).

<sup>439</sup>Google, Google AdSense for Domains, <http://www.google.com/domainpark/index.html>.

<sup>440</sup>See Chapter 8D.4.

<sup>441</sup>Lance Whitney, *New ICANN Policy Stops Domain Tasting*, [http://news.cnet.com/8301-13578\\_3-10309051-38.html](http://news.cnet.com/8301-13578_3-10309051-38.html) (Aug. 19, 2009, 9:57 AM).

<sup>442</sup>ICANN, *The End of Domain Tasting: Status Report on AGP Measures*, <http://www.icann.org/en/tlds/agp-status-report-12aug09-en.pdf> (Aug. 12, 2009) (noting 99.7% decrease in deleted domain names during first ten months of new policy).

<sup>443</sup>ICANN Security and Stability Advisory Committee, *Domain Name Front Running*, at 2, <http://www.icann.org/en/committees/security/sac022.pdf> (Oct. 2007).

the registrars do not have to guess which domain names trademark holders will want to register in the future. The prominent domain registrar Network Solutions, for example, at one point automatically registered domain names that customers searched for on its website, thus forcing consumers to buy their domain name from it rather than a competitor.<sup>444</sup> Critics alleged that this type of front running enabled Network Solutions to charge higher prices than its competitors to register the domain names, and consumers filed a class action suit to that effect, which eventually settled.<sup>445</sup> Despite this high-profile example, though, evidence of front running is scant. Indeed, the practice may be more myth than reality.<sup>446</sup>

### VIII. TRADEMARK DILUTION ONLINE\*

In contrast to trademark infringement, trademark dilution occurs when the unauthorized use of a famous mark undermines, or “dilutes,” the capacity of the mark to identify the source of the goods or services with which it is usually associated.<sup>447</sup> Federal law recognizes two related species of dilution: (1) dilution by blurring and (2) dilution by tarnishment. Dilution by blurring involves an unauthorized use of a famous mark in a way that reduces the public’s association of the mark with its core product line (such as “Buick aspirin” or “Folgers potato chips”).<sup>448</sup> And dilution by tarnishment involves an association of the famous mark with an unsavory or unflattering product that damages the mark’s reputation (such as “Smucker’s adult films”).<sup>449</sup>

Although state laws protecting famous marks from dilution date back to the mid-twentieth century,<sup>450</sup> the first federal cause of action for dilution came with the passage of the Federal Trademark Dilution Act of 1995 (“FTDA”).<sup>451</sup> Under the FTDA, the “owner of a famous mark” could sue to enjoin another’s use of the famous mark that “causes dilution of the distinctive quality of the mark.”<sup>452</sup> Courts of appeals disagreed about whether owners of famous marks asserting

<sup>444</sup>Adam Strong, Domain Registrar Network Solutions Front Running on Whois Searches, DOMAINNAMENEWS (Jan. 8, 2008, 2:42 p.m.), <http://www.domainnamenews.com/featured/domain-registrar-network-solutions-front-running-on-whois-searches/1359>.

<sup>445</sup>McElroy v. Network Solutions, 08-cv-01247 (C.D. Cal. 2008).

<sup>446</sup>ICANN, *Results of Domain Name Front Running Study*, <http://www.icann.org/en/announcements/announcement-04aug09-en.htm> (Aug. 4, 2009) (concluding there is no evidence of front running).

\*This section was primarily drafted by Joshua Goodbaum. Additional invaluable research assistance was provided by Lindsay M. Paulin, a law student at George Washington University.

<sup>447</sup>Moseley v. V Secret Catalogue, 537 U.S. 418, 421 (2003).

<sup>448</sup>15 U.S.C. §1125(c)(2)(B); see also Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 265 (4th Cir. 2007) (noting that, in the context of blurring, “distinctiveness refers to the ability of the famous mark uniquely to identify a single source and thus maintain its selling power”).

<sup>449</sup>15 U.S.C. §1125(c)(2)(C).

<sup>450</sup>Moseley v. V Secret Catalogue, 537 U.S. 418, 430 (2003).

<sup>451</sup>Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified as amended at 15 U.S.C. §1125(c) (2005)).

<sup>452</sup>15 U.S.C. §1125(c)(1) (2006).

FTDA claims needed to prove actual dilution—that is, that the unauthorized use of the famous mark actually reduced its association with its famous product—or merely likelihood of dilution.<sup>453</sup> In 2003, the U.S. Supreme Court resolved the circuit split, finding that the plain text of the FTDA required a showing of actual dilution.<sup>454</sup> Congress then passed the more detailed Trademark Dilution Revision Act of 2006 (“TDRA”),<sup>455</sup> which explicitly prohibited use of a famous mark “that is *likely* to cause dilution.”<sup>456</sup>

Thus, following the passage of the TDRA, the elements of a federal claim of trademark dilution are: (1) the plaintiff’s “mark is famous; (2) the defendant is making commercial use of the mark in commerce; (3) the defendant’s use began after the plaintiff’s mark became famous; and (4) the defendant’s use presents a likelihood of dilution of the distinctive value of the mark.”<sup>457</sup>

### A. Famousness

Codifying the likelihood of dilution test is not the TDRA’s only contribution to the doctrine of dilution. For one, the TDRA also creates a definition of “famousness”: “recognition by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.”<sup>458</sup> In addition, the TDRA offered a new, non-exclusive list of factors that courts could consider in analyzing famousness, including: the “duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties”; the “amount, volume, and geographic extent of sales of goods or services offered under the mark”; the “extent of actual recognition of the mark”; and “[w]hether the mark was registered.”<sup>459</sup> Whether a mark is famous is a question of fact.<sup>460</sup>

Under the FTDA, several courts allowed trademark owners to prove fame in so-called “niche markets”—such as limited geographic markets or specialized

<sup>453</sup>Compare Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Development, 170 F.3d 449, 453 (1999) (actual dilution), *with* V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464, 476 (6th Cir. 2001) (likelihood of dilution).

<sup>454</sup>Moseley v. V Secret Catalogue, 537 U.S. 418, 421 (2003).

<sup>455</sup>Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (codified at 15 U.S.C. §1125(c) (2006)).

<sup>456</sup>15 U.S.C. §1125(c)(1) (emphasis added).

<sup>457</sup>PerfumeBay.com Inc. v. eBay Inc., 506 F.3d 1165, 1180 (9th Cir. 2007); *see also* Louis Vuitton Maletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252, 264–65 (4th Cir. 2007) (listing elements of TDRA dilution claim as “(1) that the plaintiff owns a famous mark that is distinctive; (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark; (3) that a similarity between the defendant’s mark and the famous mark gives rise to an association between the marks; and (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark”).

<sup>458</sup>15 U.S.C. §1125(c)(2)(A).

<sup>459</sup>*Id.* §1125(c)(2)(A)(i)-(iv).

<sup>460</sup>Jada Toys, Inc. v. Mattel, Inc., 518 F.3d 628, 635 (9th Cir. 2008).

market segments—rather than on a national scale.<sup>461</sup> The TDRA abrogated those cases, requiring instead that a mark be “recognized by the general consuming public of the United States” to merit famous status.<sup>462</sup> To the extent, however, that approximately 30 states have dilution laws modeled after the federal act but which protect a mark that is famous within that state, the concept of geographic niche fame remains a viable legal theory in those states.

## B. Blurring

The classic case of dilution by blurring occurs when “a mark previously associated with one product also becomes associated with a second,” thus “weaken[ing] the mark’s ability to evoke the first product in the minds of consumers.”<sup>463</sup>

The TDRA provides a non-exclusive list of factors for courts to use in evaluating whether dilution by blurring is likely, including: the “degree of similarity between the mark or trade name and the famous mark”; the “degree of inherent or acquired distinctiveness of the famous mark”; the “extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark”; the “degree of recognition of the famous mark”; “[w]hether the user of the mark or trade name intended to create an association with the famous mark”; and “[a]ny actual association between the mark or trade name and the famous mark.”<sup>464</sup>

Because likelihood of dilution is a question of fact,<sup>465</sup> the determination of whether blurring has occurred is a heavily fact-based analysis, and courts often analyze each of the relevant statutory factors to make their determinations. However, a few guidelines have emerged in cases analyzing these questions.

Prior to the enactment of the TDRA, several courts had held that, to state a claim of dilution by blurring, the unauthorized use had to be “identical, or nearly identical, to the protected mark,”<sup>466</sup> meaning that a “significant segment of the target group of customers sees the two marks as essentially the same.”<sup>467</sup> The TDRA apparently undid that rule.<sup>468</sup> Instead, something less than substantial similarity

<sup>461</sup>Thane Int’l, Inc. v. Trek Bicycle Corp., 305 F.3d 894, 908 (9th Cir. 2002); Times Mirror Magazines Inc. v. Las Vegas Sports News, 212 F.3d 157, 165 (3d Cir. 2000).

<sup>462</sup>15 U.S.C. §1125(c)(2)(A); *see also* Visa India v. Raaga, LLC, 501 F. Supp. 2d 605, 623 (D.N.J. 2007) (analyzing domain name dilution claim and noting that TDRA extends famousness “only to highly distinctive marks that are well-known throughout the country”); Century 21 Real Estate LLC v. Century Sur. Co., 2007 WL 433579, at \*1 (D. Ariz. Feb. 6, 2007) (under the TDRA, “protection is denied to marks that are famous in only ‘niche’ markets”).

<sup>463</sup>Visa Int’l Serv. Ass’n v. JSL Corp., 610 F.3d 1088, 1090 (9th Cir. 2010).

<sup>464</sup>15 U.S.C. §1125(c)(2)(B)(i)–(vi).

<sup>465</sup>Jada Toys, Inc. v. Mattel, Inc., 518 F.3d 628, 636 (9th Cir. 2008); Visa Int’l Serv. Ass’n v. JSL Corp., 610 F.3d 1088, 1090 (9th Cir. 2010) (noting that “whether a defendant’s mark creates a likelihood of dilution is a factual question generally not appropriate for decision on summary judgment”).

<sup>466</sup>Thane Int’l, Inc. v. Trek Bicycle Corp., 305 F.3d 894, 905 (9th Cir. 2002).

<sup>467</sup>Luigino’s, Inc. v. Stouffer Corp., 170 F.3d 827, 832 (8th Cir. 1999).

<sup>468</sup>15 U.S.C. §1125(c)(2)(B) (listing “degree of similarity between the mark or trade name and the famous mark” as just one factor in likelihood of dilution analysis); Levi Strauss & Co. v.

in some circumstances may suffice for a claim of dilution by blurring,<sup>469</sup> as all the statutory factors may now be considered in a holistic evaluation.<sup>470</sup>

Where the famous mark is an uncommon word, such as Audi, any commercial use of that word could potentially support a dilution by blurring claim.<sup>471</sup> A more difficult case arises when the famous mark is a part of everyday speech with numerous definitions. In that type of case, courts often ask whether the junior user is using the famous mark as a mark or merely as a descriptive word.<sup>472</sup> Where the junior use serves to identify a particular product—just as the famous mark does—courts may find that dilution by blurring has occurred.<sup>473</sup>

The use of a famous mark in connection with other products will not necessarily lead to a finding of dilution by blurring. In particular, dilution by blurring requires that the unauthorized use is likely to diminish the distinctive quality of the mark. Where the junior user's actions serve only to increase the public's identification of the famous mark with its core product or service, dilution by blurring has not occurred.<sup>474</sup>

Also, as in trademark infringement claims, where a famous mark has not been used in commerce, dilution has not occurred.<sup>475</sup>

---

Abercrombie & Fitch Trading Co., 633 F.3d 1158, 1172-73 (9th Cir. 2011) (holding that “identical or nearly identical” standard did not survive enactment of TDRA).

<sup>469</sup>Levi Strauss & Co. v. Abercrombie & Fitch Trading Co., 633 F.3d 1158, 1172-73 (9th Cir. 2011) (finding that the “identical or nearly identical” standard, which was grounded in the Federal Trade Dilution Act, did not survive Congress’s enactment of the TDRA); Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97, 107 (2d Cir. 2009) (“The existence of some—but not substantial—similarity between the subject marks may be sufficient in some cases to demonstrate a likelihood of dilution by blurring.”).

<sup>470</sup>PerfumeBay.com Inc. v. eBay Inc., 506 F.3d 1165, 1174 (9th Cir. 2007) (holding that “similarity requirement may be less stringent in circumstances in which the senior mark is highly distinctive and the junior mark is being used for a closely related product”).

<sup>471</sup>Audi AG v. D’Amato, 469 F.3d 534, 547 (6th Cir. 2006) (holding, under FTDA, that use of audisport.com to sell merchandise displaying famous mark Audi diluted the mark); *see also* Ticketmaster Corp. v. DeVane, 2008 WL 2073914, at \*3 (E.D.N.C. May 14, 2008) (holding that ticketmaster.event.com diluted famous mark Ticketmaster).

<sup>472</sup>Visa Int’l Serv. Ass’n v. JSL Corp., 610 F.3d 1088, 1091 (9th Cir. 2010) (noting that defendant “is not using the word visa for its literal dictionary definition, and [the defendant might not be liable for dilution] if it were”).

<sup>473</sup>*Id.* (rejecting evisa.com’s “allusions to the dictionary definition of the word visa” because they “do not change the fact that JSL has created a novel meaning for the word: to identify [its product of] a multilingual education and information business”).

<sup>474</sup>E.g., Rosetta Stone Ltd. v. Google, Inc., 730 F. Supp. 2d 531, 550–51 (E.D. Va. 2010) (holding Google’s use of Rosetta Stone mark in metatags and advertising did not amount to dilution by blurring because Rosetta Stone’s “brand awareness has only increased” during the relevant period), *appeal pending*.

<sup>475</sup>Cintas Corp v. Unite Here, 601 F. Supp. 2d 571 (S.D.N.Y. 2009) (finding no dilution by blurring for use of “Cintas” mark in cintasexposed.org domain name because website only sought non-commercial ends).

### C. Tarnishment

Dilution by tarnishment occurs when association resulting from similarities between a mark and a famous mark harms the reputation of the famous mark.<sup>476</sup> Usually, tarnishment arises when the plaintiff's mark is linked to products of inferior quality or is portrayed in an "unwholesome or unsavory" light.<sup>477</sup>

Interestingly, while the TDRA offers a non-exclusive list of factors for courts to consider in weighing claims of dilution by blurring, it does not provide a similar list with respect to dilution by tarnishment, most likely because Congress inferred that courts would be able to determine when a famous mark is likely being tarnished without resort to a multi-factor test.

Unsurprisingly, in the Internet context, there are many decisions concluding that an association between a famous mark and sex-related products sullies the mark.<sup>478</sup> Another major category of tarnishment claims is the association of a famous mark with inferior products. This theory requires the owner of the famous mark to introduce evidence that the junior user's product or service is of shoddy quality.<sup>479</sup> Moreover, as with blurring claims, tarnishment claims require that the junior use is likely to diminish the capacity of the famous mark positively to identify the source of the goods or services with which it is usually associated.<sup>480</sup>

---

<sup>476</sup>15 U.S.C. §1125(c)(2)(C).

<sup>477</sup>Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97, 110 (2d Cir. 2009).

<sup>478</sup>Moseley v. V Secret Catalogue, 605 F.3d 382, 387–88 (6th Cir. 2010) (noting “clearly emerging consensus in the case law . . . that the creation of an ‘association’ between a famous mark and lewd or bawdy sexual activity disparages and defiles the famous mark and reduces the commercial value of its selling power,” resulting from “an economic prediction about consumer taste and how the predicted reaction of conventional consumers in our culture will affect the economic value of the famous mark,” and citing cases); *see also* Williams-Sonoma, Inc. v. Friendfinder, Inc., 2007 WL 4973848, at \*7 (N.D. Cal. Dec. 6, 2007) (holding that plaintiff “has shown that Defendants’ use of the POTTERY BARN marks is likely to dilute them by associating those marks for children and teenager furnishings with pornographic websites”); Victoria’s Cyber Secret Ltd. P’ship v. V Secret Catalogue, Inc., 161 F. Supp. 2d 1339, 1355 (S.D. Fla. 2001) (“That [plaintiff’s] domain names and trade name, by its own admission, will be used for entertainment of a lascivious nature suitable only for adults mandates a finding that [the] domain names and trade name are likely to tarnish the VICTORIA’S SECRET Mark”); Toys “R” Us, Inc. v. Akkaoui, 40 USPQ2d 1836, 1838 (N.D. Cal. 1996) (enjoining adultsrus.com under FTDA because it “tarnishes the ‘R Us’ family of marks by associating them with a line of sexual products”); Hasbro, Inc. v. Internet Entm’t Group, Ltd., 40 USPQ2d 1479, 1480 (W.D. Wash. 1996) (enjoining, on FTDA tarnishment grounds, defendant’s use of candyland.com for “sexually explicit Internet site”).

<sup>479</sup>*Cf.* Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97, 111 (2d Cir. 2009) (rejecting TDRA tarnishment claim, in part, because junior user Charbucks was “marketed as a product of ‘very high quality’”); Katz v. Modiri, 283 F. Supp. 2d 883, 901 (S.D.N.Y. 2003) (dismissing tarnishment claim under state law for lack of evidence that junior user’s product was “inferior in quality”).

<sup>480</sup>Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97, 110–11 (2d Cir. 2009) (reasoning, in rejecting tarnishment claim, that “it may even have been that ‘Charbucks’ would strengthen the positive impressions of Starbucks because it brings to the attention of consumers that the ‘Char’ is absent in ‘Star’bucks, and, therefore, of the two ‘bucks,’ Starbucks is the ‘uncharred’ and more appealing product”).

## IX. TRADEMARKS IN SEARCH ENGINES AND INTERNET ADVERTISING\*

A common theme in disputes related to the use of trademarks on the Internet is the tension between trademark owners who seek to control the use of their marks on the Internet and leverage their popularity with advertisers and technology companies that seek to exploit Internet users' attraction to famous trademarks. These competing interests have led to repeated disputes over the use of trademarks to generate search engine results, and to trigger other forms of Internet advertising as the medium has developed.

### A. Use of Trademarks as Metatags

One of the earliest unique forms of trademark disputes in the online context arose when websites started to use the trademarks of others in the metatags of the website. A metatag is “HTML (Hyper Text Markup Language) code that describes the content of a website” and in the first decade of the Internet, was commonly used by search engines to identify the contents of a website.<sup>481</sup> The use of a trademark term in a metatag is typically challenged as an act of trademark infringement, unfair competition, or trademark dilution, because the express purpose of using a trademark in a metatag is to cause the website to appear among search engine results when Internet users search for that trademark online and thus divert the users from the website of the trademark owner.<sup>482</sup> Challenges of this kind have declined in recent years, as modern search engines have moved away from the use of metatags. Indeed, search engines recognized that webmasters often manipulated their metatags in order to achieve their own ends and concluded that metatags were not necessarily reliable indicators of relevancy.<sup>483</sup> Search engines now measure the relevancy of websites through the use of algorithms that rank a website based on other indicators of relevance, such as the number of other websites that link or point to it.

The majority of courts that analyzed use of a trademark term in metatags generally concluded that such a practice results in actionable “initial interest confusion.” Even though consumers eventually become aware that they have not reached the website they initially sought, they still have been momentarily led astray and may not attempt to reach their previously intended target.<sup>484</sup> In the leading case discussing the use of metatags, *Brookfield Communications Inc.*

---

\*Amanda Penabad, a law student at the University of Chicago, provided invaluable assistance to Howard S. Hogan, a partner in Gibson, Dunn & Crutcher LLP, in the researching of this section.

<sup>481</sup>Standard Process v. Banks, 554 F. Supp. 2d 866, 871 (E.D. Wis. 2008).

<sup>482</sup>See, e.g., Bayer Corp. v. Custom Sch. Frames, LLC, 259 F. Supp. 2d 503 (E.D. La. 2003).

<sup>483</sup>*Id.*

<sup>484</sup>See Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456, 464 (7th Cir. 2000) (“Such confusion, which is actionable under the Lanham Act, occurs when a consumer is lured to a product by its similarity to a known mark, even though the consumer realizes the true identity and origin of the product before consummating a purchase.”); see also §II.A.3.

v. *West Coast Entertainment Corp.*, the court applied this idea of initial interest confusion.<sup>485</sup> Internet users who are taken to defendant's website by a search engine relying on metatags may find a substantially similar website or service to plaintiff's and may choose to remain at the defendant's site due to convenience. Therefore, “[a]lthough there is no source confusion in the sense that consumers know they are patronizing [the defendant] West Coast rather than [the plaintiff] Brookfield, there is nevertheless initial interest confusion in the sense that, by using ‘moviebuff.com’ or ‘MovieBuff’ to divert people looking for ‘MovieBuff’ to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark.”<sup>486</sup> In embedding trademarked terms in its website metatags, the defendant utilized another's trademark “in a manner calculated ‘to capture initial consumer attention.’”<sup>487</sup> As a result of this behavior, even if “no actual sale is finally completed as a result of the confusion, [there] may be still an infringement.”<sup>488</sup> The court analogized the metatagging behavior to “posting a sign with another's trademark in front of one's store.”<sup>489</sup> This view of metatagging was adopted by numerous courts.<sup>490</sup>

### **1. Bad Faith Usage**

The use of trademarks in metatags has also been interpreted by courts as evidence of bad faith and intent to confuse consumers, thus invalidating various affirmative defenses offered by defendants. In *Australian Gold*, the court rejected the first sale defense offered by defendants because the use of trademarks in

<sup>485</sup>174 F.3d 1036 (9th Cir. 1999).

<sup>486</sup>*Id.* at 1062.

<sup>487</sup>*Id.* (citing *Dr. Seuss Enters. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1404 (9th Cir. 1997)).

<sup>488</sup>*Id.*

<sup>489</sup>*Id.* at 1064.

<sup>490</sup>See *North Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1222 (11th Cir. 2008) (“a company's use in meta tags of its competitor's trademarks may result in a likelihood of confusion”); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006) (in using trademarks in metatags, “Defendants used the goodwill associated with Plaintiffs' trademarks in such a way that consumers might be lured to the lotions from Plaintiffs' competitors.”); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 814 (7th Cir. 2002) (affirming district court's grant of a preliminary injunction where plaintiff alleged Lanham Act violation based on defendant's use of the trademark in metatags); *Soilworks, LLC v. Midwest Industrial Supply, Inc.*, 575 F. Supp. 2d 1118, 1130 (D. Ariz. 2008) (use of trademarks in metatags “divert[ed] the initial attention of potential Internet customers to its websites”); *Finance Express, LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160 (C.D. Cal. 2008) (applying the *Brookfield* test to determine that the use of trademarks in metatags was not descriptive and instead intended to confuse consumers and capitalize from plaintiff's goodwill); *Bayer Corp. v. Custom Sch. Frames, LLC*, 259 F. Supp. 2d 503, 509 (E.D. La. 2003) (“[T]he use of the mark . . . in the metatags for the [defendant] web site also constitutes an appropriation of goodwill and creates initial interest confusion.”); *Bernina of America v. Fashion Fabrics Int'l*, 57 USPQ2d 1881, 1882–84, 2001 WL 128164, at \*3 (N.D. Ill. 2001); *Pet Silk, Inc. v. Jackson*, 481 F. Supp. 2d 824, 826 (S.D. Tex. 2007); *Tdata Inc. v. Aircraft Technical Publishers*, 411 F. Supp. 2d 901, 907 (S.D. Ohio 2006); *Niton Corp. v. Radiation Monitoring Devices, Inc.*, 27 F. Supp. 2d 102, 104 (D. Mass. 1998); *Playboy Enters. v. Asiafocus Int'l, Inc.*, No. Civ. A. 97-734-A, 1998 U.S. Dist. LEXIS 10459, 1998 WL 724000, at \*3, 6–7 (E.D. Va. Apr. 10, 1998).

the site's metatags "[gave] the impression that they are favored or authorized dealers for a product when in fact they are not."<sup>491</sup> In a recent case, the United States District Court for Arizona took a firmer stance on the standard for proving confusion due to metatagging. In *Designer Skin, LLC v. S & L Vitamins, Inc.*, the court held that the mere inclusion of trademarks in the metatags of defendant's website did not demonstrate initial interest confusion; the plaintiff must show that such use was deceptive.<sup>492</sup> Since the defendant used the metatags to "truthfully inform internet searchers where they can find [plaintiff's] products," the court found that the use in question was not deceptive.

These cases illustrate the difficulty that the courts (and the trademark bar) have had in dealing with a rapid changing technological environment. If search engines are not using metatags, then how can using them be informative? On the other hand, the inclusion of metatags corresponding to a trademark may reflect an intent by the defendant to create confusion if the defendant believed that search results were affected by these tags.

## 2. Permissible Use

Courts have been more willing to forgive the use of trademarks in metatags where the relevant website had some legitimate basis for using the plaintiff's mark. For example, in *Playboy Enterprises, Inc. v. Welles*, the court found that because the defendant, a former Playboy "bunny," merely used the Playboy mark simply to describe herself, her use of the mark constituted fair use.<sup>493</sup> Likewise, in *Bihari v. Gross*, the court held that a website designed to provide a forum for complaints about the plaintiff used the metatags to describe the content of the website and similarly fell within fair use.<sup>494</sup> Because consumers would immediately realize that the site was not the plaintiff's own and there would be no confusion, the use of plaintiff's trade name was permissible.<sup>495</sup> Similarly, the court in *Trans Union LLC v. Credit Research, Inc.* concluded that because the defendants were affiliated with the plaintiffs, use of plaintiffs' trademark in metatags to describe the contents of the defendants' website was fair use.<sup>496</sup>

To date, it does not appear that any court has expressly considered when there could ever be a legitimate use of a metatag corresponding to another's trademark if such tags are not relevant to search results. Without being able to show that use of a trademark in metatags can actually cause injury through misleading search results, the ultimate influence of these cases may be largely historic and academic.

---

<sup>491</sup>436 F.3d at 1241. *See also Bernina v. Fashion Fabrics*, 2001 WL 128164, at \*3 (N.D. Ill. Feb. 8, 2001).

<sup>492</sup>560 F. Supp. 2d 811, 818–19 (2008).

<sup>493</sup>7 F. Supp. 2d 1098, 1104 (S.D. Cal. 1998) (preliminary injunction), *aff'd*, 162 F.3d 1169 (9th Cir. 1998); 78 F. Supp. 2d 1066 (S.D. Cal. 1999) (summary judgment), *aff'd in part, rev'd in part*, 279 F.3d 796 (9th Cir. 2002), *aff'd*, 30 F. App'x 734 (9th Cir. 2002). *See also §X.C.*

<sup>494</sup>119 F. Supp. 2d 309 (S.D.N.Y. 2000).

<sup>495</sup>*Id.*

<sup>496</sup>142 F. Supp. 2d 1029 (N.D. Ill. 2001).

## B. Pop-Up Ads as Trademark Use

Another form of trademark dispute that arises uniquely in the Internet context is the use of trademarks to trigger pop-up advertising. Pop-up advertisements are graphical Internet ads that appear in a new window, on top of the window that an Internet user is viewing, when an Internet user takes a step that triggers the appearance of the pop-up ad. In some cases, the proprietor of a website will itself code the website to cause the appearance of a pop-up ad. But in other cases, enterprising Internet advertising companies used various offers in order to induce Internet users to download computer programs, alternately known as “adware” or “spyware,” that tracks the terms that such users type into a search engine or the URL bar of a web browser. When the Internet user types a term that the pop-up company has designated, the program causes pop-up ads to appear. Because many Internet users find the appearance of these pop-up ads to be an annoying distraction, websites that were targeted for these pop-up ads brought a number of lawsuits alleging a variety of causes of action against the advertisers behind the unauthorized pop-up ads, including trademark infringement, on the theory that consumers were likely to confuse the website owner as the source of the offending ad. These cases have decreased in number as “pop-up blockers” have become available, effectively curing most of the problem technologically. But the case law developed in these pop-up cases provided an important backdrop for the development of law with respect to other uses of trademarks in Internet advertising.

### 1. Use of Pop-Ups Impermissible

A minority of courts found that the use of another company’s trademark to trigger pop-up advertisements infringed the trademark owner’s rights. For example, in *Electronics Boutique Holdings Corp. v. Zuccarini*, the court held that a defendant’s use of pop-ups to induce Internet users into clicking on links could constitute trademark infringement.<sup>497</sup> In particular, the defendant registered domain names similar to those of other popular websites. When Internet users mistyped their intended web address, the defendant’s registered websites would create a barrage of pop-up advertisements for credit cards, music, and other goods and services that the user could not easily close. When a user clicked on a pop-up ad, the defendant would be compensated. Given the likelihood of confusion and the defendant’s bad faith intent to profit, the court found defendant’s behavior and use of pop-ups to violate the plaintiff’s rights.

In *Washingtonpost.Newsweek Interactive Co., LLC. v. Gator Corp.*, the district court granted a preliminary injunction against a defendant that was using trademarks to trigger pop-up ads.<sup>498</sup> In particular, the court enjoined the defendant Gator Corporation from displaying pop-up advertisements on the plaintiff’s website without the express consent of the plaintiff and from “alter[ing] or

---

<sup>497</sup>56 USPQ2d 1705 (E.D. Pa. 2000).

<sup>498</sup>No. Civ.A.02-909-A, 2002 WL 31356645 (E.D. Va. July 16, 2002).

modify[ing]” any part of the appearance of the website with pop-ups.<sup>499</sup> The suit settled promptly after the court entered the injunction, so the court did not issue a full decision evaluating the merits of the trademark claims.<sup>500</sup>

In *I-800 Contacts, Inc. v. WhenU.com*, the district court found that the pop-up company used the plaintiff’s mark in two ways: (1) in causing pop-ups to appear when Internet users “have specifically attempted to access plaintiff’s website, on which Plaintiff’s trademark appears—Defendants are displaying Plaintiff’s mark ‘in the . . . advertising of’” the defendant’s services; and (2) by including plaintiff’s trademark in the proprietary directory of terms that trigger pop-up advertisements.<sup>501</sup> The court concluded that these uses were likely to cause consumer confusion and enjoined the practice.<sup>502</sup>

## 2. Non-Infringing Use of Pop-Up Advertisements

On appeal, the Second Circuit reversed the district court’s injunction, concluding that the defendant’s use of trademark terms in its own internal directory did not constitute “use” under the Lanham Act.<sup>503</sup> The court explained that “[a] company’s internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual’s private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services.”<sup>504</sup> The court further held that the appearance of a pop-up window on top of the plaintiff’s website also did not constitute use, as the pop-up was contained in its own separate window, did not bear the plaintiff’s trademark, and the appearance of the ad was not contingent on the use of plaintiff’s trademark.<sup>505</sup> The Second Circuit’s decision, moreover, was consistent with the conclusions of district courts from other circuits that had also addressed pop-up based trademark claims.<sup>506</sup>

More recently, in *Overstock.com, Inc. v. SmartBargains, Inc.*, the Supreme Court of Utah applied these precedents to conclude that, under Utah com-

---

<sup>499</sup>*Id.*

<sup>500</sup>Gator Corporation was also sued by other entities, which similarly ended in settlements. *See, e.g., Gator.Com Corp. v. L.L. Bean, Inc.*, 398 F.3d 1125 (9th Cir. 2005).

<sup>501</sup>309 F. Supp. 2d 467, 488 (S.D.N.Y. 2003).

<sup>502</sup>*Id.* at 505–06.

<sup>503</sup>*1-800 Contacts, Inc. v. WhenU.com*, 414 F.3d 400 (2d Cir. 2005).

<sup>504</sup>*Id.* at 409.

<sup>505</sup>*Id.* at 410–11.

<sup>506</sup>*See, e.g., U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) (as the defendant “merely uses the marks for the ‘pure machine-linking function’ and in no way advertises or promotes [plaintiff’s] web address or any other [plaintiff] trademark,” defendant’s use of the trademark was not “use in commerce”); *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003) (concluding that concurrent presentation of the competitors’ websites was a permissible form of comparative advertisement).

mon law, the defendant's pop-up advertisements did not constitute unfair competition.<sup>507</sup>

### C. Search Engine Advertising and Trademarks

When Internet users type a phrase into a search engine, most often, they not only are presented with results of the engine's search for websites related to the selected search term, but also a number of "sponsored links," usually placed above or alongside the other search results.

Courts have been thrust into evaluating the question of how consumers perceive these sponsored results, because most search engines offer advertisers the ability to purchase particular "keywords," in order to trigger the appearance of these sponsored links when consumers search for identical or related search terms.

The most prominent example of this is Google AdWords. Google allows multiple advertisers to bid on the same keyword, and then ranks their placement on the page, in part, based on how much each advertiser is willing to pay Google if an Internet user clicks on its sponsored link to be taken to a website of the advertiser's choosing. This is commonly referred to as the "pay-per-click" model.

Allegations that using a third party's trademark to trigger another company's search advertising infringes the rights of the trademark owner have been litigated since 2004. As courts have become more familiar with the operation of search keywords, their analyses have become more consistent as to the threshold question of whether the purchase of a mark as a search keyword can even give rise to liability under the Lanham Act as a "use in commerce." At the same time, courts have reached differing results with respect to the ultimate question of whether the use of marks as keywords is likely to cause consumer confusion.

Important factors include what keywords are being purchased, how related they are to any asserted mark, the use of the mark in the resulting sponsored link advertisements, the appearance of sponsored link advertisements on a search results page and their proximity to the search term and other elements of the search results page, the ability of consumers to distinguish between paid and "natural" search results, and the intent of advertisers and programmers in connecting certain types of ads with certain types of searches. In some cases, the issue of liability may also turn on whether the search ads are generated because the advertiser selected a particular trademark as a keyword, or whether the ad was generated as a result of search engines' own actions in connecting ads to search terms through a "broad match" program.

#### 1. *Purchase of Marks as Keywords as "Use in Commerce"*

Courts historically had been split on whether the sale of a third party's trademark for use could even give rise to liability as a "use in commerce" under

---

<sup>507</sup>192 P.3d 858 (2008).

the Lanham Act. The clear majority had held that use of trademarks as keywords in a search engine did constitute a “use in commerce” that was actionable under the trademark laws.

The court’s decision in *Edina Realty, Inc. v. TheMLSOnline.Com* is illustrative.<sup>508</sup> In that case, the court concluded that “[w]hile not a conventional ‘use in commerce,’ defendant nevertheless used the [plaintiff’s] mark commercially [by] purchas[ing] search terms that include the Edina Realty mark to generate its sponsored link advertisement.”<sup>509</sup> In particular, courts around the country rejected Google’s argument that the Lanham Act required a threshold finding that the plaintiff had alleged a particular, public form of labeling of goods and services that Google’s attorneys labeled “trademark use.” For example, in *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, the district court first denied Google’s motion to dismiss and after substantial discovery, again rejected Google’s motion for summary judgment concluding “that the sale of trademarked terms in the AdWords program is a use in commerce for the purposes of the Lanham Act.”<sup>510</sup>

In contrast, district courts in the Second Circuit reached the opposite conclusion, following the lead of the Second Circuit’s decision in the pop-up case, *I-800 Contacts, Inc. v. WhenU.com*.<sup>511</sup> For example, the court in *FragranceNet.com, Inc. v. FragranceX.com, Inc.* wrote that “internal uses of trademarks in cyberspace are not converted into Lanham Act ‘uses’ merely because of the advancement in effectiveness and scope of advertising that has come with developments of the Internet.”<sup>512</sup> Other courts in the Second Circuit generally resolved cases the same way in the years that followed.<sup>513</sup>

---

<sup>508</sup>Civ. No. 04-4371, 2006 U.S. Dist. LEXIS 13775 (D. Minn. Mar. 20, 2006).

<sup>509</sup>*Id.* at \*3. See also *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006) (finding a “violation of the Lanham Act” where “Defendants paid Overture.com to list Defendants in a preferred position whenever a computer user searched for Plaintiffs’ trademarks”); *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020 (9th Cir. 2004) (finding that “Federal jurisdiction over trademark cases rests on the Commerce Clause, sweeps as broadly as possible, and clearly encompasses” plaintiff’s allegations that defendant allowed advertisers to “buy” plaintiff’s trademarks as keyword terms that triggered banner advertisements when an Internet user conducted a search using one of those terms); *J.G. Wentworth, S.S.C. v. Settlement Funding LLC*, Civ. No. 06-0597, 2007 U.S. Dist. LEXIS 288 (E.D. Pa. Jan. 4, 2007) (concluding that the sale of trademarks as keywords in a search engine constitutes “use in commerce” for purposes of the Lanham Act); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006) (same); *International Profit Assocs., Inc. v. Paisola*, 461 F. Supp. 2d 672, 677 n.3 (N.D. Ill. 2006) (same); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310 (D.N.J. 2006) (same); *Kinetic Concepts, Inc. v. BlueSky Med. Corp.*, No. SA-03-CA-08J2-RF, 2006 U.S. Dist. LEXIS 32353, at \*33 (W.D. Tex. Nov. 1, 2005) (same); *Rescuecom Corp. v. Computer Troubleshooters USA, Inc.*, No. CIVA 104CV03499-JEC, 2005 WL 4908692 (N.D. Ga. Sept. 16, 2005) (same).

<sup>510</sup>Case No. C 03-5340 JF (RS), 2007 U.S. Dist. LEXIS 32450, at \*20–21 (N.D. Cal. Apr. 18, 2007); see also *Google, Inc. v. American Blind & Wallpaper Factory*, Case No. C 03-5340, 2005 WL 832398 (N.D. Cal. Mar. 30, 2005); *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004); *American Airlines, Inc. v. Google, Inc.*, No. 4:07-CV-487-A (N.D. Tex. Oct. 24, 2007) (slip op.). See also Stephen Feingold, Marc A. Lieberstein, and Cecelia Kehoe Dempsey, *Is ‘No Use’ Always a ‘Fair Use’?*, THE INTELLECTUAL PROPERTY STRATEGIST, Volume 12, Number 8 (May 2006).

<sup>511</sup>414 F.3d 400 (2d Cir. 2005).

<sup>512</sup>493 F. Supp. 2d 545, 551–52 (E.D.N.Y. 2007).

<sup>513</sup>*See Merck & Co. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415 (S.D.N.Y. 2006) (“[I]nternal use of the [plaintiff’s mark] as a key word to trigger the display of sponsored links

The turning point in this debate came in 2009, when the Second Circuit effectively reversed a half-decade's worth of jurisprudence on the issue in *Rescuecom Corp. v. Google Inc.*, concluding that the New York district courts that had considered the issue had all misinterpreted its *1-800 Contacts* decision, and holding unequivocally that the sale of trademarks as keywords constitutes a use in commerce.<sup>514</sup>

The plaintiff in *Rescuecom Corp.* was “a national computer service franchising company that offers on site computer services and sales” and “conducts a substantial amount of business over the Internet.”<sup>515</sup> As the court noted, the complaint alleged that Google’s sale of Rescuecom’s trademarks could cause users “to believe that the advertisements which appear on the [computer] screen” in response to a Google search for those trademarks “are in fact part of [Google’s] relevance-based search result and that the appearance of a competitor’s ad and link in response to a searcher’s search for Rescuecom is likely to cause trademark confusion as to affiliation, origin, sponsorship, or approval of service.”<sup>516</sup> In particular, the complaint asserted that such confusion was likely “because Google fails to label the ads in a manner which would clearly identify them as purchased ads rather than search results” and thus “they may appear to the searcher to be the first, and therefore the most relevant, entries responding to the search, as opposed to paid advertisements.”<sup>517</sup>

The panel in *Rescuecom* explicitly distinguished the Second Circuit’s prior decision in the *1-800 Contacts, Inc. v. WhenU.com, Inc.* pop-up case (and by extension the district court cases within the circuit that had relied on that case), holding that “[w]e did not mean to imply . . . that an alleged infringer’s use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace.”<sup>518</sup> The panel went further, rejecting any interpretation of the

---

is not use of the mark in a trademark sense.”); *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393, 403 (N.D.N.Y. 2006) (“Defendant’s internal use of plaintiff’s trademark to trigger sponsored links is not a use of a trademark within the meaning of the Lanham Act, either, because there is no allegation that defendant places plaintiff’s trademark on any goods, containers, displays, or advertisements, or that its internal use is visible to the public.”); *Site Pro-1, Inc. v. Better Metal, LLC*, No. 06-CV-6508 (ILG)(RER), 2007 WL 1385730, at \*4 (E.D.N.Y. May 9, 2007) (use of plaintiff’s trademark in a metatag and the purchase of plaintiff’s trademark for a Yahoo! search algorithm did not constitute Lanham Act use); *but see Hamzik v. Zale Corp./Delaware*, No. 06-CV-1300 (TJM), 2007 WL 1174863, at \*2–3 (N.D.N.Y. Apr. 19, 2007) (holding that, when a search for plaintiff’s trademark yielded defendant’s name with plaintiff’s trademark alongside, use of metatags resulted in misleading association of the two parties).

<sup>514</sup>562 F.3d 127 (2d Cir. 2009).

<sup>515</sup>*Id.* at 125.

<sup>516</sup>*Id.* at 126.

<sup>517</sup>*Id.*

<sup>518</sup>*Id.* at 130 (citing *1-800 Contacts, Inc. v. WhenU.com*, 414 F.3d 400 (2d Cir. 2005)). The panel in *Rescuecom* took the unusual step of reaching out to the “judges of the 1-800 panel” who “authorized” the *Rescuecom* panel “to state that they agree with” the *Rescuecom* decision. *Id.* at 140. The factual distinctions offered by the *Rescuecom* panel, however, remain subject to question. For example, the *Rescuecom* panel asserts that the pop-up ads at issue in 1-800 were different because they were triggered by “the plaintiff’s website address” and not “the plaintiff’s trademark.” *Id.* at 128. However, it is beyond serious dispute now that a website address can effectively function as a trademark under the right circumstances. *See supra* at §§IV and VI. Also, the *Rescuecom* court

Lanham Act that would leave “the operators of search engines . . . free to use trademarks in ways designed to deceive and cause consumer confusion.”<sup>519</sup> The court noted, however, that its decision was only an evaluation of the sufficiency of the allegations of the complaint and that “[w]e have no idea whether Rescuecom can prove that Google’s use of Rescuecom’s trademark in its Adwords program [actually] causes likelihood of confusion or mistake.”<sup>520</sup>

Other courts have since followed this analysis of the use of trademarks in search advertising. The Ninth Circuit, for example, has now squarely held that “the use of a trademark as a search engine keyword that triggers the display of a competitor’s advertisement is a ‘use in commerce’ under the Lanham Act.”<sup>521</sup> And a number of district courts from around the country have also followed the Second Circuit’s new position.<sup>522</sup>

In fact, in *1-800 Contacts, Inc. v. Lens.com, Inc.*, the court further held that the purchase of “variations and misspellings of the mark” as a keyword “used to trigger a sponsored link for purposes of advertising and selling the services of Defendant” also constituted a use in commerce under the Lanham Act.<sup>523</sup>

Interestingly, there was one outlier in 2010. *College Network, Inc. v. Moore Educational Publishers, Inc.* was also a case that involved allegations (among others) that the purchase of trademarks as keywords constituted infringement.<sup>524</sup> The case proceeded all the way to trial and, after providing “jury instructions [that] assumed that the mark had been used in commerce,” the trial judge entertained and granted a motion for judgment as a matter of law that buying the plaintiff’s trademark was not a “use in commerce” under the Lanham Act.<sup>525</sup> On appeal, the Fifth Circuit declined to address the issue, instead “assuming without deciding that there was” use, and affirmed the decision on other grounds, as discussed below.<sup>526</sup> Although the approach taken by the *College Network* trial court seems to fly in the face of the emerging consensus, the clear implication is that the Fifth Circuit has no appetite to buck the trend.

---

noted that advertisers in the 1-800 pop-up case “could not request or purchase keywords to trigger their ads.” *Id.* at 129. But it seems odd that the company responsible for placing allegedly confusing ads should be insulated from trademark liability because it chose the triggers itself rather than allowing its customers to choose the triggers.

<sup>519</sup>*Id.* at 130.

<sup>520</sup>*Id.*

<sup>521</sup>*Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1144 (9th Cir. 2011).

<sup>522</sup>See, e.g., *1-800 Contacts, Inc. v. Memorial Eye, P.A.*, 2:08-cv-983 TS, 2010 WL 988534 (D. Utah Mar. 15, 2010) (holding allegations that “Defendant purchased some keywords related to Plaintiff’s website and or trademark” were sufficient to plead a use in commerce); *Binder v. Disability Group, Inc.*, 2011 WL 284469 (C.D. Cal. 2011) (“The use of the [Plaintiffs’ mark as] AdWords through Google constituted use in commerce in connection with the sale or advertising of Defendants’ services.”).

<sup>523</sup>755 F. Supp. 2d 1151, 1170 (D. Utah 2010).

<sup>524</sup>378 Fed. Appx. 403 (5th Cir. 2010).

<sup>525</sup>*Id.* at 413.

<sup>526</sup>*Id.* at 414.

As a result, the focus of these cases has shifted from the issue of use in commerce, to the issue of whether consumers are actually likely to be confused by the practice.

## 2. *Likelihood of Confusion*

On the issue of likelihood of confusion, there has been a more robust diversity in the results that courts are reaching.

Some courts, for example, have held that there is a “strong likelihood of confusion” in the use of a trademark as a search engine keyword.<sup>527</sup> Indeed a number of courts have held that the likely irreparable harm caused by this confusion justifies an injunction preventing third parties from buying their marks as keywords.<sup>528</sup> In other cases, courts found the likelihood of confusion caused by search engine-sponsored links to be at least a close enough issue of fact to allow cases to proceed beyond the summary judgment or motion to dismiss stage.<sup>529</sup> And in one case, the court found the likelihood of confusion to be so self-evident that it affirmatively granted summary judgment in favor of the trademark owner.<sup>530</sup>

Not all courts have followed this trend. In fact, one reason that the Fifth Circuit was able to avoid the “use in commerce” issue in *College Network, Inc. v. Moore Educational Publishers, Inc.* was that the jury had looked at the likelihood of confusion issue and concluded that the defendant did not infringe.<sup>531</sup> The clear holding is that because the plaintiff’s counsel failed to make sufficient arguments for a likelihood of confusion, there was no basis to set aside the jury’s verdict.<sup>532</sup>

Importantly, both the Fifth Circuit in *College Network* and the Ninth Circuit in *Network Automation v. Advanced Sys. Concepts, Inc.*<sup>533</sup> strongly repudiated a line

<sup>527</sup>See, e.g., *Binder v. Disability Group, Inc.*, 2011 WL 284469, at \*4 (C.D. Cal. Jan. 25, 2011).

<sup>528</sup>See, e.g., *World Entertainment, Inc. v. Brown*, Case No. 09-5365, 2011 WL 2036686 (E.D. Pa. May 20, 2011) (enjoining defendant from using keywords “containing plaintiffs’ CTO trademark, or any mark incorporating plaintiffs’ CTO trademark, colorable imitations thereof or any confusingly similar mark”); *Quidgeon v. Olsen*, Case No. 10-cv-1168, 2011 WL 1480537 (C.D. Ill., Apr. 19, 2011) (enjoining defendant from using plaintiff’s mark, “or any similar or confusing variations thereof,” as keywords for Internet search engines); *Partners for Health and Home, L.P. v. Yang*, No. CV 09-07849 (CBM) (RZx) (C.D. Cal. Sept. 13, 2010) (granting preliminary injunction enjoining the purchase of hyphenated and non-hyphenated versions of mark as keywords); *Skydive Ariz., Inc. v. Quattrocchi*, 2010 WL 1743189 (D. Ariz. Apr. 29, 2010) (enjoining defendant from using “Skydive Arizona” mark, as well as “Skydiving Arizona” and “Arizona Skydiving” as search keywords).

<sup>529</sup>See, e.g., *Soaring Helmet Corp. v. Nanal, Inc.*, Case No. C09-0789JLR, 2011 WL 39058 (W.D. Wash. Jan. 3, 2011) (denying defendant’s motion for summary judgment of non-infringement in connection with use of mark “vega helmets” as search keyword); *Pensacola Motor Sales, Inc. v. Eastern Shore Toyota LLC*, Case No. 3:09cv571/RS-MD, 2010 WL 3781552 (N.D. Fla. Sept. 23, 2010) (refusing to adopt, on summary judgment, defendant’s “factual argument” that “the internet ‘key words’ or ‘ad words’ they purchased do not constitute a misrepresentation or cause confusion under the Lanham Act”).

<sup>530</sup>See *Storus Corp. v. Aroa Mktg., Inc.*, 2008 WL 449835 (N.D. Cal. Feb. 15, 2008).

<sup>531</sup>378 Fed. Appx. at 413.

<sup>532</sup>*Id.* at 414.

<sup>533</sup>638 F.3d 1137, 1144 (9th Cir. 2011).

of cases that previously held that in the Internet context, a trademark owner could establish a likelihood of confusion based on three factors alone: the similarity of the marks, the relatedness of the goods and services, and the parties' simultaneous use of the Internet as a marketing channel. In *College Network*, the Fifth Circuit simply stated that it "has never adopted this rule" and found no fault with the fact that the jury had been charged with the broader, traditional set of likelihood of confusion factors.<sup>534</sup> In *Network Automation*, the Ninth Circuit went even further, admonishing the district court for relying on so-called Internet "troika" factors.<sup>535</sup> "[I]t makes no sense," the Ninth Circuit concluded "to prioritize the same three factors for every type of potential online commercial activity" because "emerging technologies require a flexible approach."<sup>536</sup> The onus, therefore, will be on plaintiffs to show factually that an overall review of the traditional likelihood of confusion factors applied by courts supports their arguments as to the confusion allegedly caused by the use of trademarks as keywords.

One reason for these divergent approaches is that different courts have focused on different questions in evaluating what the relevant confusion is. For example, in *Rosetta Stone Ltd. v. Google Inc.*, the court held that the relevant inquiry "is whether Google's practice of auctioning the [trademarks] as keyword triggers for Sponsored Links and allowing their use within Sponsored Links' text or title is likely to create confusion among consumers as to the source or origin of [the trademark owner's] goods or services" and found on summary judgment that Google could not be liable for selling Rosetta Stone's trademarks because "there is no evidence that Google is attempting to pass off [Google's] goods or services as Rosetta Stone's."<sup>537</sup> Other courts, in contrast, have focused on the question of whether the defendant's sponsored links are likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of defendant's sponsored links.<sup>538</sup> As of the writing of this chapter, the *Rosetta Stone* case remains on appeal to the Court of Appeals for the Fourth Circuit, and its treatment of this issue may help other courts to determine the appropriate focus of the likelihood of confusion.

### **3. Application of the Initial Interest Confusion Doctrine to the Search Engine Context**

Another point of dispute is whether confusion is even actionable if it is dispelled at the speed of a mouse-click. In *J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC*, the court distinguished a line of cases holding that the

---

<sup>534</sup>378 Fed. Appx. at 414.

<sup>535</sup>638 F.3d at 1148–49.

<sup>536</sup>*Id.* at 1142, 1148. *See also supra* at §II.

<sup>537</sup>730 F. Supp. 2d 531 (E.D. Va. 2010).

<sup>538</sup>*See, e.g., Mary Kay, Inc. v. Weber*, 661 F. Supp. 2d 632 (N.D. Tex. 2009) (entering injunction because defendant's use of trademarks as keywords "caused confusion about their affiliation with Mary Kay"); *see also* 15 U.S.C. §1125(a) (prohibiting use of a mark "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of [defendant] with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person").

use of a trademark to lure potential customers is actionable “even if confusion as to the source of the goods is dispelled by the time any sales are consummated,” finding that this type of “initial interest protection does not apply” in keyword cases.<sup>539</sup> “[D]ue to the separate and distinct nature of the links created on any of the search results pages in question, potential consumers have no opportunity to confuse defendant’s services, goods, advertisements, links or websites for those of plaintiff.”<sup>540</sup>

The court took a radically different approach in *Morningware, Inc. v. Hearthware Home Products, Inc.*<sup>541</sup> Relying on Seventh Circuit precedent, the court concluded that although consumers may not be confused when they reach a competitor’s website by following a sponsored link, “if a user searches for the [asserted trademark] in Google,” and a competitor’s “advertisement appears, and . . . the website advertisement thus ‘misleads and/or confuses consumers,’” the result is actionable initial interest confusion.<sup>542</sup>

A third approach is exemplified by the court’s decision in *Hearts on Fire Co., LLC v. Blue Nile, Inc.*<sup>543</sup> There, the court denied a motion to dismiss the plaintiff’s keyword trademark claims on various grounds, but warned that to meet its burden, plaintiff would need to demonstrate that any confusion must be more than momentary.<sup>544</sup>

As a result, the question of what constitutes actionable confusion, let alone whether such confusion is likely, remains open to different interpretations.

#### 4. Liability for “Broad Match” Ads

One additional interesting aspect of the use of trademarks as keyword triggers is the potential for liability when search engine advertisers choose generic terms as their selected keywords, but search engines themselves connect their ads to searches for brand terms, either because their algorithms recognize the subject matter as related, or because the generic term is part of a larger trademark term.

For example, Google offers advertisers a variety of different ways to implement the keywords on which advertisers bid. The simplest triggering mechanism is referred to as “exact match,” in which keyword will trigger the sponsored link only when the user searches for the exact keyword (or phrase) selected by the advertiser. Google’s default setting, however, is “broad match,” so that unless advertisers take affirmative steps to stop their ads from appearing in response to different kinds of searches, Google will present the advertiser’s sponsored link any time a user searches for a term that Google’s algorithms consider to be relevant to the keyword, including its plural form, synonyms of the keyword, or phrase

---

<sup>539</sup>No. 06-0597, 2007 WL 30115, at \*7 (E.D. Pa. Jan. 4, 2007).

<sup>540</sup>*Id.* at \*8.

<sup>541</sup>673 F. Supp. 2d 630 (N.D. Ill. 2009).

