



FENWICK & WEST LLP



# Securing and Protecting a Domain Name for Your Web Site

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FENWICK & WEST LLP

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## **Securing and Protecting a Domain Name for Your Web Site**

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## I. Domain Names: Critical But Perilous Tickets to Online Commerce

The explosive development of the Internet, accompanied by the exponential and still accelerating growth in online commerce, is fated to effect important changes in economic power, commercial life, communications and culture. Just how profound the social and economic implications of the Internet may be is doubtless open to debate. But there can be no doubt that—fueled by the burgeoning market of Internet users, the rapid development of online technologies, and the swift evolution of new business models—the World Wide Web will irresistibly lure enterprises of virtually every size into doing business online.<sup>1</sup>

Before a company can go online, however, before any potential customer, business partner or supplier can find the company's web site and transact business, the company must first have an address in cyberspace. A company's domain name, commonly in the form "companyname.com," is that cyberspace address. Since a domain name is a ticket for entry into online commerce, securing a domain name and protecting the company's right to use it are critical steps in doing business online. But since a company's domain name can also serve as an important corporate locator and identifier—in short, since a domain name may also be a trade name or trademark—selecting a domain name involves perils, and protecting it involves new challenges and risks under trademark law.

Technically, a domain name is merely a mnemonic term a computer user uses to instruct her computer to obtain the Internet Protocol (or IP) number of the desired web site, the numerical address code needed to find and communicate with a computer anywhere in the world "hosting" a web site. By keying in the characters "http://www.fenwick.com," for example, in the address or URL space of her web browser and pressing return, a user is prompting her computer to engage in a set of data transmissions that obtain the IP number (206.204.3.47) of the Fenwick & West web page; signal Fenwick & West's host server computer that she wishes to view the Fenwick home page; and ultimately cause "pages" from Fenwick's web site to be displayed on her screen. But notwithstanding these technical aspects, notwithstanding that technically <Fenwick.com> is just a more memorable equivalent of <206.204.3.47>, it is plain that domain names actually have an important role beyond invoking certain global network protocols. In the context of online marketing, the right domain name can be an essential element of an effective online marketing strategy, both a direct tool for effectively reaching customers and a symbol of the company and its good will.

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<sup>1</sup> Some measures: The quantities of data being processed over the Internet is doubling every 100 days, according to an April 15, 1998 Commerce Department report, and the numbers of Americans using the Internet has grown from 3 million in 1994 to approximately 68 million today; an estimated 100 million people worldwide now use the Internet. The Commerce Department report projected that business-to-business purchases over the Internet could reach \$300 Billion by 2002. "Internet Use Is Doubling Every 100 Days," *San Francisco Chronicle*, April 16, 1998. And on May 18, 1998, Network Solutions, Inc. announced that it had registered its 2,000,000th domain name, up from 1,000,000 in March 1997.

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Given the unstructured nature of the Internet, an easily ascertained domain name can be critical to online success. As the cases have recognized (*see, e.g., Cardservice Int'l, Inc. v. McGee*, 950 F.Supp. 737, 741 (E.D. Va. 1997)), users regularly attempt to guess a company's Internet location or domain name by simply inserting the company's name between the ubiquitous "www." and ".com" specifiers. This common guessing practice makes an intuitive domain name "a valuable corporate asset, as it facilitates communication with a customer base." *Panavision International v. Toeppen*, 1998 U.S. App. LEXIS 7557, at \*32 (9th Cir. April 17, 1998). Representing both name and address in the online context, a domain name can serve the classic trademark function of symbolizing a company's recognition and good will in the marketplace. And insofar as domain names can fulfill the functions of trademarks, it follows as well that domain names can infringe the trademark rights of others.

The scope of rights to use particular terms and trademarks as domain names is unsettled. Non judicial procedures for resolving domain name disputes are unsatisfactory, but continue to evolve. And the courts are struggling with the challenge of applying established trademark doctrines in this new and unfamiliar venue, cyberspace. This paper will set forth the critical trademark issues raised by the rise of the Internet, particularly in the domain name context. We will discuss the manner in which domain names are assigned, the state of the law governing substantive rights to use trademarks or names as domain names, and the dispute resolution procedures of the principal domain name U.S. registry. Finally, we will consider some jurisdictional and other issues arising out of the use of trademarks on the web.<sup>2</sup>

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<sup>2</sup> This paper is based in part on an article by one of the co-authors, Sally M. Abel, and some of the material from that article has been used here without further attribution or citation. See Abel, "Trademark Issues in Cyberspace: The Brave New Frontier," available on Fenwick & West's web site at <<http://www.fenwick.com/pub/cyber.html>>.

The characters "<" and ">" are used here and throughout this paper to indicate that the authors are referring to a URL [Uniform Resource Locator or Internet address] or to a domain name, and these characters are not themselves part of the domain name or address.

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## II. Domain Names and Trademarks

### A. The Domain Name System

In the United States today, the vast majority of domains are assigned, generally on a first come, first served basis, by a single registry known as Network Solutions, Inc. (“NSI”). NSI was given this authority under a contract from the National Science Foundation.<sup>3</sup> In assigning a domain, NSI uses a multi-level system, including a Top Level Domain (“TLD”) such as “.com”, “.net” and “.org”, which is coupled with a Second Level Domain (“SLD”) requested by the party seeking the domain assignment, such as “ibm”, “kaplan”, “earthlink”, “excite”, “computer”, “tennis”, “ppfa” or nearby any other set of characters that the applicant thinks will be memorable. Together, the assigned TLD and SLD will add up to a domain name such as <ibm.com>, <ppfa.org> or <earthlink.net>. There is no requirement that a domain name mirror the name of the applicant, nor even that it be a word. Thus, if you want the domain “mxtplx-3.com” and no one else already has requested it, you can have it.

