

THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT—AN OFFENSIVE WEAPON FOR TRADEMARK HOLDERS

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It is indisputable that the advent of the Internet has not only revolutionized the manner in which business is conducted, but also the very economy itself. However, with all great economic or business change comes new problems that the legal system must address. One of these problems is known as cybersquatting. This Paper shall briefly look into Congress' attempt to solve the problem of cybersquatting and its implementation by the courts.

On November 29, 1999, the Anticybersquatting Consumer Protection Act (the "Act" or the "ACPA") was signed into law.¹ The purpose of the Act is to "protect consumers and American businesses . . . 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—a practice commonly referred to as 'cybersquatting'."² A brief review of the testimony that Congress received provides ample support as to why such protection is necessary.

The Committee on the Judiciary heard testimony from various members of the business community relating their stories of extortion by cybersquatters. Warner Brothers was asked to pay \$350,000 for the rights to the domain names "warner-records.com", "warner-bros-records.com", "warner-pictures.com", and two others.³ A cybersquatter registered "911porsche.com" and offered to sell it for \$60,911.⁴ Other companies have faced similar attempts by other "entrepreneurial-minded" individuals. Gateway Computers actually paid a cyberpirate \$100,000 for the domain name "gateway20000," after the individual had placed pornographic material on the web site.⁵ Other cyberpirates, seeking to maximize the number of visitors to their site and thereby increase their advertising revenue, have registered domain names with the intent of capitalizing upon users mistyping a web address. For

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1. Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, 113 Stat. 1501A-545 (1999) (to be codified at 15 U.S.C. § 1125(d)) [hereinafter *Anticybersquatting*].

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

3. *Id.* at 5.

4. *Id.*

5. H.R. REP. NO. 106-412, at 7 (1999).

example, a cyberpirate registered “dosney.com” seeking to attract visitors who were trying to find Walt Disney’s web site. Parents were shocked when their children mistyped “disney.com” and ended up at a site displaying hardcore pornography.⁶

Congress also heard testimony from companies whose customers had been defrauded. A cyberpirate registered “attphonenumber.com” and “attcallingcard.com” to “establish sites purporting to sell calling cards and soliciting personally identifying information, including credit card numbers.”⁷ To address these specifically enumerated concerns, as well as others, Congress passed the ACPA.

The ACPA substantively amended the Lanham Act to add provisions covering when a person would be liable for registering a domain name that is a famous or distinctive mark owned by another. The Act, in pertinent part, states that:

[a] person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

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

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

(III) is a trademark, word, symbol, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.⁸

The Act includes nine factors to assist courts in determining if an individual has acted in bad faith.⁹ These nine factors include: (1) the intellectual property rights of the person in the domain name; (2) the extent to which the domain name consists of the legal name of the person; (3) the person’s prior use of the domain name in connection with the *bona fide* sale of any goods or services; (4) the person’s *bona fide* noncommercial or fair use of the domain name; (5) the person’s intent to divert consumers from the mark owner’s web site; (6) the person’s offer to sell the domain name without having used the domain name in a *bona*

6. S. REP. NO. 106-140, at 6.

7. *Id.*

8. *Anticybersquatting*, *supra* note 1, at § 3002 (to be codified at 15 U.S.C. § 1125 (d)(1)(A)).

9. *Id.* (to be codified at 15 U.S.C. § 1125 (d)(1)(B)(i)).

fide offering of goods or services; (7) the person's provision of false or misleading contact information when registering the domain name; (8) the person's registration of multiple domain names which the person knows are identical or confusingly similar to marks of others; and (9) the extent to which the mark incorporated in the domain name is famous and distinctive.¹⁰ These factors are not exhaustive and courts may consider additional factors that may be relevant.¹¹ The Act further provides that, at any point, a plaintiff may opt for statutory damages ranging from \$1,000 to \$100,000 per violation.¹² Additionally, in an interesting jurisdictional note, Congress provided *in rem* jurisdiction so that a mark owner could sue the domain name, in the event that the party that had registered the domain name could not be found after reasonable searching.¹³