<sup>542</sup>*Id.* at 637 (“That consumers who are misled to Equitrac’s website are only briefly confused is of little or no consequence.”) (quoting Promatek Indus., LTD v. Equitrac Corp., 300 F.3d 808, 812–13 (7th Cir. 2002)).

<sup>543</sup>603 F. Supp. 2d 274 (D. Mass. 2009).

<sup>544</sup>*Id.* at 287.

variations of the keyword. Advertisers also can choose to designate a keyword as a “negative match,” which allows them to prevent their ad from appearing if a particular term is searched.

At least two courts have directly addressed the use of “broad match” keywords.

First, in *Rhino Sports, Inc. v. Sport Court, Inc.*, a judge in the District of Arizona concluded that a former trademark defendant did not violate an order preventing it from buying the trademark of a competitor as a keyword, when in fact the advertiser had merely chosen the generic terms “courts” and “basketball court,” and the search engine had itself “broad matched” the ad to the trademark term.<sup>545</sup> The court observed that the trademark owner had failed to provide any authority for the proposition that there could be “use in commerce” by the accused party without “some actual use of the mark at issue, either as a keyword, in a metatag, or in the ad text itself.”<sup>546</sup> The court concluded that, since Rhino Sports had not used Sport Court’s mark, Rhino Sports had not violated the injunction.<sup>547</sup> It remains to be seen whether a court would apply the same logic in a claim against a search engine that did play a role in causing ads to appear in response to a search for a trademark term.

In *I-800 Contacts, Inc. v. Lens.com, Inc.*, the court evaluated the presence of broad match in a very different way.<sup>548</sup> There, the court was confronted with a more traditional claim that an advertiser should be held liable for purchasing its competitor’s mark as a keyword. In *Lens.com*, however, the court reasoned that because a search for trademark terms is likely to yield broad match search results, there can be no additional confusion from the fact that the defendant’s ads appeared as a result of an intentional selection of the trademark as a keyword.<sup>549</sup> The court observed that “[i]mposing liability under such circumstances would elevate ‘use’ over consumer confusion.”<sup>550</sup> Significantly, although it focused on the fact that a consumer could not tell what keyword triggered the sponsored link, the *Lens.com* court did not impose an obligation on the purchaser of keywords to institute negative keywords. Doing so would ensure that the sponsored link would not appear whenever a consumer entered the exact mark as a search term, but the court concluded that “[w]ere Plaintiff actually able to preclude competitor advertisements from appearing on a search-results page anytime its mark is entered as a search term, it would result in an anti-competitive, monopolistic protection, to which it is not entitled.”<sup>551</sup>

The *Lens.com* case is also illustrative of a few other factual considerations that may be important in developing a likelihood of confusion case in the keyword area.

First, the court distinguished the liability of Lens.com—which did not use the plaintiff’s mark in the text of its ads—from its affiliates that did. The court

---

<sup>545</sup>2007 WL 1302745 (D. Ariz. May 2, 2007).

<sup>546</sup>*Id.* at \*5.

<sup>547</sup>*Id.*

<sup>548</sup>755 F. Supp. 2d 1151, 1173–74 (D. Utah 2010).

<sup>549</sup>*Id.*

<sup>550</sup>*Id.* at 1174.

<sup>551</sup>*Id.*

noted that where the mark appears in the text of a sponsored link, there is a “strong likelihood of confusion.”<sup>552</sup> As a result, in cases in which the advertiser does not use the plaintiff’s trademark in the text of sponsored links, plaintiffs will need to develop evidence that consumers are likely to be confused regardless, through the placement of links on the page or other false cues that a particular sponsored link is affiliated with the trademark owner.

Second, as the *Lens.com* court recognized, the Internet “presents a problem” for owners of descriptive marks.<sup>553</sup> In particular, “[w]hen searching for a particular product one must enter that product name as a search term.”<sup>554</sup> As a result, companies that incorporate product names into their marks may find their marks “weakened by the very nature of how third parties use generic and descriptive words on search engines.”<sup>555</sup> Again, this means that owners of descriptive marks will need to develop evidence that when consumers enter the disputed term into a search engine, a significant number really are looking to find the trademark owner.

The case law developed thus far does not provide that these obstacles are insurmountable, but they will likely continue to feature heavily as courts continue to work though the keyword likelihood of confusion analysis.

## X. NOMINATIVE FAIR USE AND THE INTERNET\*

### A. Introduction

In 1992, in *New Kids on the Block v. News American Publishing, Inc.*,<sup>556</sup> the Ninth Circuit coined the phrase “nominative fair use” to describe a type of permitted trademark use in which one is allowed to use the trademark of another without consent, but in a referential and non-confusing manner. In analyzing nominative fair use, the Ninth Circuit replaced the familiar multi-factor test normally employed to judge likelihood of confusion with a three-factor test focused on the nature and content of the defendant’s use.<sup>557</sup> For this reason, the test was framed in terms of a “defense.”

Since 1992, courts have struggled to apply the new standard but many questions remain unanswered or unclear. What is the proper relationship of the multi-factor test for evaluating infringement and the three-factor nominative fair

---

<sup>552</sup>*Id.* at 1181–82.

<sup>553</sup>*Id.* at 1179.

<sup>554</sup>*Id.*

<sup>555</sup>*Id.*

\*This section was written by Stephen Feingold, who, in the interest of full disclosure, notes he was lead counsel to the plaintiffs in *Century 21 Real Estate Corp. v. LendingTree, Inc.*, which is discussed in this section. The author is indebted to a forthcoming article by partner David Mayberry of Kilpatrick Townsend & Stockton, and also Phil Rosenberg, an associate at the firm, for his invaluable assistance in researching and editing this section.

<sup>556</sup>*New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir. 1992).

<sup>557</sup>*Id.* at 308.

use test? Is the nominative fair use test in fact a judicially created affirmative defense? And, finally, what is the difference between nominative fair use and classic fair use? As a result, although the term “nominative fair use” is now part of the trademark landscape, different courts have taken very different approaches to the three-factor test developed by Judge Kozinski in *New Kids*.

The concept of nominative fair use, however, has become far more important since the rise of the Internet. Some of the fundamental features of the Internet such as hypertext links, metatags, and search strategies that use a brand name as a short hand for a product type all raise questions of nominative use of third party trademarks (whether fair or not).

In order to fully appreciate how this doctrine should be applied on the Internet, we must begin with a review of the statutory and case law background that predated the Ninth Circuit’s ground-breaking *New Kids* decision and then trace the development of this doctrine both within and outside the Ninth Circuit. It is also necessary to review briefly the concept of statutory fair use and the relationship of that concept to nominative fair use.

## B. Early Cases

Although Judge Kozinski famously coined the term “nominative fair use” in 1992, the concept itself is not new. Over 100 years ago, in 1910, the Supreme Court decided a case on the same principle. In *Saxlehner v. Wagner*,<sup>558</sup> a seller of mineral waters labeled its products “W.T. Wagner’s Sons Carbonated Artificial Hunyadi Conforming to Fresenius Analysis of Hunyadi Janos Springs.”<sup>559</sup> The owner of wells in Budapest, Hungary, the source of waters known by the name “Hunyadi Janos,” sought to enjoin the seller from using its name in this comparative advertising.<sup>560</sup> Justice Holmes, resolving a split between circuit courts and writing for the court, held “there was no unfair competition and no fraud.”<sup>561</sup> He explained that the real intent of plaintiff’s suit is to “extend the monopoly of such trade-mark or trade name as she may have to a monopoly of her type of bitter water by preventing manufacturers from telling the public in a way that will be understood, what they are copying and trying to sell.”<sup>562</sup> Distinguishing those cases which found liability, he colorfully explained that such manufacturers do nothing amiss because “they are not trying to get the good will of the name but the good will of the goods.”<sup>563</sup>

---

<sup>558</sup>*Saxlehner v. Wagner*, 216 U.S. 375 (1910).

<sup>559</sup>*Id.* at 380.

<sup>560</sup>*Id.*

<sup>561</sup>*Id.*

<sup>562</sup>*Id.*

<sup>563</sup>*Id.* at 380–81. The concept that it is permitted to exploit the good will of the goods in contrast to the good will of the name may have made more sense at a time when trademark law did not recognize confusion as to affiliation or sponsorship. Much of the difficulty in deciding nominative fair use cases arises because of the protection offered against sponsorship or affiliation confusion. For that reason, reliance on these early cases is not always helpful, notwithstanding that defendants and courts inclined to find no infringement will still rely on this questionable precedent.

Fourteen years later, Justice Holmes expounded upon his earlier opinion. In *Prestonettes, Inc. v. Coty*, a manufacturer of toiletries sought to purchase genuine Coty perfumes in bottles and resell it in smaller bottles under a label which stated, “Prestonettes, Inc., not connected with Coty, states that the contents are Coty’s . . . independently rebottled in New York.”<sup>564</sup> Speaking for the court, Justice Holmes stated:

The existence of a trademark would have no bearing on the question. . . . It does not confer a right to prohibit the use of the word or words. . . . “A trademark only gives the right to prohibit the use of it so far as to protect the owner’s goodwill against the sale of another’s product as his.”<sup>565</sup>

Framing the issue as one of the lawful extent of one’s trademark rights, Holmes opined that a plaintiff trademark owner has no right to prohibit a defendant from making a “collateral reference” to the plaintiff’s mark.<sup>566</sup>

### C. Classic Fair Use

In 1946, Congress enacted the Lanham Act to make relief against trademark infringement prompt and effective.<sup>567</sup> For our purposes, it is important to acknowledge that prior to this time the paradigm of trademark infringement was that a consumer believed he was buying a product manufactured by company X when in fact it was manufactured by company Y. The Lanham Act expanded the concept of trademark infringement to now include circumstances when the consumer was not confused about the identity of company Y but made the purchase because he believed that company Y was somehow related to, endorsed by, or otherwise connected to company X. This confusion as to affiliation or sponsorship is often the primary concern at play in any discussion of nominative fair use.

Prior to the Lanham Act, a descriptive or common term was not eligible for protection. The Lanham Act established that a descriptive term that had acquired distinctiveness could be registered and protected.<sup>568</sup> Of course, this presented

<sup>564</sup>264 U.S. 359, 367 (1924).

<sup>565</sup>*Id.* at 368. This quote further confirms that Justice Holmes could not even fathom a legal system that would offer protection to trademark owners not just for source confusion but confusion as to affiliation, sponsorship, or any connection, much less a legal system that recognized initial interest confusion. Moreover, in the 1920’s the mass bottling of products was just beginning and the statement “independently rebottled” would have made a different commercial impression than today when rebottling is such an unusual practice as to lead to more confusion than less. Context is critical in predicting whether consumers will be confused. Thus, the fact that a particular practice may not have seemed confusing to Justice Holmes because of the commercial context in which he lived coupled with the absence of any legal prohibition against affiliation or sponsorship confusion should limit the modern application of these two decisions.

<sup>566</sup>*Id.* at 369. The term “collateral use” has also been employed to indicate what the Ninth Circuit called nominative fair use. See 4 LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES §22:21 (4th ed. 2010).

<sup>567</sup>S. Res. 1333, 79th Cong. 2d. Sess. (1946).

<sup>568</sup>15 U.S.C. §1052(f).

some concerns about ensuring that these common and descriptive terms did not become the exclusive property of a trademark owner.

For that reason, among the express defenses established in the Lanham Act to a trademark registrant's otherwise exclusive right to use the registered trademark in commerce is what we refer to in this chapter as "classic fair use" in order to distinguish it from nominative fair use.<sup>569</sup> Section 33(b)(4) of the Lanham Act provides that a trademark registration's conclusive evidence of the right to use the registered mark shall be subject to proof of infringement and subject to the further defense: "That the use of the name, term or device charged to be an infringement is a use, otherwise than as a mark, of . . . a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party."<sup>570</sup>

As noted by the *Restatement*, under the law of trademarks, "fair use" is limited to use of the original descriptive or personal name significance of a term.<sup>571</sup> The doctrine applies to use "otherwise than as a trademark" or "non-trademark use" of another's mark.<sup>572</sup> As written in the statute, the defense does not expressly apply to use of another's mark in a trademark sense, or in the words of Justice Holmes, as a "collateral reference" to a plaintiff's mark.<sup>573</sup>

Classic fair use cases typically turned on whether the defendant was making a trademark use or simply using the common terms for their everyday meaning.<sup>574</sup> Some courts, however, concluded that any use that was shown to cause confusion could not be "fair."<sup>575</sup> Other courts took the position that any confusion that resulted from non-trademark use of a mark was a risk the trademark owner assumed when it adopted a mark consisting of common terms.<sup>576</sup>

The Supreme Court granted certiorari in 2004 in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*,<sup>577</sup> to resolve this fundamental disagreement among the circuits on the significance of likely confusion in a classic fair use

---

<sup>569</sup>15 U.S.C. §1115(b).

<sup>570</sup>15 U.S.C. §1115(b)(4).

<sup>571</sup>RESTATEMENT (THIRD) OF UNFAIR COMPETITION §28 Cmt. a (1995).

<sup>572</sup>*Id.*

<sup>573</sup>*Prestonettes*, 264 U.S. at 369.

<sup>574</sup>See, e.g., U.S. Shoe Corp. v. Brown Group, Inc., 740 F. Supp. 196, 199 (S.D.N.Y. 1990); *aff'd*, 923 F.2d 844 (2d Cir. 1990); Soweco, Inc. v. Shell Oil Co., 617 F.2d 1178, 1185 (5th Cir. 1980) ("The 'fair-use' defense, in essence, forbids a trademark registrant to appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods."). *In re Dual-Deck Video Cassette Recorder Antitrust Litig.*, 11 F.3d 1460 (9th Cir. 1993); Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135 (9th Cir. 2002).

<sup>575</sup>*KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 328 F.3d 1061, 1072 (9th Cir. 2003), *vacated and remanded by* 543 U.S. 111 (2004); PACCAR Inc. v. TeleScan Techs., L.L.C., 319 F.3d 243, 256 (6th Cir. 2003), *overruled in part by* 543 U.S. 111 (2004); Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 796 (5th Cir. 1983).

<sup>576</sup>*Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 545 n.12 (5th Cir. 1998) ("Unlike the use to identify the markholder's goods or services, a fair use of a term may be protected even if a likelihood of confusion exists. Otherwise, a markholder could appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods.") (internal citations and quotations omitted).

<sup>577</sup>*KP Permanent Make-Up v. Lasting Impression I, Inc.*, 543 U.S. 111, 116 (2004).

analysis and the obligation, if any, of a party defending on that ground to show that its use is unlikely to cause confusion.

In the decision below, the Ninth Circuit began its discussion by concluding that the case involved an application of the classic fair use defense rather than the *New Kids* “nominative fair use”<sup>578</sup> defense because defendant used the term “micro color” to describe its own products, not those of plaintiff. The Ninth Circuit was one of the circuits that had held that the classic fair use defense was only available if there was no likelihood of confusion. The Ninth Circuit therefore reversed the dismissal of the complaint in this case because the district court had concluded that the defendant’s use was a classic fair use without consideration of the likelihood of confusion.<sup>579</sup> The Ninth Circuit’s decision in *KP Permanent Make-Up* reflected the presumption, held by most trademark owners, that if a particular use caused confusion then it could not be “fair.” This view seemed consistent with the primary purpose of the Lanham Act; namely to protect consumers against deceptive marketing practices. As noted above, the countervailing perspective was that if one adopted a mark consisting of common descriptive terms, one assumed the risk that there might be some confusion among the public even if the words comprising the mark were used by another in a non-trademark fashion. Any other result would limit the ability of another to simply describe its product.

When *KP Permanent Make-Up* reached the U.S. Supreme Court, the Court quickly rejected the contention that a defendant must foreclose likelihood of confusion to take advantage of the classic fair use defense.<sup>580</sup> The Supreme Court reasoned that “two points are evident.”<sup>581</sup> First, Section 33 of the Lanham Act places a burden of proving infringement (that is likelihood of confusion) on the party charging infringement even when relying on an incontestable registration. Second, Congress said nothing about likelihood of confusion in setting out the elements of the classic fair use defense in Section 33 (b)(4).<sup>582</sup> Indeed, the Court noted that an affirmative defense only comes into play when there is otherwise infringement; if there is no confusion, there is no need for an affirmative defense. Therefore, to say that likelihood of confusion precludes the application of an affirmative defense makes the existence of that defense nonsensical.<sup>583</sup>

Significantly, however, the Supreme Court did not foreclose the possibility that confusion in some situations could be so great that it may suggest that the defendant had adopted its use in order to benefit from the confusion.<sup>584</sup> For instance, many courts have repeatedly held that likelihood of confusion can be

---

<sup>578</sup>328 F.3d 1061, 1071–72 (9th Cir. 2003).

<sup>579</sup>*Id.*

<sup>580</sup>*KP*, 543 U.S. at 118.

<sup>581</sup>*Id.*

<sup>582</sup>*Id.* at 119.

<sup>583</sup>*Id.* at 120.

<sup>584</sup>*Id.* at 123. (“It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant’s use is objectively fair.”). Notably, the Ninth Circuit emphasized this point on remand when, applying the holding of the Supreme Court to the facts at bar, it again held that the district court erred in dismissing the case under the classic fair use defense. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 607–08 (9th Cir. 2005).

presumed if the facts show a defendant intended to create confusion because we can assume that it accomplished its purpose.<sup>585</sup> This holding is also consistent with the well-accepted principle that even with respect to a generic term that has secondary meaning, a third party may not engage in use that confuses the public as to the source of the defendant's product.<sup>586</sup> Underlying each of these conclusions is one of the basic tenants of trademark law, namely the protection of consumers from confusion.<sup>587</sup>

Notably, in its opinion, the Supreme Court expressly declined to address the Ninth Circuit's discussion of "nominative fair use."<sup>588</sup> Since the facts in *KP Permanent Make-Up* did not involve any collateral or nominative use, any discussion of this doctrine would have been unnecessary. More importantly, however, the principles protecting the right of the public to use descriptive and common words for their ordinary meaning does not apply to nominative fair use where the mark at issue may not be descriptive or common at all. Indeed, a coined or arbitrary brand typically requires far more investment by its owner to gain traction in the marketplace because the mark does not immediately describe anything about the product.

#### D. Advertising Practices Prior to 1971 Made Nominative Use Unusual

Cases involving classic fair use, while not abundant, certainly did arise in the years after the enactment of the Lanham Act. In contrast, during this same time period, cases involving "referential" or nominative use were extremely rare. It does not appear that any courts or even commentators have paused to consider why such fact patterns were seldom litigated. However, this paucity of precedent appears to reflect the consensus for many years within the advertising industry that frowned against such practices as well as the prohibition of direct comparative advertising prior to 1971. Traditionally, using the name of a competitor to advertise one's product was viewed as folly: why provide free publicity to the

---

<sup>585</sup>See, e.g., Virgin Enters. v. Nawab, 335 F.3d 141, 151 (2d Cir. 2003); Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 2 USPQ2d 1677 (2d Cir. 1987).

<sup>586</sup>See, e.g., Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 122 (1938); Genesee Brewing Co. v. Stroh Brewing Co., 124 F.3d 137, 150 (2d Cir. 1997); DuPont Cellophane Co. v. Waxed Prods. Co., 85 F.2d 75 (2d Cir. 1936).

<sup>587</sup>This underlying principle also explains why even a plaintiff who would otherwise be denied injunctive relief under the doctrine of laches may still obtain such relief if it can show that the defendant's use will cause inevitable confusion. See, e.g., Angel Flight of Ga., Inc. v. Angel Flight Am., Inc., 522 F.3d 1200, 1208 (11th Cir. 2008) (citing 6 McCARTHY §31.10). "When inevitable confusion occurs in the marketplace due to unrestricted dual use of a trademark, the paramount value of the public interest demands some adjustment to the status quo," even in cases involving acquiescence. SunAmerica Corp. v. Sun Life Assur. Co. of Can., 77 F.3d 1325, 1337 (11th Cir. 1996). See also Coach House Rest., Inc. v. Coach & Six Rests., Inc. 934 F.2d 1551, 1564 (11th Cir. 1991) ("[I]f there is an inevitability of confusion, [a] petitioner's law suit may be revived from estoppel"). This inevitable confusion exception to laches evidences the interests in preventing confusion trump the fact that the equities otherwise favor the defendant.

<sup>588</sup>*Id.* at 115 n.3.

other side?<sup>589</sup> Indeed, prior to 1971, comparative advertising was allowed only in the context of comparisons to “Brand X.” In 1971, however, the Federal Trade Commission changed its position on comparative advertising finding that naming specific products was beneficial to the consumer.<sup>590</sup>

One of the few cases raising the issue of “collateral use” involved a mechanic who sought to advertise that he could service VW cars. VW sued to enjoin that use claiming that the public would believe that the mechanic was affiliated with or endorsed by VW. The Ninth Circuit rejected that argument.<sup>591</sup> Significantly, however, the analysis made no mention of fair use of any kind. The Ninth Circuit simply found that this use of a mark to convey information was not likely to cause confusion.

As courts began to see more fact patterns involving this type of use, they struggled to find an analytic framework. One early case—a case the Ninth Circuit would later describe as an example of nominative fair use—involved a television station in Boston that broadcast the words “Boston Marathon” in coverage of that live event.<sup>592</sup> The owners of the federally registered BOSTON MARATHON service mark sued for an injunction claiming infringement of their service mark rights.<sup>593</sup> Justice Breyer, then sitting on the First Circuit wrote, “Obviously, we do not have before us the common garden variety type of confusion that might arise with typical trademark infringement.”<sup>594</sup> He went on to note that the trademark statute does not give the trademark owner any “property right” in their mark except “the right to prevent confusion.”<sup>595</sup> Distinguishing an earlier decision in a case involving the reprinting of the BOSTON MARATHON trademark on t-shirts, the court found no evidence of any intent to use the words “Boston Marathon” to suggest official sponsorship of the broadcast.<sup>596</sup> Instead, Justice Breyer explained that the words “describe” the event that the television station will broadcast.<sup>597</sup> Citing the trademark statute, the court held, “In technical trademark jargon, the use of words for descriptive purposes is called a ‘fair use,’ and the law usually permits it even if the words themselves also constitute a trademark.”<sup>598</sup>

It was against this historical and legal framework that Judge Kozinski, writing for the Ninth Circuit, first put forth the concept of nominative fair use.

---

<sup>589</sup>T.E. Barry & L.T. Tremblay, *Comparative Advertising: Perspectives and Issues*, 4 JOURNAL OF ADVERTISING 4:15-20 (1975).

<sup>590</sup>C. LAMB, J. HAIR, & C. McDANIEL, *ESSENTIALS FOR MARKETING* 495 (7th ed. 2011).

<sup>591</sup>Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350 (9th Cir. 1969).

<sup>592</sup>WCVB-TV v. Boston Athletic Ass’n, 926 F.2d. 42 (1st Cir. 1991).

<sup>593</sup>*Id.* at 43–44.

<sup>594</sup>*Id.* at 44.

<sup>595</sup>*Id.* at 45.

<sup>596</sup>*Id.* Given the huge dollars that television networks pay for the right to broadcast major sports events such as the World Series or the Super Bowl, there is a significant counter argument that, in fact, substantial numbers of consumers are likely to assume that a network broadcasting the Boston Marathon was licensed to do so. Without objective, empirical evidence, it seems suspect to say that someone seeing a t-shirt bearing the words “Boston Marathon” would think that the shirt was licensed but that the broadcast of the race was not.

<sup>597</sup>*Id.* at 46.

<sup>598</sup>*Id.*

### E. “The New Kid on the Block”

In the *New Kids* case, two newspaper tabloids conducted a poll among their readers which asked “Which one of the New Kids is the most popular?”<sup>599</sup> The New Kids on the Block band members claimed that the newspapers’ use of their band name in its poll for commercial purposes infringed their rights in their trademark.<sup>600</sup> In a sweeping review of trademark law, Judge Kozinski noted that since “at least the middle ages,” trademarks have served primarily to identify the source of goods and services.<sup>601</sup> The law has protected trademarks since the early seventeenth century with the primary focus on preventing misappropriation—the problem of one producer’s placement of his rival’s mark on his own goods.<sup>602</sup> With the passage of the Lanham Act, the law now prohibited not only direct source confusion but “free-riding” on a rival’s mark.<sup>603</sup> In other words, the potential for confusion in a nominative fair use case was not that the reader participating in the newspaper survey would believe that the survey originated from the musical group New Kids on the Block but rather that the reader would assume that the survey was somehow affiliated with or licensed by the group.

Judge Kozinski distinguished the facts at issue in *New Kids* from the situation that arises when a trademark also describes a person, a place or an attribute of a product. If the trademark holder were allowed exclusive rights to such descriptive or common terms, that would effectively take those words out of the English language. As Judge Kozinski explained, “the language would be depleted.”<sup>604</sup> The classic fair use defense, therefore, protects the right of anyone to use common and descriptive words that may nevertheless have obtained trademark status under the doctrine of acquired distinctiveness, *provided* that the terms are used to express their ordinary meaning in good faith and do not serve any source designation function.

Of course, nominative use applies to trademarks that may consist of either common descriptive words that have acquired distinctiveness or to arbitrary and coined marks. Judge Kozinski was careful to delineate those situations where nominative use of a trademark was necessary because there was no easy equivalent from those situations where there was a readily available generic substitute.

With many well-known trademarks, such as Jell-O, Scotch tape and Kleenex, there are equally informative non-trademark words describing the products (gelatin, cellophane tape and facial tissue). But sometimes there is no descriptive substitute, and a problem closely related to genericity and descriptiveness is presented when many goods and services are effectively identifiable only by their trademarks. For example, one might refer to “the two-time world champions” or “the professional basketball team from Chicago,” but it’s far simpler (and more likely to be understood) to refer to the Chicago Bulls. In such cases, use of the trademark does not

---

<sup>599</sup>*New Kids on the Block v. News Am. Publ’g*, 971 F.2d 302, 304 (9th Cir. 1992).

<sup>600</sup>*Id.*

<sup>601</sup>*Id.* at 305.

<sup>602</sup>*Id.*

<sup>603</sup>*Id.*

<sup>604</sup>*Id.*

imply sponsorship or endorsement of the product because the mark is used only to describe the thing, rather than to identify its source.<sup>605</sup>

Judge Kozinski was keenly aware that when a third party uses the trademark of another, there is a high risk of confusion as to sponsorship and endorsement. *New Kids* makes clear that if the defendant can effectively communicate its message without using the trademark of another, the decision to use that mark very likely reflects an intent to benefit from the association with the brand, i.e. “free riding.”

According to Judge Kozinski, cases in which a trademark is used because there is no easily available equivalent are best understood as involving a use of a mark to which the trademark laws simply do not apply.<sup>606</sup> He generalized a “class of cases” where the use of the trademark is a last resort and not an attempt to capitalize on consumer confusion or appropriate the cachet of the mark for another’s use.<sup>607</sup> Such “nominative use” of a mark is allowed where the word “is the only word reasonably available and is pressed into service.”<sup>608</sup> Because use of the mark in this context does not implicate the source-identification function that is the purpose of trademarks, it does not constitute unfair competition.<sup>609</sup> In a critical passage, he opined, “Such use is fair because it does not imply *sponsorship or endorsement* by the trademark holder.”<sup>610</sup>

Judge Kozinski distinguished this case from one of “classic fair use.” He noted that where a defendant has used a plaintiff’s mark to describe the defendant’s *own* product, the classic fair use defense applies.<sup>611</sup> Here, however, defendants used the New Kids trademark to refer to the New Kids themselves. Based upon this distinction, he forged a new standard:

[W]here the defendant uses a trademark to describe plaintiff’s product, rather than its own, we hold that a commercial user is entitled to a nominative fair use defense provided he meets the following three requirements: ***First***, the product or service in question must be one not readily identifiable without use of the trademark; ***second***, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and ***third***, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.<sup>612</sup>

Conspicuously absent in the court’s discussion was any mention of, let alone application of the Ninth Circuit’s multi-factor *Sleekcraft* test,<sup>613</sup> which is the usual test applied in that circuit to determine whether there is a likelihood of confusion. This lapse most likely explains why subsequent appellate courts

<sup>605</sup>*Id.* at 306.

<sup>606</sup>*Id.* at 307.

<sup>607</sup>*Id.* at 308.

<sup>608</sup>*Id.*

<sup>609</sup>*Id.*

<sup>610</sup>*Id.* (emphasis added).

<sup>611</sup>*Id.*

<sup>612</sup>*Id.* (emphasis added).

<sup>613</sup>AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979) (setting forth an eight-factor test used in the Ninth Circuit for likelihood of confusion).

outside the Ninth Circuit have failed to adopt the test as set forth in *New Kids*. Is the nominative fair use “defense” truly a defense in the sense that it is an affirmative defense? If so, that would suggest that a defendant who can satisfy the three elements of the “affirmative defense” is entitled to prevail even if the plaintiff can establish that relevant consumers are likely to believe that the defendant’s product is somehow licensed by or connected to the plaintiff.<sup>614</sup> While the defendant did nothing to suggest an affiliation with or endorsement by the plaintiff, the relevant consumers still make that connection. As the Supreme Court noted in *KP Permanent Make-Up*, holding that an affirmative defense only applies if there is no confusion is nonsensical. If there is no confusion, there is no need for an affirmative defense.

Of course, the question remains, if the nominative fair use “defense” is not an affirmative defense, what is it?

With these questions in mind we now turn to the efforts by courts, both within and outside the Ninth Circuit, to apply this doctrine.

## F. Other Ninth Circuit Cases

In cases that followed, the Ninth Circuit continued to evolve the “defense,” struggling at times to reconcile its precedent. Three years after *New Kids*, the Ninth Circuit made clear that the nominative fair use defense would not justify all use of a mark by a third party. In that case, *Abdul-Jabbar v. General Motors Corp.*,<sup>615</sup> the defendant car company aired commercials during the NCAA basketball tournament using Jabbar’s birth name, Lou Alcindor, which he used prior to his adoption of Islam, to compare his success as a basketball player to the success of the Olds 88. The district court found that, as a matter of law, such use was a “nominative fair use” because the defendant had no other way to refer to the defendant than by his name and did not state that Jabbar endorsed their product.<sup>616</sup>

The Ninth Circuit reversed. The context of this use—i.e., a car commercial featuring a sports figure—could easily be understood by a consumer as an endorsement by the sports figure of the car.<sup>617</sup> Thus, the fact that nothing in the commercial was inaccurate and the facts stated were “historical” in nature, did not entitle GMC to make this use when it was likely to be perceived as a form of endorsement by consumers.

In *Playboy Enterprises v. Welles*,<sup>618</sup> the Ninth Circuit expressly held that in cases in which a defendant raises a “nominative use defense,” the above three-

---

<sup>614</sup>As set forth in *New Kids*, the third factor is that the defendant has done nothing to suggest or imply sponsorship or endorsement. Theoretically, it is possible that the mere use of a famous mark under certain circumstances could cause consumers to believe that such a connection exists even if the defendant did nothing to further that conclusion.

<sup>615</sup>85 F.3d 407 (9th Cir. 1996)

<sup>616</sup>*Id.* at 412.

<sup>617</sup>*Id.* at 413 (by using Alcindor’s record to make a claim for its car, GMC arguably attempted to “appropriate the cachet of one product for a different one,” if not also capitalizing on consumer confusion) (citing to *New Kids*).

<sup>618</sup>279 F.3d 796, 802 (9th Cir. 2002).

factor test should be applied, instead of the test for likelihood of confusion set forth in *Sleekcraft*.<sup>619</sup> The court reasoned that the application of the usual test, which focuses on the similarity of the mark used by plaintiff and defendant, would lead to the incorrect conclusion that virtually all nominative uses are confusing uses.<sup>620</sup> Without any additional reasoning, the Ninth Circuit simply concluded that the three-factor test better addresses concerns regarding likelihood of confusion in such cases.<sup>621</sup>

On the one hand by substituting the nominative fair use test for the multi-factor test, the *Welles* court seemed to suggest that this test was not a defense but rather a better analytic tool for evaluating if there was a likelihood of confusion. But since the test as framed in *New Kids* was a defense, it was entirely reasonable to read *Welles* as suggesting that the initial burden in a nominative fair use case was on the defendant.

At issue in *Welles* was Welles' use of the title "Playboy Playmate of the Year 1981" on her website on which she advertised photographs of herself for sale, offered memberships in her photo club, and promoted her services as a spokesperson.<sup>622</sup> Playboy also claimed infringement based on her use the Playboy and Playmate trademarks in banner advertisements and in metatags.<sup>623</sup> Finally, Playboy complained that Welles' repeated use of PMOY as a watermark on each page infringed its common law rights in that mark.<sup>624</sup>

The district court had found that each of these uses was a nominative fair use. The Ninth Circuit agreed as to the use of the Playboy and Playmate marks finding that, as used by the defendant, they merely described a title she had held and which were part of her personal history. Accordingly, these words were "pressed" into service because there was no other way the plaintiff could easily and clearly describe her life story.<sup>625</sup> However, with respect to the use of PMOY as a watermark—essentially a decorative non-essential element of her web site, the Ninth Circuit rejected the defense, because that use of that mark was not necessary to describe the defendant.<sup>626</sup>

The case was remanded so that the district court could determine the validity of the PMOY common law mark.<sup>627</sup> It is interesting that the Ninth Circuit did not remand for both consideration of whether PMOY was an enforceable mark and if so, whether the defendant had infringed that mark. This suggests that since the defendant had failed the nominative fair use test, if the mark was enforceable, Playboy was entitled to judgment.

---

<sup>619</sup>*Id.* at 801.

<sup>620</sup>*Id.*

<sup>621</sup>*Id.*

<sup>622</sup>*Id.* at 799. PEI alleged infringement of its registered PLAYBOY and PLAYMATE OF THE YEAR service marks.

<sup>623</sup>*Id.*

<sup>624</sup>*Id.*

<sup>625</sup>*Id.* at 803.

<sup>626</sup>*Id.*

<sup>627</sup>*Id.*

In the next case to consider the issue, *Cairns v. Franklin Mint Co.*,<sup>628</sup> the Ninth Circuit appeared to suggest that nominative fair use was not an alternative test to the multi-factor test to determine whether there was a likelihood of confusion but was in fact an affirmative defense. The court held that the defendant bears the burden of proving all three elements of the defense, not the plaintiff.<sup>629</sup> At issue was defendant's reproduction of a statute of Princess Diana's image complete with a nameplate featuring her name.

The trial court did not apply the three-factor test articulated in *New Kids* but rather conducted a confusion analysis under the Circuit's multi-factor test followed by an examination of fair use.<sup>630</sup> The Ninth Circuit explained in detail that the nominative fair use defense and classic fair use defense were distinct and separate defenses that served different purposes.<sup>631</sup>

In applying the nominative fair use defense, the Ninth Circuit clearly recognized the potential for consumers to conclude that these products were sponsored or endorsed by the plaintiff. However, the Court noted that between 1981, when Diana married Prince Charles, and her death in 1997, there were "many" products similar to those offered by the defendant that were neither endorsed by or objected to by Princess Diana. The Court also noted that after her death the plaintiff endorsed approximately 20 products "amidst a flood of un-endorsed Diana-related memorabilia." The panel also noted that the defendant's catalog featured many products that were identified as "official" or "endorsed" by the person portrayed, but nothing along the lines was attributed to the products portraying Princess Diana. It was this commercial context, namely a flood of unendorsed Princess Diana memorabilia in the marketplace coupled with the absence of any claim of endorsement in the defendant's catalog when other products marketed in the same catalog included a disclaimer, that no doubt strongly influenced the outcome. Hence while the Ninth Circuit concluded on all of the facts that, the use of the name and likeness of Princess Diana was a permissible nominative use, it recognized that this decision was a "close call."<sup>632</sup>

In contrast, in *Brother Records, Inc. v. Jardine*,<sup>633</sup> the Ninth Circuit found that defendant's nominative fair use defense failed. It found that Jardine, one of the original band members, used "The Beach Boys" trademark to suggest that his band was sponsored by the Beach Boys, as Jardine's manager testified he recommended inclusion of the trademark to enhance Jardine's marquee value.<sup>634</sup> Furthermore, the court relied upon evidence that Jardine's use of the trademark caused actual consumer confusion, as event organizers and fans were confused about which band was performing.<sup>635</sup>

Significantly, in *Jardine*, the Ninth Circuit explained in a footnote that the nominative fair use doctrine is the "flip side" of the likelihood of confusion

---

<sup>628</sup>292 F.3d 1139, 1151 (9th Cir. 2002).

<sup>629</sup>*Id.* at 1152.

<sup>630</sup>*Id.* at 1153 n. 14.

<sup>631</sup>*Id.*

<sup>632</sup>*Id.* at 1156.

<sup>633</sup>318 F.3d 900 (9th Cir. 2003).

<sup>634</sup>*Id.* at 908.

<sup>635</sup>*Id.*

analysis and that under this defense the defendant bears the burden of proving the absence of confusion.<sup>636</sup> On its surface this statement is highly problematic. In the “typical case,” if the plaintiff cannot prove the existence of likely confusion, then there is no need for the defendant to prove anything. Here, the Ninth Circuit appears to suggest that the case starts with the defendant having to prove the absence of confusion.

*Horphag Research Ltd. v. Pellegrini*<sup>637</sup> issued from the Ninth Circuit just a few months after *Jardine*; both were written by the same judge. The discussion in *Horphag* is very useful in recognizing the intent of the *Jardine* court. In *Horphag*, the defendant used the plaintiff’s trademark on his web site, and, most notably, in the metatags on the site, purportedly in order to compare his product with the plaintiff’s product. In this case, the district court had granted the plaintiff judgment as a matter of law on both its trademark infringement and dilution claims. The defendant appealed claiming that this use was protected under both the classic fair use and nominative fair use doctrines.

The Ninth Circuit began its analysis with the observation that a plaintiff must prove the likelihood of confusion in a trademark case. However, the court continued: “Because Garcia admits to using Horphag’s Pycnogenol trademark and specifically admits to using the Pycnogenol mark in the meta-tags for his websites, his use satisfies the terms of trademark infringement in the first instance.”<sup>638</sup>

This observation is based on the well-established line of cases that hold that when a defendant uses the identical mark to the plaintiff, confusion is virtually inevitable.<sup>639</sup> In such situations a full scale application of the multi-factor test seems unnecessary. The nominative fair use inquiry therefore begins with the assumption that because the defendant is using the plaintiff’s identical mark, absent very unusual circumstances confusion is virtually inevitable, or, as stated in *Horphag*, the use “satisfies the terms of trademark infringement in the first instance.” Therefore, the burden being placed on the defendant under *Jardine* is not the burden of proof but the burden of persuasion. When the defendant uses the identical mark to the plaintiff’s, the plaintiff ought not to be the one to have to bear the cost of mounting an expensive offense with surveys and the like. Rather, since it is the defendant who chose to use the mark of another, the defendant should be prepared to explain why under the specific circumstances, the usual presumption does not apply.

A defendant who makes commercial use of the mark of another, therefore, should expect (at least in the Ninth Circuit) that it will have the burden of persuasion to show that there was no effective substitute for the trademark, which forced it to “press” the plaintiff’s mark into service, that it took no more than

<sup>636</sup>*Id.* at 909 n.5.

<sup>637</sup>337 F.3d 1036 (9th Cir. 2002), *cert. denied*, 540 U.S. 1111 (2004).

<sup>638</sup>*Id.* at 1040.

<sup>639</sup>Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc., 15 F. Supp. 389 (S.D.N.Y. 1998); Cullman Ventures, Inc. v. Columbian Art Works, Inc., 717 F. Supp. 96, 127 (S.D.N.Y. 1989); Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc., 841 F. Supp. 1339, 1346 (E.D.N.Y. 1994) (confusion inevitable since “parties are selling the same products in the same channels of commerce under the guise of the identical Dial-A-Mattress mark”); Pappan Enters. v. Hardee’s Food Sys., 143 F.3d 800 (3d Cir. 1998). Notably, the Third Circuit has expressly endorsed this concept. See discussion *infra* at §X.H.

necessary, and that it has not done anything that would otherwise imply or suggest a connection with or endorsement by the plaintiff.

Unfortunately, while all the “dots” can be found in the Ninth Circuit precedent, none of its precedent made the connections to elucidate this underlying rationale that the burden placed on the defendant in a nominative fair use scenario is the burden of persuasion, and not the ultimate burden of proof.

## G. What Other Circuits Say

The label nominative fair use is now routinely accepted to identify and distinguish “collateral” use cases from cases involving classic fair use, but different circuit courts of appeal have discussed it—and addressed the concept—in varying ways.

### 1. Fifth Circuit

In *Pebble Beach Co. v. Tour 18 I Ltd.*,<sup>640</sup> the first case to reach the appellate courts following *New Kids*, plaintiff Resorts of Pinehurst, Inc. complained that defendant golf course’s reproduction of its hole designs, par markers and other accoutrements associated with its venerable Pinehurst No. 2 golf hole infringed plaintiff’s “Pinehurst” trademark.<sup>641</sup> Among the many arguments advanced by the defendant was that its use was protected as a nominative fair use: by using the plaintiff’s mark to identify the “similarly designed” golf hole on the defendant’s course, it was merely making a referential use that was completely accurate.<sup>642</sup> The district court treated this argument as a species of the fair use defense and considered it after first finding a likelihood of confusion based on an analysis of that circuit’s multi-factor test.<sup>643</sup>

Although “analogous to the [classic] fair use defense,” the Fifth Circuit explained that there are fundamental differences between classic fair use and nominative fair use. Specifically, the Fifth Circuit explained that, “[U]nlike the use to identify the markholder’s goods or services, a [classic] fair use of a term may be protected even if a likelihood of confusion exists.”<sup>644</sup> The Fifth Circuit explained that confusion did not defeat a claim of classic fair use because “[O]therwise, a markholder could ‘appropriate a descriptive term for his exclusive use and so prevent others from accurately describing a characteristic of their goods.’”<sup>645</sup>

The Fifth Circuit explained that the nominative fair use defense, in contrast to the classic fair use defense, is in actuality a claim that the use is non-infringing

---

<sup>640</sup>155 F.3d 526 (5th. Cir. 1998).

<sup>641</sup>*Id.* at 534.

<sup>642</sup>*Id.* at 545.

<sup>643</sup>*Id.*

<sup>644</sup>*Id.* at 545 n.12.

<sup>645</sup>*Id.* (citations omitted).

and thus creates no likelihood of confusion.<sup>646</sup> Thus, the Fifth Circuit rejected any suggestion that the nominative fair use doctrine was an affirmative defense.

As applied to the facts in this case, the Fifth Circuit found that by using the plaintiff's mark to identify its own golf hole, the defendant clearly would suggest sponsorship, affiliation or endorsement. Accordingly, since defendant could not meet the third factor of the test, the Fifth Circuit found that the district court did not err in denying the nominative use defense.<sup>647</sup>

More recently, the Fifth Circuit has provided a slightly different explanation for the nominative fair use defense in a case brought by several universities against Smack Apparel, a merchant of t-shirts and other goods to fans of the universities' teams. In particular, the Fifth Circuit wrote:

The nominative fair use doctrine provides that "one who has lawfully copied another's product can tell the public what he has copied." It also permits one to "use another's mark truthfully to identify another's goods or services in order to describe or compare its product to the markholder's product."<sup>648</sup>

Of course, these "true" statements must be made in a manner that does not create a likelihood of confusion:

The right of fair use is limited, however, insofar as "the use cannot be one that creates a likelihood of confusion as to source, sponsorship, affiliation, or approval."<sup>649</sup>

In this case, the district court had first conducted a confusion inquiry using that Circuit's multi-factor test and after finding likely confusion based on that analysis, rejected the nominative fair use defense. The defendant argued that this process somehow "lowered" the standard for confusion. While the Fifth Circuit noted that a court should ordinarily consider nominative fair use in conjunction with its likelihood of confusion analysis, it refused to mandate a particular method for analyzing the question, especially in a case where the defense was not truly at issue.<sup>650</sup>

Notably, in its own evaluation of the likelihood of confusion, the Fifth Circuit noted that the defendant "intentionally incorporated [the college's] color marks to create the kind of association with the Universities that would influence purchasers."<sup>651</sup> Continuing, the Court explained, "Smack did not hope to sell its t-shirts because of some competitive difference in quality or design compared with the Universities' licensed products, but rather it intended to take advantage of the popularity of the Universities' football programs and the appearance of the school teams in the college bowl games. We have previously said that when a 'mark was adopted with the intent of deriving benefit from the reputation of

---

<sup>646</sup>*Id.*

<sup>647</sup>*Id.*

<sup>648</sup>Board of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co., 550 F.3d 465, 488–89 (5th Cir. 2008), *cert. denied*, 129 S. Ct. 2759 (2009)(citation omitted).

<sup>649</sup>*Id.*

<sup>650</sup>*Id.*

<sup>651</sup>*Id.* at 482.

[the mark holder] that fact alone may be sufficient to justify the inference that there is confusing similarity.”<sup>652</sup>

While this analysis appears in connection with the Fifth Circuit’s application of its multi-factor test, the analysis echoes the very same concerns provided in *New Kids* as a basis for the establishment of the nominative fair use defense. Indeed, in *Smack Apparel*, the Fifth Circuit explicitly held that the nominative fair use defense—unlike the classic fair use defense—does not excuse or provide a defense to a finding of confusion.

## 2. Sixth Circuit

In *Paccar v. Telescan Telecan Technologies, L.L.C.*,<sup>653</sup> defendant owned several websites providing truck locator services.<sup>654</sup> Consumers could search for new or used trucks on manufacturer-specific websites including “peterbiltnewtrucks.com” and similar names.<sup>655</sup> In addition to using the “Peterbilt” and “Kenworth” trademarks in its domain names, defendant displayed those marks on the wallpaper of its manufacturer-specific websites in script similar to font styles used by plaintiff and in metatags.<sup>656</sup> The Sixth Circuit applying the eight “likelihood of confusion” factors used in that circuit found infringement.<sup>657</sup>

While the Sixth Circuit did not purport to apply an initial interest confusion analysis,<sup>658</sup> its reasoning is consistent with the perception that consumers will be confused as to the affiliation or sponsorship of any domain name that includes the plaintiff’s name.<sup>659</sup> The Sixth Circuit began its entire analysis by noting that:

words in many domain names can and do communicate information as to the source or sponsor of the web site. . . . In fact, “customers who do not know what a company’s domain name is will often guess that the domain name is the same as the company’s name” or trademark.<sup>660</sup>

Against this backdrop, the Sixth Circuit quickly disposed of defendant’s “nominative fair use” defense.<sup>661</sup> The Sixth Circuit recognized that, under Ninth Circuit law, the nominative fair use analysis replaces the eight-factor likelihood of confusion test.<sup>662</sup> However, the Sixth Circuit held, “This circuit has never followed the nominative fair use analysis, always having applied the *Frisch’s Restaurant* test.”<sup>663</sup> The Sixth Circuit also distinguished this case from one where defendant

---

<sup>652</sup>*Id.*

<sup>653</sup>319 F.3d 243 (6th Cir. 2003).

<sup>654</sup>*Id.* at 247 (internal citations omitted).

<sup>655</sup>*Id.*

<sup>656</sup>*Id.* at 247–48.

<sup>657</sup>*Id.* at 249–55.

<sup>658</sup>See *supra*, §II.A.3.

<sup>659</sup>319 F.3d at 247–48.

<sup>660</sup>*Id.* at 250 (citations omitted).

<sup>661</sup>*Id.* at 256.

<sup>662</sup>*Id.*

<sup>663</sup>*Id.*

uses a trademark to “describe the plaintiff’s product rather than its own.”<sup>664</sup> It held that defendant’s argument would have had merit if defendant had limited its use of plaintiff’s marks to use on its website. Defendant, however, included the marks in its domain names “thereby describing its own products—its websites.”<sup>665</sup>

This decision reflects that the context of the use is critical in determining infringement. As we shall see below, however, over time the same context can lead to different conclusions. Or to state the matter differently, the assumptions the public brings to the Internet in 2012 may be totally the opposite from the assumptions that existed in 2000.

### 3. *First Circuit*

In *Universal Communication Systems, Inc. v. Lycos, Inc.*,<sup>666</sup> the defendant operated an Internet message board labeled with the plaintiff’s trade name. Plaintiffs claimed that this use of the company trade name was a dilutive use. The First Circuit noted that other courts have dealt with similar issues under the rubric of a nominative fair use defense but declined to adopt that analysis.<sup>667</sup> Whether viewed as noncommercial use or not, the court concluded that using a company’s trade name as the “label” or title for a message board on which the company is discussed was simply not actionable under the anti-dilution laws.<sup>668</sup>

## H. The Third Circuit’s Effort to Clarify the Issue

Faced with this somewhat bewildering trail of precedent, the Third Circuit ambitiously undertook to revisit the standard for judging nominative fair use in its *Century 21 Real Estate Corp. v. LendingTree, Inc.*, decision.<sup>669</sup> The court stated its task as follows, “We must determine what role likelihood of confusion plays in a trademark infringement case where the defendant claims that its use was nominative and fair.”<sup>670</sup> In that case, LendingTree, perhaps best known for its slogan “When Banks Compete You Win,” provided a web site allowing a person seeking a mortgage to receive quotes from up to three lenders. In order to leverage its mortgage related business, LendingTree attempted to enter the real estate market by creating a “network” of real estate brokers described as being an “aligned network” “affiliated with more than 700 certified brokers, such as Coldwell Banker, Century 21, Prudential, ERA and RE/MAX.”<sup>671</sup> These companies were listed in a bullet point presentation that highlighted their names on the particular web pages. A prospective buyer would submit his name and be

---

<sup>664</sup>*Id.*

<sup>665</sup>*Id.*

<sup>666</sup>478 F.3d 413 (1st Cir. 2007).

<sup>667</sup>*Id.* at 424.

<sup>668</sup>*Id.* at 425.

<sup>669</sup>425 F.3d 211 (3d Cir. 2005).

<sup>670</sup>*Id.* at 214.

<sup>671</sup>*Id.* at 215 (emphasis added).

contacted by representatives from the LendingTree network in the area the buyer was seeking to purchase a home and, upon closing, would be entitled to a free gift consisting of, for instance, a \$5,000 gift certificate or 100,000 airlines miles.

Plaintiffs, consisting of Century 21, Coldwell Banker, and ERA, objected to LendingTree's use of their trademarks on its website. Plaintiffs argued that the use of its mark was false and misleading; in fact less than five percent of its brokers participated in the LendingTree referral program and Lending Tree could not be considered affiliated with any of those national real estate companies with so few franchisees.<sup>672</sup> LendingTree claimed that its use was a nominative fair use.

The court below, applying the Third Circuit's multi-factor likelihood of confusion test as well as the nominative fair use factors, found infringement.<sup>673</sup> The district court explained:

Defendant has argued that the text amounts to a true statement. . . but the specific objection is based on the implied affiliation and endorsement which, in this Court's view, is a reasonable conclusion based on what the ordinary, prudent consumer would conclude upon seeing this prose. . . It is this Court's view that the intent of the defendant in adopting the mark was to imply an endorsement or affiliation.”<sup>674</sup>

On appeal, the Third Circuit traced the precedent from other circuits and the Ninth Circuit on the evolution of nominative fair use. The court ruefully observed that the court's “difficulty in applying the traditional test for likelihood of confusion, together with the nominative fair use defense, highlights the need to clarify the proper analysis in this area of the law.”<sup>675</sup>

The Third Circuit began its analysis with the assumption that “nominative fair use [is not] so different from classic fair use as to warrant such different treatment” as under Ninth Circuit precedent.<sup>676</sup> Based on this assumption—that classic and nominative fair use can be treated the same—the Third Circuit continued:

The Supreme Court in *KP Permanent Make-Up* clearly established that it was plaintiff's burden in a classic fair use case to prove likelihood of confusion. There, the Court noted the difference between fair use and other trademark infringement claims, opining, as we stated above, that likelihood of confusion and fair use can coexist. This does not mean that we should remove the need for finding confusion in the first instance. Instead, once the plaintiff proves likelihood of confusion, defendant only had to show that defendant's use, even if confusing, was “fair.”<sup>677</sup>

This analysis has been criticized on several grounds. First, it does not address the Supreme Court's recognition in *KP Permanent Make-Up* that even if some confusion can coexist with fair use, that does not make any level of confusion

---

<sup>672</sup>*Id.* at 215–16.

<sup>673</sup>*Id.* at 216.

<sup>674</sup>Transcript of Proceedings at 44–45, Century 21 Real Estate Corp., v LendingTree, Inc., No. 03 CV 2801 (D.N.J. Sept. 22, 2003).

<sup>675</sup>*Century 21*, 425 F.3d at 219.

<sup>676</sup>*Id.* at 220.

<sup>677</sup>*Id.* at 221.

irrelevant.<sup>678</sup> Second, the Third Circuit opinion extends the analysis of classic fair use to nominative fair use despite the Supreme Court's express statement in *KP Permanent Make-Up* that it was not addressing the nominative fair use doctrine.<sup>679</sup> Third, the Third Circuit read the Ninth Circuit case law as relieving the trademark plaintiff from having the burden to prove likelihood of confusion. The Third Circuit did not consider the "inevitable" confusion that likely arises when a defendant uses the identical mark to the plaintiff. It certainly never explained why such a presumption does not exist just because the use happens to be nominative.