Not surprisingly, the .com Top Level Domain or TLD, intended for commercial users, has recently experienced extraordinary growth: there are now close to two million such domains. But “.com”, “.net”, “.org” and “.gov” are not the only TLDs. Overseas, any number of registries (called Network Information Centers or NICs) assign individual country TLDs using two character country codes, such as “.ca” for Canada or “.fr” for France. (There is also an underutilized “.us” TLD for the United States.) Due to the international cachet that has developed in .com, however, many overseas businesses have bypassed their country TLDs and have registered .com domains with NSI instead.

Domain names are generally assigned on a first come, first served basis, by a registry which, as an initial matter, only reviews the name to determine whether precisely the same domain name has already been assigned. Thus, such related but non-identical domain names can be and have been assigned as <fresco.com>, <infresco.com>, <alfresco.com>, and <artealfresco.com>. Absent a challenge, NSI will just as readily assign to several other applicants the domains <frescoco.com>, <fresco-co.com>, <fresco-company.com>, <frescoinc.com>, <frescocorp.com> and <frescoincorporated.com>. Unless someone invokes the dispute or

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<sup>3</sup> Under the contract, NSI has been delegated the authority to act as the central Internet registry administering the “.com”, “.net”, “.org”, “.edu” and “.gov” TLDs. The “.com”, “.net” and “.org” TLDs are considered worldwide generic domains (“gTLD”) that may be registered to individuals, companies or institutions located anywhere in the world. An alphabet soup of international agencies of various kinds has been involved in Internet governance. The organization responsible for overall coordination and management of the domain name assignment system is the Internet Assigned Numbers Authority (“IANA”). IANA purportedly was chartered by the Internet Society, an international organization that provides leadership in Internet standards, issues, and education. The Internet Architecture Board (“IAB”) and the Internet Engineering Task Force (“IETF”) also have historical and continuing roles in administering the domain name system.

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challenge procedure discussed in a later section to challenge an assigned domain name, the registrar will engage in absolutely no review or examination to determine whether an applicant's registration and use of a domain name would impinge on anyone else's trademark rights.<sup>4</sup>

#### **B. Domain Names: Addresses or Trademarks?**

It might be and indeed has been argued that the assigned domain names are just addresses, and not trademarks or trade names at all, since they are “merely” the mnemonic equivalents of a web's “actual” identifying address in the Internet system, an address comprised of a nine—or twelve-digit IP number in the form (for example) <208.128.83.6>. Trademarks, on the other hand, are defined as source identifiers—words, symbols or devices used to denote one's products or services, and to distinguish them from those of another. Obviously, domain names and trademarks are not synonymous. But the distinction is not categorical, and the courts have recognized that some domain names can constitute trademarks and that domain names can guess infringe the trademarks of others if they give rise to consumer confusion as to the source of goods or services.

Of course, it is not necessary to use a trademark as one's domain name. A color photography laboratory, for example, owns the domain name <www.photography.com>, notwithstanding that “photography.com” is certainly not protectable as a trademark.<sup>5</sup> When, however, a term that is otherwise protectable as a trademark or trade name is used in the SLD (Second Level Domain) space, the courts have consistently held that unauthorized commercial use of the word by others as a domain name can infringe. “We reject [appellant's] premise that a domain name is nothing more than an address,” the Ninth Circuit recently observed in *Panavision International v. Toeppen*, 1998 U.S. App. LEXIS 7557, at \*31-32, 98 Daily Journal D.A.R. 3929 (9th Cir. April 17, 1998). “A significant purpose of a domain name is to identify the entity that owns the web site . . . [A] domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base.” *Id.*

It is not only established marks that can function as trademarks in such circumstances. Even if a term has not previously been used as a trademark, and has no use other than as a domain name, the U.S. Patent and Trademark Office has held that under appropriate circumstances it can function as a service mark and be entitled to federal registration. See “Trademark Examination of Domain Names” at <[www.uspto.gov/web/offices/tac/domain/tmdomain.htm](http://www.uspto.gov/web/offices/tac/domain/tmdomain.htm)>.

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4 Some overseas NICs do, however, require that the party requesting a particular domain be registered in their country to do business under that name.

5 Among the advantages of owning a domain name comprised of a generic term is the right to sell it. The owner, for example, of the domain <computer.com> is presently auctioning it off, with the stated minimum acceptable bid set at \$250,000. Interested parties are referred to <[www.computer.com](http://www.computer.com)>.

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### III. The Right to Use a Mark as a Domain Name

All too often, a company seeking to use its trade name or mark as its domain name finds that the name is already taken. Whether trademark law offers any remedy in this situation turns, as it does outside of cyberspace, on the particular circumstances. Although the problem is of recent vintage in the Internet context, a fairly substantial body of case law has already developed concerning such disputes. These cases can, for convenience, be considered under three general rubrics: cybersquatters, diverters, and garden-variety (alleged) infringers.

#### A. Cybersquatter's Got Your Mark?—Anti-Dilution to the Rescue!

##### 1. "Arbitraging" Domain Names

Because domain names have been assigned without substantive review or clearance, one of the earliest problems to emerge was the appropriation of the domain names of famous trademarks or trade names by unrelated parties. In many instances, registrants obtained domain names in the important .com space for the specific purpose of selling the domains to the owners of the marks. By May 1994, such "pirated" names included McDonald's, Coke, Hertz, Nasdaq, Viacom, MTV. By mid-1996, Avon, Levi's, B. Dalton, Readers Digest and doubtless still others had joined the list, and the problem continues. In 1997, for example, a California college student, Daniel Khoshnood, obtained the domain <microsoftnetwork.com>, as well as dozens of other domain names closely resembling well known trademarks owned by Microsoft and others (e.g. <cinemania97.com> and <creativewriter.com>).

There is no way of knowing how often companies in this situation have made nominal or not so nominal payoffs to cybersquatters in order to obtain ownership of domain names with their marks. But as the courts began to weigh in on such disputes, it has become clear that trademark owners have legal remedies if they care to exercise them, for the courts have consistently ruled against individuals who obtained domain names for purposes of re-selling them to others.

