

**Commentary*****The Tangled Web We Weave: Internet Domain Name Disputes***

By

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The Internet has become an international marketplace for products and ideas. The Internet's growth is astonishing: in 1995, there were about 100,000 domain names<sup>1</sup> but by the last quarter of the year 2000, there were over 24,000,000 domain names ending in ".com", ".net" and ".org" alone.<sup>2</sup>

Every business or corporation that wishes to do business on the Internet must have a unique Internet address known as a domain name. Domain names often incorporate trademarks, and disputes arise when the holder of the domain name is not the legitimate holder of the trademark or when two parties who legitimately own identical or similar trademarks both want the same domain name.<sup>3</sup> Until recently these disputes were resolved by courts trying their best to apply traditional trademark law to this new arena. The adoption of the Anticybersquatting Consumer Protection Act (ACPA) and the Rules for Uniform Domain Name Dispute Resolution Policy by the Internet Corp. for Assigned Names and Numbers (ICANN) offers greater guidance to the courts and to those involved in these disputes.

This article will examine the results of some leading cases in this area and will discuss how these cases would have been decided under the ACPA or the ICANN rules.

***How Domain Name Disputes Arise***

The different situations in which a domain name dispute may arise can be illustrated by the following example. Let us assume that Plates, Glasses and Etc.(a fictional company) sells a line of fine china called "Maryanna" and wishes to establish a website at *www.PGandE.com* to promote their company as well as *www.maryanna.com* to promote their line of fine china.

Consider John Keenly (a fictional person), who, foreseeing the growth of the Internet many years ago, decided to register hundreds of domain names hoping that one day

some corporation would desire a domain name for which he had registered and would be willing to pay Mr. Keenly to relinquish control. Among the over 300 domain names Mr. Keenly registered years ago are "www.maryanna.com" and "www.PGandE.com." Both web pages are currently inactive, and when accessed via the Internet, these web sites only give a screen with Mr. Keenly's name and home phone number. Mr. Keenly is considered a "cybersquatter."

Now consider Bill Jones (a fictional person), who maintains a web site at *www.marianna.com*. The site is maintained by Mr. Jones as a hobby and is named after Mr. Jones' wife, Marianna Jones. After hearing of Plates, Glasses and Etc.'s desire to register a website at *www.maryanna.com*, Mr. Jones offers to sell his domain name to Plates, Glasses and Etc. Mr. Jones can thus be called a "pseudo-cybersquatter."<sup>4</sup>

The Runway Walk Shoe Company (a fictional company) makes high fashion dress shoes including a line of high heels called "MaryAnna." Runway Walk also wishes to establish a website at *www.maryanna.com* to promote and sell its line of shoes. Additionally, Pacific Gas and Electric, a giant chemical and energy company wants to establish a web site at *www.PGandE.com*, to promote good will with its clients. Runway Walk Shoe Company and Pacific Gas and Electric may be termed "legitimate users."<sup>5</sup>

The existence of such sites raises several trademark issues that have been addressed in recent cases. This paper will highlight those decisions by categorizing them into one of the categories set forth by the above example and will also examine the facts presented in those cases under the ACPA and the ICANN rules.

## **Resolution Of Domain Name Disputes**

### **A. 'Cybersquatters'**

An important issue in the legal analysis of domain name disputes before the enactment of the ACPA was whether or not the use of a trademark in a domain name by someone other than the trademark owner was a *per se* trademark infringement or dilution. In general, the courts answered this question in the negative. In Lockheed Martin Corp. v. Network Solutions, Inc. (1997) 985 F. Supp. 949, 152 A.L.R. Fed. 793 (C.D. Cal. 1997), the court explained that because trademark rights, as opposed to patent or copyright, do not provide the owner with rights at large, "the law does not *per se* prohibit the use of trademarks or service marks as domain names. Rather, the law prohibits only uses that infringe or dilute a trademark, service mark, or owner's mark." This position presented difficulties when courts were faced with a classic cybersquatter.

The two seminal cases involving "cybersquatting" share a common defendant, Dennis Toeppen. In the first case,<sup>6</sup> the court found that one of Toeppen's business objectives was to profit from the resale or licensing of domain names, presumably to the companies who conduct business under these names. According to the case, Toeppen had registered approximately 240 Internet domain names such as *deltaairlines.com* and *greatamerica.com*.

In December of 1995, Toeppen registered the domain name *www.intermatic.com*. Intermatic subsequently attempted to register "intermatic.com" and was prevented from doing so, because of Toeppen's prior registration of that domain name. Apparently, Toeppen re-

fused to relinquish or assign the "intermatic.com" domain name registration back to Intermatic. The main issue of the lawsuit was whether Intermatic could preclude the use of its trademark as an Internet domain name by Toeppen, who had made no use of the Intermatic name prior to registering it as an Internet domain name.