The Third Circuit, however, went even further in its analysis: "Today we adopt a two-step approach in nominative fair use cases. The plaintiff must first prove that confusion is likely due to defendant's use of plaintiff's mark"<sup>680</sup> Once it has done so, "the burden then shifts to defendant to show that its nominative use of plaintiff's mark is nonetheless fair."<sup>681</sup>

In the Third Circuit's view, because its traditional likelihood of confusion test does not apply "neatly" to nominative fair use cases, "we suggest eliminating those factors used to establish confusion. . . that do not 'fit' in the nominative use context."<sup>682</sup> In reviewing that circuit's multi-factor tests, the court eliminated factors one (degree of similarity between the marks) and two (strength of marks).<sup>683</sup> Because nominative use is most likely to occur when a plaintiff owns a famous mark, the Third Circuit believed that these factors would stack the deck unfairly in favor of a plaintiff. The court focused on factors three (degree of care and attention expected of purchasing consumers), four (length of time of co-existing uses), five (intent of defendant), and six (actual confusion), as the critical factors.<sup>684</sup> It observed that the remaining factors seven through ten, including the marketing channels and other evidence suggesting that a consumer might assume that the defendant's product was related to the plaintiffs, could be analyzed in future nominative use cases, depending on the factual situation.

This approach is, however, inconsistent with prior Third Circuit precedent. Only five years prior to the *Century 21* decision, the Third Circuit held in a case involving a hold over licensee that:

This court has held that where the identical mark is used concurrently by unrelated entities, the likelihood of confusion is inevitable. It appears to be undisputed that Pappan is continuing to use the ROY ROGERS marks. The district court determined that such use created a likelihood of confusion among consumers concerning the origin of the goods and services. . . . We agree.<sup>685</sup>

---

<sup>678</sup>*KP Permanent Make-Up*, 543 U.S. at 123 ("It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant's use is objectively fair.").

<sup>679</sup>*Id.* at 115 n.3

<sup>680</sup>*Century 21*, 425 F.3d at 222.

<sup>681</sup>*Id.*

<sup>682</sup>*Id.*

<sup>683</sup>*Id.* at 224–25.

<sup>684</sup>*Id.* at 225.

<sup>685</sup>Pappan Enters Inc. v. Hardee's Food Sys., 143 F.3d 800, 804 (3d Cir. 1998) (citing Opticians Ass'n of Am. v. Independent Opticians, 920 F.2d 187, 195 (3d Cir. 1990); U.S. Jaycees v. Philadelphia Jaycees, 639 F.2d 134, 142 (3d Cir. 1981)).

As previously noted, the concept that confusion will exist across all cases when a defendant uses the identical mark for related services is not limited to the Third Circuit. But under the *Century 21* test, it seems that a hold over licensee might be able to state that it is a former licensee of a particular chain and nothing has changed but its relationship with the licensor, in direct contravention of its earlier precedent.

The Third Circuit went further in *Century 21*, stating, “we reject [the] view that this test should be a substitute for likelihood of confusion. A nominative use defendant need only prove fairness and is not required to negate confusion.”<sup>686</sup> This approach, of course, begs the much more difficult question of when a nominative use is “fair” and when it is not. For example, if classic fair use is meant to prevent the depletion of common and descriptive words from our everyday communications, is the nominative fair use doctrine designed to protect third party uses of inherently distinctive, coined trademarks, even if such use creates confusion? When would such use be “fair”?

Earlier in its decision the Third Circuit noted that “it is clear to us that . . . even an accurate nominative use could potentially confuse consumers about the plaintiff’s endorsement or sponsorship of the defendant’s products or services.”<sup>687</sup> It therefore seems that the Third Circuit’s test in *Century 21* eschews the possibility that the Supreme Court expressly left open in *KP Permanent Make-Up* that the level of confusion may be relevant to the evaluation of whether a particular use is fair.

The Third Circuit thus modified the Ninth Circuit’s three-factor into a new test that may be applied if a plaintiff were able to establish confusion: a defendant must prove (1) that the use of plaintiff’s mark is necessary to describe both the plaintiff’s product or service and the defendant’s product or service; (2) that the defendant uses only so much of the plaintiff’s mark as is necessary to describe plaintiff’s product; and (3) that the defendant’s conduct or language reflects the true and accurate relationship between plaintiff and defendant’s products or services.<sup>688</sup>

This test thus leaves it to district courts to parse the difference between a “nominative use” that causes permissible confusion, and one that does not “reflect the true and accurate relationship between plaintiff and defendant’s products or services.” The practical effect of this new standard is to emphasize the need for empirical evidence of the confusion as to the relationship between the parties, such as through evidence of incidental actual confusion in the marketplace or through survey evidence. In *Century 21*, although the Third Circuit remanded the case to the district court to apply the bifurcated test, the case settled before any additional proceedings.

---

<sup>686</sup>*Century 21*, 425 F.3d at 250 n.3.

<sup>687</sup>*Id.* at 222.

<sup>688</sup>*Id.*

## I. Post-Century 21 Nominative Fair Use Developments

### 1. Congress Muddies The Waters

In 2006, Congress amended the Federal Trademark Dilution Act to change the requirement in the prior version of the Act that a party must prove actual dilution (as opposed to a likelihood of dilution) in order to recover for dilution of its mark under the Act.<sup>689</sup> In the course of that amendment, Congress added a new provision that, for the first time, expressly recognizes the doctrine of “nominative fair use.” Section 43(c)(3), as amended, provides: “The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection: (A) Any fair use, including a *nominative* or descriptive *fair use*, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services . . .”<sup>690</sup>

While Congress recognized the existence of this “defense” in connection to dilution claims, there is nothing in the legislative history or in the face of the statute that provides any guidance as to whether it was endorsing the view of the Third or the Ninth Circuit. It is also unclear if this amendment to the Federal Trademark Dilution Act has any application to the Lanham Act in general.

### 2. The Second Circuit Refuses to Adopt Either the Third or Ninth Circuit Analysis

Most recently, in *Tiffany (NJ) Inc. v. eBay Inc.*,<sup>691</sup> Tiffany argued that eBay infringed its trademarks by advertising jewelry for sale on its website and in advertising on Internet search engines (i.e. “sponsored links”) using plaintiff’s well known trademarks.<sup>692</sup> After first finding that eBay actively policed its website to mitigate the sale of counterfeit goods, the district court rejected Tiffany’s claims on the grounds that eBay’s use of its mark was protected by the doctrine of nominative fair use.<sup>693</sup>

On appeal, the Second Circuit explained the origin of the doctrine stating that the Third Circuit treated this concept as an affirmative defense while the Ninth Circuit used the doctrine as a substitute for the multi-factor test.<sup>694</sup> “We have referred to the doctrine, albeit without adopting or rejecting it” and other courts have done so similarly.<sup>695</sup>

The Second Circuit found it unnecessary to address the viability of the doctrine to resolve Tiffany’s trademark claim. It held, “[W]e have recognized that a

<sup>689</sup>TRADEMARK DILUTION REVISION ACT OF 2006, Pub. L. No. 109-312, 120 Stat. 1730 (2006).

<sup>690</sup>15 U.S.C. §1125(C)(3)(A)(emphasis added).

<sup>691</sup>Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir. 2010), *cert. denied*, 131 S. Ct. 647 (2010).

<sup>692</sup>*Id.* at 102.

<sup>693</sup>*Id.*

<sup>694</sup>*Id.*

<sup>695</sup>*Id.*

defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement.”<sup>696</sup> Trademark law does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the mark.<sup>697</sup>

Without applying that circuit’s multifactor test, the Second Circuit simply held:

We agree with the district court that eBay’s use of Tiffany’s mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay’s uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay’s website.<sup>698</sup>

The Second Circuit’s refusal to engage in a multi-factor analysis reflects its conclusion that in such circumstances the multi-factor test is not particularly useful. Its reluctance to endorse the nominative fair use doctrine *per se* therefore may be based on its perception that given the confusion surrounding the application of the doctrine, it is preferable to avoid the label even if ultimately using a virtually identical analysis to that of the Ninth Circuit.

With respect to the false advertising claim, however, the Second Circuit criticized the district court’s dismissal of that claim based on a nominative fair use analysis.<sup>699</sup> It explained that even if the use of the trademark was nominative and protected, “the law prohibits an advertisement that implies that all of the goods offered on a defendant’s website are genuine when in fact, as here, a sizeable proportion of them are not.”<sup>700</sup>

This holding appears to directly contradict the Third Circuit’s finding in *Century 21* that for a use to be fair it need only be truthful. The statements in *Ebay* were not false; they were merely subject to interpretations that were not true. While not directly related to the analysis of nominative fair use, this analysis does underscore that a defendant, even if it makes a literally true statement, cannot imply some false or mistaken association about its products. Thus, the concept of nominative fair use as applied by the Second Circuit (albeit without that label) makes clear that ultimately a use that is confusing or deceptive—whether directly or by implication—is actionable. At least to that extent, the Second Circuit appears to have rejected *Century 21*.

### 3. *The Latest from the Ninth Circuit*

In the first nominative fair use case decided by the Ninth Circuit after *KP Permanent Make-Up*, the architect of that doctrine, Judge Kozinski, had the

---

<sup>696</sup>*Id.*

<sup>697</sup>*Id.* at 103 n.3.

<sup>698</sup>*Id.*

<sup>699</sup>*Id.* at 113.

<sup>700</sup>*Id.* at 114.

opportunity to revisit and redefine the proper test for nominative fair use.<sup>701</sup> In that case, the district court, applying the *Sleekcraft* factors, found that defendants' "buy-a lexus.com" and similar domain names used in connection with their auto brokerage business infringed the Lexus trademark.<sup>702</sup> The district court also held that defendants' proffered nominative fair use defense failed because an internet domain name containing a trademark "generally" suggests sponsorship or endorsement by the trademark holder.<sup>703</sup>

Writing for the court, Judge Kozinski held, "[t]he district court treated nominative fair use as an affirmative defense to be established by the Tabaris only after Toyota showed a likelihood of confusion under *Sleekcraft*. This was error; nominative fair use 'replaces' *Sleekcraft* as the proper test for likely consumer confusion whenever defendant asserts to have referred to the trademarked good itself."<sup>704</sup>

Judge Kozinski therefore continues to maintain that the multi-factor test is not appropriate for these cases. More importantly, however, *Tabari* removes any doubt that, at least in the Ninth Circuit, nominative fair use is not an affirmative defense but merely a more helpful analytic framework for evaluating whether a nominative use is infringing.

Equally important, and to emphasize that nominative fair use is not (and never was intended to be) an "affirmative defense," *Tabari* clearly places the burden on the plaintiff: on remand "[the plaintiff] must bear the burden of establishing that the Tabaris' use of the Lexus mark was *not* nominative fair use. A finding of nominative fair use is a finding that the plaintiff has failed to show a likelihood of confusion."<sup>705</sup>

The court admitted it had "previously said the opposite."<sup>706</sup> But, citing *KP Permanent Make-Up*, the court reasoned that the rule shifting the burden to the defendant to disprove likelihood of confusion has been "effectively overruled."<sup>707</sup> The court concluded, therefore, that a defendant seeking to assert nominative fair use as a defense "need only show that it used the mark to refer to the trademarked good. . . The burden then reverts to the plaintiff to show a likelihood of confusion."<sup>708</sup>

As a practical matter, however, the plaintiff's burden in such a case is no more onerous than the burden under the multi factor test. As the Fifth Circuit's analysis in *Smack Apparel* demonstrates, the same evidence that would establish a likelihood of confusion under the multi-factor test can be used to establish that the defendant has not satisfied the third factor of the Ninth Circuit test.

More troubling, however, is Judge Kozinski's holding that in cases involving claims of nominative fair use, even if the district court finds that a use did not meet the *New Kids* standard, the court should do no more than fashion the necessary injunctive relief to bring the contested use within the safe harbor of

---

<sup>701</sup>Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1175 (9th Cir. 2010).

<sup>702</sup>*Id.* at 1175.

<sup>703</sup>*Id.* at 1177–78.

<sup>704</sup>*Id.* at 1182.

<sup>705</sup>*Id.*

<sup>706</sup>*Id.* at 1183.

<sup>707</sup>*Id.*

<sup>708</sup>*Id.*

*New Kids*. No court has yet applied this principle and it remains to be seen how it will work in practice. How would such a remedy be applied under the facts of *Jabbar*?

Now, decades after *New Kids*, there is still no emerging consensus on the proper test for analyzing cases involving nominative fair use. A defendant would clearly prefer to litigate in the Third Circuit. But depending on the way in which the district courts apply the mandate in *Tabari*—that any remedy must be limited to that sufficient to make the nominative use “fair”—the Ninth Circuit may also provide a favorable forum to even the most egregious defendant.

### J. The Future: Nominative Fair Use and the Internet

As we have seen, nominative fair use was not accepted in early cases involving domain names or metatags. However, in *Tabari*, Judge Kozinski rejected the argument that the domain name buy-a-lexis.com would imply sponsorship or endorsement. Directly contradicting the conclusions of the Sixth Circuit in *PACAR*, Judge Kozinski articulated a view that while 10 years ago such practices may have been confusing, today they are not:

[I]n the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error. They skip from site to site, ready to hit the back button whenever they’re not satisfied with a site’s contents. They fully expect to find some sites that aren’t what they imagine based on a glance at the domain name or search engine summary. Outside the special case of . . . domains that actively claim affiliation with the trademark holder, consumers don’t form any firm expectations about the sponsorship of a website until they’ve seen the landing page—if then.<sup>709</sup>

Again, it is unclear whether or not this claim stands up to empirical analysis. But this much appears clear: at least in cases outside the Third Circuit, the most important factor in any nominative fair use case involving the Internet will be explaining to the court, based on current prevailing practices and accompanying consumer presumptions, why the use at issue will or will not be perceived as automatically suggesting sponsorship or endorsement.

## XI. FREE SPEECH AND PARODY ISSUES\*

### A. Free Speech and the Lanham Act

In 1976, the Supreme Court ruled that speech that “propose[s] a commercial transaction” is protected by the First Amendment’s “free speech” clause despite its

---

<sup>709</sup>*Id.* at 1179.

\*This section was written by John C. Knapp, an associate with Kilpatrick Townsend & Stockton LLP. Mr. Knapp graduated magna cum laude from Brooklyn Law School in 2004 and clerked for the Honorable Carol B. Amon of the Eastern District of New York.

commercial nature.<sup>710</sup> However, the protection afforded to commercial speech is not absolute, and its commercial nature allows it to be regulated more invasively than other categories of First Amendment-protected speech. For example, commercial speakers have a strong business incentive to continue to advertise and engage in commercial speech even when regulated, and so there is less concern that regulation will “chill” their speech.<sup>711</sup> It also has been observed that advertisers are in a unique position to determine the accuracy of their speech about their products.<sup>712</sup> For these reasons, Congress is—as a general matter—able to regulate commercial speech through the Lanham Act and other statutes without raising many First Amendment concerns applicable to the regulation of other forms of protected speech.

In deciding whether speech may be subject to such regulation, the first inquiry is thus whether it is truly commercial speech. If the speech is commercial, the question is then *how* it may be regulated. Because Congress has no interest in regulating truthful speech of any sort,<sup>713</sup> it may only prohibit false or misleading commercial speech such as false statements about a product, including about that product’s affiliation or source.<sup>714</sup> The central questions are therefore, (1) Is the speech at issue commercial? and (2) Is it false, misleading, or likely to cause confusion?<sup>715</sup>

## B. Gripe Sites

Long before the proliferation of the Internet, it was recognized that using a trademark to criticize the owner of the mark is protected non-commercial First Amendment speech because it does not use the mark in connection with an offer to sell goods or services.<sup>716</sup> Today, websites created for the specific purpose of

---

<sup>710</sup>Va. State Bd. of Pharmacy v. Virginia Citizens Consumer Council, 425 U.S. 748, 762 (1976).

<sup>711</sup>*Id.*

<sup>712</sup>Central Hudson Gas & Elec. Corp. v. Public Serv. Comm’n, 447 U.S. 557 (1980).

<sup>713</sup>*Central Hudson Gas*, 447 U.S. at 566 (to enjoy the protection of the First Amendment at all, commercial speech must “concern lawful activity and not be misleading”).

<sup>714</sup>*Virginia State Bd.*, 425 U.S. at 771–72.

<sup>715</sup>The majority of Internet First Amendment cases concern the content hosted on websites, which are clearly “public forums” protected by the free speech clause. And we will see that First Amendment protection extends to domain names that incorporate trademarks, allowing alleged infringers to invoke the free speech clause as protecting their right to criticize. However, in an interesting case, one district court ruled that domain names do *not* constitute a public forum for free speech purposes, and so a registrar’s refusal to register domain names that contained vulgar language did not infringe the applicant’s First Amendment rights. *See National A-1 Adver., Inc. v. Network Solutions, Inc.*, 121 F. Supp. 2d 156, 176–78 (D.N.H. 2000).

<sup>716</sup>McCARTHY §31.148 (4th ed. 2010) (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION §25, cmt i (1995); *see also* L.L. Bean, Inc. v. Drake Publishers, Inc., 811 F.2d 26, 32 (1st Cir. 1987) (“We think the Constitution tolerates an incidental impact on rights of expression of commercial actors in order to prevent a defendant from unauthorizedly merchandising his products with another’s trademark . . . It offends the Constitution, however, to invoke the anti-dilution statute as a basis for enjoining the noncommercial use of a trademark by a defendant engaged in a protected form of expression . . . ”)).

criticizing popular and famous brands abound. When the target of a so-called “gripe site” files suit, a threshold question is whether the mark is being used commercially in connection with the site.

Two early cases involved the use of a mark as a domain name without any additional wording to indicate that it was a “critical” use. In one case, *Planned Parenthood Federation of America, Inc. v. Bucci*, a right-to-life group, registered Plannedparenthood.com and used it to criticize abortions and physicians who performed abortions.<sup>717</sup> In the second case, *Jews for Jesus v. Brodsky*, a Jewish outreach group registered JewsForJesus.com and provided information about finding one’s Jewish roots within the Jewish tradition and not within Christianity.<sup>718</sup> In both instances, the courts rejected the First Amendment arguments raised by the defendants, finding that their uses of the plaintiffs’ trademarks were not expressive, but rather commercial in that they (falsely) designated the plaintiffs as the creators or sponsors of the defendants’ websites. For example, the *Planned Parenthood* court found that the First Amendment did not protect the defendant’s infringement because it was “not part of a communicative message, but rather, serve[d] to identify a product or item, defendant’s web site and home page, as originating from Planned Parenthood.”<sup>719</sup>

A different result was reached when, unlike in *Jews for Jesus* or *Planned Parenthood*, the domain name explicitly criticized the trademark at issue. Where a gripe site posted criticism of the Bally health club chain at the domain name www.compupix.com/ballysucks, the court held that the gripe site’s use of “sucks” after the BALLY trademark made clear that the website was not using the mark in connection with an offer of goods or services, but rather to criticize the mark’s owner.<sup>720</sup> In a contrasting case, a gripe site’s display of advertisements for and links to businesses run by the defendant was found to render it a commercial use of the plaintiff’s mark even when used in connection with “sucks,” but removal of those links rendered the use non-commercial and expressive.<sup>721</sup> Indeed, although a number of these early Internet decisions suggested that the mere presence of links to commercial websites could render the originating site itself commercial, more recent cases have found that the presence of links alone is not enough, especially where there are other countervailing factors.<sup>722</sup>

The question of when a gripe site is commercial becomes more interesting when it is operated by the trademark owner’s competitor. For example, in *Sunlight Saunas, Inc. v. Sundance Sauna, Inc.*, a competitor of Sunlight Saunas set up gripe sites at “sunlightsaunas-exposed.com” and “sunlightsaunassucks.

---

<sup>717</sup>No. 97-CV-0629, 1997 WL 133313 (S.D.N.Y. Mar. 24, 1997).

<sup>718</sup>993 F. Supp. 282, 287 (D.N.J. 1998).

<sup>719</sup>*Planned Parenthood*, 1997 WL 133313, at \*10–11. See also *Jews for Jesus v. Brodsky*, 993 F. Supp. at 287 (“The dispute does not implicate rights granted by the First Amendment of the United States Constitution.”).

<sup>720</sup>*Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161 (C.D. Cal. 1998).

<sup>721</sup>*Taubman Co. v. Webfeats*, 319 F.3d 770 (6th Cir. 2003). See also *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 185 (W.D.N.Y. 2000) (alleged parody site was considered commercial in part because it contained a link to the parodists’ own website which competed with the target of the parody).

<sup>722</sup>See, e.g., *Savannah College of Art & Design, Inc. v. Houeix*, 369 F. Supp. 2d 929, 944–47 (S.D. Ohio 2004).

com.”<sup>723</sup> The court found their use of the Sunlight Saunas trademark to be commercial in nature because the gripe sites included links to their own competing products.<sup>724</sup> Further, the court found that the gripe sites were set up not simply to criticize Sunlight Saunas, but also contained complaints and comparisons between their products that were specifically designed to drive customers to purchase defendant’s competing saunas.<sup>725</sup> The Court considered this use to be commercial in nature.<sup>726</sup>

In contrast, in *Career Agents Network, Inc. v. careeragentsnetwork.biz*, the court concluded that even though the gripe site was operated by a competitor, it was noncommercial in nature because it did not offer goods or services or provide a link to the competitor’s website or otherwise mention the competing goods.<sup>727</sup> Given these disparate results, it remains an open question when a website set up to criticize a competitor and discourage customers from purchasing its products or services can and should be immunized from liability, not based on the content of the communication, but based on the number of jumps a consumer would need to take to reach the competing product.

In fact, some courts have suggested that a gripe site should be considered commercial if it simply causes (or even intends to cause) economic harm to the owner of the mark it is criticizing. In the *Planned Parenthood* case discussed above,<sup>728</sup> Judge Kimba Wood found that the defendant’s website was commercial in nature not only because it offered information about the defendant’s own for-sale publications and fundraising efforts, but also because of “its effects on plaintiff’s activities,” namely, intercepting and preventing would-be readers of plaintiff’s site from reaching it. While this rationale was subsequently adopted by the Fourth Circuit,<sup>729</sup> several other courts, including the Sixth, Ninth and Tenth Circuits, have criticized this “interference” theory of commerciality and have declined to follow it.<sup>730</sup> In their view, the Lanham Act prohibits the use of a trademark to

---

<sup>723</sup>427 F. Supp. 2d 1032, 1057–58 (D. Kan. 2006).

<sup>724</sup>*Id.*

<sup>725</sup>*Id.*

<sup>726</sup>*Id.*

<sup>727</sup>09-CV-12269, 2010 WL 743053 (E.D. Mich. Feb. 26, 2010).

<sup>728</sup>No. 97-CV-0629, 1997 WL 133313 (S.D.N.Y. Mar. 24, 1997).

<sup>729</sup>*People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 366 (4th Cir. 2001) (“The same reasoning applies here. As the district court explained, ‘Doughney’s use of PETA’s Mark in the domain name of his website is likely to prevent Internet users from reaching [PETA’s] own Internet web site. The prospective users of [PETA’s] services who mistakenly access Defendant’s web site may fail to continue to search for [PETA’s] own home page, due to anger, frustration, or the belief that [PETA’s] home page does not exist.’”).

<sup>730</sup>*Taubman Co.*, 319 F.3d at 777 (“However, *Planned Parenthood*, as an unpublished district court opinion, is not binding on this Court, and is nonetheless distinguishable;” holding that even if it were to find the defendant’s site to be commercial, its inclusion of “sucks” in the domain name alleviated the likelihood of confusion found in *Planned Parenthood* where the defendant’s domain was simply plannedparenthood.com). See also *Ford Motor Co. v. 2600 Enters.*, 177 F. Supp. 2d 661, 664 (E.D. Mich. 2001) (“Second, the implication in *Planned Parenthood* and *Jews for Jesus* that the ‘commercial use’ requirement is satisfied any time unauthorized use of a protected mark hinders the mark owner’s ability to establish a presence on the Internet or otherwise disparages the mark owner is flawed.”); *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 679 (9th Cir. 2005) (“To the extent that the *PETA* court held that the Lanham Act’s commercial use requirement is

mislead customers as to the goods or services bearing it, and speech that simply criticizes a mark or its owner does not mislead in this particular fashion, even if the intent or effect of that criticism is to harm its target commercially.

Once it is determined that a gripe site is using a mark commercially, the question becomes whether there is a likelihood of confusion. A key factor is whether the domain name or the website itself clearly indicates that it is not affiliated with or sponsored by the trademark owner. For example, the practice of many gripe sites to use “sucks.com” in the domain name is normally enough to signal to any user that it is not the official or sponsored site of the brand owner—what brand owner would say as much?<sup>731</sup>

Even where the domain name does not contain “sucks” or some other indication that it is not sponsored by the mark owner, a disclaimer on the website itself stating that it is not affiliated with the mark owner may be able to alleviate the likelihood of confusion.<sup>732</sup> In some instances, however, courts have concluded that a disclaimer comes too late in the Internet searching process to avoid “initial interest confusion.”<sup>733</sup> Different courts have reached different conclusions as to whether “initial interest confusion” is a viable theory of consumer confusion under the Lanham Act,<sup>734</sup> but they have been more willing to recognize it where the parties are competitors and the defendant is using the plaintiff’s trademark to “get its foot in the door” with potential customers,<sup>735</sup> and less likely to recognize it where the mark is not being used commercially or where the unauthorized use does not compete with the mark owner.<sup>736</sup>

---

satisfied because the defendant’s use of the plaintiff’s mark as the domain name may deter customers from reaching the plaintiff’s site itself, we respectfully disagree with that rationale.”); Utah Lighthouse Ministry v. Foundation for Apologetic Info. & Research, 527 F.3d 1045, 1053 (10th Cir. 2008) (noting that this “interference theory” had been criticized by *Bosley* as it would “place most critical, otherwise protected consumer commentary under the restrictions of the Lanham Act.”); Koch Indus., Inc. v. Does, No. 2:10-CV-1275 (DAK) 2011 WL 1775765, at \*4 (D. Utah May 9, 2011) (rejecting *Planned Parenthood* and following *Utah Lighthouse*); *Ford Motor Co.*, 177 F. Supp. 2d at 664 (rejecting the suggestion that any use of a mark that “hinders the mark owner’s ability to establish a presence on the Internet or otherwise disparages the mark owner” constitutes a commercial use).

<sup>731</sup>See *Taubman Co.*, 319 F.3d at 778 (“We find that [defendant’s use of plaintiff’s] domain name “taubmansucks.com” is purely an exhibition of Free Speech, and the Lanham Act is not invoked. . . [Defendant] has a First Amendment right to express his opinion about [Plaintiff], and as long as his speech is not commercially misleading, the Lanham Act cannot be summoned to prevent it.”); Salehoo Group, Ltd. v. ABC Co., 722 F. Supp. 2d 1210, 1217 (W.D. Wa. 2010) (“The court is particularly mindful that the average Internet user is unlikely to believe that <www.salehoosucks.com> is either an official Salehoo website or in any way sponsored or approved by Salehoo.”).

<sup>732</sup>*Id.* at 776–77 (noting that the website maintained not only a disclaimer but a link to the official site of the mark owner).

<sup>733</sup>See §XII.

<sup>734</sup>See §II.A.3.

<sup>735</sup>See, e.g., *Savannah College*, 369 F. Supp. 2d at 953 (collecting cases); *OBH, Inc.*, 86 F. Supp. at 189 (finding initial interest confusion where defendant offered a real estate listing service that competed with plaintiff’s service).

<sup>736</sup>See, e.g., *Lamparello v. Falwell*, 420 F.3d 309, 316 (4th Cir. 2005) (“First, we have never adopted the initial interest confusion theory; rather, we have followed a very different mode of analysis, requiring courts to determine whether a likelihood of confusion exists by examin[ing]

### C. Parody

Whereas copyright law explicitly incorporates First Amendment free speech concerns into its “fair use” defense, trademark law has no analogous statutory analysis that mandates the evaluation of the defendant’s First Amendment rights. As a result, while an accused infringement’s status as a parody may weigh heavily in finding it to be a fair use of copyrighted material, in a trademark analysis, its parodic nature is evaluated as part of the standard likelihood of confusion analysis.<sup>737</sup> The theory is that if a mark is being parodied successfully, a consumer generally will not mistake it for an official or authorized use of the mark and so there is little likelihood of confusion. Similarly, a use will not be considered to dilute a mark if it is not being used as a designation of source, but rather as “identifying and parodying, criticizing or commenting upon the famous mark owner or the goods or services of the famous mark owner.”<sup>738</sup>

Thus, as a practical matter, the parodist has a difficult job. The parody must both bring to mind the trademark being parodied and at the same time convey that the statement originates from a parodist and not the trademark owner.<sup>739</sup> Where a parody does not make use of the association between the target’s mark and product to comment on the product or brand owner (and thus reinforce the connection), but instead uses the mark “as a beacon to identify [defendant’s product as one] that competes at the same level and quality as [plaintiff’s product],” the use is not parodic and may be found to cause dilution.<sup>740</sup> On the other hand, where the use makes clear to the average user that it is not claiming to be associated with the mark, there is less risk that the power of the mark to serve as a unique identifier of source will be diminished.<sup>741</sup> The Second Circuit stated the standard succinctly in *Cliff Notes, Inc. v. Bantam Doubleday Dell Publishing Group, Inc.*: “Conflict between [the First Amendment and preventing deception of consumers] is inevitable in the context of parody, because the keystone of parody is imitation. . . A parody must convey two simultaneous—and contradic-

---

the allegedly infringing use in the context in which it is seen by the ordinary consumer.”) (internal quotation marks omitted).

<sup>737</sup>See, e.g., Dr. Seuss Enters., L.P., v. Penguin Books USA, Inc., 109 F.3d 1394, 1405 (9th Cir. 1997) (“In a traditional trademark infringement suit founded on the likelihood of confusion rationale, the claim of parody is not really a separate ‘defense’ as such, but merely a way of phrasing the traditional response that customers are not likely to be confused as to the source, sponsorship or approval.”).

<sup>738</sup>See 15 U.S.C. §1125(c)(3) (excluding from dilution liability “(A) Any fair use . . . of a famous mark by another person other than as a designation of source for the person’s own goods or services, including use in connection with: . . . (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.).

<sup>739</sup>MCCARTHY 6 §31:153.

<sup>740</sup>Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97, 113 (2d. Cir. 2009) (“Charbucks” not a parody of “Starbucks”).

<sup>741</sup>N.Y. Stock Exch., Inc. v. New York, N.Y. Hotel LLC, 293 F.3d 550, 558 (2d Cir. 2002) (“The humor or parody in the Casino’s use of the modified NYSE marks depends upon the fact that the Casino is not claiming to be associated with NYSE, albeit the Casino seeks to emphasize that it too offers possible profits and certain risks.”).

tory—messages: that it is the original, but also that it is not the original and is, instead a parody.”<sup>742</sup>

In evaluating how a claimed parody is actually using a trademark, courts in most circuits will follow the rule announced by the Second Circuit in *Rogers v. Grimaldi* that requires a court to refrain from applying the Lanham Act to artistic works—including parodies—unless the use of the mark “has no artistic relevance to the underlying work whatsoever or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.”<sup>743</sup> In the case of a parody, if it comments on the mark, the mark will have “artistic relevance” to the work and it will be protected by the First Amendment.<sup>744</sup> Indeed, courts have expanded this rule to any First Amendment speech, concluding that use of the mark in a manner that was politically, rather than artistically, relevant and not used in connection with a product or service was a “protected parody.”<sup>745</sup>

## XII. USE OF DISCLAIMERS ONLINE\*

Many courts have now addressed the question of whether a website disclaimer can dispel actionable trademark confusion. A disclaimer is typically presented by trademark defendants as a way of establishing that trademark confusion is not likely.<sup>746</sup> Two distinct trends have emerged. First, a majority of courts have concluded that a disclaimer does not dispel the initial interest confusion that occurs when an Internet user is mistakenly drawn to a website by way of its unauthorized use of another company’s trademark. At the same time, a minority of courts found that in the context of different types of claims, disclaimers can mitigate trademark confusion and may even render the use of a company’s trademark non-commercial, and therefore protected by the First Amendment. The question of the effectiveness of a disclaimer, however, is generally a question of fact.<sup>747</sup>

### A. Disclaimers as Insufficient to Dispel Confusion

Courts have generally found that domain names which incorporate trademark terms, or close analogues of trademark terms, create customer confusion

---

<sup>742</sup>2886 F.2d 490, 494 (2d Cir. 1989).

<sup>743</sup>Rogers v. Grimaldi, 875 F.2d 994, 999 (2d Cir. 1989)

<sup>744</sup>Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 902 (9th Cir. 2002) (finding use parodic because it was a commentary about “Barbie and the values [defendant claims] she represents”).

<sup>745</sup>Protectmarriage.com v. Courage Campaign, 680 F. Supp. 2d 1225, 1229 (E.D. Cal. 2010).

\*This section was drafted by Howard S. Hogan with the invaluable research assistance of Amanda Penabad.

<sup>746</sup>See, e.g., Audi AG v. D’Amato, 381 F. Supp. 2d 644 (E.D.M.I. 2005), aff’d, 469 F.3d 534 (6th Cir. 2006).

<sup>747</sup>See Standard Process v. Banks, 554 F. Supp. 2d 866, 869 (E.D. Wis. 2008) (citing Graham Web Int’l Ltd. Part. v. Emporium Drug Mart, Inc., 916 F. Supp. 909 (E.D. Ark. 1995)).

and the appearance of a disclaimer on the defendant's website comes too late in the Internet search process to dispel the relevant "initial interest confusion." For instance, in *OBH, Inc. v. Spotlight Magazine, Inc.*, the court held that Internet users who accessed "thebuffalonews.com" domain name were attempting to reach The Buffalo News' website.<sup>748</sup> While they might subsequently read the disclaimer and determine they were not at the right web address, "they cannot help being confused—even if only momentarily."<sup>749</sup>

One of the early cases to examine the use of disclaimers in Internet trademark cases was *Planned Parenthood Federation of America Inc. v. Bucci*.<sup>750</sup> The court found that a disclaimer was insufficient to remedy trademark confusion because the "[d]efendant's domain name and home page address are external labels that, on their face, cause confusion among Internet users and may cause Internet users who seek plaintiff's web site to expend time and energy accessing defendant's web site."<sup>751</sup> Another district court expanded on this holding, and explicitly reconciled it with the Ninth Circuit's initial interest confusion line of cases in *The New York State Society of Certified Public Accountants v. Eric Louis Associates, Inc.*<sup>752</sup> Adopting the language of the Ninth Circuit in *Brookfield*, the court recognized that the disclaimer defense "ignores the initial confusion caused by Defendant's use of [trademarks]."<sup>753</sup> When individuals who intend to arrive at the plaintiff's website access the defendant's website, "they cannot help being confused—even if only momentarily."<sup>754</sup> Many courts around the country have similarly concluded that the disclaimers relied on by defendants did not dispel initial interest confusion.<sup>755</sup>

---

<sup>748</sup>86 F. Supp. 2d 176 (W.D.N.Y. 2000).

<sup>749</sup>*Id.* at 190.

<sup>750</sup>97 Civ. 0629 (KMW), 1997 WL 133313 (S.D.N.Y. Mar. 24, 1997).

<sup>751</sup>*Id.* at \*12.

<sup>752</sup>79 F. Supp. 2d 331 (S.D.N.Y 1999).

<sup>753</sup>*Id.* at 342.

<sup>754</sup>*Id.* at 190.

<sup>755</sup>See *Faegre & Benson LLP v. Purdy*, 70 USPQ2d 1315, 1317 (D. Minn. 2004) ("Defendants' use of a disclaimer on their websites does not insulate their conduct, because their misleading use of Faegre's trademark to divert consumers to their websites creates initial interest confusion."); *PACCAR Inc. v. TeleScan Techs.*, 319 F.3d 243, 252 (6th Cir. 2003) ("A disclaimer disavowing affiliation with the trademark owner read by a consumer after reaching the web site comes too late. This 'initial interest confusion' is recognized as an infringement under the Lanham Act."); *Simon Prop. Group L.P. v. mySimon, Inc.*, 2001 WL 66408, at \*22 (S.D. Ind. Jan. 24, 2001) (parties' post-trial motions), *rev'd on other grounds*, 282 F.3d 986 (7th Cir. 2002) ("[A] disclaimer would not adequately address the possibility of initial interest confusion"); *SMC Promotions, Inc. v. SMC Promotions*, 355 F. Supp. 2d 1127, 1136 (C.D. Cal. 2005) ("The use of such confusingly similar marks in Defendants' domain names and on their websites creates initial interest confusion, regardless of Defendants' use of a disclaimer on their websites that they are not "owned, operated, endorsed or recommended" by Plaintiffs."); *Volvo Trademark Holding AB v. volvospares.com*, 703 F. Supp. 2d 563, 568 (E.D. Va. Apr. 1, 2010) ("The Court further finds and concludes that the disclaimer added to volvospares.com does not negate this [initial interest] confusion."); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1243 (10th Cir. 2006) ("[E]ven if a disclaimer were sufficient to prevent consumer confusion, such a disclaimer would not prevent Defendants from impermissibly using Plaintiffs' trademarks in Defendants' metatags . . . Nor would the disclaimer prevent Defendants from capitalizing on consumers' initial interest confusion."); *Green Prods. Co. v. Independence Corn By-Products Co.*, 992 F. Supp. 1070, 1077 (N.D. Iowa 1997);

## B. Effective Disclaimers

In some cases, however, courts have found that disclaimers did operate to prevent, or at least mitigate, trademark confusion. For example, in *Taubman Company v. Webfeats*, the Sixth Circuit analogized a website disclaimer to a phone message disclaimer that was at issue in an earlier case.<sup>756</sup> In particular, the Sixth Circuit cited to its earlier decision in *Holiday Inns, Inc. v. 800 Reservations, Inc.*, where the defendant played a disclaimer each time it received a telephone call, explaining that the company was unaffiliated with Holiday Inns and providing the correct phone number for the chain.<sup>757</sup> The court in *Taubman* reasoned that the presence of a disclaimer and a hyperlink to the correct site on the defendant's website as the equivalent of the phone disclaimer in *Holiday Inns*: by redirecting "misplaced customers" to the intended party, there was "no likelihood that a consumer would be confused as to the source of [each party's] respective goods."<sup>758</sup>

In *Ficker v. Tuohy*, the court also focused on consumer confusion in the context of a gripe website.<sup>759</sup> Given the explicit disclaimer that denied any affiliation with the plaintiff political candidate's website and the inclusion of a hyperlink to the actual site, the court found that "visitors are not misled into believing they have accessed [plaintiff's] campaign website."<sup>760</sup> The court reasoned that the only harm possible that could arise from the disparaging remarks on the complaint website was explicitly permitted by the First Amendment.<sup>761</sup>

In other cases, courts have found that disclaimers can be helpful in defeating a claim of willful infringement, by demonstrating that the defendant did not intend to cause confusion with the plaintiff's mark. For example, in *Bihari v. Gross*, the court found that a disclaimer used by the defendant demonstrated good faith intent not to confuse consumers.<sup>762</sup> Although the court clarified that "a disclaimer cannot insulate [defendant] from liability, it indicates good faith use of the service marks and weighs in [defendant's] favor."<sup>763</sup> Similarly, in *Playboy Enterprises, Inc. v. Welles*, the court focused on the question of whether the defendant's use of trademark terms fell within the fair use doctrine, but specifically noted that defendant's use of a disclaimer clarifying that her website was not endorsed by the plaintiff demonstrated her good faith efforts not to infringe on the plaintiff's marks.<sup>764</sup> Additionally, in *Lucas Nursery and Landscaping, Inc. v. Grosse*, the court found that a statement on the defendant's website that she

---

Chanel, Inc. v. Schwartz, No. 06 Civ. 3371, 2007 WL 4180615, at \*5 (E.D.N.Y. Nov. 19, 2007) (a disclaimer that all items were "replicas" did not "absolve [the defendant] from liability for the otherwise unlawful sale of counterfeit goods").

<sup>756</sup>319 F.3d 770 (6th Cir. 2003).

<sup>757</sup>86 F.3d 619 (6th Cir. 1996).

<sup>758</sup>319 F.3d at 777.

<sup>759</sup>305 F. Supp. 2d 569 (D. Md. 2004).

<sup>760</sup>*Id.*

<sup>761</sup>*Id.*

<sup>762</sup>*Bihari v. Gross*, 119 F. Supp. 2d 309, 324 (S.D.N.Y. 2000).

<sup>763</sup>*Id.*

<sup>764</sup>7 F. Supp. 2d 1098 (S.D. Cal. 1998), *aff'd*, 162 F.3d 1169 (9th Cir. 1998).

was simply attempting to relay her customer experience, coupled with the lack of a plaintiff-run website that customers might be diverted from, evinced the defendant's lack of bad faith.<sup>765</sup>

In still other cases, courts have found that the presence of an effective disclaimer, together with the presence of other factors that tend to reduce the likelihood of confusion, combine to support a finding of no trademark liability. For example, in *Gregerson v. Vilana Financial, Inc.*, the court found that defendant's addition of a disclaimer to his website, among other steps, cured the harm alleged by the plaintiff.<sup>766</sup> Likewise, in *Albert v. Spencer*, the court determined that, “[g]iven the fact that there is no real competition between plaintiff's and defendant's reviews and that defendant has added a disclaimer to his web site [sic], it is unlikely that plaintiff will suffer any real economic disadvantage or damage to her reputation” if the injunction was denied.<sup>767</sup> In *Rohr-Gurnee Motors Inc. v Patterson*, the court refused to grant a preliminary injunction in part because the defendant “made clear that she was only presenting the voice of a consumer and also presented a link to [the plaintiff's] website for anyone who erroneously found her website while looking for [the plaintiff's].”<sup>768</sup> These cases thus demonstrate that the use of an appropriate disclaimer can be useful to an accused infringer, even though it will not, by itself, overcome other factors that would tend to support a finding of liability.

### XIII. TRADE DRESS AND THE INTERNET\*

As a matter of black-letter law, the Lanham Act protects not only traditional marks like words and logos, but also other “source-distinguishing” aspects of goods or services.<sup>769</sup> Thus, at least in theory, trademark law may also protect other “source-distinguishing” elements of online activity as long as they are not “functional,” that is, “essential to the use or purpose” of the online product or service, or that “affects the cost or quality” of the Internet activity at issue.<sup>770</sup>

In particular, several courts have considered whether the “look and feel” of websites can be protected, though the courts refer to this concept in varying ways.<sup>771</sup>

<sup>765</sup>Civ. A. No. 01-73291 (E.D. Mich. Apr. 24, 2002), *aff'd*, 359 F.3d 806 (6th Cir. 2004).

<sup>766</sup>Civ. No. 06-1164 ADM/AJB, 2006 WL 3227762 (D. Minn. Nov. 7, 2006).

<sup>767</sup>97 Civ. 0646 (JSM), 1998 WL 483462, at \*3 (S.D.N.Y. Aug. 17, 1998).

<sup>768</sup>71 USPQ2d 1216 (N.D. Ill. Feb. 9, 2004).

\*This section was written by Howard S. Hogan, a partner in the Washington, D.C., office of Gibson, Dunn & Crutcher LLP.

<sup>769</sup>Qualitex Co. v. Jacobson Products Co., 514 U.S. 159, 162 (1995).

<sup>770</sup>Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 851 n.10 (1982).

<sup>771</sup>See *Tufenkian Import/Export Ventures Inc. v. Einstein Moomjy Inc.*, 338 F.3d 127, 133 (2d Cir. 2003) (looking at the “total concept and overall feel” as part of the analysis for inexact copies); *International Union, Local 150 v. Team 150 Party Inc.*, 88 USPQ2d 1532 (N.D. Ill. Sept. 5, 2008) (denying a motion to dismiss a claim of infringement based on a registration that purportedly included the “look and feel” of websites); *QSRSOFT Inc. v. Restaurant Tech. Inc.*, 2006 U.S. Dist.

For example, in *Blue Nile Inc. v. Ice.com Inc.*, the United States District Court for the Western District of Washington found that the owner and operator of an online diamond and fine jewelry retail sales business sufficiently stated a claim for trade dress infringement (at least at the initial pleading stage) where its allegations relating to the “design and presentation of diamond search features” of its website put the defendant on notice of its claim to the “look and feel” of its website.<sup>772</sup> Similarly, in *Conference Archives, Inc. v. Sound Images, Inc.*, the court held that plaintiff’s allegations that defendants copied the “look and feel” of their website was sufficient to plead a trade dress claim, based on the similarities between the websites’ color scheme, background, layout, and font.<sup>773</sup> In the years to come, courts will likely continue to provide greater guidance as to what aspects of websites or other Internet activity may or may not be protected in this way.<sup>774</sup>

## XIV. SOCIAL MEDIA AND TRADEMARKS

### A. Use and Misuse of Trademarks in Social Media\*

As the role of social media like Facebook and Twitter continues to grow, the use and protection of trademarks in these new media are also coming under increased scrutiny.

One way in which social media have intersected with trademark law is in connection with the question of whether social media activity constitutes “use in commerce” under the Lanham Act. While a federal appellate court has yet to address the issue, district courts have started to recognize social media presence as evidence that a mark was “in use in commerce” for purposes of trademark litigation.<sup>775</sup>

Similarly, trademark applicants have attempted to use their social media presence as trademark specimens in support of trademark registration applications.<sup>776</sup> Notably, a trademark examining attorney with the PTO refused to allow the former Alaska Governor, Sarah Palin, to use a printout of her Facebook page

---

LEXIS 76120 (N.D. Ill. Oct. 19, 2006) (considering preliminary injunction where defendant stole plaintiffs’ software and “look and feel” of its new main page looked like that of plaintiffs).

<sup>772</sup>478 F. Supp. 2d 1240, 1241–42 (W.D. Wash. 2007).

<sup>773</sup>2010 WL 1626072 (W.D. Pa. Mar. 31, 2010).

<sup>774</sup>See also *Hershey Co. v. Hottrix, LLC*, 10-cv-1178 (E.D. Pa. Jan. 6, 2011) (finding that developer of an iPhone “app” sufficiently stated a claim for trade dress infringement).

\*This section was written by Howard S. Hogan, with the invaluable research assistance of Laura M. Jenkins, a law student at the University of Virginia.

<sup>775</sup>See *Boathouse Group, Inc. v. Tigerlogic Corp.*, 2011 WL 841258, at \*4 (D. Mass. 2011) (holding that plaintiff’s use of the mark was “sufficiently public” to qualify as use of the mark in commerce); *Martha Elizabeth, Inc. v. Scripps Network Interactive, Inc.*, No. 1:10-cv-1244, 2011 WL 1750711 (W.D. Mich. May 9, 2011) (noting in a dispute over a name that both parties advertised their services on Facebook fan pages).

<sup>776</sup>See Application to Register “Sarah Palin” as a Mark, Ser. No. 85/170,226 (U.S. P.T.O. 2010).

as evidence of “a website featuring information about political issues” because the mark appeared just as a “posting name.”<sup>777</sup> The examining attorney was, however, willing to accept other, more traditional exhibits submitted to demonstrate usage of “Sarah Palin” as a trademark.<sup>778</sup>

Facebook, Twitter, and other social media outlets can serve as evidence that consumers were actually confused about the association or origination of a product or company.<sup>779</sup> In addition, at least one court has found that the parties’ simultaneous use of social media pages to promote their products weighs in favor of a likelihood of confusion.<sup>780</sup>

Of particular importance to trademark owners is the use of their trademarks by third parties in social media. There are at least four trademark-related concerns with respect to social media. *First*, it is common for social media sites to require users to pick a “user name.” In theory, the selection of a user name corresponding to a trademark may give rise to claims of infringement. *Second*, some social media sites have created “community pages” or allowed consumers to create web pages with their own label. Trademark owners have an interest in preventing the use of their trademarks in ways that can communicate to consumers that such pages are affiliated or associated with the trademark owners, or that the trademark owner has approved, sponsored, or endorsed the page. *Third*, content posted on social media sites can implicate trademark concerns even if the web page on which they appear is not “branded” because of false or misleading descriptions of fact about the trademark owner or their goods or services. *Fourth*, trademark owners often desire to leverage positive comments made by users on social media sites by either reposting them on (i) the official “brand” page within the same social media site where they were originally, (ii) on their own website or in other Internet advertising outside of the original social media site, or (iii) by quoting these in offline advertising with an indication that they come from Facebook, Twitter or the like.

Although cases bringing traditional trademark claims against social media users have been rare, some individuals have successfully asserted claims for false endorsement under Section 43(a) of the Lanham Act when an unauthorized person uses a social media account to create the false impression that the plaintiff endorses the defendant’s goods or services.<sup>781</sup> At the same time, a California federal judge dismissed claims against Facebook itself in a suit brought on behalf of

---

<sup>777</sup>*Id.*

<sup>778</sup>*Id.*

<sup>779</sup>See *Martha Elizabeth, Inc.*, 2011 WL 1750711, at \*6 (claim of actual confusion supported by evidence of a customer who was puzzled by two Facebook pages with similar names).

<sup>780</sup>See *id.* at \*12–13, \*17–18 (finding that “the marketing channels used” factor of the likelihood of confusion analysis favored a finding of confusion where marks at issue were both used on sites like Facebook and MySpace); *Boathouse*, WL 841258, at \*7–8 (recognizing that both companies publicize their mark via Twitter feeds).

<sup>781</sup>*Maremont v. Susan Fredman Design Group, Ltd.*, No. 10 C 7811 (N.D. Ill. 2011) (holding Maremont’s allegations of her co-workers impersonating her on her Facebook and Twitter accounts as sufficient to state false endorsement claim, in order to dismiss defendants’ motion to dismiss); see also Complaint, *La Russa v. Twitter*, No. CGC-09-488101, 2009 WL 1569936 (Cal. Super. Ct. 2009) (alleging trademark infringement, false designation of origin, trademark dilution,

consumers who were allegedly upset with Facebook's use of their profile images in Facebook's "Friend Finder" service.<sup>782</sup> The court found that the plaintiff Facebook members lacked standing to bring claims under the Lanham Act because they do not have "an economic interest akin to that of a trademark holder in controlling the commercial exploitation of his or her identity."<sup>783</sup> The court expressed skepticism that "this defect could be cured through amendment."<sup>784</sup>

Trademark plaintiffs have had less success in using social media contacts to justify the exercise of personal jurisdiction over a defendant in another state.<sup>785</sup> The result in that case, however, may not be an accurate predictor of how future courts will treat the issue, since it dates back to 2002, when Facebook had far fewer members, and the company's Facebook page had only 21 "fans."<sup>786</sup>

It is also worth noting that social media sites like Facebook have also given rise to a market for virtual goods and services, such as supplies for virtual farms, fantasy quests, and mafia wars. The operators of these games have been diligent in pursuing third parties who falsely claim the ability to sell virtual currency or virtual goods.<sup>787</sup> But as consumers conduct more and more business in these virtual worlds, courts will necessarily need to apply more traditional trademark concepts to the marketing and sales of these "goods."<sup>788</sup>

## B. Trademark Policies of Popular Social Media Sites\*

### 1. Social Media Sites' Efforts to Address Trademark Issues

Because of the Digital Millennium Copyright Act ("DMCA"), many social media sites tend to focus more on issues of copyright infringement than trademark

---

cybersquatting and several other claims against an unidentified person who impersonated a Major League Baseball manager on Twitter) (complaint later dismissed at plaintiff's request).

<sup>782</sup>Cohen v. Facebook, Inc., 3:10-cv-05282-RS (N.D. Cal. June 28, 2011) (slip op.).

<sup>783</sup>*Id.* at \*10 (quoting Waits v. Frito-Lay, Inc., 978 F.2d 1093, 1110 (9th Cir. 1992)).

<sup>784</sup>*Id.*

<sup>785</sup> See *Trek Bicycle Corp. v. Trek Winery, LLC*, 2010 WL 744252, at \*3, 6 (W.D. Wis. 2002) (arguing unsuccessfully that defendant should be subject to personal jurisdiction in Wisconsin because defendant's Facebook page sells wine and is available to people in the forum).

<sup>786</sup>*Id.*

<sup>787</sup>See, e.g., *Zynga Game Network, Inc. v. Williams*, Case No. 5:10-cv-01022-JF (PVT) (N.D. Cal. June 28, 2011) (slip op.) (entering default judgment against operators of unauthorized website that sold virtual currency or goods for use in plaintiff's games and awarding attorneys' fees under the Lanham Act).

<sup>788</sup>See also Chapter 14, The Law of Virtual Property.

\*This section was written by Jennifer Arkowitz and Stephen Feingold. Ms. Arkowitz, a graduate of the University of California, Hastings College of the Law, is a senior associate in the Trademark Copyright Group in the San Francisco office of Kilpatrick Townsend & Stockton, LLP. Divya Jayachandran, a graduate of Fordham University School of Law and an associate in the New York office of the Trademark Copyright Group of Kilpatrick Townsend, provided invaluable assistance.

infringement.<sup>789</sup> Indeed, the DMCA contains an express safe harbor provision that may protect Internet service providers from liability for copyright infringement if they remove or disable access to infringing content posted on their sites within a certain period of time. As a result, many social media sites are keenly aware that it is to their benefit to make information on DMCA take down procedures conspicuous, often including links in the footer of each web page. Even when such links are not readily apparent, the terms of use for most social media sites have sections addressing DMCA related concerns at length and clearly indicate that the site will take action against parties accused of copyright infringement, provided that the DMCA rules are followed.

In contrast, although the terms of service for most social media sites provide that a user should not adopt a user name or post other content that would violate a third party trademark, in practice, many such sites do not address issues of trademark infringement to the degree that they address copyright issues. In fact, the default position for many social media sites is often that they are not in a position to mediate trademark disputes. For instance, as of the date of this writing, although YouTube's terms of service require users to represent that their postings will not infringe any rights of third parties, the discussion that follows focuses exclusively on what a copyright owner may do if it believes there has been a copyright infringement.<sup>790</sup> A separate page discloses that:

*“YouTube is not in a position to mediate trademark disputes between users and trademark owners. As a result, we strongly encourage trademark owners to resolve their disputes directly with the user who uploaded the video . . . As a courtesy to trademark owners, however, we are willing to perform a limited investigation of reasonable complaints.”<sup>791</sup>*

Many social media sites lack any online submission form for trademark complaints. On some sites, it even appears that the copyright complaint submission form was specifically designed to make using that form to report a trademark complaint very difficult.