##### 2. Can Registration of a Mark as a Domain Name Constitute Trademark Infringement When There is No Trademark Use of the Domain?

At the outset, it was certainly not clear that trademark law could provide a remedy for registering someone else's trademark as a domain name, but not using it to offer competing goods or services. Note, for example, the elements of a trademark infringement claim stated in the federal trademark statute, the Lanham Act:

Any person who, *on or in connection with any goods or services*, . . . uses in commerce [meaning, in interstate or international commerce] any word, term, name, symbol, or device, . . . , or any false designation of origin, . . . which . . . is **likely to cause confusion**, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with any person, . . . shall be liable in a civil action . . .



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Lanham Act § 43(a)(1), 15 U.S.C. § 1125 (emphasis added.)

Each of the underlined requirements poses problems for a claim that registering someone else's trademark as a domain name in order to re-sell it constitutes trademark infringement. Cybersquatters generally do not bring on line a web site using the registered domain name, and when they do, they seldom use the site to advertise or sell goods and services. So, for example, when the well-known cybersquatter Dennis Toeppen put his <www.panavision.com> on line, all that he displayed on the site was an aerial photograph of the city of Pana, Illinois! Whatever the Panavision Company thought of the joke, Toeppen's mischievous activities certainly did not present the classic palming off problem.

Could it be maintained, in such circumstances, that mere registration of a domain name or the display of such innocuous matter represented use of a trademark "in connection with . . . goods or services" or that the mark was being used "in [interstate] commerce"? Can it be seriously argued that such limited activities really create a likelihood of consumer confusion as to the source of goods or services?

In another context—namely, the claim that Network Solutions' activities as registrar of domain names made NSI liable as a contributory infringer—it has been held that mere registration of a trademark as a domain name does not constitute "commercial" use.<sup>6</sup> But a fair collection of cases, by now, teaches us that doctrinal niceties will not long detain the courts from disposing of such issues when raised by cybersquatters. In doing so, the courts have often relied on broad interpretations of the new Federal Trademark Dilution Act of 1995, interpretations that seem destined to promote new and expansive rights of trademark holders in general on the Internet.

### **3. "Dilution" by Extortion**

A trademark is not a property right in the same sense as a copyright or trade secret, inasmuch as trademark law is designed primarily to protect the association in the minds of relevant consumers between certain goods or services associated with a trademark (on the one hand) and the owner of that mark and source of those goods or services (on the other). It follows that more than one producer can use similar or even identical marks when their goods or services are sufficiently distinct and when other factors militate against confusion as to source. A moment's perusal of the authors' phone directory illustrates the point: In Palo Alto, California, the trademark and trade name "Able" is used simultaneously by an electronics enterprise, a glass company, a swimming pool maintenance service, a car rental agency, and a tax preparation business. To take another example, this time from the U.S. Trademark Registry, at least ten registrations for marks including or consisting of the term

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<sup>6</sup> *Academy of Motion Picture Arts and Sciences v. Network Solutions, Inc.*, 45 USPQ 2d (BNA) 1463 (C.D. Cal. 1997)

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“PRISM” for various kinds of computer software are now subsisting concurrently.<sup>7</sup> Myriad cases have held that identical marks can coexist in appropriate circumstances.

The trademark “dilution” doctrine represents an exception to the right of new, junior producers to use the same mark where there is no likelihood of confusion. Certain “famous” marks are, under this doctrine, entitled to protection against “diluting” use by others that may weaken the value of such famous marks, even when there is no likelihood of confusion.

Until a federal dilution statute went into effect in 1996, the doctrine was solely a creature of state law in the United States, and it traditionally has protected famous marks from dilution by “blurring” and “tarnishment.”

“Hypothetical examples of what might be called dilution by . . . ‘blurring’ were listed by the New York legislature as Dupont shoes, Buick aspirin, Schlitz varnish, Kodak pianos and Bulova gowns.”<sup>3</sup> McCarthy on Trademarks (4th ed.) §24.68. The principle is that even though no one would believe that the auto manufacturer would be the source of Buick-brand aspirin, the owner of so famous and widely recognized a mark “owns” an asset that it is entitled to protect from erosion by others.

Dilution by “tarnishment” involves a related but distinct concern—avoiding the degradation of a famous mark through an unsavory association of some sort. *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, 40 USPQ2d (BNA) 1479 (W.D. Wash. 1996), illustrates the application of the tarnishment branch of traditional dilution law in the domain name context. Hasbro is the owner of a well-known children’s game which it sells under the famous mark “CANDYLAND,” and was disturbed to learn of a web site offering sexually explicit materials under the domain name <www.candyland.com>. Although no one would be so confused as to believe that the manufacturer of this wholesome children’s game might also be the source of online pornographic images, Hasbro reasonably feared that its valuable mark would be damaged by the creation of a new, sexual association with the mark. A district court agreed and issued a restraining order and preliminary injunction, precluding the defendant from continuing to use the “candyland.com” domain name.

Under the dilution doctrine, the owners of famous marks would not have to show that a cybersquatter’s actions created a likelihood of confusion, because the likelihood-of-confusion element of a trademark infringement claim is not required for a dilution claim. But it was still not entirely clear that traditional dilution doctrine would provide a remedy against individuals who were making no trademark use of a famous mark. How could mere registration of a famous mark, without trademark use—essentially amounting to nothing but

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<sup>7</sup> Reg. Nos. 1,836,592; 1,685,150; 1,762,493; 1,682,786; 1,916,038; 1,866,840; 1,934,881; 1,916,141; 1,930,240; and 1,557,671.

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denial of use of the domain name by the trademark owner—be said either to “blur” or “tarnish” the famous mark? And does such registration constitute “commercial use” within the meaning of dilution law? The answers to these questions have been provided by recent broad interpretations of the Federal Trademark Dilution Act of 1995 (Trademark Act § 43(c), 15 U.S.C. § 1125(c)), which became effective in 1996. Under the Dilution Act, courts have in several cases provided remedies against domain name “arbitrage” or “extortion” (as courts have variously characterized it) by perceived cybersquatters.