The Act, thus far, has been used by businesses to remedy many of the situations discussed above. In one of the first published opinions by a federal appellate court, the Second Circuit applied the ACPA directly to a case on appeal without remand. In *Sporty's Farm LLC v. Sportsman's Market, Inc.*,¹⁴ Sporty's Farm ("Sporty's"), the owner of the Internet domain name "sportys.com", brought a declaratory judgment action against Sportsman's Market ("Sportsman's") seeking a declaration that it was entitled to use its domain name.¹⁵ The lower court held in favor of Sportsman's and Sporty's appealed. Sportsman's is a well-known mail order catalog company that specializes in gear for pilots and aviation enthusiasts, with a distribution in excess of 18 million catalogs a year and over \$50 million in revenue.¹⁶ "In the 1960s, Sportsman's began using the logo 'sporty' to identify its catalogs and products."¹⁷ In 1985, it registered the mark with the United States Patent and Trademark Office.¹⁸ Omega, a catalog company that entered the aviation market in the early nineties, registered the name "sportys.com" and transferred it to its wholly-owned subsidiary, Sporty's.¹⁹ Thereafter, Sporty's began operating a web site at that address selling Christmas trees.²⁰ Omega/Sporty's filed suit soon thereafter. The lower court, applying the pre-ACPA Lanham Act, held in favor of Sportsman's.²¹ On appeal, the Second Circuit applied the ACPA despite the fact that it had not yet been enacted when the district

10. *Id.*

11. *Id.*

12. *Id.* at § 3003 (to be codified at 15 U.S.C. § 1117(d)).

13. *Id.* at § 3002 (to be codified at 15 U.S.C. § 1125(d)(2)(A)).

14. 202 F.3d 489 (2d Cir. 2000).

15. *Id.*

16. *Id.* at 493.

17. *Id.* at 494.

18. *Id.*

19. *Id.*

20. *Id.*

21. *Id.* at 494-95.

court issued its opinion.²² The court first discussed Congress' reasoning behind passing the Act.

While the [Federal Trademark Dilution Act] has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability. For example, many cybersquatters are now careful to no longer offer the domain name for sale in any manner that could implicate liability under existing trademark dilution case law. And, in cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law's application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.²³

In deciding to apply the Act to the facts of this case, the court noted that the Act was passed specifically to provide courts with an alternative to stretching federal dilution law to apply to cybersquatting cases.²⁴

The court then applied the elements of the Act to the facts before it. Because Sportsman's mark had achieved incontestable status, the court held that the mark was inherently distinctive.²⁵ The court went on to hold that "sportys.com" is confusingly similar to the Sporty's mark because apostrophes cannot be used in domain names.²⁶ In considering Omega's bad-faith intent, the court analyzed the factors set forth by the Act.²⁷ The court placed the most emphasis on the fact that Omega had intended to enter into the aviation catalog business in direct competition with Sportsman's and registered the domain name primarily to prevent Sportsman's from using it.²⁸ Based upon the facts as developed by the district court, the court held in favor of Sportsman's and ordered that Sporty's transfer the domain name "sportys.com" to Sportsman's.²⁹

In *Shields v. Zuccarini*,³⁰ a court was faced with one of the first cases actually brought under the new Act.³¹ Shields is a graphic designer who markets cartoons under the names "Joe Cartoon" and "The Joe Cartoon Co."³² In June of 1997, Shields registered the name "www.joecartoon

22. *Id.* at 496-97.

23. *Id.* at 495-96 (citing S. REP. NO. 106-140, at 7).

24. *Id.* at 497.

25. *Id.*

26. *Id.* at 497-98.

27. *Id.* at 498 (citing 15 U.S.C. § 1125(d)(1)(B)(i) (1999)).

28. *Id.* at 499.

29. *Id.* at 500.

30. 89 F. Supp. 2d 634 (E.D. Pa. 2000).

31. *Id.*

32. *Id.* at 635.

.com” and began marketing various merchandise depicting his designs.³³ The web site’s popularity grew, earning “shock site of the day” from Macromedia, and averaging over 700,000 visits per month.³⁴ In November of 1999, the defendant Zuccarini registered five variations of Shields’ domain name: “joescartoon.com”, “joecarton.com”, “joescartons.com”, “joescartoons.com”, and “cartoonjoe.com”.³⁵ These sites featured advertisements for other sites and credit card companies. Visitors were trapped on the site and unable to leave without clicking on a succession of ads, for which Zuccarini received between ten and twenty cents per click.³⁶ Shields filed suit under the ACPA and moved for a preliminary injunction to remove these web sites.³⁷