This general reluctance to become embroiled in trademark disputes between users of a social media site and trademark owners may arise from the perception of many Internet purists that trademark owners and, in particular, trademark attorneys, do not appear to share their same “Internet” values with respect to open, uncensored dialogue and debate. There are also practical bases for social media sites to take a hands-off policy toward trademark disputes. For instance, as

---

<sup>789</sup>Digital Millennium Copyright Act of 1998, 17 U.S.C. §512.

<sup>790</sup>Section 6.2 of YouTube's Terms of Use. See <http://www.youtube.com/t/terms>.

<sup>791</sup>YouTube, LLC, YouTube Help: Trademark Options, [http://www.google.com/support/youtube/bin/request.py?contact\\_type=legal2&hl=en](http://www.google.com/support/youtube/bin/request.py?contact_type=legal2&hl=en) (last visited Jul. 26, 2011). Further evidence of the lack of priority given trademark issues is reflected in the “help blog” on YouTube.com where someone on April 15, 2011, responded to a question about why YouTube did not respond at all to a complaint with respect to a user name by saying, “I will report it, but am not hopeful. Things are a tad slow around them here [sic] parts of late. . . : (“ <http://www.google.com/support/forum/p/youtube/thread?tid=3af6644ef58444f3&hl=en>.

a matter of law, trademarks operate as a source designation. But as used in social media, trademarks are at least sometimes used as a method for focusing discussion or finding users with similar interests. As a result, there are many instances in which use of a well-known brand will not create a likelihood of confusion.

The use of brand names to spur discussion and attract users was recognized by Facebook when it introduced in April 2010 a new feature called “Community Pages,” which are used for “general topics and all kinds of unofficial but interesting things.”<sup>792</sup> Trademark owners had expressed concerns about such pages because they were neither launched nor controlled by the brand owner. Although Facebook allows users to report complaints about Community Pages concerning spam, fraud, hate speech or personal attacks, violence or harmful behavior, or duplicate or miscategorized pages, they do not readily invite trademark complaints.<sup>793</sup> Part of the reason may stem from the difference between (a) Community Pages which “are for general topics and all kinds of unofficial but interesting things” and “aren’t run by a single author”; and (b) “Official Pages” which can only be “maintained by authorized representatives of a business, brand, celebrity, or organization.”<sup>794</sup> As a result, Community Pages do not derive from a unique source.

Another aspect of Facebook’s offerings that raised concerns in the trademark-owning community was the June 2009 launch of Facebook’s program under which any Facebook member could acquire a “personalized URL Facebook page” that would be accessible off of Facebook and that could be branded as follows: <http://www.facebook.com/BRANDNAME>. Facebook offered trademark owners an opportunity to reserve a page name that corresponded to their trademark by allowing trademark owners to “reserve” personalized URLs corresponding to their trademarks before the program was opened to the public. Some trademark owners, however, have criticized the program as intermittently non-functional or providing insufficient vehicles for follow-up or confirmation that a request had been honored, beyond checking Facebook after the program had launched. Facebook, however, does offer a voluntary takedown mechanism, via its “automated IP infringement form,” which is divided between copyright complaints and “other claims of intellectual property infringement by users.”<sup>795</sup>

Twitter, in contrast, does not offer an automated take down mechanism. Its policy is set forth in the “Twitter Help Center” and provides that when it receives “reports of trademark policy violations from holders of federal or international trademark registrations,” Twitter will review the account and may “either “suspend the account and notify the account holder . . . [w]hen there is a clear intent to mislead others” or “give the account holder an opportunity to clear up any potential confusion” when Twitter “determine[s] that an account appears to be confusing users, but is not purposefully passing itself off as the trademarked good

---

<sup>792</sup>Facebook, Inc., Help Centers Community Pages and Profile Connections, <http://www.facebook.com/help/?page=1067> (last visited July 26, 2011).

<sup>793</sup>*Id.*

<sup>794</sup>*Id.*

<sup>795</sup>Facebook, Inc., How to Report Claims of Intellectual Property Infringement, <http://www.facebook.com/legal/copyright.php> (last visited July 27, 2011).

or service” or else “release a username for the trademark holder’s active use.”<sup>796</sup> This information, however, is not set forth in Twitter’s terms of service.<sup>797</sup>

While it is always useful to “know” the right person, this appears especially true in the world of social media. The absence of easy-to-follow online trademark complaint forms on many sites has made personal connections with the in-house legal teams at social media sites extremely useful. Many social media sites, however, expressly disclaim in their terms of service any obligation to mediate trademark disputes, and generally take the position that this is an issue outside their control. As a result, there have been frequent calls for a user name dispute resolution policy comparable to the Uniform Dispute Name Resolution Policy.<sup>798</sup> Of course if a particular social media website knowingly benefits from providing a forum for infringement, trademark owners may be able to assert claims on a theory of secondary trademark liability.<sup>799</sup>

The best course of action for a trademark owner concerned with a user name or content posted by a particular user on a social network is to utilize whatever submission forms are available as well as to write to the site directly seeking contact information for the user in order to facilitate delivery of a demand letter. As a general matter, it has proven most effective to avoid threatening direct claims against the social media site, and instead approach that site by emphasizing that you (or your client) is a brand owner that is responding to an infringement in the same manner that the social media site would respond to challenges to its brand.

## **2. *Using Trademark Related Comments From Social Media Sites to Publicize a Brand***

While the first questions that arise from the trademark owner’s perspective with respect to social media involve preventing the unauthorized use of its trademark, there is another concern that in many ways is no less troubling. Social media sites by their very nature are fertile sources for locating endorsements for a brand from “real people.” For instance, the New York Times may want to post on its official Facebook page that “Tony D. from NYC” posted on his home page that “Nick Kristof is the most insightful man of 21<sup>st</sup> Century.” Or Disneyland may want to retweet on TripAdvisor.com that “Amy R. from Boston” tweeted “Never had so much fun as yesterday at Magic Kingdom.” Or the World Poker Tournament may want to run an advertisement for its mobile phone application in a Poker Magazine quoting “PokerRed” from Ojai, California that “it’s like being in Vegas without the travel or the heat.”

Most social media sites explicitly provide that whatever users post on the site may be used by the site for its own purposes without further payment or

---

<sup>796</sup>Twitter, Inc., *Trademark Policy*, <http://support.twitter.com/entries/18367-trademark-policy> (last visited Jul. 26, 2011).

<sup>797</sup>Twitter, Inc., *Terms of Service*, <http://twitter.com/tos> (last visited June 1, 2011).

<sup>798</sup>See Chapter 8.III.D.

<sup>799</sup>See §XVI.

permission. At the same time, many of these sites are far less clear in explaining what rights a user gives a fellow user to his or her content.

As an example, Twitter appears to be founded on the principle that information posted within the social media network is available to everyone else within the network. Twitter emphasizes its belief in the “open exchange of information,” and its service is built around the concept of having members post short messages, known as a “tweets,” with other members reposting, or “retweeting,” those messages.<sup>800</sup> Undoubtedly, the vast majority of Twitter users assume that they can retweet any tweets including images within those tweets.

Twitter’s terms of service, however, contain ambiguities about the right of members to retweet or otherwise use members’ content. For example, Twitter’s terms of service require members to grant Twitter and Twitter partners a non-exclusive license to use all content shared by that member. “Content” is defined as “any information, text, graphics, photos or other materials uploaded, downloaded or appearing on the Services.”<sup>801</sup> The license states the following:

*You agree that this license includes the right for Twitter to make such Content available to other companies, organizations or individuals who partner with Twitter for the syndication, broadcast, distribution or publication of such Content on other media and services, subject to our terms and conditions for such Content use.*<sup>802</sup>

Note that the license does not grant members the right to use each other’s content, not even to retweet, though Twitter has included a “Tip” immediately below the license that states the following:

*This license is you authorizing us to make your Tweets available to the rest of the world and to let others do the same.*<sup>803</sup>

The language “let others do the same” could arguably mean that all users may retweet. In the alternative, it could just as easily mean that you agree that anyone who is a Twitter partner may do the same. Even assuming that the Tip is the former, is the Tip binding? Like all sites, Twitter’s terms of service provide that it is the Terms of Service that “govern[s users’] access to and use of the services and Twitter’s websites.”<sup>804</sup> Is a “Tip” part of the Terms of Service or unenforceable commentary? And how does one reconcile this Tip with another Tip that states the user owns all the content they post on Twitter:

*Twitter has an evolving set of rules for how ecosystem partners can interact with your content. These rules exist to enable an open ecosystem with your rights in mind. But what’s yours is yours—you own your Content (and your photos are part of that Content).*<sup>805</sup>

Twitter goes on to say after the Tip, and in the body of the terms of service:

---

<sup>800</sup>Twitter, Inc., *Twitter Is the Best Way to Discover What’s New In your World*, <http://twitter.com/about> (last visited Jul. 26, 2011).

<sup>801</sup>Twitter, Inc., *Terms of Service*, <http://twitter.com/tos> (last visited June 1, 2011).

<sup>802</sup>*Id.*

<sup>803</sup>*Id.*

<sup>804</sup>*Id.*

<sup>805</sup>*Id.*

*Such additional uses by Twitter, or other companies, organizations or individuals who partner with Twitter, may be made with no compensation paid to you with respect to the Content that you submit, post, transmit or otherwise make available through the Services.*<sup>806</sup>

So, while the user “owns” their content, the user has given Twitter a license providing that Twitter and its partners have unfettered rights to use the content, which in some ways renders the members’ “ownership” of their content meaningless, since they essentially lose control of it. More confusing, however, is the failure to say what license a user gives another user that is not a Twitter partner.

Unfortunately, the deeper one digs, the more confusing the question becomes. Twitter maintains a section on its website labeled “Developer and Media Guidelines.”<sup>807</sup> The title indicates that the guidelines apply only to Twitter’s developers and to the media. However, this is the only place on Twitter where one can find “Guidelines for Use of the Twitter Trademark” and “Guidelines for Use of Tweets in Broadcast or Other Offline Media.”<sup>808</sup>

Even assuming that Twitter did intend to have these guidelines apply universally, it would be easier to understand whether Twitter views these guidelines as contractually binding if they were included or incorporated by reference in Twitter’s Terms of Service. The Terms of Service state that the “Terms, the Twitter Rules and our Privacy Policy are the entire and exclusive agreement between Twitter and” users.<sup>809</sup> Notably, the Guidelines are not listed as part of the “the entire and exclusive agreement.”

Of course, drafting a terms of service for a site as complex as Twitter is not easy. But these complexities highlight the difficulties faced by trademark owners in negotiating critical questions related to the use of social media content to promote their brands.

### 3. Twitter Copyright Case

This question looms large, because in a copyright case, a court expressly held that the Twitter Terms of Service do not convey a license to one Twitter user to use copyright protected materials posted by other Twitter users. In *Agence France Presse v. Morel*, a professional photographer, Daniel Morel, challenged Getty Images, Inc. and various news agencies, including Agence France Presse (AFP), CBS, and CNN, concerning use of photographs he had taken in the aftermath of the 2010 earthquake that devastated Haiti.<sup>810</sup> Morel posted his Haiti photos to Twitter through TwitPic, a Twitter partner that provides photo-sharing services. Morel tweeted that he had exclusive photos of the Haiti earthquake and directed members to his TwitPic page, where he displayed attributions to himself for the photos. Quickly following his posting, another Twitter member, Lisandro Suero,

---

<sup>806</sup>*Id.*

<sup>807</sup>Twitter, Inc., *Report A Violation: Developer And Media Guidelines*, [http://support.twitter.com/groups/33-report-a-violation#topic\\_149](http://support.twitter.com/groups/33-report-a-violation#topic_149) (last visited July 26, 2011).

<sup>808</sup>*Id.*

<sup>809</sup>Twitter, Inc., *Terms of Service*, <http://twitter.com/tos> (last updated June 1, 2011).

<sup>810</sup>769 F. Supp. 2d 295 (S.D.N.Y. 2011).

copied Morel's photos and tweeted that he had "exclusive photographs of the catastrophe for credit and copyright." The photographs eventually made their way to CBS, CNN, and other news agencies without Morel's permission, and they were placed on front pages of newspapers all over the world.<sup>811</sup> Morel alleged infringement of his copyrights in the photographs and demanded payment from AFP, who, in response, sued for declaratory judgment. AFP argued in a motion to dismiss Morel's copyright infringement claim that by uploading his photos to Twitter, Morel had agreed to be bound to Twitter's terms of service, which they claimed gave AFP a non-exclusive royalty-free license to use and exploit the photos. Morel counterclaimed, asserting that AFP (and other news agencies named as third-party defendants) by licensing and exploiting his photos without his permission, willfully infringed his copyrights.

While the court agreed with AFP that the terms of service governed, it found that a company that retweeted photographs violated the rights of the photographer based on the following language in Twitter's terms of service:

*You agree that this license includes the right for Twitter to make such Content available to other companies, organizations or individuals who partner with Twitter for the syndication, broadcast, distribution or publication of such Content on other media and services. . .*<sup>812</sup>

Essentially, the court's reading of the license above created two universes: the Twitter universe and the outside universe. Twitter members were free to share and display Morel's photos on the site or with Twitter partners, such as TwitPic; however, in order to distribute the photos outside of this Twitter world, users had to obtain a license to do so. Because AFP (and the other news agencies) were not partners or affiliates of Twitter or TwitPic, they were not authorized to use the "copyrighted postings."<sup>813</sup>

The *Agence France Presse v. Morel* decision does not seem to have deterred anyone from continuing to retweet but the actual legal ramifications of that practice—no matter how widespread—remains uncertain. This is particularly the case because of an ambiguity that has been raised by the court's opinion. In rejecting AFP's claim that it was a third-party beneficiary of Twitter's terms of service (since AFP did not obtain Morel's photos by virtue of being a Twitter member), the court also found that the terms required Morel "to confer certain rights of use on two classes—Twitter's partners and sublicensees."<sup>814</sup> However, the court did not make clear who or what can be considered a sublicensee, and Twitter's terms themselves certainly do not clarify the issue.

The *Agence France Presse v. Morel* case is the first case in which a court has had occasion to examine the terms of service of a major social media site, as well as the general perception that Twitter users enjoy a right to use content that had been shared on Twitter or through Twitter's partners. Many observers were surprised when the court failed to embrace Twitter's "open exchange of information" and overall content sharing philosophy and instead looked to the

---

<sup>811</sup>*Id.* at 299.

<sup>812</sup>*Id.* at 303.

<sup>813</sup>*Id.*

<sup>814</sup>*Id.*

legal terms of use. As discussed above, Twitter's terms of service do not take a clear position on the question of whether it gives members the right to use other members' content; indeed, Twitter does not even expressly say that it grants members the right to retweet. This does not appear to have changed in the wake of *Agence France Presse v. Morel*.

## XV. COUNTERFEITING AND THE INTERNET\*

Another undeniable connection between the Internet and trademark law is the ease with which trademark counterfeiters can set up websites that allow them to market and sell counterfeit versions of trademark goods. Because of the Internet, counterfeiters can manufacture unlawful replica goods overseas in countries with cheap labor and materials far from the reach of U.S. law enforcement, and yet market those goods to U.S. consumers in return for U.S. dollars by setting up a simple website. As a result, trademark owners need to employ innovative strategies to enforce their rights and stem the tide of goods that not only depress sales, but also dilute and undermine the value of their brand itself. This section outlines common issues that arise in trademark owners' anti-counterfeiting efforts.

### A. Civil Litigation

#### 1. Personal Jurisdiction

As an initial matter, because many purveyors of counterfeit goods on the Internet are often based abroad or else outside the trademark owner's forum of choice, a threshold issue in many counterfeiting cases is whether the court has personal jurisdiction over a defendant operating a counterfeiting website outside the forum state. Personal jurisdiction over a foreign defendant alleged to have infringed a trademark will typically be based on specific jurisdiction under a state's long-arm statute. As a prominent example, New York's long-arm statute extends jurisdiction for a tortious act (including trademark infringement) if: "(1) [t]he defendant committed a tortious act outside the state; (2) the cause of action arose from that act; (3) the act caused injury to a person or property within the state; (4) the defendant expected or should reasonably have expected the act to have consequences in the state; [and] (5) the defendant derives substantial revenue from interstate or international commerce."<sup>815</sup>

---

\*This section was drafted by Anne Coyle, an associate in the New York office of Gibson, Dunn & Crutcher LLP. Ms. Coyle earned her Juris Doctor magna cum laude from Fordham University. Additional invaluable research assistance was provided by Morgan L. Goodspeed, a law student at Harvard University. In the interest of full disclosure, Ms. Coyle and Howard S. Hogan of Gibson Dunn represented Gucci America, Inc. and Tiffany (NJ) LLC in many of the cases described herein.

<sup>815</sup>Sole Resort, S.A. de C.V. v. Allure Resorts Mgmt., LLC, 450 F.3d 100, 106 (2d Cir. 2006); N.Y. Civ. Prac. Law & Rules §302(3).

*a. Interactive Websites Selling Goods in the Forum*

In recent counterfeiting cases, courts have extended jurisdiction under the long-arm statute to defendants with limited ties to the forum state on the basis of operating an interactive website that sold counterfeit goods into the forum.

In *Chloé v. Queen Bee of Beverly Hills, LLC*, the Second Circuit held that “the single act of an out-of-state defendant employee shipping an item into New York, combined with his employer’s extensive business activity involving New York, gives rise to personal jurisdiction.”<sup>816</sup> The defendant website “offered *Chloé* bags for sale to New York consumers, permitted New York consumers to purchase such bags, and facilitated the shipment of those bags into New York. . . .”<sup>817</sup> Additionally, the website had sold other items that did not infringe the *Chloé* mark to New York consumers.<sup>818</sup> Thus, the court held that the shipment of one item bearing the counterfeit *Chloé* mark was “part of a larger business plan purposefully directed at New York consumers” and imputed the company’s New York activities to the individual defendant, finding the exercise of personal jurisdiction appropriate.<sup>819</sup>

Similarly, the Southern District of New York applied this expansive view of jurisdiction in another case where the alleged Internet counterfeiters contested personal jurisdiction.<sup>820</sup> In that case, the defendants operated an interactive website, displayed testimonials purporting to be from satisfied New York customers, and processed and delivered an investigator’s purchase of a counterfeit product to a New York address.<sup>821</sup> The court concluded that it was foreseeable that defendants’ “conduct caused them to have significant contacts with New York, so as to render it reasonable for them to be haled into court here.”<sup>822</sup>

*b. Providing Services to Interactive Website Selling Counterfeit Goods in the Forum*

In an even more notable discussion of personal jurisdiction case law, in *Gucci America, Inc. v. Frontline Processing Corp.*, a district court in the Southern District of New York applied these same principles to accused *contributory* infringers who allegedly assisted merchants in obtaining credit card processing services, and processed credit card transactions, for the sale of counterfeit

---

<sup>816</sup>616 F.3d 158, 165 (2d Cir. 2010).

<sup>817</sup>*Id.* at 166.

<sup>818</sup>*Id.*

<sup>819</sup>*Id.* at 167–68. The Second Circuit left open the “question of whether a sale of a counterfeit item to a plaintiff’s investigator or agent by itself constitutes an act of trademark infringement.” *Id.* at 165 n.3 (citations omitted).

<sup>820</sup>Balenciaga Am., Inc. v. Dollinger, 10 Civ. 2912, 2010 WL 3952850 (S.D.N.Y. Oct. 8, 2010).

<sup>821</sup>*Id.* at \*6.

<sup>822</sup>*Id.* See also Report and Recommendation Re Motion for Final Default Judgment Against Defendant at 10–11, Gucci Am., Inc. v. Huoqing, No. C-09-05969 (N.D. Cal. Jan. 3, 2010) (finding personal jurisdiction appropriate in California when the defendant operated a fully interactive website and made at least one sale of a counterfeit good to a California address).

goods on the Internet.<sup>823</sup> The New York-based court held that it could exercise personal jurisdiction over a Wyoming corporation with a five-employee business in Colorado, a Nevada corporation with its principal place of business in Montana, and a Texas bank.<sup>824</sup> Plaintiff, a New York-based corporation, alleged that it was harmed in New York by the infringing website's sale of counterfeit goods in New York.<sup>825</sup> The court found that the defendants expected or should have expected their businesses to have consequences in New York because each of the defendants held itself out as a nationwide operation and had some clients in New York (although the infringing website was not based in New York).<sup>826</sup> Additionally, defendants knew that the Internet businesses they serviced "were unrestricted by geography and available through the internet to consumers in all of the states, including New York."<sup>827</sup> Accordingly, the court found that defendants had purposefully availed themselves of the privilege of doing business in the forum such that the exercise of jurisdiction would not violate due process.<sup>828</sup> Under the reasoning in *Frontline*, any conscious provider of important services to an interactive website selling counterfeit goods could potentially be subject to personal jurisdiction in the home forum of the trademark owner under a theory of contributory infringement, especially where the third party also transacted some additional business in the forum.<sup>829</sup>

### c. Injury to Mark Holder in Forum

Although injury in the forum state is a significant piece of any personal jurisdiction analysis, courts analyzing these issues in the copyright infringement context have gone particularly far in finding that injury in the home forum of the copyright holder can alone justify the exercise of jurisdiction over an accused infringer.<sup>830</sup> By analogy, a trademark owner in a counterfeiting case could similarly argue that even where no sale of counterfeit goods occurred in the forum state, a trademark owner based in the state suffered injury there as a result of customer confusion or trademark dilution caused by exposure to the infringing website because "[t]he location of the infringement in online cases is of little import inasmuch as the primary aim of the infringer is to make the works available to anyone with access to an Internet connection. . . ."<sup>831</sup> Of course, the trademark owner would still need to meet the other requirements of specific jurisdiction. Specifically, it remains the plaintiff's burden to show that the defendants expected,

---

<sup>823</sup>721 F. Supp. 2d 228 (S.D.N.Y. 2010).

<sup>824</sup>*Id.* at 237–38.

<sup>825</sup>*Id.* at 241.

<sup>826</sup>*Id.* at 243–44.

<sup>827</sup>*Id.* at 244.

<sup>828</sup>*Id.* at 245.

<sup>829</sup>See also additional discussion of Gucci Am., Inc. v. Frontline Processing Corp., *infra* at §XVI.B.2.b.

<sup>830</sup>See Penguin Grp. (USA) Inc. v. American Buddha, 946 N.E.2d 159, 164 (N.Y. 2011) ("[T]he absence of any evidence of the actual downloading of [the plaintiff's] four works by users in New York [was] not fatal to a finding that the alleged injury occurred in New York.").

<sup>831</sup>*Id.* at 165.

or should reasonably have expected, the act to have consequences in the forum, and that the defendants have sufficient minimum contacts to the forum such that the exercise of personal jurisdiction would not violate due process.<sup>832</sup>

## 2. Post-Sale Confusion

In order to prevail on a trademark infringement claim, a plaintiff must establish that the trademark is protected under the Lanham Act and that the defendant's use of a similar mark is likely to cause confusion "among the relevant consuming public."<sup>833</sup> The members of the public in question have traditionally been assumed to be "numerous ordinary prudent purchasers."<sup>834</sup>

In the counterfeiting context, however, the concept of post-sale confusion is particularly important, because even if the immediate consumer knows he or she is buying a counterfeit item, there is still substantial danger that a gift recipient may be confused, or that confusion as to the origin of the goods may dampen the demand for genuine trademark goods.<sup>835</sup> As a result, for the purposes of the likelihood of confusion analysis, the relevant audience may not be the targeted purchasers of authentic trademark goods, but rather any "person on the street."<sup>836</sup> In fact, in the context of online counterfeiting, many websites specifically disclaim that the goods are "replicas" and not authentic designer merchandise, and therefore the purchasers of the goods are arguably not confused as to the origins of the products. Nonetheless, post-sale confusion may be found where counterfeits were marketed as copies of the designer goods. As the Second Circuit held:

Trademark laws exist to protect the public from confusion. The creation of confusion in the post-sale context can be harmful in that if there are too many knockoffs in the market, sales of the originals may decline because the public is fearful that what they are purchasing may not be an original. Furthermore, the public may be deceived in the resale market if it requires expertise to distinguish between an original and a knockoff.<sup>837</sup>

---

<sup>832</sup>*Id.* See also *Digiprotect USA Corp. v. Does*, 10 Civ. 8759, 2011 WL 1466073, at \*4 (S.D.N.Y. Apr. 13, 2011) (concluding that even if New York was the situs of injury under *American Buddha*, personal jurisdiction could not be exercised over defendants who illegally downloaded and shared a film produced by a California corporation because they had no reason to "expect[ ] their downloading of this film to have consequences in New York").

<sup>833</sup>*E.g., Burberry Ltd. v. Euro Moda, Inc.*, 08 Civ. 5781, 2009 WL 1675080, at \*5 (S.D.N.Y. June 10, 2009).

<sup>834</sup>*Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 390 (2d Cir. 1995).

<sup>835</sup>*See, e.g., Fortune Dynamic Inc. v. Victoria's Secret Stores Brand Mgmt.*, 618 F.3d 1025, 1032 (9th Cir. 2010) (holding that, while knowledgeable consumers would be unlikely to confuse a footwear designer's trademark on a tank top in a Victoria's Secret store, observers of a tank top worn outside the store could be confused about its producer).

<sup>836</sup>*Automotive Gold, Inc. v. Volkswagen of Am. Inc.*, 603 F.3d at 1133, 1138 (9th Cir. 2010); see also *Fortune Dynamic*, 618 F.3d at 1032 (noting that the trademark in question could later be observed "on the street").

<sup>837</sup>*Hermès Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 107–08 (2d Cir. 2000).

Under the doctrine of post-sale confusion, counterfeiters are not likely to escape liability simply because they disclosed that the goods were not authentic.<sup>838</sup>

### 3. Ex Parte Injunctive Relief

In a number of recent cases in the Southern District of New York, trademark owners have sought and obtained *ex parte* temporary restraining orders against the operators of websites selling counterfeit goods. These orders typically enjoin further advertising, marketing or sale of counterfeit goods by the defendants' websites and require third-party hosts and e-commerce providers to cease providing support to the infringing website.<sup>839</sup> The order may also enjoin further use of a domain name that makes unauthorized use of a trademark.<sup>840</sup> A trademark holder can therefore effectively shut down infringing websites before the defendant has even received notice of the lawsuit, as long as it has correctly assembled a factual record sufficient to justify such relief.<sup>841</sup>

Defendants who traffic in counterfeit goods over the Internet, however, are notorious for shifting their operations from one Internet domain to another when a lawsuit is filed, making it difficult for brand owners to keep up with the counterfeiters. As a result, in *North Face Apparel Corp. v. Fujian Sharing Import & Export Ltd. Co.*, the district court also issued an order that authorized plaintiffs to shut down new counterfeiting websites tied to the defendants and to seize newly discovered funds from the defendants' accounts without further court approval (unless the absent defendants requested that the court stop the seizure).<sup>842</sup> The court determined that such a radical solution was “[i]n accordance with this Court’s equitable powers and its power to coerce compliance with its

---

<sup>838</sup>See Rolex Watch U.S.A., Inc. v. Jones, 99 Civ. 2359, 2000 WL 1528263, at \*3 n.1 (S.D.N.Y. Oct. 13, 2000) (“Likelihood of confusion does not focus solely on the party purchasing a product from the defendant.”).

<sup>839</sup>See, e.g., Temporary Restraining Order, Order to Show Cause and Order Authorizing Expedited Discovery and Alternative Service of Process, Balenciaga Am. Inc. v. Dollinger, 2010 Civ. 2912 (LTS) (S.D.N.Y. Apr. 6, 2010); Temporary Restraining Order, Asset Restraining Order, Order Authorizing Expedited Discovery and Alternative Service of Process and Order to Show Cause, Gucci Am. Inc. v. Bagsmerchant, LLC, 2010 Civ. 2911 (DAB) (S.D.N.Y. Apr. 12, 2010); Temporary Restraining Order and Order to Show Cause, Gucci Am., Inc. v. Curveal Fashion, 09 Civ. 8458 (RJS) (S.D.N.Y. Oct. 7, 2009); Temporary Restraining Order and Order to Show Cause, Gucci Am., Inc. v. Laurette Company, Inc., 08 Civ. 5065 (LAK) (June 3, 2008).

<sup>840</sup>See, e.g., Temporary Restraining Order, Asset Restraining Order, Order Authorizing Expedited Discovery and Alternative Service of Process, and Order to Show Cause, Tiffany (NJ) LLC v. Dong, 2011 Civ. 2183 (GBD) (S.D.N.Y. Mar. 30, 2011); Temporary Restraining Order, Asset Restraining Order, Order Authorizing Expedited Discovery and Alternative Service of Process, and Order to Show Cause, Tiffany (NJ) LLC v. Andrew, 10 Civ. 9471 (WHP) (S.D.N.Y. Dec. 21, 2010).

<sup>841</sup>In one case, the court granted plaintiff's request to seal its application for a temporary restraining order until the hearing on the preliminary injunction. See Order to Seal File, Tory Burch LLC v. Yong Sheng Int'l Trade Co., 10 Civ. 9336 (S.D.N.Y. Dec. 14, 2010); see also Application to Seal File of Plaintiffs' *Ex Parte* Application for a Temporary Restraining Order, Order to Disable Certain Websites, Asset Restraining Order, Expedited Discovery Order and Order to Show Cause for Preliminary Injunction (S.D.N.Y. Dec. 14, 2010).

<sup>842</sup>Order for Contempt at 8-11, *North Face*, 10 Civ. 1630 (S.D.N.Y. Dec. 21, 2010).

lawful orders, and due to Defendants' ongoing proliferation of domain names for operation of its counterfeiting activities.”<sup>843</sup>

At the same time, the court must have some basis to exercise jurisdiction to order a third party to take an affirmative act. In *North Face*, the court granted plaintiffs' motion to hold the Public Interest Registry (the registry of the “.org” Internet domains) in contempt for failing to obey the court's prior orders to disable the domain names controlled by defendants and transfer ownership of the domains to the plaintiffs.<sup>844</sup> The court subsequently reversed its order, concluding that it had lacked jurisdiction over the registry to order it to take any affirmative acts.<sup>845</sup> The court made clear, however, that once the registry was on notice—through the court's injunction—of the defendants' counterfeiting activities, “it would commit an unlawful act, by aiding and abetting in defendants' unlawful counterfeiting activities.”<sup>846</sup> Accordingly, the court invited plaintiffs to “renew their motion to make clear that the scope of the permanent injunction against defendants applies to Public Interest Registry for aiding and abetting, and participating, in defendants' unlawful activities.”<sup>847</sup>

#### a. Asset Freeze

Perhaps most significantly, courts have entered *ex parte* orders freezing the assets of the defendant counterfeiters to preserve plaintiffs' rights to an equitable accounting and to recover defendants' profits under the Lanham Act. Although “a court may not freeze assets solely to secure a future money judgment, where plaintiffs seek both equitable and legal relief in relation to specific funds, a court retains its equitable power to freeze assets.”<sup>848</sup> These assets may later be used to satisfy a money judgment against defendants. Notably, courts have exercised their equitable power to freeze defendants' assets anywhere in the world.<sup>849</sup>

Given the prevalence of counterfeiters operating in Asia and elsewhere outside the United States, the power to freeze funds held abroad is crucial to a plaintiff's ability to reach the proceeds of the counterfeiter's illegal business. In 2011, a court in the Southern District of New York held that Section 35(a) of the Lanham Act (15 U.S.C. §1117(a)), which authorizes a trademark owner to

<sup>843</sup>*Id.* at 9.

<sup>844</sup>Order Denying on Reconsideration Plaintiffs' Motion to Hold Public Interest Registry in Contempt at 1, *North Face*, 10 Civ. 1630 (AKH) (S.D.N.Y. June 24, 2011).

<sup>845</sup>*Id.* at 4.

<sup>846</sup>*Id.* at 6.

<sup>847</sup>*Id.* Consistent with Rule 65(d) of the Federal Rules of Civil Procedure, a non-party may be found in contempt “for violating the terms of an injunction when [the] non-party is legally identified with the defendant or when the non-party aids or abets a violation of an injunction.” *Blockowicz v. Williams*, 630 F.3d 563, 566–67 (7th Cir. 2010). This may be so even where the aider and abettor is not within the judicial district where the order was made. *Waffenschmidt v. Mackay*, 763 F.2d 711, 716 (5th Cir. 1985).

<sup>848</sup>See *Balenciaga Am., Inc. v. Dollinger*, 2010 WL 3952850, at \*7 (S.D.N.Y. Oct. 8, 2010) (collecting cases).

<sup>849</sup>*Id.* at 8. See also Preliminary Injunction at 7, *Dong*, 2011 Civ. 2183 (GBD) (Apr. 26, 2011) (enjoining transfer of funds “into or out of any accounts associated with or utilized by any of the Defendants, regardless of whether such accounts are located in the United States or abroad.”).

recover defendants' profits, provides district courts with the "authority to freeze [a defendant's] assets insofar as they could be used to satisfy an award of . . . profits pursuant to Plaintiffs' Lanham Act Claims."<sup>850</sup> Importantly, the court rejected the notion that it lacked authority to issue a pre-judgment asset restraint directed at assets held overseas by a third party, finding that "[o]nce personal jurisdiction of a party is obtained, the District Court has authority to order it to freeze property under [the party's] control, whether the property be within or without the United States."<sup>851</sup>

An asset freeze order may also effectively require credit card companies and other payment processors to cease processing transactions for the defendants.<sup>852</sup> Because most sales over the Internet involve credit card or other electronic payment transactions such as PayPal, disrupting a defendant's relationship with its payment processors prevents the defendant from simply shifting its website to a different domain name to evade the court's order. Additionally, the freeze order may shut down multiple websites because counterfeiters often use the same credit card processing account for all of their websites.

#### *b. Expedited Discovery*

Courts have also been willing to order expedited discovery from both defendants and third parties as a form of *ex parte* relief in counterfeiting cases, allowing the plaintiff to obtain the true identity of the defendants as well as key information from defendants' financial institutions and other third parties who provide services to defendants' websites.<sup>853</sup> Such information can be used to trace the defendants' assets, as well as to identify other participants in the counterfeiting operation and potential contributory infringers.

Although many counterfeiters maintain accounts at offshore banks, as long as a foreign bank or its parent entity is subject to the court's jurisdiction, the bank may be required to comply with a court order to produce documents. In *Gucci America, Inc. v. Curveal Fashion*, the court issued a contempt opinion against United Overseas Bank for its failure to produce documents relating to the defendant counterfeiter's accounts at its Malaysian subsidiary on the grounds that doing so would violate Malaysian bank secrecy law and that the parent company lacked the power to cause its subsidiary to turn over the documents.<sup>854</sup> The magistrate judge rejected the bank's secrecy argument and also concluded that "a parent company doing business in New York is required to produce documents held by its subsidiary, even if located overseas."<sup>855</sup> After the bank continued to refuse to

---

<sup>850</sup>Gucci Am., Inc. v. Li, 10 Civ. 4974 (RJS) (S.D.N.Y. Aug. 23, 2011), slip op. at 4 (alteration in opinion) (quoting Balenciaga Am., Inc. v. Dollinger, No. 10 Civ. 2912 (LTS), 2010 WL 3952850, at \*7 (S.D.N.Y. Oct. 8, 2010)).

<sup>851</sup>*Id.* (quoting United States v. First Nat. City Bank, 379 U.S. 378, 384 (1965)).

<sup>852</sup>See, e.g., Temporary Restraining Order at 6, *Balenciaga*, 2010 Civ. 2912 (LTS) (S.D.N.Y. Apr. 6, 2010); Temporary Restraining Order at 8, *Dong*, 2011 Civ. 2183 (GBD) (S.D.N.Y. Mar. 30, 2011).

<sup>853</sup>See, e.g., Temporary Restraining Order at 10–12, *Balenciaga*, 2010 Civ. 2912 (LTS) (S.D.N.Y. Apr. 6, 2010).

<sup>854</sup>9 Civ. 8458 (RJS) (THK), 2010 WL 808639 (S.D.N.Y. Mar. 8, 2010).

<sup>855</sup>*Id.* at \*6–8.

produce the documents, the district court held the bank in contempt and imposed a \$10,000 per day coercive fine until the bank complied.<sup>856</sup>

#### c. Alternative Service of Process

Because persons engaged in illegal counterfeiting often use third parties to mask their contact information from domain name registries—or even supply false contact information in connection with the registration of their domain names—it is often impossible to serve defendants through traditional forms of service of process. As a result, courts have frequently allowed alternative service via the Internet to e-mail addresses associated with the infringing websites, especially where plaintiff's agents communicated with the defendant through e-mail in connection with the purchase of counterfeit goods.<sup>857</sup>

### 4. Defenses to Trademark Counterfeiting

Individuals engaged in selling counterfeit goods online—especially those who reside abroad—will often default in court cases brought against them. However, there are a number of defenses that may be raised if a defendant appears to contest a claim of counterfeiting.

#### a. The Mark Is Not Identical

Brand owners have brought suits alleging trademark counterfeiting even where a mark is not identical to the protected mark. For example, Coach brought suit against Kmart alleging trademark counterfeiting, among other claims, for selling “studied imitations” of Coach luggage.<sup>858</sup> Kmart contended that it had not engaged in counterfeiting (or other trademark infringement) because these “imitations” used a pattern of “Os” and “Cs” that would be easily ascertainable by Coach’s regular customers.<sup>859</sup> The case was ultimately resolved out of court and dismissed.<sup>860</sup> A mark holder may still have a claim for trademark infringement even if the court determines that an alleged infringing mark does not meet the definition of “counterfeit” under the Lanham Act;<sup>861</sup> however, statutory

---

<sup>856</sup>Order, *Curveal Fashion*, 09 Civ. 8458 (S.D.N.Y. May 27, 2010). See also *Gucci Am.*, 10 Civ. 4974 (RJS) (S.D.N.Y. Aug. 23, 2011) (ordering foreign bank doing business in New York to produce documents maintained in China).

<sup>857</sup>See, e.g., Temporary Restraining Order, *Dong*, 2011 Civ. 2183 (GBD) (S.D.N.Y. Mar. 30, 2011); Temporary Restraining Order, Asset Restraining Order, Order Authorizing Expedited Discovery and Alternative Service of Process and Order to Show Cause, *Gucci Am. Inc. v. Bagsmerchant, LLC*, 2010 Civ. 2911 (DAB) (S.D.N.Y. Apr. 12, 2010).

<sup>858</sup>Complaint at 6, *Coach, Inc. v. Kmart Corp.*, 10 Civ. 1731 (S.D.N.Y. Mar. 4, 2010).

<sup>859</sup>Defendants’ Motion for Partial Summary Judgment at 6, *Coach*, 10 Civ. 1731, (S.D.N.Y. Nov. 15, 2010).

<sup>860</sup>Stipulation and Order of Dismissal with Prejudice, *Coach*, 10 Civ. 1731 (S.D.N.Y. May 16, 2011).

<sup>861</sup>The Lanham Act defines counterfeit as “a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.” 15 U.S.C. §1127.

damages will not be available pursuant to 15 U.S.C. §1117(c), as discussed in greater detail below.

*b. Parody*

Use of another's trademark may be protected if it is found to be a successful parody of the mark.<sup>862</sup> *In Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, Louis Vuitton brought trademark counterfeiting and infringement claims against the seller of "Chewy Vuitton" dog chew toys that bore colorable imitations of the Louis Vuitton marks.<sup>863</sup> The Fourth Circuit concluded that "the dog toys are successful parodies of LVM handbags and the LVM marks and trade dress used in connection with the marketing and sale of those handbags" because the "irreverent representation and the idealized image of an LVM handbag—immediately conveys a joking and amusing parody."<sup>864</sup> Although the court found that the defendant had "mimicked a part of the LVM marks," it also found "the parody sufficiently blatant" that a consumer would not be confused as to the source of the product.<sup>865</sup> Because the toys were a successful parody and no other factors supported a likelihood of confusion, the Fourth Circuit affirmed the district court's grant of summary judgment in favor of the defendant on the issue of trademark infringement.<sup>866</sup> Other alleged parodists, however, have not fared as well.<sup>867</sup>

## 5. Statutory Damages

In a case involving the use of a counterfeit mark, plaintiffs are entitled to statutory damages of no less than \$1,000, if the use of the counterfeit mark was willful, and up to \$2,000,000 "per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just" pursuant to 15 U.S.C. § 1117(c). Courts have taken different approaches to awarding statutory damages in counterfeiting cases involving the Internet. A number of courts have awarded \$100,000 per mark per category of goods infringed.<sup>868</sup> This approach can easily lead to a multi-million dollar judgment where an Internet counterfeiter sold numerous categories of goods.<sup>869</sup>

---

<sup>862</sup>See also §XI.

<sup>863</sup>507 F.3d 252 (4th Cir. 2007).

<sup>864</sup>*Id.* at 260–61.

<sup>865</sup>*Id.* at 262.

<sup>866</sup>*Id.* at 263.

<sup>867</sup>*Anheuser-Busch, Inc. v. VIP Prods., LLC*, 666 F. Supp. 2d 974 (E.D. Mo. 2008) (enjoining "Buttwiper" that mimicked Budweiser beer trade dress).

<sup>868</sup>See *Gucci Am. Inc., v. MyReplicaHandbag.com*, 07 Civ. 2438 (JGK), 2008 WL 512789 (S.D.N.Y. Feb. 26, 2008) (adopting recommendation that plaintiffs be awarded \$100,000 per mark per category of good infringed); *Louis Vuitton Malletier v. WhenU.com*, 05 Civ. 1325 (LAK), 2007 WL 257717, at \*6 (S.D.N.Y. Jan. 26, 2007) (same).

<sup>869</sup>See Memorandum & Order at 5–6, *Curveal Fashion*, 09 Civ. 8458 (RJS) (S.D.N.Y. Jan. 28, 2010) (awarding default judgment in total amount of \$13.7 million where defendants infringed 9 marks on 15 types of goods and two marks on one type of goods).

Courts have also taken into consideration the special harm posed by selling counterfeits on the Internet.<sup>870</sup> One court awarded the \$2 million statutory maximum for willful trademark counterfeiting for each mark infringed (without regard to categories of goods) against each of 41 defendants selling counterfeits online.<sup>871</sup>

Statutory damages, moreover, may be available not only against the primary infringer, but against contributory infringers who assisted in the sale of counterfeit goods, such as Internet service providers.<sup>872</sup>

## B. Government Enforcement

The federal government is also playing an increasingly prominent role in pursuing counterfeiters, rather than merely relying on trademark holders to bring private civil lawsuits.

Federal agencies working cooperatively through the National Intellectual Property Rights Coordination Center have developed at least two notable tactics to fight counterfeiting: seizure of means, and forfeiture of proceeds. First, the Department of Justice and the Department of Immigration and Customs Enforcement have coordinated a law enforcement initiative coined Operation “In Our Sites.”<sup>873</sup> Since the fall of 2010, the government has deployed this initiative to seize over 100 websites offering either pirated movies and music or counterfeit hard goods.<sup>874</sup> The seizure provisions of 18 U.S.C. Section 981(b) allow law enforcement to obtain warrants and seize the potentially infringing websites, effectively shutting them down, before notice must be given to the website owners.

Second, the government may seek civil and criminal forfeiture under 18 U.S.C. § 2323 for property that violates copyright provisions, is used to facilitate a copyright violation, or is derived from the commission of a copyright offense. Accordingly, the government often has sought forfeiture of the seized websites’ domain names.<sup>875</sup> Potentially more detrimental to large counterfeiting schemes,

<sup>870</sup>See Rolex Watch U.S.A., Inc. v. Jones, 99 Civ. 2359, 2002 WL 596354, at \*5 (S.D.N.Y. Apr. 17, 2002) (Maas, M.J.), adopted without modification by Judge Cote on June 18, 2002 (explaining that the amount of damages per mark should be higher in the case of online infringement given “the virtually limitless number of customers available to [defendant] through his Web sites”).

<sup>871</sup>Default Judgment, *Tory Burch*, 10 Civ. 9336 (S.D.N.Y. May 13, 2011).

<sup>872</sup>See Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., No. C 07-03952 JW (N.D. Cal. Mar. 19, 2010) (denying motion to set aside \$10.5 million statutory damages award against Internet website hosting service provider) aff’d in relevant part, 2011 WL 4014320 (9th Cir. Sept. 9, 2011); see also Cartier Int’l B.V. v. Ben-Menachem, 06 Civ. 3917, 2008 WL 64005, at \*12 (S.D.N.Y. Jan. 3, 2008) (entering summary judgment against contributory infringers who allowed their sons to operate an online counterfeiting business from their home and office) and Order of Judgment (S.D.N.Y. Jan. 23, 2008).

<sup>873</sup>Website Seizure: A New Weapon Against IP Crime, LAW360, Apr. 5, 2011, available at <http://www.law360.com/articles/236201/website-seizure-a-new-weapon-against-ip-crime> (last visited July 1, 2011).

<sup>874</sup>Id.

<sup>875</sup>See, e.g., Affidavit in Support of Application for Seizure Warrant, United States v. HQ-Streams.com, 11 MAG 262 (S.D.N.Y. Feb. 2, 2011).

however, is the forfeiture of proceeds that the government has sought after a conviction. In *United States v. Zhao*, for example, a guilty verdict for importing and selling counterfeit computer equipment led to a forfeiture penalty of over \$1.6 million in accounts and another \$1 million in assets.<sup>876</sup>

It is important to remember, however, that there are limits to the government's power, as in any law enforcement effort.<sup>877</sup>

### C. International Agreements

Given the global nature of counterfeiting, the cooperation of foreign countries in enforcing intellectual property rights is also increasingly important.

The primary international organization dedicated to this purpose is the World Intellectual Property Organization (“WIPO”), an agency of the United Nations, created in 1967 “to encourage creative activity, [and] to promote the protection of intellectual property throughout the world.”<sup>878</sup> The WIPO Arbitration and Mediation Center offers dispute resolution procedures relating to disputes over contested domain names.<sup>879</sup> A trademark owner can initiate a complaint under the Uniform Domain Name Dispute Resolution Policy where a domain name is being used in bad faith.<sup>880</sup>

A new international agreement, the Anti-Counterfeiting Trade Agreement (“ACTA”), may lead to additional avenues of enforcement by trademark holders. On November 15, 2010, the participants in the ACTA negotiations—Australia, Canada, the European Union and its member states, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland, and the United States—released the final text of the agreement.<sup>881</sup> ACTA focuses on the enforcement of intellectual property rights within a comprehensive international framework. The agreement concentrates on counterfeiting and piracy in particular, as these activities are perceived as a threat to the development of the world economy. Among other provisions, the agreement requires parties to share information among law enforcement authorities, promote intellectual property rights “best practices,” and strengthen criminal, civil, and border enforcement.<sup>882</sup>

---

<sup>876</sup>No. 10-cr-00317 (E.D. Va. May 26, 2011).

<sup>877</sup>See, e.g., Memorandum Order Denying the Government’s Application for a Warrant to Seize and Search Electronic Devices at 1, *In re Cunnias*, No. 11-mj-00055 (W.D. Wash. Feb. 11, 2011) (denying government’s application for a warrant to seize a suspected counterfeiter’s digital devices and search all electronically stored information as overbroad under the Fourth Amendment).

<sup>878</sup>Convention Establishing the World Intellectual Property Organization, July 14, 1967, Preamble.

<sup>879</sup>See WIPO Domain Name Dispute Resolution, available at <http://www.wipo.int/amc/en/domains/> (last visited July 1, 2011). See also Chapter 8.III.D.

<sup>880</sup>See WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP), available at <http://www.wipo.int/amc/en/domains/guide/#a1> (last visited July 1, 2011).

<sup>881</sup>Press Release, Joint Statement on the Anti-Counterfeiting Trade Agreement from All the Negotiating Partners of the Agreement (Nov. 15, 2010).

<sup>882</sup>*Id.*

## XVI. SECONDARY TRADEMARK LIABILITY\*

Trademark owners may assert claims for infringement not only against those who directly infringe their trademarks, but also against secondary actors who contribute to or benefit from the infringement. In some instances, asserting claims against the secondary actors can prove to be a more effective remedy to infringement than pursuing the numerous direct infringers to whom these secondary infringers provide their goods or services.

### A. Origins of Secondary Liability for Trademark Infringement

To understand how principles of secondary liability are applied in the online context, it is helpful to first examine how the doctrine was initially applied in the brick and mortar context. Courts will often look to such decisions (and their underlying rationale) for guidance when evaluating claims for secondary liability in the online context.

#### 1. *Inwood and Its Progeny*

##### a. *The Inwood Decision*

A cause of action for contributory trademark infringement arises from the doctrine articulated by the Supreme Court in *Inwood Labs., Inc. v. Ives Labs., Inc.*, in which the Supreme Court held that liability for trademark infringement could extend beyond direct infringers.<sup>883</sup> The defendant in *Inwood* manufactured generic pharmaceuticals that it distributed to non-party pharmacists, who then applied the plaintiff's name brand to the drugs. The plaintiff sued, alleging that the defendant knew about the infringing use of its generic drugs.<sup>884</sup>

The Supreme Court found that the plaintiff had stated a cause of action for contributory infringement and articulated the following standard for secondary liability:

If a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily liable for any harm as a result of the deceit.<sup>885</sup>

---

\*This section was drafted by Jennifer Colgan Halter, an associate with the New York office of Gibson, Dunn & Crutcher LLP. Ms. Halter received her law degree from New York University School of Law in 2004. Additional invaluable research assistance was provided by Kaitlin C. Gratton, a law student at William & Mary School of Law. In the interest of disclosure, Ms. Halter and Howard S. Hogan of Gibson Dunn represented Gucci America, Inc. in the Gucci America, Inc. v. Frontline Processing Corp. case described herein.

<sup>883</sup>456 U.S. 844 (1982).

<sup>884</sup>*Id.* at 850.

<sup>885</sup>*Id.* at 854.

b. Inwood *Applied to Brick and Mortar Service Providers*

The *Inwood* standard was subsequently interpreted to impose secondary liability on providers of services as well as products—first, by the Seventh Circuit in *Hard Rock Café Licensing Corp. v. Concession Services, Inc.*, and then by the Ninth Circuit in *Fonovisa, Inc. v. Cherry Auction, Inc.* The archetype of secondary liability against service providers in the brick and mortar context became the flea market owner or landlord who knowingly provides the premises on which a counterfeiter sells infringing goods. Two separate theories of secondary liability emerged from this line of cases: contributory trademark infringement and vicarious trademark infringement.<sup>886</sup>

The underlying justification for contributory liability is that the defendant has in some way facilitated the direct infringement by providing a product or service that materially contributed to the infringement. Where the defendant provides a service rather than a product, a plaintiff can establish a claim for contributory liability under one of two theories: “extent of control” or “intentional inducement.”<sup>887</sup> Under the “extent of control” theory, the plaintiff must show that the service provider: (1) knew or was willfully blind to the infringing conduct; and (2) had direct monitoring and control of the instrumentality used by the third party to infringe the plaintiff’s trademark.<sup>888</sup> Under the “intentional inducement” theory, the plaintiff must show that the service provider intentionally induced the third party to infringe the plaintiff’s trademark.<sup>889</sup>

To establish a claim for vicarious trademark infringement, the plaintiff must show that the defendant and the direct infringer: (1) have an apparent or actual partnership; (2) have authority to bind one another in transactions with third parties; or (3) exercise joint ownership or control over the infringing product.<sup>890</sup>

In *Hard Rock Café*, the Seventh Circuit was presented with a case where a flea market operator saw infringing shirts but never inquired as to whether the goods were counterfeit, even though the condition and prices of the shirts indicated that they were not authentic.<sup>891</sup> The court “treated trademark infringement as a species of tort,”<sup>892</sup> and analogized the swap meet owner to a landlord or licensor, on whom the common law “imposes the same duty . . . [that *Inwood*] ”

---

<sup>886</sup>A claim for secondary liability—whether contributory or vicarious—requires that the plaintiff establish some direct underlying infringement. See, e.g., *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098, 1104 (N.D. Cal. 2008) (“All theories of secondary liability for copyright and trademark infringement require some underlying direct infringement by a third party.”).

<sup>887</sup>*Gucci Am., Inc. v. Frontline Processing Corp.*, 09 Civ. 6925 (HB), 2010 WL 2541367, at \*11 (S.D.N.Y. June 13, 2010); *Akanoc*, 591 F. Supp. 2d at 1111 (N.D. Cal. 2008).

<sup>888</sup>*Id.*

<sup>889</sup>*Id.*

<sup>890</sup>*Akanoc*, 591 F. Supp. 2d at 1113 (denying defendant’s motion for summary judgment on plaintiff’s claim for contributory trademark infringement, but granting summary judgment to defendant on plaintiff’s vicarious infringement claim) (citing *Perfect 10 v. Visa Int’l Serv. Assoc.*, 494 F.3d 788, 795, 807 (9th Cir. 2007)).

<sup>891</sup>955 F.2d 1143 (7th Cir. 1992).

<sup>892</sup>*Id.* at 1148.

imposed on manufacturers and distributors.”<sup>893</sup> The Seventh Circuit held that a landlord would be found to have “knowledge” of infringement if it “suspected wrongdoing and deliberately failed to investigate.”<sup>894</sup>

Several years later in *Fonovisa, Inc. v. Cherry Auction, Inc.*, the Ninth Circuit relied upon the Seventh Circuit’s decision in *Hard Rock Café* in holding that “a swap meet [operator] can not disregard its vendors’ blatant trademark infringement with impunity.”<sup>895</sup> The Ninth Circuit observed that “it would [have been] difficult for the infringing activity to take place in the massive quantities alleged without the support services provided by the swap meet.”<sup>896</sup>

Since the *Hard Rock Café* and *Fonovisa* decisions, courts have continued to uphold contributory liability claims against flea market operators, landlords, and others who control the premises on which infringing activities take place.<sup>897</sup>

## B. Secondary Liability in the Online Context

The rationale underlying brick and mortar secondary liability cases can sometimes be difficult to apply to infringing activity that takes place over the Internet.<sup>898</sup> As a result, trademark holders have experienced mixed results when seeking to impose secondary liability in the online context.

