

Litigation Alert:

U.S. Court of Appeals for the Ninth Circuit Rules There Is No Cause of Action for “Contributory Cybersquatting”

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On December 4, the Ninth Circuit ruled that the 1999 Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d) does not provide a cause of action for contributory cybersquatting. In *Petroliam Nasional Berhad (Petronas) v. GoDaddy.com, Inc., No. 12-15584 (Dec. 4, 2013)*, the Ninth Circuit affirmed the district court’s decision granting summary judgment in favor of the domain registrar GoDaddy against claims by a Malaysian oil company known as Petronas arising from registration of the domains *petronastower.net* and *petronastowers.net* by a third party.

This case provides one important precedent in the broader landscape of liability rules pertaining to “intermediary” businesses—businesses that provide platforms or technologies to others—relating to alleged misconduct by customers of those businesses. This decision takes its place among *Tiffany v. eBay* in the Second Circuit and *Metro-Goldwyn-Mayer Studios v. Grokster* in the Supreme Court as a defining landmark in that landscape. Debates will surely continue about legal rules regulating whose job it is to police the internet to protect rights claimants’ interests, the rights claimants themselves or businesses that provide the public with technology and communication capabilities.

The Petronas v. GoDaddy Decision

Petronas, a Malaysian energy company, discovered that one of GoDaddy’s customers had registered *petronastower.net* and *petronastowers.net*, which redirected to a porn site. Petronas sued GoDaddy for, among other claims, contributory cybersquatting under the ACPA.

The district court granted GoDaddy summary judgment on all claims raised in the complaint. Petronas appealed only the dismissal of its contributory cybersquatting claim. A panel of the Ninth Circuit Court of Appeals unanimously held for GoDaddy, affirming the district court’s decision.

Analyzing the issues through three common lenses of statutory interpretation, the Ninth Circuit held (1) the *plain text* of the ACPA did not support a cause of action for contributory liability, (2) it did not appear

Congress intended implicitly to incorporate common law doctrines in the ACPA; and (3) contributory liability would not *advance the ACPA’s goals*. While expanding on the third point, the Ninth Circuit noted that it would be “nearly impossible” for GoDaddy to analyze bad faith, under the ACPA’s nine-factor test, with respect to each of GoDaddy’s 50 million domain names. Slip Op. 14. In contrast, the court was rather unsympathetic to Petronas’s burden of enforcing its domain name rights against serial cybersquatters, briefly mentioning that the ACPA’s direct liability provisions gave mark holders “sufficient remedies.” Slip Op. 15.

In reaching its holding, the Ninth Circuit disapproved several earlier district court cases within the circuit that had accepted contributory liability under the ACPA. See *Verizon Cal., Inc. v. Above.com Pty Ltd.*, 881 F. Supp. 2d 1173, 1176–79 (C.D. Cal. 2011); *Microsoft Corp. v. Shah*, No. 10-0653, 2011 WL 108954, at *1–3 (W.D. Wash. Jan. 12, 2011); *Solid Host, NL v. Namecheap, Inc.*, 652 F. Supp. 2d 1092, 1111–12 (C.D. Cal. 2009). Those cases had thrown the issue into flux, especially those that imposed new limitations on secondary liability, such as an “extraordinary circumstances” test. The Ninth Circuit decided that “[r]ather than attempt to cabin a judicially discovered cause of action for contributory cybersquatting with a limitation created out of whole cloth, we simply decline to recognize such a cause of action in the first place.” Slip Op. 14.

The Larger Secondary Liability Landscape

The *Petronas* decision highlights the jagged topography of secondary liability in intellectual property law. The Patent Act explicitly recognizes secondary liability. 35 U.S.C. § 271(b). The Supreme Court has further recognized the implicit existence of contributory liability for copyright and trademark infringement. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) (recognizing existence of contributory liability for copyright infringement, but declining to hold defendant liable for selling copying equipment that was capable of substantial noninfringing use); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982) (recognizing

existence of contributory liability for trademark infringement, where defendant intentionally induces infringement or continues to supply a product to someone defendant knows is infringing a mark). Lower courts have elaborated on these standards to establish varying standards for contributory liability in copyright and trademark cases. *E.g.*, *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n*, 494 F.3d 788 (9th Cir. 2007) (copyright contributory liability requires direct control and monitoring of the instrumentality used for infringement; trademark contributory liability requires partnership, authority to bind; or joint ownership or control over the infringing product).

Trade secret statutes generally limit secondary liability to persons who know that the trade secrets they receive were misappropriated. See California Uniform Trade Secrets Act § 1(b)(2)(B)(iii); Restatement (Third) of Unfair Competition § 40(b)(3). Further, courts have been reluctant to impose secondary liability under relatively recently enacted statutes focusing on technological violations. For example, in *Freeman v. DirecTV, Inc.*, 457 F.3d 1001 (9th Cir. 2006), the Ninth Circuit held the Electronic Communications Privacy Act, 18 U.S.C. § 2702, and the Stored Communications Act, 18 U.S.C. § 2707, did not authorize secondary liability. *Petronas* adopts an analytical framework remarkably similar to the *Freeman* court, which held that the plain text of the ECPA did not provide for contributory liability and neither the circumstances of the ECPA's enactment nor the goals of the statute compelled a finding of contributory liability. Similarly, in *Flynn v. Liner Grode Stein Yankelevitz Sunshine Regenstreif & Taylor LLP*, 3:09-CV-00422-PMP, 2011 WL 2847712 (D. Nev. July 15, 2011), the court held "aiding and abetting civil liability does not exist under [the Computer Fraud and Abuse Act]." With the *Petronas* decision, the Ninth Circuit continues the trend against aiding and abetting liability in recently enacted statutes focusing on technology issues.

Implications of the Petronas Decision

The Ninth Circuit was straightforward in denying contributory liability for cybersquatting. *Petronas* not only insulates domain name registrars from bearing the burden of policing domain names but also reaches much farther. The decision may protect persons who provide technologies or services that alleged cybersquatters may take advantage of. Notably the district court in *Petronas* rejected plaintiff's claim

that merely providing a redirection service from the domain name amounted to contributory infringement.

Trademark owners hoping that litigation leverage over domain registrars would lead to more voluntary action by registrars in curbing allegedly offending domain names will be disappointed by the *Petronas* decision. They will need, instead, to continue to rely upon domain arbitrations under the Uniform Domain-Name Dispute-Resolution Policy and suits (including *in rem*, actions) against domain owners or the domains themselves. Those are usually not expensive options. *Petronas* was successful in its two *in rem* actions against the accused domains. It stumbled only when it sought to impose damages liability on a registrar even after *Petronas* had obtained the domains. This decision means that trademark owners may not use the prospect of domain registrar damages liability as leverage for obtaining informal remedies from a registrar.

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