In three cases, for example, federal courts have entered orders against the well-known cybersquatter and alleged domain name “pirate” Dennis Toeppen, based on his registration and “use” of various companies’ famous marks; indeed, the Ninth Circuit recently affirmed one of those decisions in an important opinion on the scope of “dilution” in the Internet/domain name content.

On September 3, 1996, in *American Standard, Inc. v. Toeppen*, 96 CV 02147, 1996 U.S. Dist. LEXIS 14451 (C.D. Ill. filed May 31, 1996), Toeppen was first preliminarily enjoined from using the AMERICAN STANDARD trademark and the <americanstandard.com> domain name and was ordered to transfer the domain name to the plaintiff, American Standard, Inc., for the pendency of the action. The case has been dismissed, and American Standard uses the domain to promote its air conditioning, automotive, medical systems and plumbing businesses.

Toeppen lost again in federal court a few months later, in a suit over his registration of the domain name <intermatic.com>. *Intermatic, Inc. v. Toeppen*, 947 F.Supp. 1227 (N.D. Ill. 1996). Plaintiff Intermatic, Inc. had used its INTERMATIC trade name and mark in connection with its electronics business since 1941, and sued Toeppen for dilution and trademark infringement. The court granted summary judgment against Toeppen, holding that his registration and use of the <intermatic.com> domain name constituted dilution of a famous mark. The court held that obtaining a domain name with the intent to “arbitrage” the name represented a commercial use, and that its effect was to dilute the mark within the meaning of the new Federal Trademark Dilution Act. The court held that questions of fact on the issue of likelihood of confusion, however, precluded summary judgment on Intermatic’s claim of trademark infringement.

Toeppen suffered his third loss against plaintiff Panavision International, the well-known Hollywood camera and lens maker that distributes its motion picture equipment under the familiar PANAVISION and PANAFLEX marks. Following the reasoning of Intermatic, the district court held Toeppen’s registration and “use” of the <Panavision.com> and <Panaflex.com> domain names to constitute dilution. *Panavision International v. Toeppen*, 945 F.Supp. 1296, 1996 U.S. Dist. LEXIS 19698 (C.D.Cal. 1996), *aff’d* 1998 U.S. App. LEXIS 7557, 98 Daily Journal D.A.R. 3929 (9th Cir. April 17, 1998).

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On appeal, the Ninth Circuit (which characterized Toeppen’s business as extortion) affirmed the summary judgment against Toeppen, interpreting the “commercial use” and “dilution” elements of a federal antidilution claim in the Internet context. First, apparently accepting that registration of a trademark as a domain name without more does not constitute the “commercial use” required to bring the matter within the Lanham Act, the appeals court held that registration in order to prevent rightful trademark owners from doing business on the Internet under their trademarks unless they paid a cybersquatter’s fee constituted commercial use of the marks. 1998 U.S. App. LEXIS 7557, \*25. Although not a far-fetched interpretation of the “commercial use” requirement, this represents an important departure from the traditional notion of “commercial use,” which focuses on trademark use with respect to goods and services.

Second, turning to the Federal Trademark Dilution Act’s definition of dilution— “the lessening of the capacity of a famous mark to identify and distinguish goods or services” (15 U.S.C. §1127, emphasis added)—the Ninth Circuit held that the Act was not limited to the traditional notions of dilution, “blurring” and “tarnishment.” Since potential customers commonly try to find a company on the Internet by using its famous mark to locate the company’s web site, the court agreed with the *Intermatic* holding that depriving a trademark owner of the power to use its mark as its domain name “lessens the capacity of [the trademark owner] to identify and distinguish its goods and services by means of the Internet,” and therefore fits within the Federal Dilution Act’s definition of dilution. *Id.* at 30, citing *Intermatic Inc. v. Toeppen, supra*, 947 F.Supp. at 1240.<sup>8</sup>

Under traditional dilution doctrine, it is the use of a famous mark as a *trademark*, albeit in other contexts, that dilutes the capacity of the mark to identify and distinguish the trademark holder’s goods, whether by blurring or tarnishment. In an important extension of traditional doctrine, the Ninth Circuit concluded that the “lessening of the capacity of a famous mark to identify and distinguish goods” represents dilution, not by virtue of the defendant’s use of the mark on goods, or services, but solely by depriving the owner of the use of its mark as a domain name.

The reasoning of *Panavision* has provided a platform for an even broader interpretation of the Federal Dilution Act. In a final case continuing the trend against anyone who can be characterized as a ‘cybersquatter,’ a federal district court in the Central District of California recently relied on the federal anti-dilution statute in ordering a Vancouver, Canada-based email service to sell the domain name registrations <avery.net> and <dennison.net> to the Avery Dennison company. *Avery Dennison Corporation v. Sumpton*, 1998 U.S. Dist. LEXIS 4373 (C.D. Cal. Mar. 16, 1998). The court’s characterization of the defendants as

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<sup>8</sup> The *Panavision* decision is also noteworthy for affirming the California federal court’s exercise of personal jurisdiction over Toeppen, an Illinois resident, as discussed below.

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“cybersquatters” seems dubious, and its decision represents a further extension of the dilution doctrine in the domain name context.

Defendants’ enterprise had registered 12,000 surnames as domain names with .net suffixes, with the apparent intention of allowing customers to share surname-based domain names in order to create a multiplicity of e-mail addresses such as <jane@smith.net>, <bob@smith.net> and <nancy@smith.net>. Avery Dennison already owned the domain names <avery.com> and <averydennison.com>, so (unlike the *Panavision* situation discussed above) defendant’s registrations did not preclude the company’s customers from finding Avery Dennison in the .com domain space most used by commercial entities. Further, defendants maintained that they merely sought to allow multiple uses of the same domain name and to spread the cost of maintaining such registrations among various users.