Recent decisions indicate that plaintiffs must provide evidence of *specific facts* showing that defendants either knew or were willfully blind to infringement.<sup>899</sup> In particular, it is helpful if a plaintiff can provide specific evidence that a defendant knew about infringement.

---

<sup>893</sup>*Id.* at 1149.

<sup>894</sup>*Id.* at 1149.

<sup>895</sup>76 F.3d 259, 264 (9th Cir. 1996).

<sup>896</sup>*Id.*

<sup>897</sup>*See Coach, Inc. v. Gata Corp.*, No. 10-cv-141-LM, 2011 WL 1580926 (D. N.H. Apr. 26, 2011), *motion for reconsideration denied*, 2011 WL 2358671 (D. N.H. June 9, 2011) (granting plaintiff’s motion for summary judgment against flea market operators and finding that defendants were willfully blind to infringement where there had been four federal and state law enforcement raids of the swap meet and plaintiffs had provided notice of possible infringement); *Laugh Factory, Inc. v. Basciano*, 608 F. Supp. 2d 549, 563–64 (S.D.N.Y. 2009) (finding that landlord who rented or leased premises to tenant who infringed another’s trademark could be contributorily liable for infringing acts of tenant if landlord knowingly, or with reason to know, contributed to that infringing conduct); *Cartier Int’l B.V. v. Ben-Menachem*, 06 Civ. 3917, 2008 WL 64005 (S.D.N.Y. Jan. 3, 2008) (imposing contributory liability on owners and residents of home in which counterfeit business was openly run); *Polo Ralph Lauren Corp. v. Chinatown Gift Shop*, 855 F. Supp. 648 (S.D.N.Y. 1994) (sustaining claim for contributory liability against landlords who allowed trademark infringers to use their property).

<sup>898</sup>*See, e.g., Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 985 (9th Cir. 1999) (affirming dismissal of a contributory trademark infringement claim against domain name registrar who had knowledge of infringement and adopting the district court’s finding that “[w]hile the landlord of a flea market might reasonably be expected to monitor the merchandise sold on his premises, [the domain name registrar] cannot reasonably be expected to monitor the internet”) (quotation marks and citation omitted).

<sup>899</sup>*See, e.g., Tiffany (NJ), Inc. v. eBay, Inc.*, 600 F.3d 93, 107 (2d Cir. 2010), *cert. denied*, 131 S. Ct. 647 (Nov. 29, 2010) (“For contributory trademark infringement liability to lie, a service

Courts have also affirmed the traditional requirements for establishing vicarious liability, namely, that the defendant and the direct infringer must have an actual or apparent partnership, or that the two share joint control or authority over the infringing goods. Courts will look to the nature of the defendant's business, any disclaimers of agency or partnership, and whether there is any evidence of control over the infringer or goods. Absent the indicia of partnership or joint ownership, courts are unlikely to uphold a claim for vicarious infringement.<sup>900</sup>

### 1. *Online Auction Sites*

In *Tiffany (NJ) Inc. v. eBay, Inc.*, luxury jeweler Tiffany & Co. sought to hold eBay contributorily liable for the sale of counterfeit Tiffany products by individuals using eBay's online auction website.<sup>901</sup> The court rejected eBay's argument that it was not subject to the *Inwood* standard, finding instead that "eBay is analogous to a flea market like those in *Hard Rock Café* and *Fonovisa*."<sup>902</sup> After a bench trial, though, the district court entered judgment for eBay on the issue of contributory trademark infringement.

The court concluded that Tiffany had established the "control" prong of the *Inwood* standard, because eBay "retains significant control over the transactions conducted" and "supplies the necessary marketplace for the sale of counterfeit goods."<sup>903</sup> The court found, however, that Tiffany failed to establish that eBay had "specific knowledge of infringement" as opposed to "general knowledge," which the court found was insufficient to impose liability.

In its analysis, the court detailed in great length eBay's efforts to root out counterfeit goods, which included monitoring and removing listings "that expressly offered 'knock-off,' 'counterfeit,' 'replica,' or 'pirated' merchandise, and listings in which the seller stated he 'cannot guarantee the authenticity' of the items being offered," as well as eBay's Verified Rights Owner Program ("VeRO"), through which trademark holders could submit complaints about suspected infringing listings.<sup>904</sup> On appeal, the Second Circuit found Tiffany's reliance on *Hard Rock*

---

provider must have more than general knowledge or reason to know that its service is being used to sell counterfeit goods."); *1-800 Contacts, Inc. v. Lens.com, Inc.*, 755 F. Supp. 2d 1151, 1184 (D. Utah 2010) (same) (citing to *Tiffany*, 600 F.3d at 107).

<sup>900</sup>See, e.g., *Rosetta Stone, Ltd. v. Google, Inc.*, 730 F. Supp. 2d 531 (E.D. Va. 2010) (no vicarious liability where Google lacked control or joint ownership over third-party advertisements); *1-800 Contacts*, 755 F. Supp. 2d at 1182-84 (no finding of vicarious liability where the defendant had minimal direct contact with its affiliates, limited authority to monitor or supervise affiliates, no ability to control the contents of affiliates' websites, and affiliates did not have power to bind defendant); *Sellify v. Amazon.com, Inc.*, 09 Civ. 10268, 2010 WL 4455830 (S.D.N.Y. Nov. 4, 2010) (no vicarious liability where Amazon had not given its associate sellers actual or apparent authority to act on its behalf and relevant operating agreement included a specific disclaimer of such authority).

<sup>901</sup>576 F. Supp. 2d 463 (S.D.N.Y. 2008), *aff'd in part, rev'd in part*, 600 F.3d 93 (2d Cir. 2010).

<sup>902</sup>*Id.* at 507.

<sup>903</sup>*Id.* at 506.

<sup>904</sup>*Id.* at 477-78.

*Café* and *Fonovisa* “unavailing,” in part because “eBay’s efforts to combat counterfeiting far exceeded the efforts made by the defendants in those cases.”<sup>905</sup>

## 2. Credit Card Processors

The ability to accept payment by credit card is a necessity for the majority of merchants who sell goods over the Internet, and purveyors of counterfeit products are no different. Indeed, most sales of online counterfeits are paid for by credit card because other payment options, such as bank wire transfer, check, or cash, either are not attractive or convenient for consumers. On several occasions, and with varying results, trademark holders have attempted to impose liability on the companies involved in the processing of credit card transactions in an effort to cut off the infringer’s ability to quickly and easily accept payment.

Knowing the roles of each player in a credit card transaction and their relationship to the infringer is helpful in evaluating the likelihood that a claim for secondary liability will be upheld. Each credit card transaction involves five key players: (1) the customer/cardholder; (2) the bank that issued the customer’s card (“issuing bank”); (3) the merchant; (4) the merchant’s acquiring bank; and (5) the authorization network (e.g., VisaNet for Visa cards).<sup>906</sup> The credit card transaction begins with the card being swiped or keyed into the merchant’s terminal. The merchant’s terminal transmits the authorization request to the acquiring bank, which, in turn, sends the request electronically to the network. The network routes the request to the cardholder’s issuing bank. The issuing bank approves or declines the transaction, and this response is forwarded by the network to the acquiring bank, which in turn forwards it to the merchant. The merchant completes the transaction. All transactions are kept at the terminal until the merchant sends all transactions, usually at the end of each day, to the acquiring bank. The acquiring bank credits the merchant’s account and submits the transactions to the network for settlement. The network pays the acquiring bank and debits the appropriate issuer accounts. The issuing bank then posts the transaction to its cardholder’s account.<sup>907</sup>

Whether a claim for secondary liability will be upheld appears to depend, in part, on the particular defendant’s role in the credit card transaction process.

---

<sup>905</sup>600 F.3d at 110 n.16.

<sup>906</sup>To process credit card sales, a merchant must have access to the credit card’s authorization network (such as Visa or MasterCard), which it can only do through an acquiring bank that has a relationship with Visa or MasterCard. Therefore, the merchant must find an acquiring bank willing to accept the risks associated with its particular business model. If a merchant is engaged in a line of business that acquiring banks view as being particularly high risk, the merchant may enlist the help of a “merchant broker,” who can assist the merchant in locating an appropriate acquiring bank. In those instances, the merchant broker becomes the sixth player in the credit card transaction, as it will receive commissions from the acquiring bank in the form of residuals from each of its merchant’s credit card transactions. The acquiring bank itself may also contract with an independent sales organization (“ISO”) that acts as an agent for the bank in reviewing and ruling upon merchant service applications submitted either directly by the merchant or through a merchant broker. The ISO adds yet another player to the transaction that will receive a percentage of the merchant’s credit card sales.

<sup>907</sup>See, e.g., [http://usa.visa.com/merchants/new\\_acceptance/how\\_it\\_works.html](http://usa.visa.com/merchants/new_acceptance/how_it_works.html).

a. Perfect 10 v. Visa Int'l Serv. Assoc.

In *Perfect 10 v. Visa International Services Association*, the Ninth Circuit found that providing credit card services to a website that sold access to infringing images did not “materially contribute” to the infringement.<sup>908</sup> Perfect 10, the operator of an adult website, filed suit against the companies that provided payment services to a competitor adult website that allowed customers to view images for a fee. Perfect 10 alleged that the competitor was selling access to certain images in violation of Perfect 10’s copyrights and trademarks, and that the defendants were aware of this infringement but nonetheless continued to provide their services to the infringing website and profited from each infringing sale. The defendants included Visa, MasterCard and the infringer’s acquiring banks that were part of the Visa and MasterCard network.

The Ninth Circuit affirmed the district court’s decision dismissing the complaint, finding that Perfect 10 failed to plead facts constituting contributory trademark infringement under either the inducement or extent of control theory. The court rejected Perfect 10’s contention that the “instrumentality” of infringement was the credit card processing network through which the defendants processed payments for the infringing images.<sup>909</sup> Instead, the Ninth Circuit found that “the infringement occurs without any involvement of Defendants and their payment systems.”<sup>910</sup> According to the court, because the infringement occurred through the unauthorized display of photos, which could occur without payment, the credit card processors were not a necessary part of the infringement. The court also rejected Perfect 10’s argument that the defendants had “direct control” over the infringement because they could choose to stop processing payments for the website, which would reduce the infringing activity.<sup>911</sup> Although Perfect 10 compared the defendants’ role to that of a flea market operator, the Ninth Circuit found the analogy inapplicable.<sup>912</sup>

In a lengthy dissenting opinion, Judge Kozinski took issue with the majority’s view that the defendants’ payment services were not necessary to the infringement, stating that “[w]hat the majority seems to be arguing here is that helping an infringer get paid cannot materially assist infringement because the actual process of infringement . . . does not include payment.”<sup>913</sup> Judge Kozinski noted that the majority’s holding was inconsistent with the court’s earlier decisions in *Fonovisa* and another case involving Perfect 10, “where we held that helping to find infringing images materially assists infringement, even though locating infringing images also isn’t . . . intrinsic to the infringement process, as the majority conceives it.”<sup>914</sup> In Judge Kozinski’s view, the “assistance provided [by the

---

<sup>908</sup>494 F.3d 788 (9th Cir. 2007).

<sup>909</sup>*Id.* at 807.

<sup>910</sup>*Id.*

<sup>911</sup>*Id.*

<sup>912</sup>*Id.* at 807 (quoting *Lockheed Martin*, 194 F.3d at 985) (“While the landlord of a flea market might reasonably be expected to monitor the merchandise sold on his premises, [defendant] NSI cannot reasonably be expected to monitor the Internet) (citation omitted) (alteration in original).

<sup>913</sup>*Id.* at 814 (Kozinski, J., dissenting).

<sup>914</sup>*Id.* (citing *Perfect 10, Inc. v. Amazon, Inc.*, 487 F.3d 701 (9th Cir. 2007)).

payment processors in *Perfect 10*] is far more material than in *Fonovisa*. A pirate kicked out of a swap meet could still peddle his illicit wares through newspaper ads or by word of mouth, but you can't do business at all on the Internet without credit cards.”<sup>915</sup>

b. Gucci America, Inc. v. Frontline Processing Corp.

In *Gucci America, Inc. v. Frontline Processing Corp.*, the Southern District of New York reached a different conclusion than the court in *Perfect 10*.<sup>916</sup> In a detailed complaint against two credit card processors, Frontline Processing Corp. and Woodforest National Bank, and the merchant broker that linked Internet merchants with these processors, Durango Merchant Services, Gucci alleged that the defendants had knowingly provided their services to TheBagAddiction.com, a website whose operators had been sued by Gucci and Chloé for trademark infringement a year earlier. Gucci asserted claims for contributory trademark infringement against all the defendants. The defendants moved to dismiss the complaint, relying heavily upon the Ninth Circuit's decision in *Perfect 10* and the Southern District of New York's decision in *Tiffany*. The court denied the motion to dismiss.

In upholding Gucci's claim for contributory trademark infringement, the court distinguished *Perfect 10* on the facts, noting that “the infringing conduct [in *Perfect 10*] was the publication on the website of trademarked images of nude models, and the distribution occurred via individuals viewing and taking the image directly from the website.”<sup>917</sup> In contrast, Gucci's claim for infringement resulted from the sale of infringing *products* over the Internet, the sale of which could not be completed (nor the counterfeit products shipped) without the defendants' services.

The court concluded that Gucci had sufficiently alleged a claim against the merchant broker for contributory infringement under the “intentional inducement” theory based on its allegations that “Durango crafted advertisements or solicitations that broadcast a message designed to stimulate others to commit violations.”<sup>918</sup> The court found that Gucci sufficiently alleged a claim against Woodforest and Frontline for contributory infringement under the “extent of control” theory because the “allegations at the very least provide a strong inference that each knew that [TheBagAddiction.com] traded in counterfeit products, or were willfully blind to that fact.”<sup>919</sup> Citing heavily to Justice Kozinski's dissent in *Perfect 10*, the court also found that the “credit card processing services are a necessary element for the transaction of counterfeit goods online, and were essential to sales from TheBagAddiction.com.”<sup>920</sup> The court also noted that “the ability to literally shut down the website is not needed given the facts of this case.”<sup>921</sup>

---

<sup>915</sup>*Id.* at 813–15.

<sup>916</sup>09 Civ. 6925 (HB), 2010 WL 2541367 (S.D.N.Y. June 23, 2010).

<sup>917</sup>*Id.* at \*16.

<sup>918</sup>*Id.* at \*12.

<sup>919</sup>*Id.* at \*13.

<sup>920</sup>*Id.* at \*15.

<sup>921</sup>*Id.* at \*16.

### 3. Internet Service Providers (“ISPs”)

Although the courts initially resisted applying the holdings of *Inwood* and its progeny to find contributory liability against ISPs, trademark holders have recently succeeded in asserting claims for secondary liability against ISPs who ignore requests to cease servicing infringing websites or who knowingly and actively assist such websites. Courts have suggested, however, that there is a heightened knowledge requirement for ISPs, and domain registrars in particular.<sup>922</sup>

#### a. Lockheed Martin Corp. v. Network Solutions

In *Lockheed Martin Corp. v. Network Solutions, Inc.*, Lockheed filed suit against Network Solutions, alleging that the domain name registrar allowed third parties to register domain names that infringed on Lockheed’s trademarks.<sup>923</sup> Lockheed notified Network Solutions Inc. (NSI) once it learned of the infringing domain names and requested that NSI cancel the existing infringing registrations and cease allowing registration of domains that included Lockheed’s “Skunk Works” trademark.<sup>924</sup> NSI did not cancel the existing infringing registrations and it permitted a new registrant to register “skunkworks.com.”<sup>925</sup> Lockheed subsequently filed suit for, inter alia, contributory trademark infringement. The district court granted NSI’s motion for summary judgment.<sup>926</sup>

On appeal, the Ninth Circuit concluded that NSI did not supply a “product” within the meaning of *Inwood*.<sup>927</sup> Finding instead that Lockheed’s claim for contributory infringement had to be analyzed as one against a “service provider,” the court focused its inquiry on the “direct control and monitoring” prong of

---

<sup>922</sup>See *Petroliam Nasional Berhad v. GoDaddy.com, Inc.*, No. C 09-5939, 2010 WL 3619780, at \*4 (N.D. Cal. Sept. 9, 2010) (citing *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 962–63 (C.D. Cal. 1997)) (noting that where “the facts alleged do not show any direct involvement with potentially infringing uses of domain names, it is generally inappropriate to extend contributory liability to the registrar” unless “the registrar had unequivocal knowledge that a domain name was being used to infringe a trademark”); *Baidu, Inc. v. Register.com, Inc.*, 760 F. Supp. 2d 312 (S.D.N.Y. 2010) (noting that the immunity provided to domain name registrars under the Lanham Act (15 U.S.C. §1114(2)(D)(iii)) for “registering and maintaining a domain name” does not necessarily defeat a claim for secondary liability).

<sup>923</sup>194 F.3d 980 (9th Cir. 1999).

<sup>924</sup>*Id.* at 983.

<sup>925</sup>*Id.*

<sup>926</sup>Lockheed also appealed the district court’s ruling denying Lockheed’s request to amend its complaint to add a claim for contributory trademark dilution. *Id.* at 985–86. The Ninth Circuit upheld the district court’s decision, noting in dicta that “[a]lthough courts have discussed contributory dilution, no appellate court or statute has yet enabled the cause of action.” *Id.* at 986 (citation omitted). However, at least one recent decision suggests that the courts may be willing to extend theories of contributory liability beyond traditional “trademark infringement,” and allow claims of secondary liability for cybersquatting and trademark dilution. See *Microsoft Corp. v. Shah*, No. C10-0653 (RSM), 2011 WL 108954, at \*2–4 (W.D. Wash. Jan. 12, 2011) (denying defendants’ motion to dismiss claims for contributory cybersquatting and contributory trademark dilution where defendants registered or used domains containing Microsoft trademarks for the sole purpose of infringement).

<sup>927</sup>194 F.3d at 984.

the rule set forth in *Hard Rock Café* and *Fonovisa*.<sup>928</sup> The Ninth Circuit agreed with the district court's observation that "the infringement does not result from NSI's publication of the domain name list. . . . NSI's involvement with the use of domain names does not extend beyond registration."<sup>929</sup> The Ninth Circuit concluded that "NSI's rote translation service does not entail the kind of direct control and monitoring required to justify an extension of the 'supplies a product' requirement."<sup>930</sup>

b. Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.

Luxury goods retailer Louis Vuitton brought suit against Akanoc Solutions, Inc., an ISP that supplied website hosting services to websites selling counterfeit products.<sup>931</sup> Louis Vuitton alleged that Akanoc was contributorily liable for the websites' infringement because it failed to take appropriate action after being provided with notice of specific websites selling counterfeit products. The district court denied Akanoc's motion for summary judgment on contributory trademark infringement, finding that there were genuine issues of material fact regarding its knowledge of the underlying infringement and its extent of control over the infringing websites.

In denying defendants' motion, the court noted that "Defendants physically host websites on their servers and route internet traffic to and from those websites. This service is the internet equivalent of leasing real estate. . . . As with the flea market operators in *Fonovisa*, Defendants cannot remain 'willfully blind' to trademark infringement taking place on their servers."<sup>932</sup> The court did, however, grant Akanoc summary judgment on Louis Vuitton's claim for vicarious infringement.

At trial, a jury found Akanoc contributorily liable for trademark infringement and awarded Louis Vuitton \$32 million in statutory damages.<sup>933</sup> The court later rejected Akanoc's attempt to set aside the award as unconstitutionally punitive.<sup>934</sup>

On appeal, the Court of Appeals for the Ninth Circuit affirmed the finding of contributory counterfeiting and infringement against the hosting company, but

---

<sup>928</sup>*Id.*

<sup>929</sup>*Id.* at 985 (citation omitted).

<sup>930</sup>*Id.* at 984–85 (citation omitted).

<sup>931</sup>Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 591 F. Supp. 2d 1098 (N.D. Cal. 2008).

<sup>932</sup>*Id.* at 1112. By contrast, in *Lockheed Martin*, the Ninth Circuit rejected the argument that Network Solutions' registrar service was analogous to the provision of real estate, finding that "[i]n *Fonovisa* and *Hard Rock* . . . the defendants licensed real estate, with the consequent direct control over the activity that the third-party alleged infringers engaged in on the premises." 194 F.3d at 985. Instead, the Ninth Circuit described Network Solutions' role as "differ[ing] little from that of the United States Postal Service. . . . NSI does not supply the domain-name combination any more than the Postal Service supplies a street address by performing the routine service of routing mail." *Id.* at 984–85.

<sup>933</sup>See Jury Verdict, 2009 WL 3062893 (N.D. Cal. Aug. 28, 2009).

<sup>934</sup>See Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., No. C 07-03952 JW, 2010 WL 5598337 (N.D. Cal. Mar. 19, 2010).

tweaked the award of damages.<sup>935</sup> First, the Ninth Circuit found that the web host could be held liable for the contents of the website designed by the third-party counterfeiters because the host “had direct control over the ‘master switch’ that kept the websites online and available.”<sup>936</sup> Second, the Ninth Circuit rejected the web host’s defense that they had not intended the infringement to occur. Trademark owners, the Ninth Circuit held, need only “prove that defendants provided their services with actual or constructive knowledge that the users of their services were engaging in trademark infringement . . . An express finding of intent is not required.”<sup>937</sup> Third, the Ninth Circuit rejected the web host’s argument that its contribution had not been “material.” To the contrary, the Ninth Circuit found that “[t]here is no question that providing direct infringers with server space” was sufficient to show that the web host had “substantially assist[ed]” direct infringement.<sup>938</sup> Fourth, the Ninth Circuit also affirmed that contributory trademark infringers can be held liable to the full extent of a statutory damages award for counterfeiting under 15 U.S.C. §1117. Rejecting the web host’s argument, the Ninth Circuit noted that “holding a defendant liable for the unauthorized acts of another is a primary purpose of the doctrine of contributory trademark liability.”<sup>939</sup> In fact, the Ninth Circuit only reversed to the extent that it concluded that each defendant could not separately be held liable for its own \$10.5 million judgment, and instructed the district court to amend the judgment to make clear that all defendants are “jointly and severally liable for” a single award.<sup>940</sup> The *Akanoc* decision, thus, provides an important tool for trademark owners and an important warning to companies that knowingly provide important services to counterfeiters.

c. Roger Cleveland Golf Co. v. Prince

In *Roger Cleveland Golf Co. v. Prince*, a golf equipment company alleged that the companies that hosted and designed an infringing website were contributorily liable for infringement.<sup>941</sup>

The plaintiff provided evidence that the defendants built, hosted and marketed the website “CopyCatClub.com,” the name of which plaintiff alleged should have put defendants on notice of the website operator’s intent to infringe. The plaintiff also provided evidence that the website host provided one-on-one counseling to assist the infringers in building their online business, which included instructing the infringers on search engine optimization and methods of embedding keywords, such as plaintiff’s trademarks, into the website’s metadata. The plaintiff alleged

---

<sup>935</sup>See *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011).

<sup>936</sup>*Id.* at 943.

<sup>937</sup>*Id.*

<sup>938</sup>*Id.*

<sup>939</sup>*Id.* at 944–45.

<sup>940</sup>*Id.* at 947.

<sup>941</sup>No. 2:09-CV-2119-MBS, 2010 WL 5019260 (D. S.C. Dec. 3, 2010).

that the website host “knew or should have known” that the websites it created and developed “were meant to sell counterfeit golf equipment.”<sup>942</sup>

The District of South Carolina denied the website host’s motion for summary judgment.<sup>943</sup> The defendants were subsequently found liable for contributory trademark infringement, and a jury awarded the plaintiff \$770,750 in statutory damages.<sup>944</sup>

#### 4. *Virtual World Infringement*

It remains to be seen whether the courts will impose secondary liability for trademark infringement that occurs in the virtual world. Currently pending in the Northern District of California is a case involving the unauthorized use of trademarks in Second Life, an adults-only online virtual world where users can, among other things, buy virtual items that are protected by trademark and copyright.<sup>945</sup>

In *Eros, LLC v. Linden Research, Inc.*, the plaintiffs filed a class action against the owners and operators of the Internet-based interactive computer simulation “Second Life.” The plaintiffs, “merchants” in Second Life, alleged claims for contributory and vicarious infringement by Linden Lab. More specifically, plaintiffs alleged that “Linden Lab effectively allows piracy to run rampant in Second Life and does not afford its Resident businesses any effective protection against it.”<sup>946</sup> Plaintiffs further alleged that Linden Lab benefits from the infringement because “pirates must rent (for real-world currency) virtual world ‘locations’ from Linden Lab in order to sell the infringing and trademarked or copyrighted items or works.”<sup>947</sup> In answering the complaint, Linden Lab admitted that it has the authority to “terminate the Second Life accounts of Residents” and that it “controls some of the technology and systems that comprise the Second Life platform.”<sup>948</sup> It remains to be seen whether the court will view Linden Lab’s role in the virtual world Second Life as akin to the landlord of a brick and mortar swap meet.

---

<sup>942</sup>*Id.* at \*3.

<sup>943</sup>*Id.* at \*4.

<sup>944</sup>Civ. Action No. 2:09-2119-MBS, Verdict Form, dated March 10, 2011 (Docket No. 119); Judgment dated March 14, 2011 (Docket No. 126).

<sup>945</sup>See Complaint, Eros, LLC v. Linden Research, Inc., No. CV 09 4269 PJH (N.D. Cal. filed Sept. 15, 2009).

<sup>946</sup>*Id.* ¶29.

<sup>947</sup>*Id.* ¶36.

<sup>948</sup>See Answer, Eros, LLC v. Linden Research, Inc., No. CV 09 4269 PJH (N.D. Cal. filed Oct. 30, 2009), ¶¶ 29, 63.



# 8

## DOMAIN NAME REGISTRATION, MAINTENANCE AND PROTECTION

Howard S. Hogan  
*Gibson, Dunn & Crutcher*  
*Washington, D.C.*

Stephen Feingold  
*Kilpatrick, Townsend & Stockton*  
*New York, NY*

I.	The Birth and Structure of the Internet .....	461
A.	The “Wild West” or the First Step Towards the Federation of Earth? .....	461
B.	The Birth and Early History of the Internet.....	462
C.	The Emerging Structure of the Internet: Domain Names as Addresses.....	463
1.	Purpose.....	463
2.	Top-Level Domains .....	464
D.	Administering the Domain Name System.....	464
1.	A Simple Task Prior to 1993 .....	464
2.	Network Solutions .....	465
3.	Whois Database .....	466
4.	The Birth of ICANN .....	466
5.	Expansion of Top Level Domains.....	467
II.	Registrar Immunity .....	468
A.	Is a Registrar Responsible for Registering Domain Names to Cybersquatters? .....	468
1.	<i>Lockheed Martin Corp.v. Network Solutions, Inc.</i> .....	469
2.	<i>Academy of Motion Picture Arts &amp; Sciences v. Network Solutions, Inc.</i> .....	470

B.	The Inclusion of Registrar Immunity in ACPA .....	471
C.	The Theory of Registrar Immunity Takes Shape: Post-ACPA Case Law .....	472
	1. Trademark Infringement and Trademark Dilution.....	472
	2. Contributory Trademark Infringement.....	474
	3. Conclusion .....	476
III.	The Uniform Dispute Resolution Policy.....	476
A.	NSI's Dispute Policies.....	476
B.	ICANN and the UDRP .....	477
C.	The Relationship Between ICANN, Registrars, and Registrants .....	477
D.	The Administration of ICANN's UDRP Proceedings .....	479
	1. Authority of UDRP Panels.....	480
	2. Review of UDRP Panel Decisions.....	481
	3. Precedent in the UDRP System .....	482
E.	Litigating a UDRP Proceeding .....	482
	1. Filing a Complaint .....	482
	2. The Complainant's Burden in ICANN UDRP Proceedings .....	483
	a. The Identical or Confusingly Similar Prong .....	483
	b. The Rights or Legitimate Interests Prong.....	485
	c. The Bad Faith Prong.....	487
	3. The Registrant's Response.....	489
	a. Available Defenses .....	489
	b. Panel Reactions to Contrived Responses .....	490
F.	Conclusion.....	491
IV.	The Anti-Cybersquatting Consumer Protection Act .....	492
A.	Overview .....	492
B.	The ACPA and the UDRP Compared .....	498
	1. Key Benefits of a Claim Under the ACPA .....	499
	a. Comprehensive Relief as Part of a Broader Litigation Strategy .....	499
	2. Key Benefits of a Claim Under the UDRP .....	501
	a. Expedited and Less Costly Relief.....	501
C.	<i>In Personam</i> and <i>In Rem</i> Jurisdiction Under the ACPA.....	502
D.	Disputes Under the ACPA .....	503
V.	Truth in Domain Names Act .....	507
VI.	Domain Names as Property.....	507
A.	The Tort of Conversion.....	508
	1. Execution in Satisfaction of Court Judgment .....	510
VII.	Country Code Top-Level Domains .....	511
A.	ccTLD Managers .....	512
B.	ccTLDs as Commercial Entities.....	512
C.	ccTLDs as Property .....	513
D.	ccTLD Dispute Resolution Procedures .....	514
VIII.	New Top Level Domains .....	514
A.	Who Should Consider Trying to Get New TLDs? .....	515

B. Protecting Brand Owner Rights With Respect to New TLDs .....	516
C. Protecting Brand Owner Rights in Each TLD.....	517
D. Conclusion.....	517
IX. Additional Federal and State Domain Name Laws.....	518
A. Federal Law—15 U.S.C. §8131, “Cyberpiracy Protections for Individuals”.....	518
B. State Law .....	519
1. California—Cal. Bus. & Prof. Code §§17525 <i>et seq.</i> .....	519
2. New York—N.Y. Gen. Bus. Law Article 9-C .....	521
3. Louisiana—La. Rev. Stat. §§51:300.11 <i>et seq.</i> , 51:300.12 <i>et seq.</i> .....	522
4. Hawaii—Haw. Rev. Stat. §§481B-22 <i>et seq.</i> .....	523

## I. THE BIRTH AND STRUCTURE OF THE INTERNET<sup>1</sup>

### A. The “Wild West” or the First Step Towards the Federation of Earth?

The Internet seems so commonplace and integrated into 21st century life that it is easy to forget that only 20 years ago virtually no one outside of the government or a major university even imagined that such a thing could be possible, much less that it actually existed. Much of the early jurisprudence surrounding the Internet can only be understood if placed in its proper historical perspective.

Many commentators have referred to the early days of the World Wide Web, when the masses first learned of the “net” with allusions to the “Wild West” in order to capture the sense that technology was presenting opportunities for which there were more unanswered questions than answers. This was a time when the Internet was loosely controlled—at least officially—by the U.S. government, but for all practical purposes was controlled on a day-to-day basis by a group of technological wizards whose perceptions of how the Internet should expand and be used had tremendous influence. In some ways, the visions of this group differed sharply from those of the trademark bar and intellectual property owners. One virtue of the Internet in the eyes of at least some of these early influencers was the appeal of anonymity: the validity of the message would be evaluated based on its content and not who said it. Of course, to intellectual property owners eager to stop what they perceived as infringements, this anonymity was unacceptable.

These early influencers appreciated, and indeed sought to preserve, the perception that in cyberspace geography is virtually meaningless. Again, the value should be in the message and not where it originated. For this reason, many of

---

<sup>1</sup>This section was written by Stephen W. Feingold. Tali Alban, an associate at Kilpatrick Townsend & Stockton LLP and 2004 graduate cum laude of American University Washington College of Law, and Jeremy Schachter, a law student at Cardozo Law School, provided invaluable assistance.

these early influencers often resented the intrusion of trademark advocates who viewed source designation as paramount. The concept that a domain name was subject to trademark review was as silly as suggesting that a city could not decide to name the streets in a particular subdivision after famous fashion designers even though many such designers have trademark registrations for their names.

Trademark owners have prevailed on some of these issues, notably the perception that domain names may be subject to trademark claims.<sup>2</sup> The value of anonymity, however, is an ongoing area of conflict. While the “Wild West” metaphor may have had some merit in the early years of the Internet, a more helpful metaphor today may be one based on Star Trek. An underlying assumption in that television series (and perhaps one of the reasons for its mass appeal) was that humankind had evolved to the point where nationality was less important than a planetary identity. By facilitating global interaction on a scale never before possible, at some point in the future, the Internet may be viewed as the first step towards a common bond among humanity.

While such talk may seem extraneous to a discussion of legal issues that arise from the use of domain names, many of the conflicts confronting brand owners as they navigate the Internet are interwoven with the tensions that arise from trying to reconcile an area of the law that is based on territorial priority of rights, whether that priority is established by registration or use, with cyberspace where geography is truly invisible. While the International Trademark Association and other organizations around the world have for many years worked towards global harmonization, that vision is not always shared in all quarters. The continuing influence of the Internet, however, suggests that there will be pressures that support a global harmonization of trademark rights, as well as continuing tensions and differences of opinion that will make such harmonization difficult.

## B. The Birth and Early History of the Internet

The Internet dates back to 1965 when research scientists connected two computers together via a phone line. By connecting one computer at the Massachusetts Institute of Technology to another computer in California, the scientists were able to share data and programs with one another from different sides of the country.<sup>3</sup> Shortly thereafter, the Defense Advanced Research Projects Agency (“DARPA”), a unit of the Department of Defense, funded research into how to connect computers together into networks.<sup>4</sup> The Defense Department was especially interested in this project because it presented an alternative means of communication in the event of a national disaster such as a nuclear attack. The use of multiple servers and multiple connections meant that even if part of

---

<sup>2</sup>See Chapter 7.IV, “Domain Names as Trademarks Generally.”

<sup>3</sup>Jonathan Weinberg, *ICANN and the Problem of Legitimacy*, 50 DUKE L.J. 187, 192 (2000).

<sup>4</sup>Barry M Leiner et al., *Histories of the Internet*, Internet Society, <http://www.isoc.org/internet/history/brief.shtml#Origins> (last visited August 1, 2011).

the network were destroyed the remaining parts would continue to function, in contrast to the national phone system which could be shut down by destroying two or three primary switching centers.

The additional funding allowed scientists to begin connecting university computers into a network referred to as the ARPANET.<sup>5</sup> In the early seventies, researchers developed the first e-mail program, which enabled personal communication between computers.<sup>6</sup> Around the same time, other agencies including the Department of Energy, NASA, and the National Science Foundation (“NSF”) began creating their own networks.<sup>7</sup>

In the early years, a computer could only communicate with other computers in its network. Although an ARPANET computer could communicate with other ARPANET computers, it could not communicate with NSF computers. Cross-network communication was finally achieved, however, when scientists developed what they called TCP/IP.<sup>8</sup> TCP/IP enabled inter-network communication between computers, so that now an ARPANET computer could communicate with an NSF computer and vice versa. The linking of different networks together was referred to as inter-networking or inter-netting, which of course led to the naming of what we now refer to as the Internet.<sup>9</sup> Instrumental in global inter-networking was the development of the World Wide Web application by Swiss research scientists.<sup>10</sup> The World Wide Web application enabled the linking of computers located almost anywhere in the world.

### C. The Emerging Structure of the Internet: Domain Names as Addresses

#### 1. Purpose

Every computer connected to the Internet has an Internet protocol (“IP”) address made up of a series of numbers separated by decimals, i.e. 123.456.789. When a person wants to email a message from one computer to another or locate a website, the sender’s computer must locate the IP address of the receiver’s computer. Associated with each IP address is a name—a domain name. IP address/name association accomplishes two goals. First, names are easier for people to remember than long sets of numbers.<sup>11</sup> Second, the use of names allows network operators to change IP addresses on the back-end without disrupting a person’s ability to find what she wants on the front-end.<sup>12</sup>

---

<sup>5</sup>*Id.*

<sup>6</sup>Weinberg, *supra*, n.3.

<sup>7</sup>*Id.* at 193 n.23.

<sup>8</sup>*Id.* at 193 n.24.

<sup>9</sup>*Id.* at 193 n.26.

<sup>10</sup>*Id.* at 194.

<sup>11</sup>Daniel Karrenberg, *The Internet Domain Name System Explained for Non-Experts*, INTERNET SOCIETY (Feb. 2004), <http://www.isoc.org/briefings/016/> (last visited August 1, 2011).

<sup>12</sup>*Id.*

## 2. *Top-Level Domains*

Top-level domains (“TLDs”) are the suffixes for all domain name addresses. The first seven TLDs were .com, .net, .org, .edu, .gov, .mil, and .int. In addition to these TLDs, there are also country code TLDs (“ccTLDs”) such as .jp for Japan, .us for the United States, and .fr for France.<sup>13</sup> Initially, different domain names were intended to be associated with particular services. For example .com would be used for commercial entities and .org for non-profit organizations.<sup>14</sup> For the most part, these distinctions, however, have long since lost their purpose. Indeed, one is just as likely to see the ccTLD .tv to be associated with a television service than with the country of Tuvalu.<sup>15</sup> Similarly, it is no less likely for a non-profit organization to be associated with the TLD .com than .org. However, certain sponsored Top Level Domains such as .int, .mil, .edu and .gov do continue to have registration requirements limiting who may obtain a domain name in that TLD. Similarly, some ccTLDs also have residency or other requirements.

## D. Administering the Domain Name System

### 1. *A Simple Task Prior to 1993*

Of course, with the creation of this domain name system (“DNS”), there needed to be some method for administering this system. The Stamford Research Institute acted in this capacity from the early days of the DNS. Later the NSF assigned this role to another contractor.<sup>16</sup> In these early days, however, the task did not require the administration of many domain names by today’s standards. In 1992, the year preceding the beginning of commercial use of the Internet, there were only approximately 100,000 domain names within the DNS.<sup>17</sup>

Today we recognize that DNS administration involves three key players: the registry, the registrar, and the registrant. The registry is the main database that manages all the names associated with a particular TLD. A registrar is the entity that maintains the registry and accepts registrations for new domain names. And a registrant is the person or entity that registers a domain name with the registrar. Initially, there was no distinction between the registry and the registrar. However, as we discuss below, today there are multiple registrars but only one registry for each TLD or ccTLD.

Commercial use of the Internet has been prohibited at first, but was finally allowed in 1993.<sup>18</sup> NSF contemplated some increase in the demand for domain names, and, in anticipation, entered into an agreement with a small company

---

<sup>13</sup>See §VII, Country Code Top Level Domains, *infra*.

<sup>14</sup>While today the .com is by far the most popular TLD, prior to the 1990s having an email address with a .com TLD was viewed by some as undesirable because it suggested that the user was not from the scientific community but a commercial interloper. Weinberg, *supra*, n.3 at 196.

<sup>15</sup>.tv, WIKIPEDIA, <http://en.wikipedia.org/wiki/.tv>. (last visited August 1, 2011).

<sup>16</sup>Weinberg, *supra*, n.3 at 198.

<sup>17</sup>*Id.*

<sup>18</sup>*Id.*

called Network Solutions, Inc. (“NSI”) to perform the registration services for the .com, .net, .org, and .edu TLDs.<sup>19</sup>

## 2. *Network Solutions*

NSI continued the same process used by those before it: domain names were registered on a first-come first-served basis.<sup>20</sup> When NSI first assumed this role, it was registering less than 100 new domain names a week; by 1999 NSI was registering 3,000 domain names a day.<sup>21</sup> At least part of this demand was sparked by Internet speculators, usually individuals who would “buy” domain names that they thought they could later “sell.”

Many companies, especially those in an area seemingly unrelated to technology, were slow to appreciate both the opportunity and risks associated with not obtaining or failing to obtain domain names that corresponded to trademarks or company name. Even some brand owners who did not delay were dismayed to discover that their desired domain name was not available. Legal remedies were limited. Mere registration of a domain name—even if it was not used or if it was used for some purpose unrelated to the products offered by the trademark owner—was not actionable because it was impossible to establish that there was a likelihood of confusion.<sup>22</sup>

NSI did not ignore the concerns raised by the trademark community, but the trademark issue was just one of many challenges confronting a company facing an exponential explosion in the demands for domain names. Prior to 1999, NSI implemented several different policies intended to address these issues, but large segments of the trademark-owning community remained dissatisfied.

Not surprisingly, some brand owners tried, usually without success, to sue NSI.<sup>23</sup> Although NSI prevailed in several early lawsuits,<sup>24</sup> it preferred to avoid litigation altogether and adopted a new set of rules in pursuit of that goal.<sup>25</sup>

The new NSI rules required all past and future domain registrants to indemnify NSI and in the event that a registered trademark owner lodged a complaint, the registrant would have thirty days to prove that it had superior rights.<sup>26</sup> If the registrant was unable to show superior rights, NSI would suspend the registrant’s domain name.<sup>27</sup> While this policy placated the trademark community, NSI now found itself defending lawsuits brought by registrants objecting to the suspension of their domain names.<sup>28</sup>

---

<sup>19</sup>*Id.* at 199.

<sup>20</sup>Jessica Litman, *The DNS Wars*, 4. J. SMALL & EMERGING BUS. L. 149, 155 (2000). These cases are discussed, *infra*, at §II.

<sup>21</sup>*World Wide Web User Statistics*, <http://www.why-not.com/company/stats.htm> (last visited August 1, 2011).

<sup>22</sup>Litman, *supra*, n.20.

<sup>23</sup>*Id.* at 155.

<sup>24</sup>See, e.g., §XVI, “Internet Service Providers,” in Chapter 7.

<sup>25</sup>Litman, *supra*, n.20 at 156.

<sup>26</sup>*Id.*

<sup>27</sup>*Id.* See also David W. Maher, *Trademarks on the Internet: Who’s in Charge?*, INTERNET SOCIETY, [http://www.isoc.org/inet96/proceedings/f4/f4\\_2.htm](http://www.isoc.org/inet96/proceedings/f4/f4_2.htm) (last visited August 1, 2011).

<sup>28</sup>Litman, *supra*, n.20. at 156.

### 3. Whois Database

Trademark owners faced another challenge in their efforts to combat cybersquatting: a trademark owner must be able to identify a defendant to bring suit. While NSI made available its Whois database which theoretically identified the owner of each domain name, it was easy for a cybersquatter to provide incomplete or even false information.<sup>29</sup> The functionality of the database was also an issue; it was virtually impossible to identify all domain names held by the same registrant. Some companies with access to that data began to create databases that allowed for such searches, raising again a question of anonymity that divided the traditional Internet community and the trademark bar.

### 4. The Birth of ICANN

Between 1993 and 1999, NSI grew from a small operation into a multi-million dollar company, all because of its role in administering the domain name system. However, in the process it had drawn criticism from both the trademark and more traditional Internet communities. There were also complaints that NSI had an unfair monopoly over registration of the existing TLDs, a concern that was shared by some within the U.S. government. In addition, the U.S. Government wanted to get out of the domain name registration business by privatizing the system and opening up the registration process to competitive forces.<sup>30</sup> There was another factor at play as well: many within the Internet community believed that the ever-growing demand for .com domain names required the creation of new TLDs.<sup>31</sup>

This confluence of forces led to the establishment of the Internet Corporation for Assigned Names and Numbers (“ICANN”), an entity “established as the nonprofit organization to facilitate coordination and management of those Internet-related technical and policy issues that require a centralized solution.”<sup>32</sup>

One of ICANN’s first acts was to open up the registrar business to competition.<sup>33</sup> One could now register a domain name from any one of a number of companies, all of whom would have equal access to the one registry for that TLD. Criteria and policies were established for both registries and registrars.<sup>34</sup> At the same time, ICANN approved the adoption of the Uniform Domain Name Dispute Resolution Policy that allowed for online arbitration of cybersquatting claims.<sup>35</sup>

---

<sup>29</sup>Maher, *supra*, n.27.

<sup>30</sup>F. LAWRENCE STREET ET AL., LAW OF THE INTERNET, §4.03 (2010).

<sup>31</sup>Litman, *supra* n.20 at 157.

<sup>32</sup>STREET, *supra* n.30.

<sup>33</sup>*Id.*

<sup>34</sup>Registration Accreditation Agreement, ICANN, (May 21, 2009), <http://www.icann.org/en/registrars/ra-agreement-21may09-en.htm>.

<sup>35</sup>See *infra* §III, “The Uniform Dispute Resolution Policy.”

The agreements between ICANN and the registrars and registries also addressed maintenance of a Whois database for each registry.<sup>36</sup> These requirements include that all information provided by a registrant must be accurate, though there is no affirmative obligation on the registrar to ensure that the information provided is correct.

More importantly, there is no requirement that this registrant information be shared with any central depository. Thus, while some registrars share information with their peers, others do not, and the only way to gain complete Whois data is via each registrar's individual website.

Reverse searching also remains an issue for trademark owners. Some companies offer reverse Whois search services,<sup>37</sup> but these services are costly and their reliability is uncertain. Trademark owners also face a new hurdle. Virtually every registrar offers a privacy shield allowing the owner to remain invisible unless a claim is made. The trademark community has tried to remedy this situation for some time, but despite pushes to expand the Whois search capabilities and even funding for studies to determine the consequences from greater search possibilities,<sup>38</sup> this is one issue where trademark owners have made little, if any, progress.

##### 5. *Expansion of Top Level Domains*

By the time ICANN assumed control of the Internet, cyberspace was getting crowded. There were twenty million .com domain names on the Internet in 2001.<sup>39</sup> Virtually all three letter combinations had been registered. Business owners wanted new TLDs so they could lay claim to names that had already been taken under .com. Companies like Dell Publishing, for example, which predates Dell Computer also wanted to use its mark in a domain name.<sup>40</sup> Registrars favored the introduction of new TLDs because they saw the potential for millions of dollars in registration fees.

In contrast, trademark owners were generally opposed to the introduction of new TLDs. For most, new TLDs just meant more potential infringement. Notwithstanding this opposition, as previously noted, ICANN approved seven new TLDs and began rolling them out in late 2001: .biz for businesses; .info for general use; .name for personal names; .pro for professionals like doctors and lawyers; .aero for the aviation community; .coop for cooperatives; and .museum for museums.<sup>41</sup>

---

<sup>36</sup>*Registration Accreditation Agreement, supra*, n.34.

<sup>37</sup>See, e.g., Domain Tools, <http://www.DomainTools.com> (offering reverse Whois lookup services)(last visited August 2, 2011).

<sup>38</sup>See, e.g., Generic Names Supporting Organization, ICANN, <http://gnso.icann.org/issues/whois/> (describing the proposed Generic Names Supporting Organization studies of Whois database).

<sup>39</sup>Jason S.T. Kotler, *Is Your .BIZ .NAME .PROtected? Here's All The .INFO You Need*, BINCHMARKS, April 16, 2001, at 31.

<sup>40</sup>Litman, *supra*, n.20 at 153.

<sup>41</sup>Kotler, *supra*, n.39 at 31.

In response to trademark concerns, each registry offered some procedure to protect the rights of trademark owners. However, while many companies can coexist with the same mark if they offer unrelated products, the nature of the Internet allows for only one Dell in each TLD. As a result, many large brand owners spent thousands of dollars trying to obtain domain names in every one of the newly available TLDs.

In spite of the push for new TLDs and the efforts by these registries to market their TLDs, for the most part these new TLDs have not had any traction with consumers. The .com TLD continues to be the darling of the Internet world. Thus, while there are over 6.8 million .info domain names, that number is still just a fraction of the total number of domain names in the marketplace, which now totals over 200 million.

ICANN has introduced other specialized TLDs since 2001. Some have been based on servicing specific markets like .mobi for mobile devices. Others have been offered to serve specific territories such as .eu or .asia. Nevertheless, Internet consultant Kirk Bradshaw may have put it best when he said that, “[r]egistries like .net, .pro, .ws, .aero, .mobi, and many others are just plain meaningless. They simply have 0 meaning. Dot com domain names will always bare the most fruit simply because they were the first to do it.”<sup>42</sup> While the .com domain name still dominates, it should be noted that in some countries the local ccTLD is very popular including China (.cn), the U.K. (.uk), Germany (.de), the Netherlands (.nl), and Brazil (.br).<sup>43</sup>

## II. REGISTRAR IMMUNITY<sup>44</sup>

### A. Is a Registrar Responsible for Registering Domain Names to Cybersquatters?

As mentioned above,<sup>45</sup> prior to the establishment of ICANN in 1998, NSI was the sole registrar for domain names in the most commonly used TLDs (i.e., “.com,” “.net,” “.org,” and “.edu”).<sup>46</sup> In those early years, trademark owners were shocked to discover that anyone could obtain a domain name corresponding to the trademark they owned. Many trademark owners felt that NSI should be held accountable if it allowed a person, without any apparent relationship to or authority from the owner of a famous trademark, to register a corresponding domain name. In contrast, NSI saw itself as the equivalent of the telephone company. For instance, while there had been lawsuits involving vanity phone numbers, the parties involved were the owners of the trademark corresponding to a particular

<sup>42</sup>*Survey on Top Level Domain Names and the Secondary Domain Name Marketplace*, BUSINESS WIRE, January 20, 2009.

<sup>43</sup>See *infra*, §VII, “Country Code Top Level Domains.”

<sup>44</sup>This section was written by Jaci Shanks, an associate at Kilpatrick Townsend & Stockton LLP. Mrs. Shanks graduated from Vanderbilt University Law School in 2010.

<sup>45</sup>See *supra*, §I.B, “The Birth and Early History of the Internet.”

<sup>46</sup>Solid Host, NL v. NameCheap, Inc., 652 F. Supp. 2d 1092, 1095 (C.D. Cal. 2009).

number and the user of that phone number—no one had ever contemplated suing the phone company for selling that phone number to a third party.<sup>47</sup>

### I. Lockheed Martin Corp. v. Network Solutions, Inc.<sup>48</sup>

Plaintiff Lockheed Martin, owner of the well-known service mark “SKUNK WORKS” in the aerospace and aeronautical fields, sued NSI as the registrar for the “.com,” “.org,” and “.net” TLDs. Lockheed claimed various violations of federal trademark law, including direct infringement, dilution and contributory infringement, all stemming from NSI’s registration of Internet domain names identical or similar to Lockheed’s service mark.<sup>49</sup>

With respect to the claim of direct trademark infringement, Lockheed claimed that the process of selling domain names corresponding to a trademark was “trademark use” subject to an infringement claim. Recognizing the “special problem” that domain names present under the Lanham Act in that they are used for both trademark and non-trademark purposes, the district court required “something more than mere registration” of a trademark before the use of a domain name would be considered infringing.<sup>50</sup> The court distinguished this scenario from that presented in *Planned Parenthood Federation of America Incorporated v. Bucci*,<sup>51</sup> in which the infringing use was determined to be not the registration of the plaintiff’s mark with NSI, but rather “the use of the plaintiff’s trademark as a domain name to identify his website in a manner that confused Internet users as to the source or sponsorship of the products offered there.”<sup>52</sup>

Regarding dilution, NSI readily acknowledged that Lockheed’s service mark was likely famous as defined by the Federal Trademark Dilution Act of 1995. At the same time, NSI disputed that its acceptance of domain name registrations could constitute “commercial use” within the meaning of the FTDA.<sup>53</sup>

Lockheed argued that NSI was no different than a cybersquatter, who makes his business acquiring domain names and selling those domain names to the corresponding trademark owner. Relying on the then-recent decisions in *Panavision* and *Intermatic*, in which courts had found that the defendant “traded on the value of the marks” and thus engaged in commercial use of those marks, NSI was quick to point out that it does not trade on domain names’ value as trademarks but rather offers all domain names for sale at the same price. The court agreed and found no commercial use.<sup>54</sup>

Lastly, in considering Lockheed’s claims of contributory infringement, the court reiterated that “registration of a domain name, without more, does not

<sup>47</sup>Holiday Inns, Inc. v. 800 Reservations, Inc., 86 F.3d 619 (6th Cir. 1996), *cert. denied*, 519 U.S. 1093 (1997). See also Chapter 7, §IV.A, for discussion of vanity phone numbers.

<sup>48</sup>985 F. Supp. 949 (C.D. Cal. 1997), *aff’d*, 194 F.3d 980 (9th Cir. 1999) (“*Lockheed I*”).

<sup>49</sup>*Id.* at 950.

<sup>50</sup>*Id.* at 955–57.

<sup>51</sup>42 USPQ2d 1430 (S.D.N.Y. 1997).

<sup>52</sup>*Lockheed I*, 985 F. Supp. at 957.

<sup>53</sup>*Id.* at 958.

<sup>54</sup>*Id.* at 959 (citing *Panavision Int’l, L.P. v. Toeppen*, 945 F. Supp. 1299 (C.D. Cal. 1996) and *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227 (N.D. Ill. 1996)).

amount to infringement of a mark similar to the name. Infringing acts occur when a domain name is used in a Web site or other Internet form of communication in connection with goods or services.<sup>55</sup> Looking to the remote nature of NSI's involvement with potentially infringing uses of domain names, the court held that a finding of contributory infringement would only be appropriate upon a showing that NSI had "unequivocal knowledge" that a domain name was being used to infringe a trademark.<sup>56</sup> Examining the registration form in use at the time by NSI, the court noted that applicants only "[b]riefly describe the domain name Registrant and the purpose for which [a] domain name is being applied."<sup>57</sup> The court concluded that "[t]he receipt of a brief statement of purpose from domain name applicants does not give NSI sufficient information for the Court to impute knowledge of future infringing uses to NSI."<sup>58</sup>

## 2. Academy of Motion Picture Arts & Sciences v. Network Solutions Inc.<sup>59</sup>

The conviction among trademark owners that NSI should be responsible for its acts did not diminish after *Lockheed I*. Shortly after that decision, the Academy of Motion Picture Arts & Sciences sought an injunction requiring NSI to stop registering domain names that incorporated or were confusingly similar to the famous "ACADEMY AWARDS" and "OSCAR" marks, among others.<sup>60</sup> Specifically, the Academy alleged that NSI was guilty of trademark dilution, contributory trademark dilution, trademark infringement, wrongful use of a registered mark, contributory infringement, contributory wrongful use of a registered mark, false designation of origin and false use, and unfair competition.<sup>61</sup>

In arguing against liability for dilution, NSI again conceded that the Academy's registered marks may constitute "famous marks," but argued that merely registering and cataloguing domain names does not constitute "commercial use."<sup>62</sup> The court noted that Section 45 of the Lanham Act defines "use in commerce" as "the bona fide use of a mark in the ordinary course of trade . . . a mark shall be deemed to be used in commerce—(1) on goods when; . . . and (2) on services when . . ."<sup>63</sup> The Academy argued that domain names themselves are goods or services, the sale of which diluted its marks, but the court rejected the argument.<sup>64</sup>

Similarly, the court also rejected the Academy's secondary trademark liability theory, holding that NSI lacked the requisite level of knowledge or control to be held liable, and that because NSI did not use the Academy's registered marks in

---

<sup>55</sup>*Id.* at 961. See also Chapter 7.XVI.B.3. for discussion of "Internet Service Providers."