In a summary judgment motion, the court ruled on Intermatic's claim under the federal Trademark Dilution Act.<sup>7</sup> First, the court found that the Intermatic mark was famous and therefore entitled to the protection of the Trademark Dilution Act. The court then found that because Toeppen intended to arbitrage the "intermatic.com" domain name, he was engaged in a commercial use of the mark sufficient to meet the Federal Trademark Dilution Act's requirements. Further, the court reasoned that the "in commerce" requirement was met because Internet communications are instantaneously transmitted worldwide.

Finally, the court held that Toeppen's use of the domain name "intermatic.com" was diluting the Intermatic mark. The court reasoned that Toeppen's registration of the domain name lessened Intermatic's capacity to identify and distinguish its goods and services via the Internet and that Toeppen diluted Intermatic's mark by using Intermatic on his web page. The court found that Toeppen's activity "clearly violate[d] the Congressional intent of encouraging the registration and development of trademarks to assist the public in differentiating products."<sup>8</sup> The court concluded that if such use were permitted, Toeppen would control Intermatic's name and reputation.

In a similar case involving Dennis Toeppen, Toeppen apparently registered the domain names "panavision.com" and "panaflex.com."<sup>9</sup> The court stated that "after registering the 'panavision.com' domain name, Toeppen established a web site displaying aerial views of Pana, Illinois. At no time did Toeppen use the 'panavision.com' name in connection with the sale of any goods or services." When Panavision attempted to establish a web site under "panavision.com," it discovered that Toeppen had already registered that domain name. Toeppen then demanded \$13,000 to discontinue his "use" of "panavision.com." Panavision refused Toeppen's demand. The court noted that "Toeppen then registered Panavision's 'Panaflex' trademark as the domain name 'panaflex.com' and opened the panaflex.com web site displaying only the word 'hello.'" Panavision then filed suit claiming that Toeppen was diluting its trademarks by using them for his domain names.

The court applied reasoning similar to the Intermatic case by examining the Federal Trademark Dilution Act's three major components.<sup>10</sup> On the first element, the Panavision court held that the "panavision" trademark was famous. The Panavision court next held that Toeppen's use of the marks was a commercial use. The court reasoned that if Toeppen had simply registered the domain name but not demanded any money for its use, his actions would not have been considered commercial use. However, Toeppen's "business" was the registration of this and other domain names with the intent of selling them to the trademark owners who wanted to use them as their own domain names and as such was considered a commercial use.<sup>11</sup>

Finally, the Panavision court held that Toeppen's use of "panavision.com" actually diluted Panavision's federally registered "Panavision" trademark.<sup>12</sup> The court reasoned that dilution occurred because Panavision lost the only possible channel it had to use its well-known trademark to reach its customer base on the Internet when Toeppen held the "panavision" domain name hostage.

Thus, the Intermatic and Panavision courts resorted to a determination that Toeppen was diluting the trademarks because his use denied the famous trademark owner the ability to use the Internet as a channel. The difficulty with this analysis is that it could be applied to any person using a famous trademark in a domain name, thus creating a *de facto per se* violation of the dilution law, contrary to the general rule stated in Lockheed v. NSI.

This analytical dilemma was noted by the court in Hasbro, Inc. v. Clue Computing, Inc. (D. Mass. 1999) 66 F. Supp. 2d 117, 132. The court there rejected Hasbro's contention that a *per se* dilution category should be adopted, relying on Panavision v. Toeppen, among other cases. The Hasbro court noted that those cases "seem to suggest that simply preventing a plaintiff from using his own famous trademark dilutes the plaintiff's ability to identify his goods and services and may frustrate or deter potential consumers." The Hasbro court rejected such a rule, but stated without analysis that when the use of the trademark was for the purpose of extorting money from the holder or to prevent the holder from, using the name could be a *per se* dilution. *Id.* at 133.

The ACPA addresses this analytical dilemma by creating liability if a person registers, traffics in, or uses a domain name similar to a trademark (or dilutive of a famous mark) if the use is in bad faith. A non-exclusive list of factors to consider in determining whether there was bad faith includes a person's offer to sell the domain name or transfer it for financial gain without having made any bona fide use of the name or having any intent for a bona fide use. The ICANN rules contain a similar provision. Thus, Toeppen would have been liable under these new provisions without resort to the expanded definition of dilution used by the courts in the cases against him.

### **B. 'Pseudo-Cybersquatters'**

A perfect example of "pseudo-cybersquatting" is the case of Toys 'R' Us v. Abir.<sup>13</sup> Toys 'R' Us has registered more than 20 "\_\_\_\_rus.com" domain names,<sup>14</sup> but that has not kept the "pseudo-cybersquatters" away. In Toys 'R' Us v. Abir, Mr. Abir established a web site at toysareus.com and offered to sell the name to Toys 'R' Us. Toys 'R' Us rejected Mr. Abir's offer, and he then threatened to sell toys at that site and initiated talks with several toy distributors in China.