The court was skeptical of defendants’ true intent, and held without any particularly cogent analysis that plaintiff Avery Dennison’s marks were diluted by defendants’ registration of the .net domain names and intended licensing of the domain names to others. The court required defendants to transfer the two domain names to the plaintiff for \$300 each.<sup>9</sup>

Two points are notable about the court’s decision. First, the case illustrates that “famousness” is in the eye of the beholder. Based on intuition (and resort to a local phone directory), the authors would have been inclined to doubt whether AVERY and DENNISON, while familiar, would qualify as “famous” marks. Among other considerations, one would think it unusual for a familiar surname to be deemed a “famous” mark for dilution purposes. So much for intuition.<sup>10</sup>

Second, extending further the reasoning of *Panavision*, the court appeared to hold that registration of a mark as a domain name by another “lessens the capacity” of the famous

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9 Other recent decisions discussing causes of action for dilution involving the Internet include *Lozano Enterprises v. La Opinion Publishing Co.*, 44 USPQ2d (BNA) 1764, 1997 U.S. Dist. LEXIS 20372 (C.D. Cal. 1997); *Teletech Customer Care Management, Inc. v. Tele-Tech Company, Inc.*, 977 F.Supp. 1407 (C.D. Cal. 1997); and *Toys “R” Us, Inc. v. Akkaoui*, 40 USPQ2d (BNA) 1836, 1996 U.S. Dist. LEXIS 17090 (N.D. Cal. filed Oct. 26, 1996).

10 Although the Federal Dilution Act identifies a nonexhaustive set of factors that a court may consider in deciding whether a mark is famous, the act neither defines “famous mark” nor sets forth the criterion by which fame is to be decided. Lanham Act, §43(c)(1). The factors set forth in the Act are: “(A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade of the mark’s owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.” *Id.*

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mark to distinguish, even when it does not deprive the trademark holder of the use of its mark as a domain name in the more popular .com top level domain, and even where there was apparently no proof that the defendant intended to do anything with the domains but allow persons with corresponding surnames to use them as part of their personal email addresses.<sup>11</sup>

Although the international ramifications of domain/trademark law, and their practical implications for “domestic” cyberspace businesses, are far from clear, companies and practitioners do need to be aware that U.S. courts are not the only ones that are ruling on these issues.<sup>12</sup> In the cybersquatting arena, as in others, at least one foreign court has also spoken.

In the United Kingdom, the High Court of Justice, Chancery Division, last fall enjoined the activities of two cyber-dealers and their related companies, who had obtained and were offering for sale or “hire” numerous domain names containing well known marks such as burgerking.co.uk, motorola.co.uk, britishtelecom.co.uk, spice-girls.net and virgin.org. *Marks & Spencer PLC v. One in a Million*, Nos. CH 1997 M5403, M.5404, J.5402, V.5401 and B.5421 (November 28, 1997). The court enjoined the “threat of passing off” (which threat would become a reality if an offending domain was sold to and used by a stranger to the trademark owner), warning cybersquatters that:

“Any person who deliberately registers a domain name on account of its similarity to the name, brand name or trademark of an unconnected commercial organization must expect to find himself on the receiving end of an injunction to restrain the threat of passing off, and the injunction will be in terms which will make the name commercially useless to the dealer.”

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<sup>11</sup> Other recent decisions discussing causes of action for dilution involving the Internet include *Gateway 2000, Inc. v. Gateway.com, Inc.*, 1997 U.S. Dist. LEXIS 2144 (E.D.N.C. 1997); *Lozano Enterprises v. La Opinion Publishing Co.*, 44 USPQ2d (BNA) 1764, 1997 U.S. Dist. LEXIS 20372 (C.D. Cal. 1997); *Teletech Customer Care Management, Inc. v. Tele-Tech Company, Inc.*, 977 F.Supp. 1407 (C.D. Cal. 1997); and *Toys “R” Us, Inc. v. Akkaoui*, 40 USPQ2d (BNA) 1836, 1996 U.S. Dist. LEXIS 17090 (N.D. Cal. filed Oct. 26, 1996).

<sup>12</sup> See generally section on Jurisdiction below; see also discussion of the domain name litigation in the U.S. and the UK between Prince PLC (a British computer services company) and Prince Sports Group, Inc., the U.S. tennis racket manufacturer, over the <prince.com> domain.

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In addition to responding to the threat of passing off, the court also based its “final injunctions” on grounds of trademark infringement, concluding that the defendants’ activities were inherently likely to confuse.<sup>13</sup>

A final point and practice suggestion regarding cybersquatting: Anecdotal evidence indicates that, case law notwithstanding, the cybersquatting enterprise is alive and well. The cases offer comfort to companies that care (and can afford) to vindicate their right to use their own names as domain names through litigation. But most entities—and especially most newly formed companies—are likely to submit to minor acts of extortion to obtain the domain they want, rather than go to court. To avoid this problem in the first place, clients should be wary of making information public that facilitates the registration of their newly adopted trade names by fast-moving domain name pirates. This means, among other things, that an enterprise in the process of corporate formation should register its intended domain names before or at the same time that it reserves a corporate name with the secretary of state.

#### **B. Diversionary Uses of Other’s Marks as Domain Names and Meta-Tags**

A second category of abusive practices, which we might loosely call “diversionary” uses of others’ names, involve active web site operators who (with no particular justification or excuse) will use a victim’s mark or name or an obvious variant of its name as a domain name, or as hidden text or “meta-tags,” in order to deliberately divert traffic intended for the trademark holder. The line between such practices and garden-variety infringement cases is not hard and fast, but a few examples illustrate the different character of the sharp dealings described in this section.