<sup>56</sup>*Id.* at 962.

<sup>57</sup>*Id.* at 963.

<sup>58</sup>*Id.*

<sup>59</sup>989 F. Supp. 1276 (C.D. Cal. 1997).

<sup>60</sup>*Id.* at 1278.

<sup>61</sup>*Id.*

<sup>62</sup>*Id.* at 1278–79.

<sup>63</sup>*Id.* at 1279 (citing 15 U.S.C. §1127). See also Chapter 7, §I.A, "Is It a Two-Prong or Three-Prong Test to Establish Infringement?"

<sup>64</sup>*Id.*

connection with the sale, distribution or advertising of goods or services, it could not be found guilty of direct trademark infringement.<sup>65</sup>

As these cases illustrate, in the early years of the Internet, registrars were generally able to avoid trademark liability, based in large part on the nature of the services provided. While there are no reported decisions finding against NSI on such claims, the cost of defending these actions was considerable.

## B. The Inclusion of Registrar Immunity in ACPA

Shortly after ICANN assumed control of the Internet, it decided to split NSI's functions into two—those to be performed by the registry and those to be performed by the registrar. The registry for each TLD “maintains a centralized, publicly accessible database of information concerning all domain names in a TLD—the Whois database.”<sup>66</sup>

While there is only one registry for each TLD, there are hundreds of registrars. The registrar provides users with the ability to obtain a domain name in a particular TLD, takes the domain name and corresponding IP address and related information and submits them to the registry, which then adds them to the public Whois database. Only entities accredited by ICANN for each TLD in which it operates and who agree to comply with certain “consensus policies,” including the Uniform Dispute Resolution Policy, may act in this role.<sup>67</sup>

With so many more registrars, there was a growing concern within the registrar community, many of whom saw the future as a never-ending saga of defending against claims by trademark owners comparable to *Lockheed I* and *Academy*. While NSI had prevailed in each case previously, should one court happen to reach a different conclusion, the implications could be enormous.

It was fortuitous that around this same time, Congress was in the process of passing the Anti-Cybersquatting Consumer Protection Act. The primary purpose of the ACPA was to provide redress against cybersquatting by prohibiting anyone from registering, trafficking in, or using a domain name that is identical or confusingly similar to a distinctive or famous trademark with a bad faith intent to profit from the good will associated with the mark.<sup>68</sup> However, with the creation of a law that would allow trademark owners to combat the problem, trademark owners were generally more amenable to the inclusion of a provision immunizing registrars who “participate in the administration of the registration, transfer and

---

<sup>65</sup>*Id.* at 1280.

<sup>66</sup>Solid Host, NL v. NameCheap, Inc., 652 F. Supp. 2d 1092, 1095 (C.D. Cal. 2009) (citing Smith v. Network Solutions, Inc., 135 F. Supp. 2d 1159, 1161 (N.D. Ala. 2001)).

<sup>67</sup>See *Solid Host*, 652 F. Supp. 2d at 1095; see also *Lockheed Martin v. Network Solutions, Inc.*, 141 F. Supp. 2d 648, 651 (N.D. Tex. 2001) (“*Lockheed II*”) (“The UDRP provides for resolution of domain name disputes through mandatory administrative proceedings. All those who register a domain name in the “.com,” “.net,” and “.org” TLDs must agree to abide by the UDRP, which permits the owner of a trademark to initiate an administrative complaint against an alleged cybersquatter.”).

<sup>68</sup>15 U.S.C. §1125(d)(1); Dell Inc. v. BelgiumDomains, LLC, 2007 WL 6862342, at \*5 (S.D. Fla. Nov. 21, 2007).

cancellation of domain names pursuant to a ‘reasonable policy’ that is consistent with the purposes of the trademark laws.”<sup>69</sup>

Many courts that have considered the so-called doctrine of “registrar immunity” have honored the ACPA’s intention to shelter domain name registrars from avenues of liability as a way to encourage registrars to cooperate with trademark holders on these issues.<sup>70</sup> Yet, as demonstrated by the cases below, the circumstances under which a registrar is considered a registrar for purposes of immunity are being more closely scrutinized with each decision, calling into question the extent of registrar “immunity.”

## C. The Theory of Registrar Immunity Takes Shape: Post-ACPA Case Law

### 1. *Trademark Infringement and Trademark Dilution*

The anger many trademark owners felt toward the domain name registration process is evident in that, notwithstanding its loss to NSI in 1997, Lockheed became the first plaintiff to sue a registrar after the enactment of the ACPA in 1998.<sup>71</sup> Once again, the claims asserted were direct trademark infringement, contributory trademark infringement, and trademark dilution in connection with NSI’s acceptance of registrations of domain names that were identical or confusingly similar to plaintiff’s marks.<sup>72</sup>

The court granted NSI’s motion for summary judgment, finding that Lockheed failed to state a cause of action under section 43(a) of the Lanham Act; there was insufficient evidence both that NSI had a “bad faith intent to profit” from the marks and that NSI was a person that “registers, traffics in, or uses a domain name.”<sup>73</sup> In a nod to registrar immunity, the court expressly noted §43(a)(d)(1)(D)’s limitation of “use” to domain name registrants or the registrants’ authorized licensees:

---

<sup>69</sup>Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona, 330 F.3d 617, 624–25 (4th Cir. 2003); see 15 U.S.C. §1114(2)(D)(i)–(iii); see also S. REP. NO. 106-140, at 11 (1999) (in limiting liability for registrars, the ACPA “encourages domain name registrars and registries to work with trademark owners to prevent cybersquatting through the suspen[sion], cancel[ation], or transfer [of] domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cybersquatting.”); H. R. REP. NO. 106-412, at 15 (1999) (“This section also creates a new subparagraph (D) in section 32(2) to encourage domain name registrars and registries to work with trademark owners to prevent cyberpiracy through a limited exception from liability through domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cyberpiracy.”).

<sup>70</sup>S. REP. NO. 106-140, at 4 (1999) (“The purpose of the bill is to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks. . .”).

<sup>71</sup>*Lockheed II*, 41 F. Supp. 2d 648 (N.D. Tex. 2001).

<sup>72</sup>*Id.* at 652.

<sup>73</sup>*Id.* at 654–55.

It is quite understandable that Congress did not cause defendant as a domain name registrar, or as keeper of the registry, to be subject to civil liability under § 1125(d). Although plaintiff now tries to backtrack somewhat from the position that defendant as registrar should perform gatekeeper functions for mark owners, even the modified gatekeeper role it now proposes is untenable. Sheer volume alone would prohibit defendant performing the role plaintiff would assign. Defendant simply could not function as a registrar, or as keeper of the registry, if it had to become entangled in, and bear the expense of, disputes regarding the right of a registrant to use a particular domain name. The fact that defendant could theoretically do what plaintiff asks does not mean that defendant is obligated to do so at the risk of financial ruin. The reason the UDRP was developed was to provide the mechanism to resolve these disputes. Not only would imposing plaintiff's scheme render the UDRP nugatory, it would cause the domain name registrations system in its entirety not to be feasible.<sup>74</sup>

Finding NSI thus immune from liability for infringement, the court quickly disposed of the remaining claims for many of the same reasons as the court in *Lockheed I*.<sup>75</sup>

While the general principles of *Lockheed II* are still accepted today, there does appear to be a trend towards narrowing the scope of actions that are considered sufficiently submissive as to qualify a registrar for immunity. In *Transamerica Corp. v. Moniker Online Services, LLC*, Transamerica, a holding company for a group of subsidiaries engaged in the sale of life insurance and investment planning, alleged that Moniker, accredited by ICANN to register domain names on behalf of third parties, "violated its agreement with ICANN by enabling a class of customers composed of fictitious entities to monetize counterfeit domain names, acting as their authorized licensee and/or otherwise in concert with them, profiting with them jointly in that process."<sup>76</sup> Transamerica further alleged that Moniker intentionally or recklessly supplied registration services to fictitious entities, knowing these entities engaged in trademark counterfeiting.<sup>77</sup>

Moniker registered various domain names that were substantially similar to "Transamerica" and Transamerica's registered marks, including: TRANSAMERICALIFEINS.COM, TRANSAMERICASERVICES.COM, TRANSAMERICA.COM, etc.<sup>78</sup> One of the domain names alleged to be infringing, "Transamericalifeins.com" transferred a consumer to another website titled "Transamerica Life Ins. Co." but which was not affiliated with plaintiff Transamerica; the website in fact was connected to an entity named "My Life Insured," an automobile glass replacement company with an address listed in San Francisco, California.<sup>79</sup> Transamerica alleged that this scheme involved Moniker "acting in concert with fictitious entities or anonymous individuals, using the Transamerica service mark to channel internet traffic familiar with

---

<sup>74</sup>*Id.* at 655.

<sup>75</sup>*Id.* at 656 (citing E.&J. Gallo Winery v. Spider Webs, Ltd., 129 F. Supp. 2d 1033, 1038 (S.D. Tex. 2001)).

<sup>76</sup>672 F. Supp. 2d 1353, 1356 (S.D. Fla. 2009).

<sup>77</sup>*Id.* at 1357.

<sup>78</sup>*Id.*

<sup>79</sup>*Id.* at 1358.

the Transamerica name into websites belonging to third parties engaged in the advertising and sale of life insurance and financial services.”<sup>80</sup>

Moniker brought a motion to dismiss, arguing that because it is neither the registrant nor the registrant’s official licensee, it is immune from liability under the ACPA as a matter of law.<sup>81</sup> Moniker cited the “leading decision in this realm” in arguing that as a registrar, it could not be liable under the ACPA.<sup>82</sup>

The court disagreed and looked to recent decisions in which courts have held that “the qualified immunity for registrars under the ACPA does not apply when the registrar is also the registrant.”<sup>83</sup> As Transamerica pointed out, Moniker received a fee each time a user clicked one of the links attached to the infringing domain sites; according to the court, this established at least partial ownership in the domain name, and as such, satisfied the requirement that Moniker was acting as *more than a registrar* so as to strip it of immunity under the ACPA.<sup>84</sup> Ultimately, the court denied Moniker’s motion to dismiss on all twelve counts.<sup>85</sup>

## 2. *Contributory Trademark Infringement*

In the past, registrars have been protected from secondary liability under the theory that domain name registrars provide a service and “do not monitor or control the use of domain names.”<sup>86</sup> In *Size, Inc. v. Network Solutions, Inc.*, a privately-held California corporation operating as size.com sued NSI, alleging various federal and state law claims, including contributory trademark infringement, in connection with the transfer of Size’s domain name to an individual in Russia, who then transferred the domain name’s registration from NSI to a third party.<sup>87</sup> In effect, Size argued that NSI’s transfer of its domain name and failure to freeze the domain name after Size put NSI on notice of the Russian’s unauthorized transfer violated § 1125(a)(1) under the theory of contributory trademark infringement.<sup>88</sup>

NSI filed a motion to dismiss, relying on the Ninth Circuit’s reasoning in *Lockheed I* to support its argument that it does not supply a “product” within the meaning of *Inwood Laboratories*.<sup>89</sup> NSI argued that as a domain name registrar, it lacked the ability to monitor or control the use of domain names, and therefore

---

<sup>80</sup>*Id.*

<sup>81</sup>*Id.* at 1364.

<sup>82</sup>*Id.* (citing *Lockheed II*, 141 F. Supp. 2d at 648).

<sup>83</sup>*Transamerica*, 672 F. Supp. 2d at 1365 (citing *Dell v. BelgiumDomains, LLC*, 2007 WL 6862342, at \*10 (S.D. Fla. Nov. 21, 2007) (“Because Defendants are both the registrant and the registrar, Defendants do not qualify for the ‘safe harbor’ provision of the ACPA that exempts domain name registrars from liability for injunctive or monetary relief . . .”); *Solid Host*, 652 F. Supp. 2d at 1092 (registrar immunity only available when the registrar acts as a registrar).

<sup>84</sup>*Transamerica*, 672 F. Supp. 2d at 1366.

<sup>85</sup>*Id.* at 1369.

<sup>86</sup>*Size, Inc. v. Network Solutions, Inc.*, 255 F. Supp. 2d 568, 572 (E.D. Va. 2003).

<sup>87</sup>*Id.* at 571–72.

<sup>88</sup>*Id.* at 572.

<sup>89</sup>*Id.* at 572–73 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982) (as stated by the Supreme Court, to be liable under that theory, a defendant must “(1) intentionally

it could not be held liable for contributory infringement committed by domain name holders.<sup>90</sup>

The court found that NSI's domain name registration service must be analyzed as a service, rather than as a product.<sup>91</sup> The court then described NSI's role as "simply a routing service" that merely "translate[s]" the domain name into the registrant's IP address, the court found NSI's "function to be more equivalent to the passive messenger service provided by the United States Postal Service than to the more interactive role of a flea-market operator who has a significant degree of control over the activities of its clients."<sup>92</sup>

However, even with the statutory protections afforded registrars under the ACPA, domain name registrars can potentially be held liable for contributory infringement where one "intentionally induces a third party to infringe the plaintiff's mark or supplies a product to a third party with actual or constructive knowledge that the product is being used to infringe the . . . mark."<sup>93</sup> When a registrar provides a Whois privacy protection service in addition to a registration service, the registrar replaces the registrant's personal information in the Whois database with its own; by doing so, a registrar greatly increases its own risk of liability.

The court in *Transamerica* examined the question of whether a cybersquatter's use of Whois privacy protection provided by a registrar can subject that registrar to liability for contributory trademark infringement.<sup>94</sup> In distinguishing between a product and a service, the court noted that "[w]hen the primary infringer supplies a service rather than a product, a court must . . . consider the extent of control exercised by the defendant over the third party's means of infringement."<sup>95</sup> The court ultimately found that Transamerica's complaint stated a valid claim for contributory trademark infringement in that it accused Moniker of:

enabling a class of customers comprised of fictitious entities and anonymous individuals to "monetize" counterfeit domain names, acting as their authorized licensee and/or otherwise in concert with them, profiting with them jointly in the process, concealing their identity when challenged, and intentionally or recklessly continuing to supply registration services to them with knowledge that they are fictitious entities engaged in trademark and service mark counterfeiting, or with willful blindness to that fact.<sup>96</sup>

---

induce another to infringe a trademark, or (2) continue to supply a product to a third party with actual or constructive knowledge of the infringement").

<sup>90</sup>*Id.* at 572.

<sup>91</sup>*Id.* at 573.

<sup>92</sup>*Id.* (citing Hard Rock Café Licensing Corp. v. Concession Serv., Inc., 955 F.2d 1143 (7th Cir. 1992)).

<sup>93</sup>*Lockheed I*, 194 F.3d at 983.

<sup>94</sup>672 F. Supp. 2d 1353 (S.D. Fla. 2009).

<sup>95</sup>*Id.* at 1362 (quoting Perfect 10, Inc. v. Visa Int'l Serv. Ass'n, 494 F.3d 788, 807 (9th Cir. 2007) (internal citations and quotations omitted)).

<sup>96</sup>*Id.* at 1363.

### 3. Conclusion

It appears well settled that a registrar cannot be held accountable for assigning domain names or otherwise fulfilling its obligations in its role as a registrar. The *Size* decision, however, also makes clear that there are many activities a registrar may engage in that are not part of its actual, immunized registrar responsibilities. Over the years, some have suggested that certain registrars engage in various conduct solely in order to increase their own profitability. There have also been rumors that some registrars have used the Whois lookup function to anticipate a potential registration and have then registered that domain name for themselves in order to sell that domain name at a higher cost to an interested party. Meanwhile, it appears that some registrars serve a select number of clients who are “domainers,” the term used to describe those engaged in domain name speculating, as opposed to cybersquatters.<sup>97</sup> It remains to be seen how much, if any, immunity the ACPA will provide to registrars engaged in this or other conduct that trademark owners continue to find objectionable.

## III. THE UNIFORM DISPUTE RESOLUTION POLICY<sup>98</sup>

### A. NSI’s Dispute Policies

Network Solutions Inc. (“NSI”) made the first attempt at developing an informal policy to assist in addressing complaints that a particular domain name infringed another’s trademark in the days when it served as the exclusive registrar for the .com Top Level Domain. After two years of criticism and complaints from the trademark community, NSI rolled out its policy in 1995.<sup>99</sup> Under the NSI process, “[a] trademark holder that wanted NSI to deactivate someone’s domain name need[ed] only write a letter to NSI stating that it held a registered trademark identical to the domain name;” NSI would comply with the letter within 30 days, provided that the current registrant failed to produce a trademark registration certificate of her own within that time.<sup>100</sup> The process became known as sending a “thirty day letter,” and it quickly became apparent that NSI’s policy favored trademark owners—because NSI had not created an authority to hear and decide domain name disputes, which made it difficult for registrants to overcome an inability to produce a registration certificate.<sup>101</sup> Nevertheless, trademark owners complained that the NSI’s implementation of the process was inconsistent and confusing.

---

<sup>97</sup>See Chapter 7.VII.

<sup>98</sup>This section was written by Ryan Bricker, an associate at Kilpatrick Townsend & Stockton, LLP. Mr. Bricker graduated from George Washington University Law School.

<sup>99</sup>See Carl Oppedahl, *Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute Policy*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 72 (1996).

<sup>100</sup>*Id.* at 76.

<sup>101</sup>*Id.*

## B. ICANN and the UDRP

After the transfer of control over the domain name system to the Internet Corporation for Assigned Names and Numbers (“ICANN”) in late 1999, ICANN established a Uniform Dispute Resolution Policy (the “UDRP” or the “Policy”) for domain name disputes.<sup>102</sup> ICANN fashioned its UDRP in response to the complaints of trademark owners to what appeared to be an expanding cybersquatting problem, and to the increasingly crowded landscape of domain names.

The UDRP mechanism sought to account for some unique circumstances that exist on the Internet: First, as several courts have acknowledged, the nearly-boundless proliferation of web-based global communication and commerce beginning in the late 1990s caused an Internet version of a “land grab,” wherein individuals and corporations raced to register well-known brand names and generic terms as domain names.<sup>103</sup> Second, unique domain names are finite—only one person can own and operate a website at the <delta.com> domain at a time, for example, whereas the brick-and-mortar commercial world can support a handful of unrelated business using the DELTA name or brand, operating in different markets and offering different goods or services. Accordingly, the Internet community benefits from a system that efficiently addresses disputes over domain ownership raised by parties claiming competing ownership interests, particularly when those parties reside in different jurisdictions governed by disparate intellectual property laws, as is often the case.<sup>104</sup> At the same time, ICANN did not want to become the arbiter of claims between competing claims by preexisting brick and mortar businesses, such as whether domino.com should be owned by Domino Pizza or Domino Sugar. As a result, the Policy was designed to be limited to addressing abuses of the domain name system and not legitimate legal disputes.

## C. The Relationship Between ICANN, Registrars, and Registrants

At its core, ICANN’s UDRP creates an administrative proceeding that aims to resolve efficiently domain name disputes involving the gTLDs, including .com, .net, .org, .info, .biz, .edu, .jobs, .mobi, .pro, and .xxx.<sup>105</sup> While ICANN’s policy and rules are largely consistent across all gTLDs, there are some slight variations. For example, a complainant seeking transfer of a .name domain cannot succeed

---

<sup>102</sup>See *Timeline for the Formulation and Implementation of the Uniform Domain-Name Dispute-Resolution Policy*, ICANN, <http://www.icann.org/en/udrp/udrp-schedule.htm> (last visited August 8, 2011).

<sup>103</sup>See, e.g., Lucas Nursery & Landscaping, Inc. v. Grosse, 359 F.3d 806, 808 (6th Cir. 2004) (quoting Virtual Works, Inc. v. Volkswagen of Am., Inc., 238 F.3d 264, 267 (4th Cir. 2001)).

<sup>104</sup>Jay P. Kesan & Andres A. Gallo, *The Market for Private Dispute Resolution Services—An Empirical Re-Assessment of ICANN-UDRP Performance*, 11 MICH. TELECOMM. & TECH. L. REV. 285, 306 (2005).

<sup>105</sup>See *What Does ICANN Do?*, ICANN, <http://www.icann.org/en/participate/what-icann-do.html> (last visited August 8, 2011).

if the domain name is the current owner's legal or common name.<sup>106</sup> Of course the ICANN UDRP is only one piece of the domain name arbitration puzzle, as ICANN's UDRP does not apply beyond the universe of these traditional gTLDs. For example, the UDRP does not, on its terms, apply to the TLDs designated for different countries ("ccTLDs")<sup>107</sup> and the authorities appointed to administer ccTLDs are authorized to craft their own domain dispute resolution policies and proceeding models.<sup>108</sup> Despite this latitude, however, nearly all ccTLD administrators have adopted policies that either replicate or closely track the UDRP, apart from a few noteworthy exceptions.<sup>109</sup> This relative consistency across all TLDs can be attributed to the fact that ICANN's UDRP Policy is structured to allow for some leeway on the part of the deciding panels. In other words, local arbitrators can filter the Policy's requirements through localized perspectives on trademark law, skewing outcomes to fit the home nation's trademark policy. For instance, while the dispute policy governing .uk domains closely tracks ICANN's UDRP, the decisions issued under that process are often described as far more generous to registrants than those under the UDRP.

In order to receive ICANN accreditation, registrars of domain names must agree to comply with the outcome of UDRP proceedings, and must also build into their contracts with domain name registrants a requirement that the registrant participate in the UDRP administrative process.<sup>110</sup> The particulars of the arrangement of obligations between ICANN, the registrar, and the registrant can be meaningful. In *Compana LLC v. Mondial Assistance SAS*, for example, an internet service provider acting as both the registrant *and* registrar of the <mondial.com> domain sought an injunction to prevent Mondial Assistance from pursuing transfer of the domain through a UDRP proceeding.<sup>111</sup> A dispute over forum ensued, and Compana sought to enforce the forum selection clause in its registration agreement against Mondial, a non-party to the agreement.<sup>112</sup> The district court confronted a web of contractual and third-party obligations: ICANN's

<sup>106</sup> See *Eligibility Requirements Dispute Resolution Policy*, ICANN (Aug. 8, 2003), <http://www.icann.org/en/tlds/agreements/name/registry-agmt-appm-8aug03.htm>.

<sup>107</sup> There are hundreds of ccTLDs, including .us, .ca, .mx, .uk, .de, .fr, and .au.

<sup>108</sup> See *Resources for Country Code Managers*, ICANN, <http://www.icann.org/en/cctlds/>.

<sup>109</sup> Canada and China, for example, maintain what are commonly viewed as pro-registrant UDRP systems, placing a heavy burden of proof upon the complainant trademark owner. As a result, the .cn and .ca have been depicted as a sort of safe harbor for cybersquatters. See, e.g., *Protecting Your Domains—Going Offshore to Canada*, Domain Bits (Nov. 4, 2008), <http://www.domainbits.com/protecting-domains-offshore/>. In a departure from the norm, Germany has declined to adopt any model of alternative dispute resolution whatsoever for domain names within its .de ccTLD. See *Why is there no Dispute Resolution procedure (like ICANN's UDRP) at DENIC?*, Denic, <http://www.denic.de/en/faq-single/450/1/248.html?cHash=c6aa8d4d698c56ab30adefaf5fc57e3d5> (last visited August 9, 2011) ("From the above it is clear that anyone holding rights to a name or a trademark would have no reason at all to want to opt for the UDRP procedure or a similar one for .de domains, since a German court hearing, combined with a DISPUTE entry at DENIC, represents an evidently superior alternative, given that it is both faster and cheaper. Quite apart from all these considerations, the parties at dispute over a domain are perfectly free to refer their case to a dispute resolution procedure or even to a court of arbitration, if that is their preference.").

<sup>110</sup> *Id.*

<sup>111</sup> 2008 US Dist. LEXIS 4693, 2008 WL 190522 (N.D. Tex. 2008).

<sup>112</sup> *Id.*

contract with Compana, an accredited registrar, required that Compana bind its clients to the UDRP process through its registration agreement.<sup>113</sup> Compana, by entering a registration agreement with itself, bound itself to participate in the UDRP proceeding. The court found that Mondial, as a third party exploiting the registration agreement between Compana as registrar and Compana as registrant to compel Compana's participation in a UDRP proceeding, received a sufficient benefit to be bound by the forum selection clause within Compana's registration agreement.<sup>114</sup>

## D. The Administration of ICANN's UDRP Proceedings

ICANN demands strict compliance with its UDRP, and it attempts to maintain consistency in the application of the Policy by appointing a discrete number of arbitration service providers—such as the National Arbitration Forum in Minnesota (NAF) and the World Intellectual Property Organization in Geneva, Switzerland (WIPO)<sup>115</sup>—to field and decide UDRP cases.<sup>116</sup> Each provider maintains a list of panelists, primarily comprised of former judges or lawyers from various countries.<sup>117</sup> Once a provider certifies, or accepts, a complaint and allows the domain name registrant time to file a response, it assigns a panelist to decide the case.<sup>118</sup>

The process of assigning these panelists—an ostensibly random function<sup>119</sup>—has come under scrutiny in recent years. A study conducted by Michael Geist, law professor at University of Ottawa, claims that through 2002, 56.4% of the

---

<sup>113</sup>2008 WL 190522, at \*4 (noting that while the “Accreditation Agreement between Compana as domain-name registrar and ICANN does require that Compana incorporate the UDRP into the registration agreements that it enters into with domain-name registrants, . . . the Accreditation Agreement also prevents any other party other than the contracting parties from enforcing its provisions.” Therefore, a third party cannot base its right to compel a company to participate in a UDRP proceeding on an Accreditation Agreement where that company is acting as both a registrant and registrar—the Accreditation Agreement simply has no teeth except in disputes between ICANN and a registrar alone.).

<sup>114</sup>*Id.* at \*4–6.

<sup>115</sup>For a complete list of the ICANN-authorized arbitration service providers, including comparisons across each provider's supplemental rules, fee structure, and geographical representation of affiliate arbitrators, see Jay P. Kesan & Andres A. Gallo, *The Market for Private Dispute Resolution Services—An Empirical Re-Assessment of ICANN-UDRP Performance*, 11 MICH. TELECOMM. & TECH. L. REV. 285, 312–320 (2005). For example, the study posits that WIPO features the most complex set of supplemental rules governing the arbitration process, and also offers the most geographically-diverse set of affiliate arbitrators. *Id.* The NAF's fees are significantly lower than other approved providers. *Id.*

<sup>116</sup>*Id.*

<sup>117</sup>See *Rules for Uniform Domain Name Dispute Resolution Policy*, ICANN (Mar. 1, 2010), <http://www.icann.org/en/dndr/udrp/uniform-rules.htm> [hereinafter ICANN Rules]; see also *UDRP Panelists*, UDRP Info, <http://udrpinfo.com/panl.php> (last visited July 30, 2011).

<sup>118</sup>See *Uniform Domain Name Dispute Resolution Policy*, ICANN (Oct. 24, 1999), <http://www.icann.org/en/dndr/udrp/policy.htm> [hereinafter ICANN Policy].

<sup>119</sup>Michael Geist, *Fair.com?: An Examination of Systematic Unfairness in the ICANN UDRP* (2001), <http://aix1.uottawa.ca/~geist/fairupdate.pdf> (last visited August 11, 2011).

NAF's UDRP cases "were decided by only six panelists."<sup>120</sup> Geist's study further suggests that these oft-tapped panelists tend to find in favor of the complainant; 94% of the 778 cases decided by those six panelists resulted in domain transfer to the trademark holder.<sup>121</sup> Opponents of Geist's study and conclusions attribute these trends to the very real tendency toward default among registrants in UDRP proceedings: Over the same period examined by Geist, M. Scott Donahey found that "across all providers, a case has gone by default between 50% and 60% of the time."<sup>122</sup> Assuming that complainant trademark owners are more likely to win those default cases, and dividing the outcome of the remaining cases evenly between complainants and domain name holders, Donahey confirms that trademark owners should succeed in UDRP cases around 82 to 83 percent of the time.<sup>123</sup>

### **1. Authority of UDRP Panels**

Perhaps in recognition of the potential pitfalls of UDRP jurisprudence, ICANN allots to the panelists a very specific and narrow authority: Under the providers' agreements with ICANN, in the event that a violation is found, panelists can either transfer or cancel a domain name registration.<sup>124</sup> Their power is limited to those discrete functions, and unlike the vast majority of national court systems, neither panelists nor their employer arbitration providers can award damages, and their decisions are not binding on any court system.<sup>125</sup>

This limit to the panelists' jurisdiction is not without its drawbacks. During NSI's reign over the domain name system, several observers noticed that because arbiters could not sanction abusive complainants or award damages to a prevailing registrant, there was no downside whatsoever to a trademark owner filing a complaint. One early incident shines a spotlight on this problem. During the 1990s, Roadrunner Computer Systems, Inc. ("RCS") provided email and web access services to its customers using the domain name <roadrunner.com>. In December 1995, Time-Warner Entertainment Company, LP, filed a "30 day letter" challenge to RCS's use of the name, claiming trademark rights in the "Road Runner" cartoon character and name.<sup>126</sup> Under the NSI "thirty day rule," RCS's domain was disabled, affecting thousands of Internet users. RCS obtained temporary relief by filing a complaint against NSI and convincing NSI to reinstate its domain and its customers' web service. While the ultimate resolution of this matter is not public, it is noteworthy that today the <roadrunner.com> domain

---

<sup>120</sup>*Id.*

<sup>121</sup>*Id.*

<sup>122</sup>M. Scott Donahey, *The UDRP—Fundamentally Fair But Far From Perfect*, Vol. 6, No. 34 ELEC. COM. & L. REP. 937 (August 29, 2001).

<sup>123</sup>*Id.*

<sup>124</sup>ICANN Policy, *supra*, note 118; see also ICANN Rules, *supra*, note 117.

<sup>125</sup>See Michael Geist, *Fair.com?: An Examination of Systematic Unfairness in the ICANN UDRP* (2001), <http://aix1.uottawa.ca/~geist/fairupdate.pdf> (last visited August 11, 2011).

<sup>126</sup>See Rosanne T. Mitchell, *Resolving Domain Name-Trademark Disputes: A New System of Alternative Dispute Resolution Is Needed in Cyberspace*, 14 OHIO ST. J. ON DISP. RESOL. 157 (1998).

is owned by the same company that owns rights to the cartoon character. That company now uses the site to advertise a high speed Internet connection.

Seeking to insulate the domain name dispute system from abuse, the UDRP's drafters included a provision allowing panelists to not only refuse to transfer a domain name, but also declare that the complainant had engaged in "reverse domain name hijacking." This term recognizes that sometimes trademark owners can use registered marks or otherwise valid rights to claim domain names to which they have inferior rights than the registrant. In short, "reverse domain name hijackers" are overreaching trademark owners. Being labeled as a "reverse domain name hijacker" does not carry any real penalty; at the end of the day it is a rather illusory reprimand. The fact that some consequence exists, however, may have affected trademark owners' strategy, and considering the small number of UDRP decisions finding "reverse domain name hijacking," the incorporation of this reprimand into the policy may have worked.

## **2. Review of UDRP Panel Decisions**

Despite the panel's limited power, in the vast majority of cases, the arbitration panel's decision is the final word in the URDP process. There is no appeal from the panel to any higher "panel." Once a panel approves or declines transfer of the domain name, the registrar must comply, and the losing party can only seek recourse from a national court system, typically restricted to the jurisdiction in which the domain name's *registrar* resides.<sup>127</sup> Further, and perhaps most importantly, if a party seeks review of a UDRP order in a national court, the panel's decision likely will be afforded no deference whatsoever.

Perhaps the best known example of this involved a dispute over the barcelona.com domain name. In that case, the City Council for Barcelona (the "City Council") filed a UDRP complaint seeking transfer of the domain name from Bcom, Inc. ("Bcom"), a corporation that ostensibly only provided "Barcelona-related information" through the barcelona.com domain name.<sup>128</sup> Based on a number of factors, including the registrant's exploitative offer to sell the domain name to the City Council, the UDRP panel held that the domain name should be transferred.<sup>129</sup> Bcom filed a declaratory judgment action in the Eastern District of Virginia (where the registrar, Network Solutions, Inc., resides) within ten days of the panel's decision, as prescribed by ICANN's UDRP.<sup>130</sup> The district court declined to label the City Council as a reverse domain name hijacker, and again ordered transfer of the domain name.<sup>131</sup> Importantly, the district court concluded that the WIPO panel ruling "should be given no weight and this case must be

---

<sup>127</sup>See ICANN Rules, *supra*, note 117.

<sup>128</sup>Barcelona.com v. Excelentisimo Ayuntamiento De Barcelona, 330 F.3d 617, 617 (4th Cir. 2003).

<sup>129</sup>*Id.* at 619.

<sup>130</sup>*Id.* The declaratory judgment action was based on the Anti-Cybersquatting Consumer Protection Act (the "ACPA"), which "authorizes a domain name owner to seek recovery or restoration of its domain name when a trademark owner has overstepped its authority in causing the domain name to be suspended, disabled, or transferred." *Id.*

<sup>131</sup>*Id.*

decided based on the evidence presented before the Court.”<sup>132</sup> On appeal, the Fourth Circuit confirmed that the U.S. court system will give no deference to the outcome of or analysis behind UDRP decisions.<sup>133</sup> Indeed, the circuit court reviewed the record and, contrary to both the panel and the district court, held in favor of the registrant, reasoning that Bcom’s registration and use of barcelona.com did not violate U.S. laws.<sup>134</sup>

### **3. Precedent in the UDRP System**

Finally, while many ICANN-appointed arbitration providers suggest that their panelists should maintain conformity from decision to decision, “the UDRP does not operate on a strict doctrine of precedent.”<sup>135</sup> WIPO’s “Consensus View” explains that despite the lack of controlling precedent, “panels consider it desirable that their decisions are consistent with prior panel decisions dealing with similar fact situations. This ensures that the UDRP system operates in a fair, effective and predictable manner for all parties, while responding to the continuing evolution of the domain name system.”<sup>136</sup> The lack of binding precedent can give a panelist room to apply the UDRP Policy through the lens of her own thoughts on trademark law. Accordingly, a party to a UDRP proceeding ought to research potential panelists’ track records, and, where possible, propose panelists whose ostensible agendas are compatible with the party’s position in the case.<sup>137</sup>

## **E. Litigating a UDRP Proceeding**

### **1. Filing a Complaint**

Initiating a UDRP proceeding is a relatively simple process. The pleading and filing requirement are set out neatly in ICANN’s UDRP Policy and Rules documents, and while each arbitration provider publishes its own set of “supplemental rules,” these typically follow ICANN’s conditions closely. Most providers, including NAF and WIPO, feature complaint forms and step-by-step instructions on their respective websites. In light of the increasing popularity of “privacy protection” or “proxy” services (registrars or third party services that will list their own contact information in the WHOIS record to maintain the domain

---

<sup>132</sup>*Id.*

<sup>133</sup>*Id.* (noting that “the WIPO panelist’s decision is not even entitled to deference on the merits”).

<sup>134</sup>*Id.*

<sup>135</sup>See WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition, WIPO, <http://www.wipo.int/amc/en/domains/search/overview2.0/> (last visited August 8, 2011).

<sup>136</sup>*Id.* See also Mile, Inc. v. Michael Burg, WIPO Case No. D2010-2011 (Feb. 7, 2011) (declining to follow a line of cases that apply post-registration bad faith retroactively, thereby finding that the domain name was registered in bad faith at the outset).

<sup>137</sup>Note that panelist selection is only available if one of the parties opts for a three-member panel. Requesting a three-member panel increases the cost of the arbitration proceeding, as discussed below.

owner's anonymity), the most cumbersome part of assembling a complaint can sometimes be *identifying* the respondent domain name holder. Whereas an *in rem* action must be filed in most national court systems when the property owner is absent, UDRP jurisprudence has developed to allow complainants to file a UDRP complainant against the privacy protection or proxy service itself.<sup>138</sup> Typically, the privacy service will then release the name of the registrant and the Complaint will have five days to file an amended complaint.

Filing the complaint triggers two responses immediately: First, transfer of the domain is locked, meaning that the registrar may not allow the respondent registrant to transfer her domain name to a different registrar, thereby avoiding the problem of "moving targets." Second, the provider initiates its review process. If the provider finds any deficiency in the complainant's submission, the provider will give the complainant five days to cure the deficiency.

The complainant also must pay the provider's fee at the time of filing. The various appointed arbitration providers publish their own respective fee schedules. The primary controlling factor in the cost of a UDRP proceeding involves panel selection: UDRP cases can be decided by panels composed of one or three panelists—the fee for three panelists is typically twice as much as a single panelist, sometimes more.<sup>139</sup>

## **2. *The Complainant's Burden in ICANN UDRP Proceedings***

In order to succeed in an ICANN UDRP proceeding, a complainant must prove the following:

- [1] The domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights;
- [2] The registrant does not have any rights or legitimate interests in the domain name; and
- [3] The registrant registered the domain name and is using it in "bad faith."<sup>140</sup>

These prongs are intended to reflect a handful of universally recognized tenets of trademark law, including basic elements of consumer confusion and unfair competition.

### *a. The Identical or Confusingly Similar Prong*

The first prong that the complainant must prove in a UDRP proceeding—that the domain name is identical or confusingly similar to a trademark owned by the

---

<sup>138</sup>WIPO Overview of WIPO Panel Views on Selected UDRP Questions, *supra*, note 135; see also Advance Magazine Publishers Inc. d/b/a Condé Nast Publications v. MSA, Inc. and Moniker Privacy Services, WIPO Case No. D2007-1743 (Feb. 22, 2008); Research In Motion Limited v. PrivacyProtect.org / Pluto Domain Services Private Limited, WIPO Case No. D2009-0324 (May 11, 2009).

<sup>139</sup>See *The Market for Private Dispute Resolution Services*, *supra*, note 115, at 316–17.

<sup>140</sup>See ICANN Policy, *supra*, note 118.

complainant—essentially acts as a standing requirement.<sup>141</sup> It is a threshold test, requiring first that the complainant hold valid rights in the mark, then comparing the subject domain name and the trademark to ask whether consumer confusion will result.

A complainant who owns a trademark registration will generally satisfy the valid rights requirement, regardless of the jurisdiction that issued the registration, the goods or services for which it is registered, and the date of registration.<sup>142</sup> Personal names that have been registered as trademarks are also actionable under the first prong;<sup>143</sup> as one might expect, however, most individuals do not seek trademark registrations for their personal names, and UDRP panel decisions have struggled with the question whether a simple personal name can form the basis for a successful UDRP complaint (under a right of publicity theory, perhaps, or common law trademark rights). A pair of early cases illustrates this quandary: In *Daniel C. Marino, Jr. v. Video Images Productions*,<sup>144</sup> the panel found sufficient common law trademark rights in the Dan Marino name based on substantial secondary meaning within the American sports and entertainment communities, and, citing a handful of other cases involving celebrities, transferred the danmarino.com domain.<sup>145</sup> In *Israel Harold Asper v. Communication X Inc.*,<sup>146</sup> on the other hand, the panel found that the Executive Chairman of the Board of CanWest Global Communications Corp. lacked evidence of secondary meaning in his name, Israel Harold Asper, and could not satisfy the requirements of the UDRP's first prong.

Further clouding the issue, in *Bruce Springsteen v. Burgar*,<sup>147</sup> the panel questioned whether the UDRP had been drafted to cover personal names at all, and declined to address whether the name Bruce Springsteen had acquired sufficient secondary meaning to carry a UDRP complaint, denying transfer of <brucespringsteen.com> on other grounds. In response to this gap in the UDRP's effectiveness, many states enacted their own laws to prevent the registration of personal names as domain names.<sup>148</sup>

<sup>141</sup>WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition, *supra*, note 135.

<sup>142</sup>See, e.g., *Uniroyal Engineered Prods., Inc. v. Nauga Network Servs.*, WIPO Case No. D2000-0503 (Jul. 18, 2000). Several panel opinions, however, explain that a supplemental registration will not satisfy this prong because, as one WIPO panelist put it, “the registration of [a] mark on the supplemental register means that the USPTO did not find the mark distinctive, and instead determined that the mark is ‘capable of distinguishing’ upon acquisition of secondary meaning.” *PC Mall, Inc. v. Pygmy Computer Sys., Inc.*, WIPO Case No. D2004-0437 (Aug. 25, 2004) (denying transfer because the complainant failed to prove that the mark had acquired secondary meaning); see also *Mario Rodriguez BBS Technologies, Inc. v. Guangzhou Tianji Technology Co. Ltd Pengfei Zhang*, WIPO Case No. D2009-0477 (Dec. 11, 2008).

<sup>143</sup>See *supra*, note 135, WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition.

<sup>144</sup>WIPO Case No. D2000-0598 (Aug. 2, 2000).

<sup>145</sup>See also *Julia Fiona Roberts v. Russell Boyd*, WIPO Case No. D2000-0210 (May 29, 2000).

<sup>146</sup>WIPO Case No. D2001-0540 (June 11, 2001).

<sup>147</sup>WIPO Case No. D2000-1523 (Jan. 25, 2001).

<sup>148</sup>See *infra* §IX, addressing state laws governing domain name disputes.

As for the inquiry into the similarity between the domain name and trademark, the decisions interpreting the prong over the past decade suggest that the standard is both firmly-rooted in trademark law's concept of "likely confusion" and flexible enough to adapt to the evolving Internet environment (and the cybersquatters who populate it). For example, it is well-settled that "typosquatting" (registering misspellings of trademarks and brands as domain names, a trend that emerged in the late 1990's) will satisfy the confusingly similar prong.<sup>149</sup> Further, when assessing identity or similarity, panels have uniformly held that the TLD (*e.g.*, .com) should be ignored.<sup>150</sup> Creative domain owners, however, have tested this principle by combining domain levels to reproduce trademarks or other terms (*e.g.*, <goo.gl> or <del.icio.us>), and the principle may face additional scrutiny as ICANN approves new TLDs. Presented with a broad array of novel TLDs, domain name registrants might incorporate the TLD's characters to comprise or reproduce a trademark, complicating the analysis of confusing similarity.<sup>151</sup>

The issue whether an arbitration panel should weigh the various factors included in the principal likelihood of confusion tests seems clear on its face—neither ICANN's UDRP Policy nor its UDRP Rules require or even mention a likelihood of confusion analysis.<sup>152</sup> Some panels, however, have marched through the likelihood of confusion factors adopted by U.S. courts to provide context for a finding on the issue of similarity.<sup>153</sup>

#### b. *The Rights or Legitimate Interests Prong*

The second prong, requiring proof that the registrant does not have any rights or legitimate interests in the domain name, asks whether the domain name registrant simply should be left alone. As the respondent in *Mile, Inc. v. Michael Burg* explained, "At some point, a domain name registrant is entitled to quiet enjoyment of his domain name, free from the fear that a trademark owner can

---

<sup>149</sup>See, *e.g.*, Wachovia Corp. v. Peter Carrington, WIPO Case No.D2002-0775 (Oct. 2, 2002) (transferring wachovia.com, wachvia.com, and wachovai.com); Fuji Photo Film U.S.A., Inc. v. LaPorte Holdings, WIPO Case No.D2004-0971 (Jan 19, 2005) (transferring fujifilm.com).

<sup>150</sup>See, *e.g.*, Reese v. Morgan, FA 0917029 (Nat. Arb. Forum Apr. 5, 2007) (finding that the mere addition of a top-level domain is insufficient to differentiate a disputed domain name from a competing mark).

<sup>151</sup>See, *e.g.*, Kalaydjian v. Steinle, FA 0114371 (Nat. Arb. Forum Aug. 27, 2002) (finding the sex.shop domain identical to the registered trademark "SEX.SHOP," and further explaining that "given the existence and expected proliferation of registry operators . . . at some point in time, if not quite soon, the terms 'HUT' or 'DEPOT' will be available for registration as TLDs, hence leading to the domain names www.pizza.hut and www.home.depot. If a cybersquatter could readily and successfully argue that the terms 'PIZZA' and 'HOME,' being TLDs, were generic and hence not susceptible in and of themselves of being marks, then no trademark rights would be recognized in the names pizza.hut and home.depot when, in fact," these domain names will cause confusion).

<sup>152</sup>See, *e.g.*, Gateway, Inc. v. Pixelera.com, Inc., WIPO Case No. D2000-0109 (Apr. 6, 2000) (holding that gate-way.com is confusingly similar to the GATEWAY trademark on its face, and that there is no need to follow a likelihood of confusion analysis).

<sup>153</sup>See, *e.g.*, Arthur Guinness Son & Co. (Dublin) Ltd. v. Executive Prods. Ltd., WIPO Case No. D2000-1785 (Feb. 20, 2001) (applying the *Sleekcraft* test to determine that "guinnesspubs.com," "guinnesspubs.net," and "guinnesspubs.org" are confusingly similar to complainant's GUINNESS trademark).

take it from him [through] a UDRP [proceeding].”<sup>154</sup> While the overall burden of proving the registrant’s lack of rights or legitimate interests rests with the complainant, panels have recognized that this raises two significant problems: First, the prong sends the complainant on the often-impossible task of proving a negative, and second, proving a lack of rights requires information that is often primarily within the knowledge of the registrant.<sup>155</sup> Accordingly, panels have sought to balance the requirement, shifting the burden to the registrant domain name holder once the complainant makes a *prima facie* showing that the registrant lacks rights or legitimate interests.<sup>156</sup>

Apart from the issue of which party bears the burden of proving legitimate interests, there has been some conflict in authority concerning whether “domaineering”—the business of acquiring and monetizing domain names by using them to generate advertising revenue (essentially as an Internet billboard)<sup>157</sup>—constitutes a right or legitimate interest. In *Trade Me Limited v. Vertical Axis Inc.*, a case involving an owner of a famous trademark seeking transfer of an identical, parked domain name that had been registered two years prior to the trademark registration date, the panel confronted this issue head-on.<sup>158</sup> Taking into account the rather generic nature of the terms comprising the TRADE ME mark, the panel explained that because “the disputed domain name has been for [seven years] parked with [a] monetization service, there is a threshold issue of whether that amounts to use or preparations to use the disputed domain name by the Respondent. Whilst the issue is not beyond argument, we think that a use by which the Respondent receives revenue *can* be used by the Respondent, even if the Respondent never as it were takes ‘possession’ of its domain name and delegates to others the exercise of the rights attached to the domain name.”<sup>159</sup> While some other cases have taken an opposite tack altogether,<sup>160</sup> another recent decision suggests that the issue truly turns on the generic or descriptive nature of the subject mark or term. The *Paris Hilton v. Deepak Kumar* panel held that “if a registrant intends

<sup>154</sup>WIPO Case No. D2010-2011 (Feb. 7, 2011).

<sup>155</sup>WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition, *supra*, note 135.

<sup>156</sup>See, e.g., *Croatia Airlines d.d. v. Modern Empire Internet Ltd.*, WIPO Case No. D2003-0455 (Aug. 23, 2003) (holding that complainant Croatia Airlines met its burden by showing that (i) complainant had no relationship with the registrant, and had not authorized the registrant to use croatiaairlines.com, (ii) due to the ubiquity of complainant’s airline, registrant likely knew of the trademark, (iii) there was no evidence that registrant was known under the disputed domain name, and (iv) use of an identical domain name to attract attention of a trademark owner’s customers is not a *bona fide* use conferring rights to the domain registrant).

<sup>157</sup>Domaineering is distinguishable from some other forms of cybersquatting because domaineers do not aim to sell the domain name—those who speculate on domains, on the other hand, seek domain names that might fetch a large dollar amount at auction or if marketed to a particular company.

<sup>158</sup>WIPO Case No. D2009-0093 (Apr. 7, 2009).

<sup>159</sup>*Id.* (emphasis added).

<sup>160</sup>See, e.g., *Express Scripts, Inc. v. Windgather Invs. Ltd./Mr. Cartwright*, WIPO Case No. D2007-0267 (Apr. 26, 2007) (noting that the registrant “had apparently parked the Domain Name . . . and the advertisements on the site were generated by the parking company. In this way, the [registrant] allowed the parking company free reign over content. The Panel therefore finds that the [registrant] has no legitimate rights or interests in the Domain Name”).

to profit from the descriptive nature of the word or words in the domain name [of a parked advertising page] without intending to take advantage of a third party's rights and reputation in that term, then it may have a legitimate interest in the domain name.”<sup>161</sup> The panel further explained that the registrant has an affirmative duty to scrub the parked domain name of advertisements that lead to the third party's competitors, as those ads will cancel any legitimate interest borne out of the harmless advertising efforts.<sup>162</sup> As web businesses find ways to monetize nearly every corner of the Internet, it is possible that UDRP panels may increasingly reach results that favor transferring these parked domains to parties interested in putting them to productive use.

### c. The Bad Faith Prong

The bad faith prong of the UDRP analysis has been criticized as both amorphous and, awkward. In the first case decided under ICANN's UDRP, *World Wrestling Federation Entertainment, Inc. v. Bosman*, the registrant purchased worldwrestlingfederation.com and almost immediately contacted World Wrestling Federation Entertainment, Inc. explaining that “his primary purpose in registering the domain name was to sell, rent or otherwise transfer it to complainant for a valuable consideration.”<sup>163</sup> He offered to sell the domain for \$1,000.<sup>164</sup> Based on the barely-one month old ICANN UDRP, World Wrestling Federation Entertainment, Inc., filed a complaint alleging bad faith and seeking transfer of the domain name.<sup>165</sup> The WIPO arbitration panel walked through the first two prongs of the ICANN Policy, finding that the domain name was identical to the complainant's valid trademark registrations for WORLD WRESTLING FEDERATION, and that the registrant had no rights or legitimate interests in the domain name.<sup>166</sup>

The panel, however, was left with the prickly task of unpacking the ICANN Policy's third prong, requiring that “the name must not only be registered in bad faith, but it must also be used in bad faith.”<sup>167</sup> Despite the rather straightforward facts in *World Wrestling Federation Entertainment, Inc. v. Bosman*—indeed, ICANN created its UDRP “to provide a fast and cheap means for resolving domain name disputes” involving illicit registration schemes like Bosman's<sup>168</sup>—the arbitration panel paused to consider the distinction between *registration* in bad faith, on one hand, and *use* in bad faith on the other. The panel asked whether a registrant's failure to “establish a Web site corresponding to the registered

---

<sup>161</sup>Paris Hilton v. Deepak Kumar, WIPO Case No. D2010-1364 (Sept. 23, 2010).

<sup>162</sup>*Id.*

<sup>163</sup>WIPO Case No. D1999-001 (Jan. 14, 2000).

<sup>164</sup>*Id.*

<sup>165</sup>*Id.*

<sup>166</sup>*Id.*

<sup>167</sup>*Id.*

<sup>168</sup>American Girl, L.L.C. v. Nameview, Inc., 381 F. Supp. 2d 876, 883 (E.D. Wis. 2005) (The court recommended that the plaintiff seek transfer of the “typosquatted” www.amercangirl.com domain through ICANN's UDRP, explaining that “[t]he UDRP is an administrative alternative dispute resolution policy which creates a procedure specifically designed to provide a fast and cheap means for resolving domain name disputes. On average, it takes no more than two months to resolve a domain name dispute under the UDRP.”) (internal citations omitted).

domain name” can amount to “using” the domain name at all, let alone using the domain in bad faith.<sup>169</sup> Consulting ICANN’s published list of potential factors indicating a registrant’s “bad faith,”<sup>170</sup> the panel held that regardless of the nature of the website’s content—or lack thereof, as the case may be—the bad faith use requirement is satisfied where the registrant obtained “the domain name primarily for the purpose of selling, renting or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark . . . for valuable consideration in excess of the documented out-of-pocket costs directly related to the domain name.”<sup>171</sup> Having determined that World Wrestling Federation Entertainment, Inc.’s complaint satisfied all three prongs of the UDRP, the panel ordered that the registrar transfer the domain to plaintiff.<sup>172</sup>

Rather than answering a question as to how the UDRP should be interpreted, *Bosman* presaged multiple strings of cases that grappled with the distinction between bad faith registration and bad faith use of a domain name. A line of panel decisions challenged the notion that the UDRP conferred any requirement of bad faith at the time of registration whatsoever,<sup>173</sup> treating the inquiry into whether “the registrant registered the domain name and is using it in ‘bad faith’” as a “unified concept.” More recently, however, panels have returned to reading the prong as a pair of requirements to be proven separately. In *Mile, Inc.*, although the complainant was able to prove bad faith *use* of lionsden.com based on the lack of content at the site for nearly 15 years, the registrant won the right to retain the domain name because the complainant failed to come up with any evidence that the website was registered in bad faith at the outset in 1995.<sup>174</sup>

---

<sup>169</sup>*World Wrestling Fed’n Entm’t, Inc. v. Bosman, supra*, note 163.