The Toys 'R' Us court entered a preliminary injunction against Mr. Abir, finding that all factors pointed to a likelihood of confusion and thus to infringement.<sup>15</sup> The court found that there was a high degree of similarity between the plaintiffs' Toys 'R' Us mark and the defendants' "toysareus.com" domain name because the "differences between plaintiffs' and defendants' marks becomes nonexistent when the marks are spoken." The products at issue, namely, toys and other children's items, were identical, but the defendants' products were not thought to be of the same quality as the plaintiffs' products. The way in which the item was distributed, namely the Internet, was identical, and this medium rendered it especially difficult for consumers to evaluate any quality differences between the two companies' products. The defendants even admitted that they intended to cause confusion. The court found that Abir acted in bad faith because his use of a domain site that copied Toys "R" Us was a deliberate effort at "cyberpiracy."

Since Abir's use was infringing and he admittedly was using the mark in bad faith, he would also have been liable under the ACPA and the ICANN rules.

### **C. 'Legitimate Users'**

When two companies who have similar or identical trademarks both want to use the marks as domain names, more difficult problems arise. In ActMedia, Inc. v. Active Media Int'l, Inc.,<sup>16</sup> the court ruled that the reservation of an Internet domain name incorporating the trademark of another was trademark infringement.<sup>17</sup> The dispute arose when ActMedia, which had trademarked its company name, attempted to acquire "actmedia.com" as its domain name and was informed that the domain name was already registered to Active Media International. ActMedia sued Active Media charging trademark infringement. The court held that Active Media International's reservation of "actmedia.com" constituted unauthorized use and misappropriation of plaintiff's mark, constituted false designation of origin, was likely to cause confusion in the marketplace, and likely to cause confusion that plaintiff sponsored or approved of defendant's commercial activities.<sup>18</sup>

In Hasbro, Inc. v. Clue Computing, Inc. (D. Mass.1999) 66 F.Supp.2d 117, the court reached the opposite result on a similar set of facts. Clue Computing established a web site for itself using the domain name "clue.com." Hasbro, the owner of the CLUE(R) mark, wanted to establish a web site concerning its Clue board game under "clue.com." It discovered it was unable to do so because of Clue Computing's pre-existing site. Under a traditional analysis, the court found that there was no infringement or dilution.

Under the ACPA, would the results for ActMedia and Hasbro have been different? It is likely that the Hasbro result would remain the same because under the ACPA, the analysis would depend on whether there was a finding of bad faith. The factors suggested for that analysis weigh in favor of Clue Computing: 1) the domain name was commonly used to identify the company, 2) the domain name had been used for bona fide offering of services, 3) there was no intent to divert consumers of the board game Clue to the computer consultants' site, 4) there had been no extortion attempt, and 5) there was no pattern on the part of Clue Computing of registering trademark domain names. Furthermore, under the ACPA, there can be no bad faith where the person reasonably believed that the use of the domain name was a fair use. Clue Computing's use would have fallen within this provision. A similar result would follow under the ICANN rules. The facts of ActMedia are too brief to make a determination of whether bad faith under the ACPA would have been found.

### **Conclusion**

With the Internet expanding at a furious pace and the registration for domain names being opened up for competition, the complexity and frequency of Internet domain name disputes are likely to rise as well. It is clear from the above cases and examples that even with the disputes becoming more complicated and numerous, the courts generally rule in favor of the trademark holders. This position is stronger now after the enactment of the ACPA and the ICANN rules. But as the cases become more complex this may very well change. As the Honorable Judge Ann C. Williams put it in the first line of the now seminal decision of Intermatic v. Toepfen, "Welcome to cyberspace."

**ENDNOTES**

1. Richard Raysman and Peter Brown, *Developments in Trademark and Domain-Name Disputes*, N.Y.L.J., March 9, 1999, at 3.
2. *VeriSign, Inc. Fact Sheet* (visited Jan. 30, 2001) ><http://www.nsol.com/news/fact.html>.
3. Raysman, *supra* note 1.
4. See Michael Garvey, *Legally Speaking, Look-Alike URLs Are Too Close for Comfort*, *The Intellectual Property Strategist*, February 1999, at 1 (derivation of terminology used within this example.).
5. *See id.*
6. *Intermatic v. Toeppen*, (E.D. Ill. 1996) 947 F. Supp 1227.
7. *See id.* at 1239-41.
8. *Id.*
9. *Panavision v. Toeppen*, (C.D. Cal 1996) 945 F. Supp 1296.
10. *See id.* at 1302-05.
11. *See id.* at 1300-03.
12. *See id.* at 1304.
13. 1997 U.S. Dist Lexis 22431, 45 U.S.P.Q. 2d (BNA) 1944 (S.D.N.Y. 1997).
14. Garvey, *supra* note 4.
15. *Id.* at \*10-11 (using the eight factor test first articulated in the *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.) cert. denied, 368 U.S. 820, 7 L. Ed. 2d 25, 82 S. Ct. 36 (1961)).
16. 1996 WL 466527 (N.D. Ill. July 17, 1996).
17. *Id.* at \*2.
18. *Id.* at \*2. ■