##### ***1. Domain Names That Misdirect Web Traffic By Using the Other Company’s Name***

This most obvious approach (plainly indefensible in a commercial context) consists of simply using your competitor’s name to lead consumers to a site that is not the one customers think it is, and may have nothing at all to do with it. Thus, for example, General Motors

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<sup>13</sup> Various other U.S. cases involving cybersquatters have settled. *Counsel of Better Business Bureau, Inc. v. Mark Sloo*, No. 95-0473-CV-W-2 (D. Kansas, filed May 8, 1995) settled quickly after the Better Business Bureau brought suit against an individual who had registered the domains <bbb.com> and <bbb.org>, although he was providing no services and allegedly registered the domains only in an attempt to force the Better Business Bureau to purchase them. In *Avon v. Carnetta Wong Associates*, CV96 0451 (E.D.N.Y. February 1996), Avon included allegations of dilution under the then new Federal Trademark Dilution Act, in addition to its claims of trademark infringement and unfair competition stemming from the defendant’s registration of the domain <avon.com>. That case settled and Avon obtained control of the domain.

*MTV Networks v. Adam Curry*, 867 F. Supp. 202 (S.D.N.Y. 1994), which does not quite fit the cybersquatter mold, involved a former MTV “video jockey,” who, while employed at MTV, had registered <mtv.com> under his own name with the company’s approval. Curry established a large Internet following, and when he left MTV acrimoniously, he refused to give up the domain. MTV filed suit, and the case settled quietly on March 24, 1995 with control of the disputed domain passing to the company.

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Corporation does have its own web site at <www.gm.com>. However, GM evidently omitted to also register the domain <generalmotors.com>, and an online music store known as “CDNOW” registered and operates a web site at <www.generalmotors.com> (in addition to its own site at <www.cdnw.com>). Anyone who goes to <www.generalmotors.com> seeking the auto company immediately learns of his error, but the CDNOW enterprise has meanwhile obtained further exposure.

In the first lawsuit we are aware of involving such practices, the educational test preparation company Princeton Review opened a web site under the domain name, <kaplan.com>, which obviously appeared to refer to its competitor Stanley H. Kaplan Educational Center. Users who reached the site, expecting that it was sponsored by the Kaplan enterprise, found instead messages disparaging Kaplan’s services and praising those of Princeton Review. Kaplan sued. *Princeton Review Management Corp. v. Stanley H. Kaplan Educational Center, Ltd.*, 94 Civ. 1604 (MGC) (S.D.N.Y., filed March 9, 1994), Kaplan refused Princeton Review’s “generous” offer to relinquish the domain name in exchange for a case of beer, and the case was resolved when an arbiter ordered Princeton Review to surrender the domain.

A second case, *Planned Parenthood Federation of America, Inc. v. Richard Bucci*, d/b/a Catholic Radio, 42 USPQ2d (BNA) 1430, U.S. Dist. LEXIS 3338 (S.D.N.Y. 1997), *aff’d in [noncitabile] slip op.*, no. 97-7492 (2d Cir. Feb. 9, 1998), involved more difficult issues. Planned Parenthood, the well known, non-profit, reproductive health organization, was the target of a similar effort by a “competitor” to divert attention on the web. Although the fact pattern is not likely to be replicated in situations involving commercial online entities, the analysis that the court used in granting relief—like that in the cybersquatter cases discussed earlier—suggests an expansive view of the rights of trademark owners, and is likely to have broader implications, therefore we discuss the case on some detail.

The defendant, an anti-abortion and anti-birth control advocate, set up a web site using the domain name <www.plannedparenthood.com>. The site, which carried an opening banner that read, “Welcome to the PLANNED PARENTHOOD HOME PAGE,” actually provided information on and promoted sales of an anti-abortion book. The defendant admitted that he intentionally chose the <plannedparenthood.com> domain name to divert Internet users who were seeking Planned Parenthood’s site to his own web site.

Planned Parenthood owned incontestable registrations for the mark PLANNED PARENTHOOD, which it had used in connection with its reproductive health services for 50 years, and operated its own web site at <www.ppfa.org>; its Houston affiliate operated a site at <www.plannedparenthood.org>. The organization brought suit for trademark infringement and dilution under the Lanham Act, and obtained a permanent injunction against Bucci’s use of the domain name.



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The decision raises difficult issues concerning the scope of the Lanham Act and the use of trademark law to address issues and remedy “wrongs” that are, in substance, political and noncommercial in nature. Bucci argued that there was no subject matter jurisdiction under the Lanham Act both because his activities were not “in commerce” within the meaning of the Act and because his activities represented non-commercial speech.

The “in commerce” requirement, necessary for federal jurisdiction, was easily met, the court held, and seems relatively noncontroversial. The court noted at the outset that the defendant had previously admitted in earlier proceedings that his use of the plaintiff’s mark “in commerce.” Apart from this concession, the court held that the “in commerce” requirement was satisfied for two reasons. First, Bucci’s actions affected Planned Parenthood’s ability to offer its health and information services, which unquestionably were rendered in commerce. Second, putting up a home page with unrestricted access satisfies the “in commerce” requirement of the Lanham Act because the site is accessed via interstate telephone lines.

The court next found that the “commercial use” requirements of 15 U.S.C. Section 1114 (infringement of a registered trademark), 15 U.S.C. Section 1125(c) (dilution), and 15 U.S.C. Section 1125(a)(1)(A) (false designation of origin) were satisfied for three reasons: First, the defendant was promoting the sale of a book (even though he did not benefit monetarily from those sales). Second, the defendant solicited funds for his political activities. And third, the defendant’s actions harmed the plaintiff’s ability to distribute its services, by preventing some Internet users from reaching the real Planned Parenthood site.<sup>14</sup>

“[W]hether defendant’s use of the mark is commercial within the meaning of the Lanham Act is a distinct question from whether defendant’s use of the mark is protected by the First Amendment,” the court stated. *Planned Parenthood* at 1437. However, after finding the use to be commercial and concluding that a likelihood of confusion existed, the court proceeded to reject Bucci’s First Amendment defense on the basis that the use Bucci made of “planned parenthood” was more as a source identifier than as part of the “communicative message,” the latter but not the former being representing speech. *Id.* at 1440.