<sup>170</sup>See ICANN Policy, *supra*, note 118 at Paragraph 4(b)(i)–(iv). “For the purposes of Paragraph 4(a)(iii), the following circumstances, in particular but without limitation, if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith: (i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or (ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or (iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or (iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.”

<sup>171</sup>*World Wrestling Fed’n Entm’t, Inc. v. Bosman, supra*, note 163. See also ICANN Policy, *supra*, note 118 at Paragraph 4(b)(i).

<sup>172</sup>*Id.*

<sup>173</sup>See, e.g., *City Views Limited v. Moniker Privacy Services / Xander, Jeduyu, ALGEBRALIVE, WIPO Case No. D2009-0643 (“Mummygold”) and Octogen Pharmacal Co. v. Domains By Proxy, Inc. / Rich Sanders and Octogen e-Solutions, WIPO Case No. D2009-0786 (“Octogen”); see also Ville de Paris v. Jeff Walter, WIPO Case No. D2009-1278; Jappy GmbH v. Satoshi Shimoshita, WIPO Case No. D2010-1001.*

<sup>174</sup>*Mile, Inc. v. Michael Burg, WIPO Case No. D2010-2011 (Feb. 7, 2011).*

The complainant's burden of proving bad faith at two intervals has impacted the outcome of UDRP cases premised on a variety of other novel fact patterns and circumstances, too. Where a party purchases a portfolio or batch of registered domain names from a seller, at least one case has held that the change in control over the domain names amounts to a "new registration," so bad faith must be proven at the time of purchase and during the period of subsequent use.<sup>175</sup> Echoing this interpretation, a line of UDRP decisions has emerged treating the mere *renewal* of a domain name registration—a process that requires a few clicks or finger taps, and in some cases is entirely automatic—as a "new registration."<sup>176</sup> Accordingly, even when a registrant purchased a domain name prior to the trademark owner claiming any rights to the mark whatsoever, the trademark owner can establish a "bad faith registration" in a UDRP proceeding by relying on the condition of the website and the registrant's knowledge of the subject trademark at the time of renewal.

Other panel decisions seem to be aimed at relaxing the threshold of bad faith that a complainant must show in order to succeed. In *Thiercelin v. Medicalexpo.com*, for example, a Czech Arbitration Court panel addressed a complainant's request to transfer medicalexpo.com, premised on his nine-month-old Community Trademark registration for "MEDICAL EXPO."<sup>177</sup> At the outset of the proceeding in April 2011, the registrant had owned the domain name for at least a decade, though no web content had ever appeared at the domain.<sup>178</sup> Applying a particularly liberal interpretation of bad faith requirement, the panel held:

If one is in good faith when registering a domain name, then the intention is understandably to use it for the purposes of one's business or activity. If it remains unused for an unreasonable length of time then such registration is open to accusation of constituting "passive holding." Irrespective of whether the domain name was registered before or after some of the Complainant's marks, the current holder of the domain name does not seem to have used it or currently be using it.<sup>179</sup>

To the extent trademark owners are looking for favorable panels, the *Thiercelin* decision may be an indication that the Czech Arbitration Court views the claims of trademark owners favorably.

### ***3. The Registrant's Response***

#### *a. Available Defenses*

The UDRP Policy sets out three defenses available to a registrant in a UDRP proceeding: First, the registrant can claim that prior to notice of the dispute, it had either used or made "demonstrable preparations to use" the domain name to

---

<sup>175</sup>See *Ticketmaster Corp. v. Global Access*, WIPO Case No.D2007-1921 (Feb. 13, 2008).

<sup>176</sup>See, e.g., *Eastman Sporto Group LLC v. Jim & Kenny*, WIPO Case No. D2009-1688 (Mar. 1, 2010).

<sup>177</sup>*Thiercelin v. Medicalexpo.com*, Case No. 100235 (ADR Ctr. of the Czech Arb. Ct., April 5, 2011), [http://www.adr.eu/adr/decisions/decision.php?dispute\\_id=100235](http://www.adr.eu/adr/decisions/decision.php?dispute_id=100235).

<sup>178</sup>*Id.*

<sup>179</sup>*Id.*

offer goods or services.<sup>180</sup> The offer of goods and services must have been *bona fide*. While a parked or pay-per-click page typically will not satisfy the “*bona fide* offer” requirement, a reseller or distributor of trademark goods may be able to make use of this defense, depending on the facts.<sup>181</sup> Second, a registrant can prove that it is commonly known by the domain name, regardless of whether it has any trademark rights to the name.<sup>182</sup> Third, the registrant may show that it is “making a legitimate noncommercial or fair use of the domain name without intent for commercial gain.”<sup>183</sup>

### *b. Panel Reactions to Contrived Responses*

The flexibility of the UDRP process, moreover, appears to leave room for a registrant to tell the arbitration panel some plausible story as to why she should walk away with the subject domain name registration intact. For example, in *Rockport Boat Line Ltd. v. Gananoque Boat Line Ltd.*, the registrant of <rockportboatline.com> convinced a retired Kentucky Circuit Court judge that it had legitimate rights in the name, thereby defeating complainant Rockport Boar Line Ltd.’s challenge.<sup>184</sup> Gananoque successfully argued that because its five year business plan called for expansion of its boat tour services, and because its current offices were located two miles from Rockport, it held a legitimate interest in the <rockportboatline.com> domain.<sup>185</sup> Gananoque retained the registration, notwithstanding the domain name’s similarity to Rockport Boat Line’s trademark and Rockport Boat Line’s offices in Rockport.<sup>186</sup>

Panelists, however, are growing skeptical of these contrived explanations, regardless of how clever they might seem. In *Pearson Education, Inc. v. Pearson Career, Inc.*, for example, the registrant had purchased a handful of infringing domain names and immediately established a business behind those domains, ostensibly in an effort to foster a legitimate interest in the name “Pearson.”<sup>187</sup> After denying that they had chosen the Pearson Career name and three corresponding domain names in an effort to trade on the complainant’s reputation under its family of PEARSON marks, the owners of Pearson Career, Inc., insisted that “the company name Pearson Career, Inc.” was selected following a “significant religious experience” of the founder: “As part of that experience he actually came to believe that the name of his company should be based on the sufferings of Jesus Christ. In his mind he began to think of the term ‘pierce the son.’ Recognizing that

<sup>180</sup>ICANN Policy, *supra*, note 118.

<sup>181</sup>WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition, *supra* note 135.

<sup>182</sup>ICANN Policy, *supra*, note 20.

<sup>183</sup>*Id.* For a thorough analysis of fair use issues on the internet, see Chapter 7.X, “Nominative Fair Use and The Internet.”

<sup>184</sup>FA 0094653 (Nat. Arb. Forum May 10, 2000).

<sup>185</sup>*Id.*

<sup>186</sup>*Id.*

<sup>187</sup>Case No. D2011-0938 (July 22, 2011).

the name was too much for that marketplace in the United States he then decided to call the company ‘Pearson.’”<sup>188</sup> The panel found no evidence supporting this claim and transferred the domain names to Pearson Education in due course.

## F. Conclusion

On one hand, despite oft-written criticisms of biases in ICANN’s UDRP and calls for reform, reading a handful of UDRP decisions would probably leave most trademark attorneys and commentators nodding their heads in agreement with the outcome, at least with seven or eight of ten. Practically speaking, the system is not as “broken” as some might lead us to believe. On the other hand, and probably more importantly, despite the champions who tout its effectiveness and efficiency, ICANN’s UDRP process is likely an over-used dispute resolution mechanism—a sword drawn regularly to fight illusory wars on the Internet. Consider typosquatting, for example: General counsel at the Flamingo Las Vegas might see a domain like <flamngolasvegas.com> and assume the worst—i.e., 300,000 people per year are stumbling onto a parked site when they came to the internet to browse my luxury suites, and once they land on the parked page, 200,000 clicked on competitor advertisements rather than re-typing the URL into their browsers. This simply is not the case. In reality, typosquatted and cybersquatted sites likely receive less than 200 hits per month. What’s more, the registrant pays less than \$25.00 per year to maintain the typosquatted site, and the moment that the brand owner has finished navigating the UDRP process to reclaim <flamngolasvegas.com>, the typosquatter has applied to purchase <flamingoolasvegas.com>.

The benefits to the cybersquatters and typosquatters are clear. Consider a parked site that redirects visitors to a popular travel reservation website. In addition to the \$1/click-through that a parked site can generate automatically, many sites *receiving* “redirect” or “click-through” visitors pay up to 10% of the value of a hotel booking or an airline ticket, for example, to the owner of the site that forwarded the consumer. So after making \$5 on the five consumers who land at <flamingoolasvegas.com> and click through to the travel reservation site each month, the registrant stands to make \$80 when one—just one—consumer purchases a hotel room in Aspen for the weekend at \$800. Over the course of the year, the registrant of <flamingoolasvegas.com> might make \$1020 simply by hosting a parked page. Subtracting the \$25.00 per year registration fee, the registrant nets a satisfying profit considering the labor she has contributed (nearly none, of course). Once the registrant buys 10,000 domains in the style of <flamingoolasvegas.com>, she has a small business on her hands.

Now consider the general counsel at the Flamingo Las Vegas. The hotel’s business is barely harmed by the 200 hits per month, if it is harmed at all. As noted above, the war is illusory, and considering that the UDRP process can cost upwards of \$5,000—possibly more if a complainant runs up against an aggressive registrant—the sword can be expensive.

---

<sup>188</sup>*Id.*

Finally, the entire problem of cybersquatting and its variations, real or perceived, will compound once ICANN issues its new TLDs in 2012. Each TLD will foster its own community of cybersquatters, and the registries administering those new TLDs will be responsible for instituting their own domain name dispute resolution policies and appointing arbitration providers to rule on those disputes.

The UDRP process works when it needs to—e.g., when a company creates a new brand, registers the trademark, and discovers that the domain name is parked. However, unless major brand owners are ready to allocate hundreds of thousands of dollars yearly to a systematic program of UDRP complaints targeting cybersquatting, the infringements will persist, and brand owners will be left to decide when, and whether, the war over domain names is worth fighting.

## IV. THE ANTI-CYBERSQUATTING CONSUMER PROTECTION ACT<sup>189</sup>

### A. Overview

Known as the “Internet version of a land grab,”<sup>190</sup> cybersquatting is the practice of registering a domain name that contains or is confusingly similar to a well-known trademark of another for the purpose of making a profit.<sup>191</sup> To deter cybersquatting, Congress enacted the Anti-Cybersquatting Consumer Protection

---

<sup>189</sup>This section was written by Holly Gaudreau of Kilpatrick Townsend and Stockton, LLP. Ms. Gaudreau graduated from the University of San Francisco Law School in 2000.

<sup>190</sup>Interstellar Starship Servs., Ltd. v. Epix, Ltd., 304 F.3d 936, 946 (9th Cir. 2002).

<sup>191</sup>See, e.g., Sporty’s Farm LLC v. Sportman’s Market, 202 F.3d 489, 493 (2d Cir. 2000) (“Since domain name registrars do not check to see whether a domain name request is related to existing trademarks, it has been simple and inexpensive for any person to register as domain names the marks of established companies. This prevents use of the domain name by the mark owners, who not infrequently have been willing to pay ‘ransom’ in order to get ‘their names’ back.”) (internal citations omitted); DaimlerChrysler v. The Net Inc., 388 F.3d 201, 204 (6th Cir. 2004) (cybersquatting occurs “when a person other than the trademark holder registers the domain name of a well known trademark and then attempts to profit from this by either ransoming the domain name back to the trademark holder or by using the domain name to divert business from the trademark owner to the domain name holder.”); Shields v. Zuccarini, 2001 U.S. App. LEXIS 13288, at \*14 (3d Cir. 2001) (finding violation of ACPA because defendant “deliberately maintains . . . domain names to divert customers from Shield’s website” and thus “harms the goodwill associated with the mark.”); Bellagio v. Denhammer, 2001 U.S. Dist. LEXIS 24764, at \*5–6 (D. Nev. 2001) (ACPA violation when defendant used “Bellagio” mark on hotel reservation service website diverting customers seeking Bellagio’s website); Utah Lighthouse Ministry v. Foundation for Apologetic Info. & Research, 527 F.3d 1045, 1058 (10th Cir. 2008) (Although the “quintessential example” of bad faith intent to profit is “when a defendant purchases a domain name very similar to the trademark and then offers to sell the name to the trademark owner at an extortionate price,” a defendant can also have a bad faith intent to profit “by diverting customers from the website of the trademark owner to the defendant’s own website, where those consumers would purchase the defendant’s products or services instead of the trademark owner’s”). For these reasons, it has been suggested that the ACPA may be sufficient to resolve cases involving initial interest confusion. See David M. Klein & Daniel C. Glazer, *Reconsidering Initial Confusion On The Internet*, THE TRADEMARK REPORTER, Vol. 93, at 1052–55 (2003).

Act (the “ACPA”) in 1999 as an amendment to the Lanham Act.<sup>192</sup> As one court observed: “The paradigmatic harm that the ACPA [was] enacted to eradicate was the practice of cybersquatters registering several hundred domain names in an effort to sell them to the legitimate owners of the mark.”<sup>193</sup>

A trademark owner bringing a claim under the ACPA must establish that (1) it has a valid trademark entitled to protection;<sup>194</sup> (2) its mark is distinctive or famous; (3) the defendant’s domain name is identical or confusingly similar to the owner’s mark;<sup>195</sup> and (4) the defendant used, registered or trafficked in the domain name; (5) with a bad faith intent to profit.<sup>196</sup>

Under the ACPA, “the fact that confusion about a website’s source or sponsorship could be resolved by visiting the website is not relevant to whether the domain name itself is identical or confusingly similar to a plaintiff’s mark.”<sup>197</sup> The statute expressly provides for liability “without regard to the goods or services of the parties.”<sup>198</sup> As such, the comprehensive likelihood of confusion analysis in a trademark infringement case is largely irrelevant to a claim under the ACPA.<sup>199</sup>

---

<sup>192</sup>Pub. L. No. 106-113, 113 Stat. 1501A-545 (codified at 15 U.S.C. §1125(d)). In contrast, the elements of a traditional trademark claim are described in Chapter 7.I, “The Elements of a Trademark Claim.” The Senate Judiciary Committee identified several harms resulting from cybersquatting, “most importantly” among them, how cybersquatters “target distinctive marks to defraud consumers, including to engage in counterfeiting activities.” Examples of this practice cited by the Committee included cybersquatters’ registration of “attphonecard.com” and “attcallingcard.com” to “establish sites purporting to sell calling cards and soliciting personally identifying information,” as well as use of the name “levis501warehouse.com to sell Levis jeans despite the fact that Levis is the only authorized online reseller of its jeans.” S. REP. NO. 106-140, August 5, 1999, at 5–6.

<sup>193</sup>Lucas Nursery & Landscaping, Inc. v. Grosse, 359 F.3d 806, 810 (6th Cir. 2003)

<sup>194</sup>The ACPA also provides limited protection for personal names registered as domain names. See 15 U.S.C. §1129. See §IX.B, *infra*, for discussion of state laws regarding domains.

<sup>195</sup>Newport News Holdings Corp. v. Virtual City Vision, Inc., 2011 U.S. App. LEXIS 7883, at \*25 (4th Cir. 2011) (“The question under the ACPA is . . . whether the domain names which [the defendant] registered . . . are identical or confusingly similar to a plaintiff’s mark.”) (internal citation omitted)). It is well established that slight differences between the domain name and the mark at issue generally will not prevent a finding of confusing similarity. See, e.g., Shields v. Zuccarini, U.S. App. LEXIS 13288, at \*14 (3d Cir. 2001) (“confusingly similar” under the ACPA includes “intentional registration of domain names that are misspellings of distinctive or famous names, causing an Internet user who makes a slight spelling or typing error to reach an unintended site.”); Ford Motor Co. v. Great Domains.com, Inc., 177 F. Supp. 2d 635, 641 (E.D. Mich. 2001) (“courts consistently have found that ‘slight differences between domain names and registered marks, such as the addition of minor or generic words to the disputed domain names are irrelevant.’”) (internal citations omitted)).

<sup>196</sup>McCarthy §25:78 (4th ed. 2011).

<sup>197</sup>Newport News Holdings Corp. v. Virtual City Vision, Inc., 2011 U.S. App. LEXIS 7883, at \*25–26 (4th Cir. 2011); Coca-Cola Co. v. Purdy, 382 F.3d 774, 783 (8th Cir. 2004); Super-Krete International, Inc v. Sadlier, 712 F. Supp. 2d 1023, 1031 (C.D. Cal. 2010) (“A court should not look beyond the domain name to consider the content of the website” in a claim under the ACPA.)

<sup>198</sup>15 U.S.C. §1125(d)(1)(A).

<sup>199</sup>Coca-Cola Co. v. Purdy, 382 F.3d 774, 783 (8th Cir. 2004) (“The inquiry under the ACPA is thus narrower than the traditional multifactor likelihood of confusion test for trademark infringement.”); Northern Light Technology, Inc. v. Northern Lights Club, 236 F.3d 57 n.14 (1st Cir. 2001) (“‘likelihood of confusion’ test of trademark infringement is ‘more comprehensive’ than the ‘identical or confusingly similar’ requirement of ACPA, as it requires considering factors beyond the facial similarity of the two marks.”) (internal cite omitted)).

The first appellate decision applying the ACPA illustrates how the use of a domain name in connection with goods unrelated to the brand owner's business can still give rise to liability under the statute. In *Sporty's Farm LLC v. Sportman's Market, Inc.*,<sup>200</sup> the U.S. Court of Appeals for the Second Circuit held that defendant's use of "sportys.com" for a website selling Christmas trees was "confusingly similar" to plaintiff's use of "sporty's" in connection with its aviation catalog and products, a completely different type of business. The district court had found that plaintiff's mark for "sporty's" was famous under the federal dilution statute and thus enjoined defendant's use of "sportys.com" as a domain name.<sup>201</sup> While the appeal was pending, Congress enacted the ACPA. The Second Circuit, therefore, applied the law retroactively to affirm the injunction, holding that defendant acted with the requisite bad faith intent to profit.<sup>202</sup> The "most important grounds" for finding a violation of the ACPA included defendant's plan to compete in the aviation business; registration of the domain name to keep plaintiff from acquiring it; and creation of a completely unrelated business under the domain name in an attempt to protect itself from any challenge of "likelihood of confusion."<sup>203</sup>

What constitutes "registration" under the ACPA is also a consideration. One circuit court recently held that the ACPA applies only to the initial registration of the domain name, not re-registration of the domain by a new registrant. In *GoPets, Ltd. v. Hise*,<sup>204</sup> defendant registered his gopets.com website five years before plaintiff filed a trademark application for the "gopets" mark. Plaintiff attempted to purchase the domain name from defendant, but no agreement was ever reached.<sup>205</sup> Defendant later transferred the "gopets" registration from himself to a company partly owned by him.<sup>206</sup> Plaintiff argued that this "re-registration" violated the ACPA because, by that time, plaintiff's GoPets mark had become distinctive.<sup>207</sup>

The U.S. Court of Appeals for the Ninth Circuit disagreed. Analyzing the question under principles of property law, the court reasoned: "We see no basis in [sic] ACPA to conclude that a right that belongs to an initial registrant of a currently registered domain name is lost when that name is transferred to another owner. The general rule is that a property owner may sell all of the rights he holds in property. GoPet Ltd.'s proposed rule would make rights of many domain names effectively inalienable, whether the alienation is by gift, inheritance, sale,

---

<sup>200</sup>202 F.3d 489 (2d Cir. 2000).

<sup>201</sup>202 F.3d at 494–95. As discussed *infra* in Chapter 7.I, "The Elements of a Trademark Claim," the Federal Dilution Act was the preferred means for attacking cybersquatting before enactment of the ACPA.

<sup>202</sup>*Id.* at 501.

<sup>203</sup>*Id.* at 499.

<sup>204</sup>2011 U.S. App. LEXIS 19405 (9th Cir. 2011).

<sup>205</sup>2011 U.S. Dist. LEXIS 19405, at \*2–6.

<sup>206</sup>*Id.* at \*7.

<sup>207</sup>*Id.* at \*12.

or other form of transfer. Nothing in the text or structure of the statute indicates that Congress intended that rights in domain names should be inalienable.”<sup>208</sup>

Prior to *GoPets, Ltd.*, the U.S. Court of Appeals for the Third Circuit in *Schmidheiny v. Weber* was the only circuit court to address the issue of re-registration under the ACPA. In that case, defendant registered the domain name, consisting of plaintiff’s name, before the enactment of the ACPA. The Third Circuit held that defendant’s subsequent re-registration of the domain name to his corporation was a “registration” within the statute and thus actionable.<sup>209</sup>

Citing *Sporty’s Farm LLC v. Sportman’s Market*,<sup>210</sup> the Ninth Circuit in *GoPets, Ltd.* criticized *Schmidheiny*, stating that the Third Circuit erred when it assumed that the initial registration did not give rise to liability simply because it occurred before the ACPA took effect.<sup>211</sup> The Ninth Circuit stated that in the Third Circuit’s attempt to find liability under the ACPA, the court reached the wrong result by holding that re-registration was actionable: “If [defendant’s] initial registration violated [the ACPA], as we would hold it did, the Third Circuit’s concern evaporates.”<sup>212</sup>

Perhaps the most litigated element of the ACPA is a registrant’s alleged bad faith intent to profit from the domain name. The requisite bad faith intent to profit can arise either at the time of the registration or anytime afterward.<sup>213</sup> The ACPA has enumerated a list of non-exhaustive factors to help guide the courts in determining if such bad faith intent to profit exists.<sup>214</sup>

---

<sup>208</sup>*Id.* at \*16–17. Cf. *Schmidheiny v. Weber*, 319 F.3d 581, 585 (3d Cir. 2003) (“registration” within the ACPA “includes a new contract at a different registrar and to a different registrant”).

<sup>209</sup>*Schmidheiny*, 319 F.3d at 583.

<sup>210</sup>202 F.3d 489 (2d Cir. 2000).

<sup>211</sup>*GoPets, Ltd.*, 2011 U.S. App. LEXIS 19405, at \*16.

<sup>212</sup>*Id.*

<sup>213</sup>See 4 MCCARTHY §25:78.

<sup>214</sup>The statute provides that the court “may” consider the following factors:

(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; (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.

These factors include whether the defendant has registered multiple other domain names confusingly similar to other marks, or intends to divert customers away from the mark owner.<sup>215</sup> As one district court put it: “Although an offer to sell a domain name does not by itself evidence unlawful trafficking, an exorbitant offer (i.e., one far beyond any out-of-pocket-costs associated with registering and maintaining the domain names) by a licensee who had no right to use the domain names in the only way he had ever used them supports a finding of bad faith intent to profit.”<sup>216</sup> Bad faith intent to profit under the ACPA, however, may not be found if the defendant “believed and had reasonable grounds to believe that use of the domain name was a fair use or otherwise lawful.”<sup>217</sup>

The ACPA also authorizes domain name registrants to sue “overreaching trademark owners” for injunctive relief and/or damages if the owners engage in “reverse domain name hijacking.”<sup>218</sup> To prevail on such a claim for injunctive relief under 15 U.S.C. §1114(2)(D)(v), the domain name registrant must establish that its action was not “unlawful” under the Lanham Act; a finding of bad faith on the part of the trademark owner for bringing the ACPA claim against the registrant is not required.<sup>219</sup> The U.S. Court of Appeals for the Fourth Circuit adjudicated such a claim in *Barcelona.com v. Excelentisimo Ayuntamiento De Barcelona*.<sup>220</sup>

<sup>215</sup>15 U.S.C. §1125(d)(1)(B)(i)(I)–(IX). *See, e.g.*, Sporty’s Farm LLC v. Sportman’s Market, Inc., 202 F.3d 489, 498 (2d Cir. 2000) (noting these factors are “expressly described as indicia that ‘may’ be considered along with other facts.”); Southern Grouts & Mortars, Inc. v. 3M Co., 575 F.3d 1235, 1244 (2d Cir. 2000); Virtual Works, Inc. v. Volkswagen of America, Inc., 238 F.3d 264, 270 (4th Cir. 2001) (“the ACPA allows a court to view the totality of the circumstances in making the bad faith determination”).

<sup>216</sup>*See* 15 U.S.C. §1125(d)(1)(B)(i)(I)–(IX).

<sup>217</sup>Sound Surgical Technologies, LLC v. Rubenstein, 734 F. Supp. 2d 1262, 1277 (M.D. Fl. 2010) (granting preliminary injunction under ACPA claim); *see also* Virtual Works, Inc. v. Volkswagen of Am., Inc., 238 F.3d 264, 270–71 (4th Cir. 2001) (The fact that “VW” were defendant company’s initials did not trump finding of bad faith intent because defendant also “foresaw the ability to profit from the natural association of vw.net with the VW mark.”); E.&J. Gallo Winery v. Spider Webs Ltd., 129 F. Supp. 2d 1033, 1044 (S.D. Tex 2001) (bad faith intent to profit because domain name bore no resemblance to the defendant).

<sup>218</sup>15 U.S.C. §1125(d)(1)(B)(ii); *see also* March Madness Athletic Ass’n, LLC v. Netfire, Inc., 310 F. Supp. 2d 786, 814 (N.D. Tex. 2003) (defendant did not have “reasonable grounds” for his mistaken belief that registering “marchmadness.com” was lawful); In re Mohammad Gharbi v. Gharbi, 2011 Bank. LEXIS 864, at \*17–18 (W.D. Tex. 2011) (“reasonable grounds” safe harbor defense did not immunize defendant who continued use of the Century 21 mark after termination of the franchise.)

<sup>219</sup>15 U.S.C. §1114(2)(D)(v); *4 McCARTHY* §§25:73.80; 25:74.75; 25:78.

<sup>220</sup>15 U.S.C. §1114(2)(D)(v); *4 McCARTHY* §25:73.80; *see also* *Barcelona.com v. Excelentisimo Ayuntamiento De Barcelona*, 330 F.3d 617, 628 n.2 (4th Cir. 2003) (noting that the ACPA provides that the registrant may seek relief if its registration or use of the domain name is not unlawful under “this Act” (113 Stat. 1501A-550, §3004). However, upon codification under the law at 15 U.S.C. §1114(2)(D)(v), the term became “this chapter.”) There is some split in authority on whether a registrant must show that its actions were not unlawful either the Lanham Act or only the ACPA. *See, e.g.*, Ricks v. BMEzine.com, 727 F. Supp. 2d 936, 959, 966 (D. Nev. 2010) (acknowledging split in authority on whether registrant must show its actions were unlawful under the Lanham Act or only the ACPA. Concluding that it was sufficient for registrant to show its conduct was only not unlawful under the ACPA, the court granted summary judgment in favor of the mark owner because the registrant was unable to establish that it did not violate the ACPA as a matter of law.).

<sup>221</sup>330 F.3d 617.

In deciding that U.S. law, not Spanish law, applied to a registrant's claim for reverse domain name hijacking, the court held that the registrant was entitled to relief because it did nothing unlawful by registering and using "barcelona.com," a descriptive geographical term without trademark protection.<sup>221</sup>

A domain name registrant can also seek damages for reverse domain name hijacking under a separate subsection of the ACPA, 15 U.S.C. §1114(2)(D)(iv). If a domain name registration authority refuses to register or cancels or transfers a domain name based on a "knowing and material misrepresentation" by another person challenging that the domain name is "identical to, confusingly similar to, or dilutive of a mark," the challenger can be held liable for costs and attorneys' fees incurred by the registrant as a result.<sup>222</sup> The U.S. District Court for the Northern District of Texas found in favor of the alleged cybersquatter under this provision in a decision analyzing, for the first time, whether use of subdomains (i.e., third level domains) generated by Wildcard DNS is actionable under the ACPA. In *GoForIt Entertainment, LLC v. Digimedia.com, L.P.*,<sup>223</sup> the trademark owner brought suit under the ACPA, alleging that defendants used its mark, "goforit," as a subdomain (e.g., GoForIt.com.org) in connection with defendants' websites for the purpose of generating revenue through a "pay-per-click" advertising scheme from the redirected Internet traffic.<sup>224</sup> Defendants asserted a counterclaim under 15 U.S.C. §1114(2)(D)(iv). Without considering defendants' alleged bad faith intent to profit, the court dismissed plaintiff's cybersquatting claim on summary judgment, holding that the third level domain names were not "registered with or assigned by" a domain name registrant and thus did not fall within the definition of "domain name" in the ACPA.<sup>225</sup> The court denied plaintiff's summary judgment on defendants' reverse domain name hijacking counterclaim on the same grounds.<sup>226</sup>

---

<sup>221</sup>330 F.3d at 628–29. *See also* *Harrison v. Microfinancial, Inc.*, 2005 U.S. Dist. LEXIS 2804, at \*13–14 (D. Mass. 2005) (denying registrant's motion for summary judgment on its reverse domain hijacking claim because he violated the ACPA). Cases on reverse domain name claims often address whether federal courts have subject matter jurisdiction to hear the claim. *See, e.g.*, *Sallen v. Corinthians Licenciamientos LTDA*, 273 F.3d 14, 41–42 (1st Cir. 2001) (holding that there is jurisdiction over registrant's reverse domain hijacking claim; reversing and remanding proceedings); *Hawes v. Network Solutions, Inc.*, 337 F.3d 337, 387 (4th Cir. 2003) (holding that registrant has alleged a cause of action for reverse domain hijacking to be heard by the district court, though noting "we do not imply whether he will succeed in his further prosecution of this action."); *Storey v. Cello Holdings, LLC*, 347 F.3d 370, 382 n.9 (2d Cir. 2003) (holding there is subject matter jurisdiction to hear reverse domain name hijacking claim; further noting, "Because our holding would be identical regardless of our choice [whether "Act" in the statute refers to the ACPA or the Lanham Act], as the Lanham Act includes the ACPA, we assume but do not decide that 'this Act' refers to the ACPA.").

<sup>222</sup>Injunctive relief to reactivate or transfer the domain name is also available under this provision. 15 U.S.C. §1114 (2) (D) (iv); *see also* 4 MCCARTHY §25:73:80.

<sup>223</sup>750 F. Supp. 2d 712 (N.D. Tex. 2010).

<sup>224</sup>*Id.* at 717.

<sup>225</sup>*Id.* at 724.

<sup>226</sup>*Id.* at 737. The court later awarded as damages for defendants' counterclaim the equivalent of defendants' attorneys' fees incurred from the beginning of the action until the date that defendants' domain names were "unlocked." The court, however, did not find the case "exceptional" to warrant a separate award of attorneys' fees. *See GoForIt Entm't, LLC v. Digimedia.com, L.P.*, 2011 U.S. Dist. LEXIS 66929, at \* 3 (N.D. Tex. 2011).

The ACPA also provides a safe harbor from liability for domain name registrars if they participate in the administration of domain names pursuant to a “reasonable policy” consistent with the purposes of trademark law.<sup>227</sup>

## B. The ACPA and the UDRP Compared

Trademark owners have the option of pursuing relief from cybersquatting through the ACPA, the Uniform Dispute Name Resolution Policy (UDRP),<sup>228</sup> or both. The remedies under each are not mutually exclusive,<sup>229</sup> and the losing party in a UDRP proceeding can challenge the panel’s ruling in federal court under the ACPA.<sup>230</sup> It is also well established that UDRP decisions are not binding on federal courts.<sup>231</sup> Thus, an unfavorable ruling for a trademark owner in a UDRP proceeding does not necessarily preclude its successful action under the ACPA.<sup>232</sup> Indeed, the U.S. Court of Appeals for the Fourth Circuit—the site of many ACPA disputes in connection with resident domain administrators—has characterized UDRP rulings as “not more than an agreed-upon administration that is *not* given any deference under the ACPA.”<sup>233</sup>

To ensure its enforcement objectives are met, a brand owner would be well advised to consider the differences between the two forums before embarking on either path.

---

<sup>227</sup>Barcelona.com, Inc., 330 F.3d at 624–25 (citing 15 U.S.C. §1114(2)(D)(i)–(iii)); *see also* Lockheed Martin Co. v. Network Solutions, Inc., 141 F. Supp. 2d 648, 654–55 (N.D. Tex. 2001) (domain name registrars functioning solely as a registrar or registry is immune from liability under ACPA); Ford Motor Co. v. Great Domains.com, Inc., 177 F. Supp. 2d 635, 645, 647 (E.D. Mich. 2001) (granting defendant registrar’s motion to dismiss contributory liability under the ACPA; “only persons directly transferring or receiving a property interest in domain names can be liable as cybersquatters.”); *cf.* Transamerica Corp. v. Moniker Online Servs., LLC, 672 F. Supp. 2d 1353, 1366 (S.D. Fla. 2009) (denying defendant registrars’ motion to dismiss, finding that plaintiff’s allegations “satisfy the requirement that defendants acted as more than registrars so as to strip them of immunity under the ACPA.”). Registrar immunity is discussed above in §II.

<sup>228</sup>*See supra* §III.

<sup>229</sup>American Online Latino v. American Online, Inc., 250 F. Supp. 2d 351, 358 (S.D.N.Y. 2003).

<sup>230</sup>UDRP Policy, Paragraph 4(k). *See also supra* §III.

<sup>231</sup>*See, e.g.*, Storey v. Cello Holdings LLC, 347 F.3d 370, 382 (2d Cir. 2003) (adverse outcome in UDRP proceeding has no preclusive effect in later ACPA suit)

<sup>232</sup>*See, e.g.*, Newport News Holding Corp. v. Virtual City Vision, 2011 U.S. App. LEXIS 7883 (4th Cir. 2011) (finding in favor of trademark owner under the ACPA despite defendant’s prior victory before the UDRP).

<sup>233</sup>Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona, 330 F.3d 617, 626 (4th Cir. 2003) (emphasis in original); *see also* Dynamis, Inc. v. Dynamis.com, 2011 U.S. Dist. LEXIS 49171, at \*15 (E.D. Va. 2011) (finding UDRP panel conclusion to be inadmissible hearsay); Super-Krete, International, Inc. v. Sadlier, 712 F. Supp. 2d 1023, 1033–34 (C.D. Cal. 2010) (rejecting defendant’s reliance on previous favorable UDRP findings).

### ***1. Key Benefits of a Claim Under the ACPA***

#### *a. Comprehensive Relief as Part of a Broader Litigation Strategy*

For trademark owners seeking relief beyond the mere transfer or cancellation of a domain name, bringing an ACPA claim in federal court is—without a doubt—the preferred course of action. The remedies under the ACPA are much broader than those under the UDRP. The UDRP provides only for the transfer or cancellation of the domain name,<sup>234</sup> whereas the ACPA provides for actual or statutory damages and injunctive relief, in addition to the forfeiture, transfer or cancellation of the domain name<sup>235</sup> and attorneys' fees if the case is deemed "exceptional" under the Lanham Act.<sup>236</sup>

The recovery of statutory damages under the ACPA depends on when a domain name is registered; if the registration occurred after the effective date of the ACPA (i.e., November 29, 1999), statutory damages of up to \$100,000 per domain name can be awarded. Remedies available for violations occurring before the effective date of the ACPA are limited to transfer or cancellation of the domain name.<sup>237</sup> However, even if the defendant registered the domain name prior to enactment of the ACPA, statutory damages are still available if the defendant used the domain name to host a website after the ACPA was enacted.<sup>238</sup>

Litigants typically bring a claim under the ACPA in conjunction with trademark infringement, dilution and unfair competition claims as part of their overall litigation strategy to defeat an infringer. Indeed, when domain names are involved, there is no reason to exclude an ACPA claim, particularly since the "confusingly similar" standard under the ACPA is often easier to prove than the "likelihood of confusion" required in a trademark infringement action.<sup>239</sup> In fact, where the defendant is not yet using a website in connection with the infringing domain

---

<sup>234</sup>See §III, *supra*.

<sup>235</sup>15 U.S.C. §1117(d).

<sup>236</sup>15 U.S.C. §1117(a).

<sup>237</sup>Pub. L. No. 106-113, §3010, 113 Stat. 1536 ("damages shall not be available with respect to registration, trafficking or use of the domain name that occurs before the date of the enactment of this Act."); see also Sporty's Farm LLC v. Sportman's Market, Inc., 202 F.3d 489, 500 (2d Cir. 2000) (no damages award because the domain name registration and use occurred prior to enactment of the ACPA).

<sup>238</sup>See, e.g., E.&J. Gallo Winery v. Spider Webs Ltd., 286 F.3d 270, 278 (5th Cir. 2002) (affirming award of statutory damages of \$25,000 even though the domain name was registered prior to the ACPA because the defendant used the domain name to host a website after the ACPA was enacted); Ford Motor Co. v. Catalanotte, 342 F.3d 543, 548 (6th Cir. 2003) (continued trafficking of domain name registered prior to enactment of the ACPA can give rise to damages); Shields v. Zuccarini, 254 F.3d 476, 487 (3d Cir. 2001) (affirming award of statutory damages of \$10,000 per infringing domain name for five domain names in case, rejecting defendant's argument that damages not warranted because domain names were used for only 60 days).

<sup>239</sup>In passing the ACPA, Congress recognized that the "difficulty of obtaining damages in standard trademark infringement and dilution actions are significant obstacles for legitimate trademark holders" frequently leading trademark owners to "simply 'pay off' cybersquatters in exchange for the domain name registration, rather than seek to enforce their rights in court." S. COM. REP. 106-140, August 5, 1999, at 7.

name, an ACPA claim alone may suffice and could help a business avoid a more costly trademark infringement action.

Another reason to pursue a claim under the ACPA rather than the UDRP is predictability. In federal court, a trademark owner can rely on precedent and uniform evidentiary rules and a built in appeal process. In contrast, UDRP panelists are not required to follow other UDRP rulings, leading to outcomes that are often inconsistent despite similar fact patterns.<sup>240</sup> Indeed, the UDRP's "streamlined nature" and "loose rules regarding applicable law" contemplates federal court intervention.<sup>241</sup> Although a losing party in the UDRP may seek relief in federal court to prevent UDRP's decision from being implemented,<sup>242</sup> there is no recourse within the UDRP system for appeal or reconsideration.<sup>243</sup> Consequently, a brand owner unhappy with the result in the UDRP may end up bringing a claim under the ACPA anyway.

Yet another advantage to bringing a claim under the ACPA is that there is arguably less to prove on the issue of bad faith. Although the ACPA and UDRP both require that the domain name be "identical or confusingly similar" to the mark at issue, the ACPA requires only that the domain name be registered, trafficked in, *or* used with a bad faith intent to profit.<sup>244</sup> The UDRP, however, requires proof of both bad faith registration *and* use.<sup>245</sup> Conceivably then, there could be a violation under the ACPA, but not the UDRP.

Proving bad faith often comes down to discovery, another tool at the disposal of the ACPA plaintiff, but not the UDRP complainant. Discovery is particularly important when only circumstantial evidence of bad faith exists. The U.S. District Court for the Eastern District of Michigan has surmised that it is "difficult, if not impossible" to obtain evidence of bad faith intent without discovery.<sup>246</sup> Since the UDRP is only equipped to address clear cut bad faith issues, mark owners may opt for an ACPA action so discovery can be taken to establish the requisite bad faith.

Further, a mark owner seeking to prohibit a registrant's use of its marks for "click through" income may have more success via a claim under the ACPA, rather than the UDRP where panels are split on whether this practice violates the UDRP.<sup>247</sup> Indeed, courts have deemed a registrant's use of a domain name for the purpose of "click through" revenue on a website to be a bad faith intent to profit

---

<sup>240</sup>Some scholars have suggested that more UDRP panels are ruling in favor of the trademark owner, a trend attributed by some to the high percentage of registrant defaults. *See supra* §III.

<sup>241</sup>Barcelona.com, Inc. v. Excelentísimo Ayuntamiento De Barcelona, 330 F. 3d 617, 624 (4th Cir. 2003); Sallen v. Corinthians Licenciamientos LTDA, 273 F.3d 14, 20 (1st Cir. 2001) ("The UDRP explicitly contemplates independent review in national courts.").

<sup>242</sup>UDRP Policy, Paragraph 4(k).

<sup>243</sup>*See* §III, *supra*.

<sup>244</sup>15 U.S.C. §1125(d)(1)(A)(ii)

<sup>245</sup>*See* 4 McCARTHY §25:74:75; *see also* §III, *supra*.

<sup>246</sup>Ford Motor Co. v. Great Domains.com, Inc., 177 F. Supp. 2d 635, 644 (E.D. Mich. 2001). The district court further noted that, as a result, "the element of bad faith generally will not come into play until the summary judgment stage."

<sup>247</sup>*See* §III, *supra*.

under the ACPA.<sup>248</sup> For example, in *Citigroup, Inc. v. Shui*,<sup>249</sup> the defendant used “citybank.org” in connection with a website offering different financial services to the user. Once a user clicked on an option within the website (e.g., “citibank visa”), the user would be redirected to a third party vendor of the services, not any website affiliated with Citigroup. Defendant would receive compensation for each “click through” on the website that went to the third party vendor.<sup>250</sup> The U.S. District Court for the Eastern District of Virginia found this practice to constitute a bad faith intent to profit. The court reasoned: “Defendant clearly intended to confuse, mislead and divert Internet traffic from Plaintiff’s official website to his own in order to garner more ‘click through’ revenue from the misleading ‘citibank’ advertisements.”<sup>251</sup> The court granted summary judgment in favor of Citibank and awarded the maximum amount of \$100,000 in statutory damages.<sup>252</sup> Similarly, in *Verizon California Inc. v. OnlineNic, Inc.*,<sup>253</sup> the U.S. District Court for the Northern District of California found that defendant’s use of over 600 infringing domain names for websites that contained revenue generating “pay-per-click” advertisements, along with defendant’s use of an automated process to identify domain names similar to plaintiff’s marks, warranted, “at a minimum,” statutory damages of \$50,000 per violation.<sup>254</sup>

## 2. Key Benefits of a Claim Under the UDRP

### a. Expedited and Less Costly Relief

Brand owners who want to avoid expensive litigation and quickly recover a domain name may wish to bring a UDRP claim. The UDRP process is “adjudication lite;”<sup>255</sup> there is no discovery, testimony, hearings, or motion practice. The only expense is the filing fee for the complaint, which depends on the provider, the number of domain names at issue and size of the panel requested. For example, the fee for a case filed with WIPO involving up to five domain names to be decided by a single panelist is \$1,500.<sup>256</sup> The complaint, no more than 15 pages, is filed online without regard to personal jurisdiction since domain name registrants agree contractually to be bound by the UDRP.<sup>257</sup> Moreover, proceedings are typically concluded within 60 days after the complaint is filed.<sup>258</sup> In contrast, prosecuting a claim under the ACPA in federal court will inevitably be much

---

<sup>248</sup>But see discussion, *supra*, regarding GoForIt Entertainment, LLC v. Digimedia.com. LP, 750 F. Supp. 2d 712 (N.D. Tex. 2010).

<sup>249</sup>611 F. Supp. 2d 507 (E.D. Va. 2009).

<sup>250</sup>*Id.* at 510.

<sup>251</sup>*Id.* at 511.

<sup>252</sup>*Id.* at 513.

<sup>253</sup>2009 U.S. Dist. LEXIS 84235 (N.D. Cal. 2009).

<sup>254</sup>*Id.* at \*11.

<sup>255</sup>Barcelona.com, Inc. v. Excelentisimo Ayuntamiento De Barcelona, 330 F.3d 617, 624 (4th Cir. 2003).

<sup>256</sup>See WIPO Guide to the Uniform Domain Name Dispute Resolution Policy, <http://www.wipo.int/amc/en/domains/guide/>.

<sup>257</sup>UDRP, Paragraph 4 (a).

<sup>258</sup>*Id.*

more expensive and time consuming with discovery, experts, motion practice and the like. This cost can rise sharply depending upon the additional claims at issue in the complaint. Certainly, while an ACPA plaintiff can seek a temporary restraining order to shutdown a website, the length of time until a final decision on the merits can take several months, if not years.

A trademark owner concerned about the strength of its mark may also opt to bring a UDRP complaint because the UDRP extends protection for weaker or descriptive marks.<sup>259</sup> Relief under the ACPA, on the other hand, is limited to only those marks that are “distinctive” or “famous.”

As a general rule, mark owners will be better served to pursue relief under the ACPA if the issues are complex or involve evidentiary issues that are beyond the scope of a UDRP proceeding.

### C. *In Personam* and *In Rem* Jurisdiction Under the ACPA

The ACPA provides for both an *in personam* action against the domain name registrant or, if the domain name registrant cannot be found or served, an *in rem* proceeding against the domain name itself in the jurisdiction where the domain name registry, registrar or other domain name authority is located.<sup>260</sup> To establish *in rem* jurisdiction, a plaintiff must be unable to obtain personal jurisdiction over the would-be defendant or be unable to find the potential defendant through “due diligence.”<sup>261</sup> The purpose of the *in rem* proceeding is to obtain relief against cybersquatters in foreign countries<sup>262</sup> and those who cover their tracks by providing false information in the domain registrations.<sup>263</sup> Remedies for *in rem* cases are limited to forfeiture, cancellation or transfer of the domain name.<sup>264</sup>

---

<sup>259</sup>Animals for Advertising, Inc. v. Long, 84 USPQ2d 1712 (W.I.P.O. A.M.C. 2007) (“The Policy does not differentiate between those common law marks that are relatively weak and those which enjoy considerable strength.”).

<sup>260</sup>See 15 U.S.C. §1125(d)(1) and (d)(2). See Mattel, Inc. v. Barbie-Club.com, 310 F.3d 293 (2d Cir. 2002) (*in rem* actions may only be brought in districts in which the registrar, registry or other domain name authority is located).

<sup>261</sup>15 U.S.C. §1125 (d) (1) Graham & Buffett, Ltd. v. www.vilcabama.com, 2006 U.S. Dist. LEXIS 20166, at \*3 (W.D. Wash. 2006) (plaintiff failed to satisfy *in rem* requirements because defendant had appeared in court; leave granted to amend complaint to bring *in personam* action); Lucent Technologies, Inc. v. Lucentsucks.com, 95 F. Supp. 2d 528, 536 (E.D. Va. 2000) (*in rem* action dismissed without prejudice as being brought “too hastily;” plaintiff discovered the location of the registrant in California yet improperly continued to proceed *in rem*); Volkswagen, AG v. Volkswagentalk.com, 584 F. Supp. 2d 879, 883 (E.D. Va. 2008) (*in rem* jurisdiction proper because registrant is located in Russia with no known contacts in the United States).

<sup>262</sup>Alitalia-Linee Aeree Italian S.p.A v. Casinoalitalia.com, 128 F. Supp. 2d 340, 346 (E.D. Va. 2001).

<sup>263</sup>Harrods Ltd. v. Sixty Internet Domain Names, 110 F. Supp. 2d 420, 426 (E.D. Va. 2000) (citing S. REP. No. 106-140 (“A significant problem . . . in the fight against cybersquatting is [that] . . . many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner . . . [The ACPA] will alleviate this difficulty . . . by enabling a mark owner to seek an injunction against the infringing property.”)).

<sup>264</sup>15 U.S.C. §1125(d)(1)(C).

#### D. Disputes Under the ACPA

Courts adjudicating ACPA claims have focused primarily on what constitutes “bad faith intent to profit.” This determination often involves balancing the property interests of trademark owners against the free speech rights of Internet users. This issue can arise even when liability turns on whether the alleged cybersquatter has acquired multiple domain names incorporating others’ marks or has attempted to sell the domain name back to the mark owner.

In *People for Ethical Treatment of Animals v. Doughney*,<sup>265</sup> the U.S. Court of Appeals for the Fourth Circuit held that defendant’s registration of the domain name “peta.org” was actionable under the ACPA regardless of the fact that a user, upon visiting the website called “People Eating Tasty Animals,” would know that the website is a parody of the organization.<sup>266</sup> The website contained links to various meat, fur and other organizations with views contrary to plaintiff’s philosophy, as well as a link to PETA’s official website. After considering the ACPA factors on bad faith intent to profit, the court affirmed the district court’s summary judgment in favor of plaintiff. The court found that defendant acted with bad faith intent to profit through his registration of 50-60 domain names, as well as his attempt to sell the domain name to PETA.<sup>267</sup> The court also found that defendant “clearly intended to confuse, mislead and divert” users into accessing his website, which contained information harmful to the goodwill of plaintiff’s mark.<sup>268</sup> Defendant’s claim that he was exempt from liability under ACPA’s safe harbor provision on grounds that he was exercising his First Amendment right was also rejected. The court made clear that one who acts “even partially in bad faith” is not exempt from liability.<sup>269</sup>

The U.S. Court of Appeals for the Eighth Circuit reached a similar result in *Coca-Cola Co. v. Purdy*.<sup>270</sup> There a cybersquatter registered a number of domain names incorporating famous marks such as Coke, McDonalds, Pepsi and the Washington Post and then linked them to his anti-abortion website.<sup>271</sup> Defendant argued that he did not possess “bad faith intent to profit” since the domain names were only being used to spread his views on abortion.<sup>272</sup> The court disagreed, noting that defendant’s use of the domain name was not entirely noncommercial because his website offered anti-abortion merchandise for sale and provided links to other sites soliciting funds for the anti-abortion movement. The court declared: “[N]othing in the ACPA suggests that Congress intended to allow cybersquatters to escape the reach of the act by channeling profits to third parties.”<sup>273</sup> Other factors supporting the court’s finding of bad faith intent to profit

---

<sup>265</sup>263 F.3d 359 (4th Cir. 2001).

<sup>266</sup>*Id.* at 366–67.

<sup>267</sup>*Id.* at 368.

<sup>268</sup>*Id.* at 366.

<sup>269</sup>*Id.* at 368.

<sup>270</sup>382 F.3d 774 (8th Cir. 2004).

<sup>271</sup>*Id.* at 779.

<sup>272</sup>*Id.* at 784.

<sup>273</sup>*Id.* at 786.

included defendant's registration of multiple domain names and his proposal that the Washington Post give him space on its editorial page in exchange for return of the domain name.<sup>274</sup>

Distinguishing both *Doughney* and *Purdy*, the U.S. Court of Appeals for the Fourth Circuit found in favor of the alleged cybersquatter in *Lamparello v. Falwell*.<sup>275</sup> The court found that defendant's use of the domain name, fallwell.com, for his website critical of Reverend Falwell did not amount to a bad faith intent to profit. In reversing the district court's summary judgment in favor of plaintiff, the court concluded that defendant's inclusion of a link to the Amazon.com website selling a book recommended by him "did not diminish the communicative function" of the site.<sup>276</sup> Specifically, the court noted that "use of a domain name to engage in criticism or commentary 'even where done for profit' does not alone evidence a bad faith intent to profit . . . and [defendant] did not even stand to gain financially from sales of the book at Amazon.com."<sup>277</sup> Also weighing in favor of defendant was that he had not attempted to sell his domain name to plaintiff, nor had he registered multiple domain names.<sup>278</sup>

Siding with consumers, courts have generally held that domain names used for websites critical of a trademark owner's business are not actionable under the ACPA absent commercial use. In *Lucas Nursery & Landscaping, Inc. v. Grosse*,<sup>279</sup> defendant registered the domain name "lucasnursery.com" and posted a website recounting her complaints about plaintiff's poor landscaping service. The U.S. Court of Appeals for the Sixth Circuit held that defendant's alerting of consumers did not give rise to liability under the ACPA: "One of the ACPA's main objectives is the protection of consumers from slick internet peddlers who trade on the names and reputations of established brands. The practice of informing fellow consumers of one's experience with a particular service provide is surely not inconsistent with this ideal."<sup>280</sup> The court further noted that defendant had not registered multiple domain names, conduct it considered "central to a finding of bad faith."<sup>281</sup> In its decision, the Sixth Circuit also acknowledged a dispute among the courts as to whether purely noncommercial activity can be actionable under the ACPA as matter of law. The court, however, did not decide

---

<sup>274</sup>*Id.*

<sup>275</sup>420 F.3d 309 (4th Cir. 2005).

<sup>276</sup>*Id.* at 320.

<sup>277</sup>*Id.* at 320.

<sup>278</sup>*Id.* See also *Utah Lighthouse Ministry v. Foundation for Apologetic Information & Research*, 527 F. 3d 1045, 1058 (10th Cir. 2008) (creation of website that criticized and parodied plaintiff website containing the same name as plaintiff did not violate the ACPA).

<sup>279</sup>359 F.3d 806 (6th Cir. 2003).

<sup>280</sup>*Id.* at 811. See also *TMI, Inc. v. Maxwell*, 368 F.3d 433, 440 (5th Cir. 2004) (reversing district court judgment in favor of trademark owner, concluding that defendant's registration and website critical of plaintiff's services did not give rise to liability under the ACPA.)