In considering Shields’ likelihood of success under the Act, the court had to determine whether “Joe Cartoon” was a famous or distinctive mark. To do this, the court applied the seven factors set forth under 15 U.S.C. § 1125(c): the degree of acquired distinctiveness; the duration and extent of use; advertising and publicity; geographical use; the channels of trade; the degree of recognition in the trade; and the nature and extent of use of the same or similar marks by third parties.³⁸ These factors all favored Shields since he had been using the mark to identify and sell his merchandise all over the country for over fifteen years. Therefore, the court held that the mark was both distinctive and famous.³⁹

As to the second element under the Act, whether the mark and the registered domain name were identical or confusingly similar, the court held that all of the names registered by Zuccarini were confusingly similar to Shields’ mark.⁴⁰ The court relied on the fact that Zuccarini had chosen those five domain names to attract consumers searching for “Joe Cartoon.”⁴¹

The last inquiry under the Act is to the defendant’s bad-faith intent to profit. Zuccarini admitted during deposition that he had registered the variations of “Joe Cartoon,” as well as thousands of other domain names, because they were confusingly similar to famous marks and, thus, were likely to divert Web traffic to his sites.⁴² Therefore, the court held that Zuccarini had a bad-faith intent to profit and imposed a preliminary injunction.⁴³

33. *Id.*

34. *Id.*

35. *Id.*

36. *Id.*

37. *Id.*

38. *Id.* at 638-39 (citing *Sporty’s Farm LLC v. Sportsman’s Market, Inc.*, 202 F.3d 489 (2d Cir. 2000)).

39. *Id.* at 639.

40. *Id.*

41. *Id.*

42. *Id.* at 639-40.

43. *Id.* at 641.

The case progressed and was eventually decided on a motion for summary judgment. In one of the first opinions to impose liability under the Act, the court awarded statutory damages in the amount of \$10,000 per violation for a total of \$50,000, plus attorney fees and costs.⁴⁴ In discussing the determination of the amount of damages, the court noted that since the preliminary injunction had been granted in this case Zuccarini had registered hundreds of variations of misspellings of stars' names, television programs, and corporations' marks and products, obviously not learning anything from the court's earlier decision.⁴⁵ Furthermore, the court noted that "Zuccarini should have no difficulty satisfying such a judgment, as he admitted at the preliminary injunction hearing that he makes between \$800,000 and \$1,000,000 per year from his thousands of look-alike domain names"⁴⁶ Therefore, the court imposed liability under the Act.

In another recent decision granting a preliminary injunction under the Act, a court enjoined a defendant who had registered "PORSCHESOURCE.COM" as well as other automotive oriented domain names.⁴⁷ The defendant, Spencer, had created a web site auctioning off domain names to the highest bidder. Spencer's auction site contained the following statement, "Listed are the domains on which we currently would consider offers. Please don't embarrass yourself by attempting to give us \$500 for one of these domains. . . . Check out this recent article (from yahoo.com), where WallStreet.com sold for over \$1,000,000!"⁴⁸ The court held that Porsche had established a likelihood of success under the ACPA and, therefore, granted a preliminary injunction.⁴⁹

As these cases have illustrated, as well as others not discussed herein, there was clearly a need for this type of legislation.⁵⁰ Cybersquatters have abused, and continue to abuse, the domain name registration process to their advantage. As these cases illustrate, trademark owners now have an offensive weapon to use to pursue individuals who would either extort them or use confusingly similar trademarks to deceive consumers. Because it will enable companies to protect their trademarks and prevent cybersquatters from defrauding innocent people, the consumers benefit the most from legislation of this nature.

44. Shields v. Zuccarini, No. CIV.A.00-494, 2000 WL 1053884, at *1 (E.D. Pa. July 18, 2000).

45. *Id.* at *1 n.2.

46. *Id.* at *1.

47. Porsche Cars of N. Am. v. Spencer, No. CIV.S-00-471GEB PA, 2000 WL 641209, at *1 (E.D. Ca. May 18, 2000).

48. *Id.*

49. *Id.* at *6.

50. *See also*, Virtual Networks, Inc. v. Network Solutions, Inc., 106 F. Supp. 2d 845 (E.D. Va. 2000); Cello Holdings v. Lawrence-Dahl Co., 89 F. Supp. 2d 464 (S.D.N.Y. 2000).