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<sup>14</sup> The logic of *Planned Parenthood* regarding “commercial use” and use “in connection with . . . goods and services” was followed and extended in *Jews for Jesus v. Brodsky*, No. CIV A 98-274 (AJL), 1998 U.S. Dist. LEXIS 2962, 1998 WL 111676 (D.N.J. Mar. 6, 1998). In *Jews for Jesus*, the court held that the creation of a web site that diverted traffic from the true *Jews for Jesus* site was outside the “non-commercial use” exception of the Federal Dilution Act, notwithstanding that the defendant was selling no goods whatsoever, but was (inter alia) providing an outlink to an Outreach Judaism Organization Internet site that the court characterized as “commercial.” See especially discussion at LEXIS \*73-\*82.

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Beyond the commercial/political speech issues, the case is significant for its application of likelihood of confusion principles to the Internet. Traditionally, the courts employ multifactor tests such as the Second Circuit's *Polaroid* test,<sup>15</sup> in order to consider the likelihood that use of similar marks will cause confusion. The court's analysis in *Planned Parenthood* treats two important *Polaroid* factors in a manner that might suggest a finding of likelihood of confusion in any case involving parties that both had an Internet presence.

First, the court addressed the proximity-of-the-goods-or-services factor, holding that because both parties have web sites, the parties' goods and services are in close proximity to each other. The court's theory was that the goods and services were proximate because both are competing for the same audience, which the court characterized as "Internet users who are searching for a web site that uses plaintiff's mark as its address. *Id.* at 1438. Second, having concluded that the parties are "vying for users in the same 'market,'" *id.*, the court dismissed the "bridging the gap" factors as irrelevant.

This approach, which appears to emphasize greatly the role of the web as a supposed single "market," if read for all it is worth could have far reaching and possibly absurd implications in standard commercial disputes. In a dispute over rights to the <pike.com> domain, discussed below, for example, the contenders were a California Realtor and a North Carolina power line repair company. By the logic of *Planned Parenthood*, realty services and power line repair services would be in proximity because the two are "competing" for Internet users who are searching for <pike.com>.

## **2. Tricks and Diversions: Related Names**

A company going into business online should be aware of yet other manipulations that other entities may employ to divert traffic from the company's potential customers or Internet users to unintended sites.

First, even if a company obtains its own name as a domain name, if others have reason to know that the site generates a high volume of visitors, they may register domain names that are common misspellings of the company's name, likely typographical errors for the domain name, or other possible variants of the domain name.

Second, if there are a number of forms of the company's actual name that are in common use, web diverters may simply choose to register other forms than the one selected by the company for its domain name. The <www.gm.com> and <www.generalmotors.com> example discussed above illustrates this.

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<sup>15</sup> *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). The *Polaroid* factors include the strength of the mark, the degree of similarity between the two marks, the proximity of the goods, the likelihood that the senior user of the mark will "bridge the gap" between the goods by expanding into similar products, actual confusion, the defendant's intent in adopting the mark, the quality of defendant's product, and the sophistication of buyers.

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Third, an enterprise about to go into business online should be aware that even if it succeeds in registering its YOURNAMEHERE mark as a domain in the .com space and launches a web site at <www.yournamehere.com>, other entities could still register <yournamehere.net> or <yournamehere.org>, not to mention <yournamehere.co.uk> (in the United Kingdom), <yournamehere.to> (Tonga) and so on.

Acquiring the domain for the most used .com Top Level Domain, in the accurately-spelled, most commonly used version of the company name, means that little traffic of the “let-me-guess-the-URL” variety is likely to be diverted. But a company should still make a conscious decision concerning how much further it may want to go to prevent others from using its name or mark as a domain name. This may be a consideration of particular importance if the mark is on the borderline between suggestive and descriptive (or worse), and the company wants to discourage even nonconfusing or arguably descriptive uses of the mark, in order to strengthen the mark. Obviously, a campaign to forestall international uses of the mark in many countries could prove costly, let alone a campaign to outwit those who might want to use versions with and without hyphens, vowels, or entity specifiers such as “inc,” “co,” etc.

### ***3. Tricks and Diversions: Meta-Tagging***

Trademark owners should be aware of another “diversion” strategy that relies on “metatags,” not on domain names. Some appropriators use trademarks or other content simply to ensure that their site appears in search engine results, even if the searcher was not searching for their product or service. Meta-tagging is a technique whereby a word (e.g. “sex” or a competitor’s trade name) is inserted in the keywords field of the site, which is not usually viewed by users but is a kind of “indexing” area accessed by Internet search engines. Use of another party’s mark as a meta-tag increases the chances that a search engine will returning the site, although the site may have nothing to do with the inserted word.<sup>16</sup>

In what appears to be the first case of this type, the law firm of Oppedahl & Larson, owner of the domain name <patents.com>, filed a trademark infringement action against three companies and their internet service providers (ISPs) after discovering that the companies inserted the words “Oppedahl” and “Larson” in the keywords field of their web pages in order to draw traffic to their sites. When the law firm ran a search on “Oppedahl” and “Larson,” the defendants’ web sites were returned but the sites did not appear to contain either term; only a review of the source page revealed the hidden text. *Oppedahl & Larson v. Advanced Concepts*, No. 97CV1592 (D. Co. filed July 24, 1997). The case is pending, and although one of the defendants and its ISP have answered the complaint, the remaining defendants have yet to do so.

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<sup>16</sup> In another version of this technique, a pornographic site duplicates, in its keywords field, the keywords of frequently searched sites so that the pornographic site will be returned by a search engine looking for the frequently searched site.