<sup>281</sup>359 F.3d at 811. See also *Northern Light Technology, Inc. v. Northern Lights Club*, 236 F.3d 57, 65 (1st Cir. 2001) (although not dispositive, defendant's practice of registering multiple domain names containing famous trademarks is "powerful evidence" of bad faith intent to profit; preliminary injunction affirmed).

the question, except to note that the basis for liability under the ACPA is “bad faith intent to profit.”<sup>282</sup>

Two years later, the U.S. Court of Appeals for the Ninth Circuit in *Bosley Medical Institute, Inc. v. Kremer*<sup>283</sup> settled the issue by holding that not all non-commercial uses are exempt from scrutiny under ACPA. In *Bosley*, defendant consumer registered a domain name incorporating the business’ mark to create a website critical of plaintiff’s hair restoration products. The district court dismissed plaintiff’s trademark infringement, dilution and ACPA claims on grounds there was no commercial use of the domain name.<sup>284</sup> The Ninth Circuit affirmed the infringement and dilution claims, but reversed and remanded the ACPA claim, finding that the district court erred in applying the commercial use requirement to the ACPA.<sup>285</sup> The court explained: “The ACPA makes it clear that ‘use’ is only one possible way to violate the Act (‘registers, traffics in, or uses’). Allowing a cybersquatter to register the domain name with a bad faith intent to profit but get around the law by making noncommercial use of the mark would run counter to the purpose of the Act.”<sup>286</sup> The court also relied on the statutory language of the ACPA, which included the registrant’s “bona fide noncommercial or fair use of the mark in a site accessible under the domain name” as a factor to consider when determining a bad faith intent to profit.<sup>287</sup> The court reasoned that this factor would be rendered meaningless if the ACPA exempted “all noncommercial uses of a trademark within a domain name.”<sup>288</sup> The court concluded that the district court should have confined its inquiry to whether defendant had a bad faith intent to profit from the domain name.<sup>289</sup>

In 2011, the U.S. Court of Appeals for the Fourth Circuit in *Newport News Holdings Corp. v. Virtual City Vision*<sup>290</sup> addressed the issue of fair use in the context of the ACPA and how defendant’s change in use of the website after registration of the domain can lead to a finding of bad faith intent to profit. NNHC, a womens’ clothing company, asserted that defendant VCV, owner of a number of domain names incorporating names of geographic locations, violated the ACPA by registering a domain name that contained its “newportnews” mark.<sup>291</sup> NNHC first initiated a complaint against VCV under the UDRP to recover the domain name. The UDRP panel dismissed NNHC’s action, finding that consumers seeking NNCH’s clothing would not be confused by VCV’s site. A few years later, VCV began posting clothing advertisements on its site. NNHC brought its claim under the ACPA and the district court granted summary judgment in its favor.

---

<sup>282</sup>359 F.3d at 809. *See also* HER, Inc. v. Re/Max First Choice, 468 F. Supp. 2d 964, 977 (S.D. Ohio 2007) (enjoining defendant’s website criticizing plaintiff real estate service, noting that defendant had registered multiple domain names and the parties were competitors.)

<sup>283</sup>403 F.3d 672 (9th Cir. 2005).

<sup>284</sup>*Id.* at 675.

<sup>285</sup>*Id.* at 680.

<sup>286</sup>*Id.*

<sup>287</sup>*Id.* at 681 (citing 15 U.S.C. §1125(d)(1)(B)(i)(IV)).

<sup>288</sup>*Id.*

<sup>289</sup>*Id.*

<sup>290</sup>2011 U.S. App. LEXIS 7883 (4th Cir. 2011).

<sup>291</sup>2011 U.S. App. LEXIS 7883, at \*4.

On appeal, VCV argued that use of the domain name for its website to report information about the city of Newport News constituted fair use of the mark. The Fourth Circuit, however, was not convinced, pointing out that VCV had shifted the focus of its website to women's fashion, leaving only minor references to the city.<sup>292</sup> The Fourth Circuit affirmed summary judgment in favor of NNHC, explaining:

VCV cannot escape consequences of its deliberate metamorphosis. VCV would apparently have us hold that as long as it provided any information about the city of Newport News, it continued to provide a 'bona fide' service. Such a formalistic approach would allow a cyber squatter seeking to profit from another company's trademark to avoid liability by ensuring that it provides some minimal amount of information about a legitimate subject. It would also undermine the purpose of the ACPA, which seeks to prevent 'the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associates with such marks.'<sup>293</sup>

The Fourth Circuit also rejected VCV's laches argument. The court stated it was not aware of any cases applying the laches to an ACPA claim, but assuming, "without deciding," that the defense does apply, it would not bar relief because NNHC did not unreasonably delay in bringing suit.<sup>294</sup>

It is worth noting that, despite the Fourth Circuit's statement to the contrary, several courts prior to *Newport News* have indeed applied the defense of laches to claims under the ACPA.<sup>295</sup>

---

<sup>292</sup>*Id.* at \*21.

<sup>293</sup>*Id.* at \*22 (internal citations omitted); *see also* New York-New York Hotel & Casino, LLC v. Katzin, 2010 U.S. Dist. LEXIS 115034, at \*10 (D. Nev. 2010) (defendant's changed use of the website after domain registration for "New York-New York" supports a finding of bad faith. Defendant registered the domain name "New York-New York" directing users away from the mark hotel services to Expedia, from which he could profit if consumers booked any rooms. The court reasoned, "[R]egardless of whether [defendant] initially intended to limit his use of the domain name to not infringe the plaintiff's marks, the court finds that the plaintiff has established that by November 2009 [defendant] used the "New York New York" domain name with a bad faith intent to profit from plaintiff's marks").

<sup>294</sup>*Id.* at \*28.

<sup>295</sup>*See, e.g.*, Ford Motor Co. v. Catalanotte, 342 F.3d 543, 550 (6th Cir. 2003) (applying the laches analysis to an ACPA claim, finding it is not barred because plaintiff was diligent in bringing the suit and defendant was not prejudiced); Southern Grouts & Mortars, Inc. v. 3M, 2008 U.S. Dist. LEXIS 70222, at \*25–26 (S.D. Fla. 2008), *aff'd*, 575 F.3d 1235 (11th Cir. 2009) (applying laches defense to bar ACPA claim brought five years after notice of claim; also commenting that cybersquatting gives rise to a "continuing harm" since the defendant continued to use the domain name in violation of the ACPA. "While this continuing-harm argument may prevent application of a statute of limitations defense, laches is an equitable defense that can bar a claim even if the statute of limitations has not run"); Mashantucket Pequot Tribe v. Redican, 403 F. Supp. 2d 184, 198 (D. Conn. 2005) ("[i]t is well established that the equitable defense of laches may be applied to cases brought under the Lanham Act and the ACPA is an amendment to the Lanham Act") (internal citation omitted); Flentye v. Kathrein, 485 F. Supp. 2d 903, 916 (N.D. Ill. 2007) ("Since the ACPA is an amendment to the Lanham Act, the Court will analyze these arguments [that the ACPA claim is barred by laches] under Lanham Act case law generally.").

## V. TRUTH IN DOMAIN NAMES ACT<sup>296</sup>

In 2003, Congress enacted the Truth In Domain Names Act,<sup>297</sup> now codified at 18 U.S.C. §2252B. The Act makes it a criminal violation to knowingly use a misleading domain name on the Internet with the intent either to a) “deceive a person into viewing material constituting obscenity”; or b) “deceive a minor into viewing material that is harmful to minors.”<sup>298</sup>

The statute defines “material that is harmful to minors” as “any communication, consisting of nudity, sex, or excretion, that, taken as a whole and with reference to its context (1) predominantly appeals to a prurient interest of minors; (2) is patently offensive to prevailing standards in the adult community as a whole with respect to what is suitable material for minors; and (3) lacks serious literary, artistic, political, or scientific value for minors.”<sup>299</sup> The statute also expressly provides that any domain names containing words that indicate the sexual content of the associated websites, such as “sex” or “porn,” are per se not misleading.<sup>300</sup>

Guilty defendants may be fined and face as much as ten years in prison.<sup>301</sup> A defendant convicted under this statute also faces forfeiture of any real or personal property used in committing the offense or that is traceable to the gross profits earned through that offensive conduct.<sup>302</sup>

## VI. DOMAIN NAMES AS PROPERTY<sup>303</sup>

As use of the Internet has become more widespread, courts have at times struggled with classifying the rights a registrant takes in the domain name. In particular, courts have taken different approaches to the question of whether a domain name registration constitutes an intangible property right, or whether a registration is simply a contract right to services from the registrar.<sup>304</sup> The majority approach has been to recognize that domain names constitute intangible personal

---

<sup>296</sup>This section was written by Robert Potter, an associate at Kilpatrick Townsend & Stockton LLP. Mr. Potter graduated from the University of Pennsylvania Law School in 2005. Meghan Jones, a law student at Georgia State University College of Law, provided invaluable research assistance.

<sup>297</sup>See Pub. L. No. 108-21, 117 Stat. 686.

<sup>298</sup>18 U.S.C. §2252B(a)–(b).

<sup>299</sup>18 U.S.C. §2252B(d).

<sup>300</sup>18 U.S.C. §2252B(c).

<sup>301</sup>*Id.*

<sup>302</sup>18 U.S.C. §2253(a).

<sup>303</sup>This section was primarily drafted by Jacob S. Siler, an associate with Gibson, Dunn & Crutcher LLP. Mr. Siler received his Juris Doctor in 2010 from The Georgetown University Law Center.

<sup>304</sup>Compare Kremen v. Cohen, 337 F.3d 1024, 1030 (9th Cir. 2003) (holding that the plaintiff “had an intangible property right in his domain name”) with Wornow v. Register.com, Inc., 778 N.Y.S.2d 25, 25 (N.Y. App. Div. 2004) (“We are in accord with authorities holding that a domain name that is not trademarked or patented is not personal property, but rather a contract right that

property, but there remain courts and particular sets of circumstances in which the personal property analogy has been found inapplicable.<sup>305</sup> The resolution of this question has wide-ranging effects for the Internet system as a whole. If a domain name is considered the intangible property of the registrant, then it may be the subject of a suit for conversion,<sup>306</sup> be used to satisfy a court judgment by writ of execution,<sup>307</sup> be the basis for an interpleader action under federal law,<sup>308</sup> or be included in a debtor's estate under the bankruptcy code.<sup>309</sup>

## A. The Tort of Conversion

Traditionally, conversion was the “intentional exercise of dominion or control over a chattel” which interfered with another’s right to possess the chattel.<sup>310</sup> As this definition indicates, the traditional view was that only tangible personal property was subject to a claim of conversion; intangible property rights could not form the basis of a conversion claim.<sup>311</sup> Over time, liability for conversion expanded to include conversion of intangible rights where “there is conversion of a document in which intangible rights are merged.”<sup>312</sup> Thus, for intangible property such as promissory notes, bonds, and stocks, the document itself represented a right to the possession of an intangible property interest.<sup>313</sup> A defendant who “prevents the exercise of intangible rights of the kind customarily merged in a document” is liable for conversion “even though the document is not itself converted.”<sup>314</sup> Although some courts reject any distinction between tangible and intangible personal property entirely and permit conversion claims for either,<sup>315</sup> the *Second Restatement of Torts* indicates that the merger rule is predominant.<sup>316</sup>

In the seminal case applying these principles to domain names, *Kremen v. Cohen*, the Ninth Circuit applied California law and held that a registrar could

cannot exist separate and apart from the services performed by a registrar such as defendant.” (citing *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80, 86 (Va. 2000)).

<sup>305</sup>See, e.g., CRS Recovery, Inc. v. Laxton, 600 F.3d 1138, 1142 (9th Cir. 2010) (“Like the majority of states to have addressed the issue, California law recognizes a property interest in domain names.”).

<sup>306</sup>See, e.g., *Kremen*, 337 F.3d 1024.

<sup>307</sup>See *Office Depot Inc. v. Zuccarini*, 596 F.3d 696, 702 (9th Cir. 2010).

<sup>308</sup>See *Network Solutions, Inc. v. Clue Computing, Inc.*, 946 F. Supp. 858, 861 (D. Colo. 1996) (“[U]nder some circumstances a determination of rights to intangibles, such as domain names, could be decided in an interpleader action.”).

<sup>309</sup>See *In re Paige*, 413 B.R. 882, 912 (Bankr. D. Utah 2009).

<sup>310</sup>RESTATEMENT (SECOND) OF TORTS §222A (1965).

<sup>311</sup>See, e.g., *Kremen*, 337 F.3d at 1030.

<sup>312</sup>RESTATEMENT (SECOND) OF TORTS §242(1) (1965).

<sup>313</sup>See *id.* §242 cmt. a.

<sup>314</sup>*Id.* §242(2).

<sup>315</sup>See *Kremen v. Cohen*, 325 F.3d 1035, 1045–46 n.5 (9th Cir. 2003) (Kozinski, J., dissenting) (citing cases).

<sup>316</sup>See, e.g., RESTATEMENT (SECOND) OF TORTS §242 cmt. f (“Thus far the liability [for conversion] has not been extended beyond the kind of intangible rights which are customarily represented by and merged in a document.”).

be liable in conversion for wrongfully transferring control over the domain name from the proper registrant on the basis of a forged letter.<sup>317</sup> In *Kremen*, a fraudster induced the registrar of sex.com to transfer the domain name from its rightful registrant using forged documents.<sup>318</sup> The fraudster used the domain to make massive profits, and fled the country before the registrant could successfully collect on a judgment resulting from the fraud.<sup>319</sup> The registrant then sued the registrar, claiming that it had wrongfully converted the registrant's interest in the domain name by transferring control to the fraudster.

The Ninth Circuit first considered whether registrants have a property right in their domain names. The court noted that property "is a broad concept that includes 'every intangible benefit and prerogative susceptible of possession or disposition.'"<sup>320</sup> The court noted that domain names are a "well-defined interest" that inheres to the registrant exclusively.<sup>321</sup> Indeed, "like other forms of property, domain names are valued, bought and sold, often for millions of dollars."<sup>322</sup> Therefore, the court concluded, domain names constitute the intangible personal property of the registrant, at least for purposes of the tort of conversion.<sup>323</sup>

The *Kremen* court further held that a domain name could be the subject of a suit in conversion even though it was not represented by any tangible document that would satisfy the merger requirement. Rather, the merger requirement was satisfied because the DNS itself is a document:

We agree that the DNS is a document (or perhaps more accurately a collection of documents). That it is stored in electronic form rather than on ink and paper is immaterial. It would be a curious jurisprudence that turned on the existence of a paper document rather than an electronic one. Torching a company's file room would then be conversion while hacking into its mainframe and deleting its data would not. That is not the law, at least not in California.<sup>324</sup>

Thus, the Ninth Circuit held that a conversion claim was properly stated under California law.<sup>325</sup> Courts in other states have applied similar rationales to support tort claims based on the conversion of other Internet-related property, including websites.<sup>326</sup>

---

<sup>317</sup>*Kremen v. Cohen*, 337 F.3d 1024, 1029–37 (9th Cir. 2003).

<sup>318</sup>*Id.* at 1026–27.

<sup>319</sup>*Id.* at 1027.

<sup>320</sup>*Id.* at 1030 (quoting *Downing v. Municipal Court*, 198 P.2d 923, 926 (Cal. App. 1948)).

<sup>321</sup>*See id.*

<sup>322</sup>*Id.*

<sup>323</sup>*See id.*

<sup>324</sup>*Id.* at 1033–34.

<sup>325</sup>*Id.* at 1037; see also *CRS Recovery v. Laxton*, 600 F.3d 1138, 1145 (9th Cir. 2010) ("[A] domain name is intangible property [ ] subject to an action for conversion under California law."); *Emke v. Compana, LLC*, No. 3:06-CV-1416-L, 2007 WL 2781661, at \*3 (N.D. Tex. Sept. 25, 2007) (refusing to dismiss conversion of domain name claim under California law); *Express Media Grp., LLC v. Express Corp.*, No. C 06-03504 WHA, 2007 WL 1394163, at \*6 (N.D. Cal. May 10, 2007) (granting summary judgment for conversion of domain name).

<sup>326</sup>*See, e.g., Astroworks, Inc. v. Astroexhibit, Inc.*, 257 F. Supp. 2d 609, 618 (S.D.N.Y. 2003); *Conwell v. Gray Loon Outdoor Marketing Grp., Inc.*, 906 N.E.2d 805 (Ind. 2009) (assuming websites are property subject to conversion).

At the same time, courts in jurisdictions that apply the tort of conversion only to tangible property or that maintain strict adherence to the merger requirement may not recognize claims for conversion of a domain name.<sup>327</sup> These decisions, however, generally do not preclude the determination that a domain name is an intangible property right for other purposes.

## B. Execution in Satisfaction of Court Judgment

Judgment creditors have frequently sought to have domain names treated as property so that they may be used to satisfy a court judgment against the registrant. In one of the earliest such cases, *Network Solutions, Inc. v. Umbro International, Inc.*,<sup>328</sup> the creditor instituted a garnishment proceeding against the registrar in Virginia. The Virginia Supreme Court held that the registration of a domain name constitutes only a “contractual right to use a unique domain name for a specified period of time” which is “inextricably bound” to the services provided by the registry of the TLD.<sup>329</sup> Under Virginia law, contracts for services are not subject to garnishment.<sup>330</sup> Therefore, a judgment creditor cannot enforce its judgment against the registration for the judgment debtor’s domain name.<sup>331</sup>

Courts that have interpreted *Umbro* have reached vastly different conclusions as to the meaning of the case. A New York court purported to follow *Umbro* by holding that “a domain name that is not trademarked or patented is not personal property, but rather a contract right that cannot exist separate and apart from the services performed by a registrar.”<sup>332</sup> Other courts have suggested that *Umbro* did not go nearly so far in refusing to classify domain names as intangible property.<sup>333</sup> Indeed, the registrant in *Umbro* acknowledged during argument that “the right to use a domain name is a form of intangible personal property.”<sup>334</sup> The Virginia Supreme Court explicitly noted that it was unnecessary to determine whether, in general, a domain name constituted a form of intellectual property.<sup>335</sup> As a

<sup>327</sup>See, e.g., *Emke v. Compana, LLC*, No. 3:06-CV-1416-L, 2007 WL 2781661, at \*3 (N.D. Tex. Sept. 25, 2007) (noting that Texas law would not recognize conversion of a domain name because that law “concerns only physical property”); *Famology.com Inc. v. Perot Sys. Corp.*, 158 F. Supp. 2d 589, 591 (E.D. Pa. 2001) (holding that domain names may not be the subject of a conversion claim because “domain names are not the kind of intangible rights which are customarily merged in, or identified with some document”).

<sup>328</sup>529 S.E.2d 80 (Va. 2000).

<sup>329</sup>*Id.* at 86.

<sup>330</sup>*Id.*

<sup>331</sup>*Id.*

<sup>332</sup>*Wornow v. Register.com, Inc.*, 778 N.Y.S.2d 25, 25 (N.Y. App. Div. 2004) (citing *Network Solutions, Inc. v. Umbro Int’l, Inc.*, 529 S.E.2d 80, 86 (Va. 2000)).

<sup>333</sup>See *CRS Recovery, Inc. v. Laxton*, 600 F.3d 1138, 1143 (9th Cir. 2010) (“*Umbro* tells us only about how Virginia law treats domain names in *garnishment* actions . . . [W]e decline . . . to read *Umbro* more broadly than its text requires.”).

<sup>334</sup>*Umbro*, 529 S.E.2d at 770. Network Solutions had taken a similar position in other litigation involving domain names. See *Network Solutions, Inc. v. Clue Computing, Inc.*, 946 F. Supp. 858 (D. Colo. 1996).

<sup>335</sup>*Umbro*, 529 S.E.2d at 770.

result, many commentators have suggested that is best understood on the narrow ground that domain names could not be the subject of a garnishment order under Virginia law.<sup>336</sup>

As this narrow reading of *Umbro* indicates, whether a domain name can be applied to satisfy a judgment debt of the registrant depends on the particular quirks of the enforcement mechanism under state law.<sup>337</sup> For example, two courts in California considered whether a domain name could be applied to satisfy a judgment. In the first, a California Court of Appeal held that the judgment creditor was not entitled to receive a domain name in satisfaction of a court judgment even if the name supplied a property right because any such right could not be taken “into custody” as required by the California turnover statute.<sup>338</sup> Just eight months later, the Ninth Circuit held that a court could order a judgment debtor to provide domain names to a receiver for sale and apply the proceeds to satisfy the judgment debt.<sup>339</sup> The Ninth Circuit distinguished the earlier decision by noting that the receiver statute had no requirement that the property at issue be taken into custody.<sup>340</sup> Thus, the proceeds of the sale by a receiver of a domain name could be applied to satisfy the judgment.

## VII. COUNTRY CODE TOP-LEVEL DOMAINS<sup>341</sup>

In addition to several “generic” TLDs that apply worldwide, the DNS is subdivided into almost 300 additional TLDs that were originally conceived as a mechanism to identify websites related to specific countries.<sup>342</sup> These country code Top-Level Domains (“ccTLDs”) are generally managed consistent with the local law of the country represented by the code, but in practice, the authorities appointed to manage the use of these ccTLDs have taken very different approaches. ICANN, however, plays a central role in this process because it maintains the DNS and delegates management authority over the ccTLDs.

---

<sup>336</sup>See George Vona, Comment, *Sex in the Courts: Kremen v. Cohen and the Emergence of Property Rights in Domain Names*, 19 INTELL. PROP. J. 393, 408 (2006) (“*Umbro* does not stand for the proposition that domain names are not intangible property. In fact, the decision is quite ambiguous.”); Juliet Moringiello, *Seizing Domain Names to Enforce Judgments: Looking Back to the Future*, 72 U. CIN. L. REV. 95, 108 (2003) (“It is wrong to cite *Umbro* for the proposition that a domain name is not property. The court simply said that a domain name did not constitute a ‘liability’ for the purpose of the Virginia garnishment statute.”).

<sup>337</sup>This is true regardless of whether the judgment creditor seeks to enforce the judgment in state or federal court because the Federal Rules of Civil Procedure generally require compliance with state procedures for execution of judgments. See FED. R. CIV. P. 69(a).

<sup>338</sup>See Palacio Del Mar Homeowners Ass’n, Inc. v. McMahon, 95 Cal. Rptr. 3d 445, 449 (Cal. Ct. App. 2009).

<sup>339</sup>See Office Depot v. Zuccarini, 596 F.3d 696, 702 (9th Cir. 2010).

<sup>340</sup>Id.

<sup>341</sup>This section was also primarily drafted by Jacob S. Siler, see *supra* note 303.

<sup>342</sup>For example, .uk represents the United Kingdom, .co represents Colombia, and .us represents the United States. A full listing of current ccTLDs and their currently designated managers is available at <http://www.iana.org/domains/root/db#>.

### A. ccTLD Managers

As part of its responsibility for the coordination and management of the DNS, ICANN receives and processes requests for new ccTLDs and for any changes to an existing ccTLDs, including redelegation to a new manager.<sup>343</sup> ICAAN evaluates applications for redelegation of ccTLD management authority by reference to the following principles:

- The domain should be operated within the country, including having its sponsoring organization and administrative contact based in the country.
- The domain should be operated in a way that is fair and equitable to all groups in the local Internet community.
- Significantly interested parties in the domain should agree that the prospective trustee is the appropriate party to be responsible for the domain, with the desires of the national government taken very seriously.
- The domain must be operated competently, both technically and operationally. Management of the domain should adhere to relevant technical standards and community best practices.
- Risks to the stability of the Internet addressing system must be adequately considered and addressed, particularly with regard to how existing identifiers will continue to function.<sup>344</sup>

Once delegated, the ccTLD manager is responsible for the operation of the ccTLD in much the same way as other entities are for gTLDs.

### B. ccTLDs as Commercial Entities

Several countries fortunate enough to have been assigned recognizable codes have effectively turned ccTLD management into a commercial activity and actively marketed their code to U.S. businesses as an alternative to the traditional gTLDs.<sup>345</sup> For example, Colombia reached an agreement with a Miami-based company to market the .co ccTLD to U.S. businesses as an alternative to the .com gTLD.<sup>346</sup> This arrangement earned Colombia approximately \$20 million in 2010.<sup>347</sup> That amount was expected to increase by one-third the following year.<sup>348</sup>

---

<sup>343</sup>ICP-1: Internet Domain Name System Structure and Delegation (ccTLD Administration and Delegation), available at <http://www.icann.org/en/icp/icp-1.htm>.

<sup>344</sup>See, e.g., IANA, *Redelegation of the .CD domain representing the Democratic Republic of the Congo to Office Congolais des Postes et Telecommunications*, <http://www.iana.org/reports/2011/cd-report-07jan2011.html>.

<sup>345</sup>See, e.g., Eric Pfanner, *For Countries That Own Shorter Web Site Suffixes, Extra Cash From Abroad*, N.Y. TIMES, Feb. 6, 2011.

<sup>346</sup>*Id.*

<sup>347</sup>*Id.*

<sup>348</sup>*Id.*

Other countries, including Tuvalu, Moldova, Niue, and the Cocos Islands have engaged in similar marketing schemes.<sup>349</sup>

On the other hand, some countries heavily restrict the use of their ccTLD, and prefer to keep their domain space reserved for websites that have a connection to their geographic territory. For example, to register a domain name within France's ccTLD, .fr, the registrant must have a physical presence inside the country.<sup>350</sup>

### C. ccTLDs as Property

In light of the fact that some countries have plainly marketed their ccTLDs to private entities as a method of securing revenues, some individuals and businesses have claimed that the country takes a property-ownership interest in a ccTLD. At least a few courts have accepted this argument and concluded that a ccTLD may constitute property owned by the country.<sup>351</sup> In *Nat'l Union Fire Ins. Co.*, a judgment creditor of the People's Republic of Congo sought to levy the .cg ccTLD and have it applied to the judgment.<sup>352</sup> Applying California law, the court held that a ccTLD could constitute property owned by the Congo. First, the court held that, as alleged, .cg was an interest capable of precise definition because ccTLDs are "valued, bought and sold, often for millions of dollars."<sup>353</sup> Second, the court found that the plaintiff has sufficiently alleged that .cg was capable of exclusive possession or control because ICANN's role in managing and delegating the code established that ICANN controlled the code.<sup>354</sup> Third, the court found that Congo had established a legitimate claim to exclusivity through receiving the delegation from ICANN.<sup>355</sup> These issues, however, were presented on demurrer, where the court was required to accept all allegations as true.<sup>356</sup> It remains to be seen whether a court would reach the same conclusion based on an evaluation of competent evidence at summary judgment, or as a matter of

---

<sup>349</sup>See ICANN Governance: Hearing Before the Subcomm. on Commc 'ns of the S. Comm. on Commerce, Science, and Transportation, 107th Cong. 27 (2001) (statement of Michael M. Roberts, CEO, Internet Corporation for Assigned Names and Numbers) ("A few delegees have decided to essentially license the marketing of the ccTLD to a commercial enterprise for various forms of compensation, and that has produced out-of-territory marketing campaigns for such ccTLDs as .tv (Tuvalu), .md (Moldova), .nu (Niue), and .cc (Cocos Islands)."); Peter B. Maggs, *The ".US" Internet Domain*, 50 AM. J. COMP. L. SUPP. 297, 311 (2002) ("[D]omain names may be freely bought and sold. Such sales are commonplace for second-level domain names in TLDs other than 'us.' For instance, names in '.md' (Moldova), which are attractive to physicians, are initially sold at market prices by an authorized broker.").

<sup>350</sup>Pfanner, *supra*, note 345.

<sup>351</sup>See Lloyd's Underwriters v. AO Gazsnabtranzit, No. CivA1:00-MI-0242-CAP, 2000 WL 1719493 (N.D. Ga. Nov. 2, 2000); Nat'l Union Fire Ins. Co. v. People's Republic of Congo, No. SC 090220 (Cal. Super. Ct. Nov. 22, 2006).

<sup>352</sup>*Nat'l Union Fire Ins. Co.*, slip op. at 4.

<sup>353</sup>*Id.*

<sup>354</sup>*Id.*

<sup>355</sup>*Id.*

<sup>356</sup>*Id.* at 1.

fact following trial. Other courts, however, have reached similar conclusions in passing.<sup>357</sup>

ICANN, on the other hand, has taken the policy position that ccTLDs are not property subject to ownership.<sup>358</sup> As a result, ICANN has resisted any attempts by a country's creditors to levy against a ccTLD by arguing that no entity has an ownership interest in the code.<sup>359</sup>

#### D. ccTLD Dispute Resolution Procedures

The Uniform Dispute Resolution Policy ("UDRP") promulgated by ICANN to provide a formalized policy to settle disputes over domain name registrations applies only to gTLDs directly. ccTLDs are not required to adopt the policy, or, indeed, any dispute resolution policy at all. Some ccTLD managers have adopted the UDRP, either entirely or in modified form. Other ccTLD managers have adopted an entirely unique policy to govern disputes. The World Intellectual Property Organization ("WIPO") launched a ccTLD program in 2000 to advise ccTLD managers on dispute resolution policies. As part of this function, WIPO maintains a list of ccTLDs and their dispute resolution policies.<sup>360</sup>

### VIII. NEW TOP LEVEL DOMAINS<sup>361</sup>

The Domain Name System ("DNS") was first designed with seven top level domains ("TLDs"), .com, .org, .net, .edu, .gov, .mil and, .int, as well as many ccTLDs.<sup>362</sup> When ICANN assumed control of the Internet, one of its top priorities was the introduction of seven new TLDs: .aero, .biz, .coop, .info, .museum, .name, and .pro.<sup>363</sup>

---

<sup>357</sup>See *Je Ho Lim v. TV Corp. Int'l*, 121 Cal. Rptr. 2d 333 (2002) ("DotTV registers Internet domain names for a fee. It acquired the top-level domain 'tv' through an agreement with the island nation of Tuvalu, which *owns the rights to that geographic designation.*" (emphasis added)); *Lloyd's Underwriters*, 2000 WL 1719493, at \*1 ("Moldova *owns the domain suffix .md* and licenses its use to corporations and individuals in English-speaking countries for use in domain names, usually medically-related." (emphasis added)).

<sup>358</sup>ICP-1: Internet Domain Name System Structure and Delegation (ccTLD Administration and Delegation), <http://www.icann.org/en/icp/icp-1.htm> ("Concerns about 'rights' and 'ownership' of domains are inappropriate. It is appropriate, however, to be concerned about 'responsibilities' and 'service' to the community.").

<sup>359</sup>See Demurrer in *Nat'l Union Fire Ins. Co.* (Aug. 28, 2006).

<sup>360</sup>WIPO, ccTLD Database, [http://www.wipo.int/amc/en/domains/cctld\\_db/index.html](http://www.wipo.int/amc/en/domains/cctld_db/index.html).

<sup>361</sup>This section was written by Katharine M. Sullivan, an associate at Kilpatrick Townsend & Stockton LLP. Ms. Sullivan graduated from Columbia Law School.

<sup>362</sup>*ICANN Generic Top-Level Domains (gTLD) Oversight: Hearing Before the Subcommittee on Intellectual Property, Competition and the Internet*, 112th Congress (2011) (testimony of Mei-Lan Stark, Treasurer and Member of the Board of Directors, International Trademark Association, p. 5) [hereinafter STARK].

<sup>363</sup>*Id.* at p. 6. See also §I.B, *supra*.

Expansion continued. In December 2003, ICANN began soliciting sponsors of proposed new TLDs and contracting with operators for .asia, .cat, .jobs, .tel, .travel, .mobi, and .post. Most recently, in June 2010, ICANN approved .xxx as a TLD.<sup>364</sup> Each of these new TLDs was premised and evaluated on the basis that each would address specific, unmet needs connected with a specific community on the Internet and enhance both the utility of the DNS and competition for registration services.<sup>365</sup> However, for the most part, none of these TLDs have gained much commercial traction.

Regardless, in 2008 ICANN approved a new round of applications for new TLDs, nominally referred to as “generic” TLDs, or “gTLDs,” even though they are not designed to be restricted to generic terms. Importantly, ICANN’s plans for these new TLDs have a twist: under the new structure, anyone would be allowed to apply to serve as the administrator of one of these new gTLD strings, with possibilities ranging from brand names such as .adidas, to generic terms such as .shoes, or names that reference different groups or communities such as .teamsters. ICANN then began the process of designing a new system to evaluate these applications. At the time of this writing, some consultants and others working with potential companies had projected that ICANN would receive over 1,500 applications for new gTLDs.<sup>366</sup> ICANN, in fact, envisions approving up to 1000 new gTLDs each year.<sup>367</sup> The Applicant Guidebook is currently in final review, with a proposed application period of January 12 to April 12, 2012.<sup>368</sup> Although this process is still underway as this chapter was being prepared, some issues related to these new TLDs are already coming into focus.

### A. Who Should Consider Trying to Get New TLDs?

Opinions on the value of the new gTLDs vary widely. Some believe that this is a chance for brand owners and others to get in on the ground floor of a new vision of the Internet, where brand-name, geographic, community, and generic domains serve as hubs for Internet activity—hubs that will be particularly valuable for those accessing the Web on mobile devices, where it can be cumbersome to type in long URLs. Eventually shorter e-mail addresses, such as name@brand, could also be possible. Additional potential benefits could include greater prevention of phishing, as brand owners will have complete control over brand domains, and also more effective search engine optimization. For those with this vision, it makes sense for brand owners to invest in applying for a new gTLD.

Others see no reason to think that the new gTLDs will have any greater impact than .mobi or .asia or other TLDs introduced in the last round. Rather,

---

<sup>364</sup>See §I.B, *supra*.

<sup>365</sup>ICANN, Criteria for Assessing TLD Proposals (2000), <http://www.icann.org/en/tlds/tld-criteria-15aug00.htm>.

<sup>366</sup><http://www.newgtldsite.com/stealth-applicants/> (last visited August 18, 2011).

<sup>367</sup>TLD Application Handbook at I-29 (April 2011 Discussion Draft) available at <http://www.icann.org/en/topics/new-gtlds/draft-rfp-redline-15apr11-en.pdf> (last visited August 18, 2011).

<sup>368</sup>ICANN, New Generic Top Level Domains Fact Sheet (2011), <http://www.icann.org/en/topics/new-gtlds/factsheet-new-gtld-program-20jul11-en.pdf>. (last visited August 15, 2011).

under this theory, domain name registrants will suffer costs for maintaining an Internet presence or protecting their trademarks, while consumers will find it more difficult to navigate the Internet with hundreds or thousands more places to look for a domain name. In addition, failed gTLDs could create huge losses for companies that build their business around a domain name in a particular gTLD, while also creating many more broken links, which will also impact navigation on the Internet.<sup>369</sup> In this vision of the new gTLDs, brand owners should maintain a defensive posture and monitor the applications for new gTLDs, while others should consider any investment carefully.

Still others believe that new gTLDs may make sense for some business models. For instance, a TLD like .bank could be useful in establishing a system where only qualified banks could get second level domain name rights, in order to eliminate fraud and phishing problems by requiring the .bank domain registrants to develop special security measures. Or, a company with a sales force such as Avon might develop business model where its sales reps are all on .avon. Or Good Housekeeping magazine could extend its certification program to allow only certified companies to have .goodhousekeeping domain names, and promote that TLD as a way to make sure users only see advertisements for products approved by them.

In a related view, some believe that generic terms such as drugstore.com or etoys.com will have value as gTLDs in the long term. Such TLDs could prove especially useful for consumers, and valuable for their owner, if the .generic is used for only companies meeting certain standards. Considering that the application fee is approximately \$185,000 and that there is an additional \$25,000 yearly fee once the gTLD is established, however, it may be difficult for entrepreneurs seeking to maximize such opportunities to enter the market.

## B. Protecting Brand Owner Rights With Respect to New TLDs

The current draft Applicant Guidebook's description of the process for applying for new gTLDs provides for each proposed gTLD to be published for public comment and for formal objection.<sup>370</sup> The Guidebook provides four enumerated grounds for objection: String Confusion Objection (the applied-for gTLD string is confusingly similar to an existing TLD or to another applied-for gTLD string in the same round of applications); Legal Rights Objection (the applied-for gTLD string infringes the existing legal rights of the objector); Limited Public Interest Objection (the applied-for gTLD string is contrary to generally accepted legal norms of morality and public order that are recognized under principles of international law); and Community Objection (substantial opposition to the gTLD application from a significant portion of the community to which the gTLD string may be explicitly or implicitly targeted).<sup>371</sup> Opposed applications will then

---

<sup>369</sup>Stark, *supra*, note 363, at 8–9.

<sup>370</sup>ICANN, gTLD Applicant Guidebook, 8–10 (May 30, 2011), <http://www.icann.org/en/topics/new-gtlds/rfp-clean-30may11-en.pdf>.

<sup>371</sup>*Id.* at 150.

enter dispute resolution procedures; the Arbitration and Mediation Center of the World Intellectual Property Organization (“WIPO”) will apparently oversee disputes resulting from legal rights objections.<sup>372</sup> Presumably this will be the best opportunity for brand owners to protect their brands from cybersquatting or trademark infringement, though it remains unclear exactly how the dispute resolution will proceed.<sup>373</sup>

### C. Protecting Brand Owner Rights in Each TLD

The new gTLD application currently requires applicants to describe how their registry will minimize abusive registrations and other activities that affect the legal rights of others, such as through the Uniform Domain Name Dispute Resolution Policy, the Uniform Rapid Suspension (“URS”) system, and Trademark Claims and Sunrise Services.<sup>374</sup> The development of these mechanisms, however, is left up to each TLD registrant. In addition, ICANN is currently considering two mechanisms to protect trademark rights: an intellectual property (IP) clearing house tasked with authenticating, storing, and disseminating trademark information to allow new gTLD registry operators to develop IP claims and watch services,<sup>375</sup> and a URS system.<sup>376</sup> The proposed URS allows for holds to be placed on a disputed domain name within 24 hours, and a quick determination of rights in which the entire record is based on the Complaint and Response with no discovery or hearing.<sup>377</sup>

### D. Conclusion

At this stage, it is unclear what true economic benefits new gTLDs will provide to consumers. ICANN stands to benefit, with a fee of approximately \$185,000 per application plus additional yearly fees. Companies that are experienced in operating TLDs, such as VeriSign or Affilias, may also benefit from fees they earn for operating new TLDs until new TLDs owners gain the experience and technical know-how to operate independently.

What is clear, however, is that trademark/brand owners will face increased policing issues. Defensively, or proactively, purchasing a new gTLD for each brand, or a domain name in each new TLD for each brand, will be expensive. One cynical view is that ICANN created the new gTLD program to effectively end the trademark debate about domain names, because with so many gTLDs and

---

<sup>372</sup>*Id.* at 8, 154.

<sup>373</sup>The current draft of the WIPO rules for dispute resolution is available in the Applicant Guidebook at 190.

<sup>374</sup>Applicant Guidebook, *supra* note 370, at 115.

<sup>375</sup>*Id.* at 304.

<sup>376</sup>*Id.* at 314.

<sup>377</sup>*Id.* at 321.

a prohibitively high cost to police them, brand owners will give up enforcement efforts on the Internet entirely.

## IX. ADDITIONAL FEDERAL AND STATE DOMAIN NAME LAWS<sup>378</sup>

As discussed earlier,<sup>379</sup> the ACPA protects generally against the registration of Internet domain names that contain trademarks, including personal names that are protected as trademarks under the Lanham Act. Accordingly, if an individual's name is *not* protected as a trademark, the ACPA will not prevent the use of that name in a domain name. Under certain circumstances, however, such conduct is expressly prohibited under other federal and state statutes.

### A. Federal Law—15 U.S.C. §8131, “Cyberpiracy Protections for Individuals”

Enacted in 1999,<sup>380</sup> the federal statute against the use of non-trademarked personal names in domain names is found at 15 U.S.C. §8131.<sup>381</sup> This section creates civil liability for “[a]ny 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, [and] with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party.”<sup>382</sup> This is a narrow provision, applicable only in certain specific circumstances, and provides less protection than the ACPA itself.

At the outset, and in contrast to the ACPA, this statute does not provide a cause of action against bad-faith “use of” or “trafficking in” offending domain names; only the registration of the name is actionable.<sup>383</sup> Additionally, the statute protects only against the registration of names identical or confusingly similar to the name of a living individual,<sup>384</sup> and applies only to domain names registered on or after November 29, 1999.<sup>385</sup>

---

<sup>378</sup>This section was also primarily drafted by Robert Potter with the assistance of Meghan Jones, see *supra* note 296.

<sup>379</sup>See *supra* §IV.

<sup>380</sup>See Pub. L. No. 106-113, 113 Stat. 1536.

<sup>381</sup>The statute was initially enacted as part of the ACPA and codified in 15 U.S.C. §1129, but was recodified in 2008 as part of the Resources and Organization for Intellectual Property Act of 2008.

<sup>382</sup>15 U.S.C. §8131(1)(A).

<sup>383</sup>*Id.*

<sup>384</sup>*Id.*

<sup>385</sup>15 U.S.C. §8131(4). At least one court has found, however, that the re-registration of a domain name after November 29, 1999—by a different registrant and with a different registrar—is sufficient to bring it within the ambit of the statute, notwithstanding that the domain name was initially registered prior to that date. *Schmidheiny v. Weber*, 319 F.3d 581, 583 (3d Cir. 2003) (“We hold that the word ‘registration’ includes a new contract at a different registrar and to a different registrant.”).

Perhaps more significantly, however, the protections of the statute apply only if the domain name was registered with the “specific intent to profit” through its sale;<sup>386</sup> other forms of bad faith registration are not actionable. The Court of Appeals for the Fourth Circuit, for example, held that a defendant who registered a domain name using the plaintiff’s personal name, and then posted a defamatory message against the plaintiff on the associated website, was not liable under this statute because the defendant did not specifically intend to profit through the sale of the domain name.<sup>387</sup>

As for remedies, the statute provides primarily for injunctive relief, “including the forfeiture or cancellation of the domain name or the transfer of the domain name to the plaintiff.”<sup>388</sup> In its discretion, the court may also award costs and attorneys fees to the prevailing party.<sup>389</sup>

The statute includes an express and rather convoluted exception to liability, applicable only to the owner or licensee of a copyrighted work. If such an individual, in good faith, registers and intends to sell an otherwise prohibited domain name that is “used in, affiliated with, or related to” the copyrighted work, there is no liability under the statute so long as the sale of the domain name is meant to further the lawful exploitation of the work. This exception appears directed towards record labels or movie studios who may wish to register and sell, for marketing purposes, a domain name that contains the personal name of an individual artist, director, etc. associated with an album or film to be marketed through the website. At least one court, however, has left open the possibility that this exception may apply when the copyrighted work in question is the very website associated with the domain name at issue.<sup>390</sup>

## B. State Law

Several states have enacted their own laws to prevent the registration of personal names as domain names. Although they are far from uniform, each of these laws offers protection at least somewhat distinct from the analogous federal statute discussed in the prior section.

### 1. California—*Cal. Bus. & Prof. Code §§17525 et seq.*

Under California law, “[i]t is unlawful for a person, with a bad faith intent to register, traffic in, or use a domain name, that is identical or confusingly similar

---

<sup>386</sup>15 U.S.C. §8131(1)(A).

<sup>387</sup>Carl v. Bernardjcarl.com, 409 Fed. App’x 628, 629 (4th Cir. 2010) (“The statute’s language is specific, and while the defendants may have been attempting to profit, they did not do so in the means specified in the statute.”).

<sup>388</sup>15 U.S.C. §8131(2).

<sup>389</sup>*Id.*

<sup>390</sup>Dawson v. Brandsberg, 2006 WL 2915234, at \*2–3 (W.D. Va. Oct. 10, 2006) (finding, when assessing a motion to dismiss, that the exception did not clearly apply by virtue of defendant’s ownership of copyright in the website at issue, but only because authorship and good faith remained disputed issues of fact).

to the personal name of another living person or deceased personality, without regard to the goods or services of the parties.”<sup>391</sup> Although this statute tracks, in a general sense, the language of the federal statute under 15 U.S.C. §8131, there are several distinctions between the California law and the federal law.

Notably, the state statute allows for claims based on the personal names of living persons *or* “deceased personalities,”<sup>392</sup> while the federal law applies only to living persons. Further, while the federal law applies only to defendants who register an offending domain name with the requisite intent, California’s law expands liability to those who “register, traffic in, or use” a domain name in violation of the statute.<sup>393</sup>

Finally, while the federal law requires the defendant to have acted with the specific intent to profit from the sale of the domain name, the California law requires only that the Defendant have a “bad faith intent.”<sup>394</sup> A related statute provides a non-exhaustive list of factors courts may consider when assessing bad faith,<sup>395</sup> including the trademark or other rights the defendant may have in the domain name, the applicability of any noncommercial or fair use defense, and

---

<sup>391</sup>CAL. BUS. & PROF. CODE §17525(a).

<sup>392</sup>*Id.* Pursuant to California Business and Professions Code §17527, the term “deceased personality” has the same meaning as in California Civil Code §§3344.1, i.e., “any natural person whose name, voice, signature, photograph, or likeness has commercial value at the time of his or her death, or because of his or her death, whether or not during the lifetime of that natural person the person used his or her name, voice, signature, photograph, or likeness on or in products, merchandise, or goods, or for purposes of advertising or selling, or solicitation of purchase of, products, merchandise, goods, or services. A ‘deceased personality’ shall include, without limitation, any such natural person who has died within 70 years prior to January 1, 1985.”

<sup>393</sup>*Id.*

<sup>394</sup>*Id.*

<sup>395</sup>California Business and Professions Code §17526 provides that “In determining whether there is a bad faith intent pursuant to §17525, a court may consider factors, including, but not limited to, the following: (a) The trademark or other intellectual property rights of the person alleged to be in violation of this article, if any, in the domain name. (b) The extent to which the domain name consists of the legal name of the person alleged to be in violation of this article or a name that is otherwise commonly used to identify that person. (c) The prior use, if any, by the person alleged to be in violation of this article of the domain name in connection with the bona fide offering of any goods or services. (d) The legitimate noncommercial or fair use of the person’s or deceased personality’s name in an Internet Web site accessible under the domain name by the person alleged to be in violation of this article. (e) The intent of a person alleged to be in violation of this article to divert consumers from the person’s or deceased personality’s name online location to a site accessible under the domain name that could harm the goodwill represented by the person’s or deceased personality’s name either for commercial gain or with the intent to tarnish or disparage the person’s or deceased personality’s name by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site. (f) The offer by a person alleged to be in violation of this article to transfer, sell, or otherwise assign the domain name to the rightful 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 any goods or services. (g) The intentional provision by the person alleged to be in violation of this article of material and misleading false contact information when applying for the registration of the domain name. (h) The registration or acquisition by the person alleged to be in violation of this article of multiple domain names that are identical or confusingly similar to names of other living persons or deceased personalities. (i) Whether the person alleged to be in violation of this article sought or obtained consent from the rightful owner to register, traffic in, or use the domain name. (j) The intent of a person alleged to be in violation of this article to mislead, deceive, or defraud voters.”

whether the defendant sought to sell the domain name without having ever used it in the bona fide offering of any goods or services.

The available remedies for violation of the California law are injunctive relief (including the transfer of the domain name) and restitution.<sup>396</sup>

California's statute also has two exceptions to liability. The first is similar to the "copyrighted work" exception found in the federal law, as the state statute is inapplicable "if the name registered as a domain name is connected to a work of authorship, including, but not limited to, fictional or nonfictional entertainment, and dramatic, literary, audiovisual, or musical works."<sup>397</sup> The California statute also exempts from liability any "domain name registrar, . . . domain name registry, or any other domain name registration authority" who may otherwise have violated the statute.

## 2. *New York—N.Y. Gen. Bus. Law Article 9-C*

New York's law against the use of personal names in domain names is almost identical to the federal law under 15 U.S.C. §§8131, and provides that "no person or entity shall register a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's or entity's consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party."<sup>398</sup>

Thus, like the federal law, the New York law applies only to the personal names of living persons, only to the registration of such names ("use" and "trafficking" are not addressed), and only when the registration was made with the specific intent to profit by selling the domain name. The New York law also features an exception for domain names associated with certain copyrighted works,<sup>399</sup> using language essentially identical to that found in the analogous exception under the federal law.

There are also several critical differences between the federal and the New York law, however. Most significant is that the New York statute provides no private right of action; only the state's attorney general may bring claims under the law.<sup>400</sup> Another distinction is that, while the federal law allows claims against only the domain name's registrant, the New York law allows claims against the domain name's registrant or the registrant's authorized licensee.<sup>401</sup> Finally, the New York statute also contains an express exemption from liability for registrars and domain name registries.<sup>402</sup>

The New York law provides for injunctive relief, including the forfeiture, cancellation or transfer of the domain name and, significantly, gives the court

---

<sup>396</sup>CAL. BUS. & PROF. CODE §§17528.5, 17535.

<sup>397</sup>CAL. BUS. & PROF. CODE §17525(b).

<sup>398</sup>N.Y. GEN. BUS. LAW §148(1).

<sup>399</sup>N.Y. GEN. BUS. LAW §148(3).

<sup>400</sup>N.Y. GEN. BUS. LAW §149(1).

<sup>401</sup>N.Y. GEN. BUS. LAW §148(2).

<sup>402</sup>N.Y. GEN. BUS. LAW §149(3).

discretion to fine the defendant \$1,000 for each day it has acted in violation of the statute.<sup>403</sup>

### 3. Louisiana—La. Rev. Stat. §§51:300.11 et seq., 51:300.12 et seq.

Louisiana has two separate but highly related laws concerning the registration of personal names as domain names, and they differ only in the intent required to violate each.

The first statute, Louisiana Rev. Stat. §51:300.12, is nearly identical to the federal law under 15 U.S.C. §8131 and prohibits the registration of “a domain name that consists of the name of another living person or an alias or nickname by which such person is commonly known, or a name substantially and confusingly similar to such name, without the person’s consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party.”<sup>404</sup>

Unlike the federal law, however, this statute also goes on to prohibit the sale of a domain name containing a living person’s personal name, without that person’s consent, “for a price in excess of the registration cost paid by the original registrant.”<sup>405</sup> Thus, this statute prohibits not only the bad-faith registration of an offending domain name with the specific intent to resell it, but also the sale of an offending domain name for a price greater than its registration cost (even if the registrant did not intend to sell it when she registered the name).

This statute allows both for a private right of action and for claims to be brought by the attorney general.<sup>406</sup> Like the analogous federal statute, Louisiana’s statute prohibits only the registration of an offensive domain name (and not the use of, or trafficking in, such names),<sup>407</sup> and contains an exception for domain names incorporating personal names that are “used in, affiliated with, or related to” a copyrighted work, although the exemption appears to apply to any registrant of such a name, even if they are not the copyright owner or its licensee.<sup>408</sup> The Louisiana statute also carves out an exception for registrars and domain name registries.<sup>409</sup>

Remedies under this statute include injunctive relief (including the forfeiture, cancellation or transfer of the domain name), actual damages (which may be trebled), and attorney’s fees and costs.<sup>410</sup>

Louisiana also has another very similar statute, Louisiana Rev. Stat. §51:300.21, that makes it unlawful to register an offending domain name regardless of intent.<sup>411</sup> In other words, the registration of a domain name containing a

---

<sup>403</sup>N.Y. GEN. BUS. LAW §149(1)–(2).

<sup>404</sup>LA. REV. STAT. §51:300.12(A)(1).

<sup>405</sup>LA. REV. STAT. §51:300.12(A)(2).

<sup>406</sup>LA. REV. STAT. §51:300.13(B).

<sup>407</sup>LA. REV. STAT. §51:300.12(A).

<sup>408</sup>LA. REV. STAT. §51:300.12(C).

<sup>409</sup>LA. REV. STAT. §51:300.12(D).

<sup>410</sup>LA. REV. STAT. §51:300.13(B)–(D).

<sup>411</sup>LA. REV. STAT. §51:300.21(A).

personal name is prohibited, even if done without the specific intent to sell it for profit. Private litigants bringing claims under this section may seek injunctive relief only, including the forfeiture or transfer of the domain name.<sup>412</sup> This section also contains exemptions for domain name registries and for domain names using personal names that are associated with copyrighted works.<sup>413</sup>

#### 4. *Hawaii—Haw. Rev. Stat. §§481B-22 et seq.*

Within Hawaii's general anti-cybersquatting law is a specific provision providing that “[a]ny person who in bad faith registers a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, shall be liable in a civil action by the person.”<sup>414</sup> Notably, however, and unlike the federal statute under 15 U.S.C. §3181, liability under Hawaii's statute does not specifically require that the registrant intended to sell the domain name.

The state statute does have other similarities to the federal law, however, including its prohibition against only the registration of an offending domain name; there is no prohibition against “using” or “trafficking in” such domain names. Also like the federal law, Hawaii's law exempts from liability any copyright owner or its licensee that registers a domain name incorporating a personal name that is “used in, affiliated with, or related to” the owner's copyrighted work.<sup>415</sup> The state statute also exempts domain name registrars from liability.<sup>416</sup>

To assist in determining whether the defendant registered the offending domain name in bad faith, Hawaii's statutes provide a non-exhaustive list of factors to consider, including the trademark or other rights the defendant may have in the domain name, the applicability of any noncommercial or fair use defense, and whether the defendant sought to sell the domain name without having ever used it in the bona fide offering of any goods or services.<sup>417</sup>

---

<sup>412</sup>LA. REV. STAT. §51:300.22(B).

<sup>413</sup>LA. REV. STAT. §51:300.21(B)–(C).

<sup>414</sup>HAW. REV. STAT. §481B-22(b).

<sup>415</sup>HAW. REV. STAT. §481B-24(a).

<sup>416</sup>HAW. REV. STAT. §481B-24(b).

<sup>417</sup>HAW. REV. STAT. §481B-23 lists the following factors for consideration when assessing bad faith:

“(1) The trademark or other intellectual property rights of the person, if any, in the domain name; (2) The person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services; (3) The person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name; (4) The person's intent to divert users 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 to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site; (5) 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 the person; (6) The person's offer to transfer, sell, or otherwise assign the domain name 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; (7) 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

A successful plaintiff under Hawaii's cyberpiracy law may seek injunctive and equitable relief, compensatory and punitive damages, and costs and attorney's fees.<sup>418</sup> The plaintiff may also elect to recover, in lieu of compensatory and punitive damages, a statutory award of "not less than \$1,000 or threefold damages by the claimant sustained, whichever sum is the greater, and reasonable attorney's fees together with the costs of the suit."<sup>419</sup>

---

maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct; (8) The person's registration or acquisition of multiple domain names that the person knew were identical or confusingly similar to marks of others that were distinctive at the time of registration of the domain names, without regard to the goods or services of the parties; (9) The person's registration or acquisition of multiple domain names that the person knew were identical or confusingly similar to the name of another living person, without the person's consent; and (10) The person sought or obtained consent from the rightful owner to register, traffic in, or use the domain name.

<sup>418</sup>HAW. REV. STAT. §481B-25(b).

<sup>419</sup>HAW. REV. STAT. §481B-25(c).