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It is anticipated that all the defendants will defend their actions on fair use and First Amendment grounds; however, to the extent such actions cause confusion, or are used to intentionally misdirect potential customers to a competitor's site, such actions may be found to constitute trademark infringement or unfair competition. Presumably the defendants will also argue that they have not caused any consumer confusion, inasmuch as consumers who reach their site as a result of their Internet search immediately become aware of precisely whose site they have reached. The reasoning of the cybersquatter dilution cases discussed above could tend to support arguments (assuming arguendo that OPPEDAHL & LARSON could be deemed a "famous" mark) that misdirecting potential customers nonetheless constitutes trademark dilution under the new federal act.<sup>17</sup>

For a slight variation on this theme, and the first case in which a court a preliminary injunction issued precluding the defendants from using misleading terms in hidden text or meta-tags on a web site, see *Playboy Enterprises, Inc. v. Calvin Designer Label*<sup>18</sup>, *Calvin Fuller and Calvin Merit*, 44 USPQ2d (BNA) 1157, 1197 U.S. Dist. LEXIS 14345 (N.D. Cal. filed Aug. 1997). In this case, the defendants' web sites <playboyxxx.com> and <playmatelive.com> featured "adult" material and nude photographs, advertised defendants' "Playmate Live Magazine," and displayed the message "Get it all here @ Playboy." The sites also repeated the terms PLAYBOY, PLAYBOY MAGAZINE and PLAYMATE several hundred times on the web site. Since the terms were in black type on a black background, they were invisible to individuals viewing the site—but not to search engines, which caused the sites to be returned by search engine queries for "Playboy" or "Playmate." All of these practices were barred by the preliminary injunction.<sup>19</sup>

In a different context, however, another district court recently rejected a Playboy Enterprises' claim that the web site of a former "playmate" infringed the Playboy marks by virtue of

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17 A rather amusing footnote to this case can be found at <www.geocities.com> which contains an entire page of statements disclaiming any connection, affiliation, sponsorship of the site, or even information about Carl Oppedahl or Oppedahl & Larson, but which also ensures the site will appear prominently in search engine results when the terms "Oppedahl" or "Larson" are input.

18 No relation to the fashion designer of the same name.

19 Playboy Enterprises had sued for trademark infringement, dilution, and unfair competition, *inter alia*, and moved for injunctive relief to preclude defendants from continuing to use the marks in this fashion. Defendants failed to respond to the motion and on September 8, 1997 a preliminary injunction issued which precluded the defendants from continuing to use the <playboyxxx.com> and <playmatelive.com> domains or Playboy Enterprises' registered PLAYBOY and PLAYMATE trademarks in hidden text or metatags on the defendants' web site. Interestingly, the preliminary injunction not only precludes defendants from continuing to use the marks and domain names, it ordered defendants to immediately request that NSI cancel its domain name registrations and, anticipating NSI's likely response, ordered that, in the event NSI were to deposit the domain names with the court for disposition, "the domain names are hereby canceled." The case is currently pending and the defendants have yet to file an appearance.

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meta-tags and other “unauthorized” uses of Playboy Enterprises’ marks. *Playboy Enterprises, Inc. v. Terri Welles*, No. 98-CV-0413-K (JFS) (S.D. Cal. May \_\_, 1998) (Order Denying Plaintiff’s Motion For Preliminary Injunction).

Relying on “fair use” analysis, including the Ninth Circuit’s decision in *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992), the district court held that a former playmate could use the marks to accurately describe herself.<sup>20</sup> Moreover, since the defendant could properly make editorial references to herself as a “Playboy Playmate of the Year 1981,” the use of the marks in meta-tags was also non-infringing: “With respect to the meta tags, the court finds there to be no trademark infringement where defendant has used plaintiff’s trademarks in good faith to index the content of her website.” *Id.*

As discussed further below, these developments suggest that the protection of trademarks on the Internet must include regular domain name searches and Internet search engine monitoring in order to detect and respond to new means of trademark abuse made possible by the cunning of those intent on exploiting a company’s good will.

### **C. “Garden-Variety” Infringement Claims and NSI’s Dispute Resolution Policy**

Domain name cases have moved beyond scams and schemes and into the realm of typical trademark disputes between two parties engaged in actual business activities, who both want to use the same or a similar mark. Although the development of the law has not been entirely smooth, the courts have tended to apply ordinary likelihood of confusion standards in the cases not involving dilution.

#### **1. Some Early Suits**

*Comp Examiner Agency, Inc., dba 25th Century Internet Publishers v. Juris, Inc.*, No. 96-0213-WMB, 1996 U.S. Dist. LEXIS 20259 (C.D. Cal. April 26, 1996), was the first case in which a U.S. court applied a traditional likelihood of confusion analysis to a domain name trademark dispute. Juris, Inc. owned a federal trademark registration for JURIS, for its legal time and billing software products, but was forced to choose the domain <jurisinc.com> because its first choice, <juris.com>, had already been assigned to The Comp Examiner Agency. Comp Examiner used the domain for a legal information web site. When Juris, Inc. accused Comp Examiner of trademark infringement, Comp Examiner filed an action to cancel Juris, Inc.’s JURIS trademark registration on grounds of genericness. Juris, Inc. counterclaimed for trademark infringement and dilution. Juris, Inc. won a preliminary injunction that precluded

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<sup>20</sup> Trademarks “such as Playmate are not only trademarks related to Playboy magazine, but they are titles bestowed upon particular models. . . . Playboy Playmates are given a title which becomes part of their identify and adds value to their name. . . . [T]he title becomes part of who they are to the public.” *Id.*

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Comp Examiner not only from using the domain <juris.com>, but also from using “JURIS,” <jurisc.com> or any confusingly similar variation for “the advertising, operation or maintenance of any Internet site or bulletin board service.” The lawsuit settled shortly thereafter, with Juris, Inc. obtaining the <juris.com> domain.<sup>21</sup>

While *Comp Examiner Agency* involved essentially a “garden variety” claim of likelihood of confusion concerning related services, the fact that there can only be one of any particular domain name in the .com space has spawned similar litigation involving wholly unrelated goods/services. One such early case, *Fry’s Electronics, Inc. v. Octave Systems, Inc.*, No. 95-CV-02525-CAL (N.D. Cal.), resulted in a default judgment now on appeal,<sup>22</sup> but is perhaps illustrative of the fact that claims are asserted in the Internet context that one would not expect to see elsewhere.

Fry’s Electronics, a retailer in Palo Alto, California, brought trademark infringement claims and even claims under the federal Racketeer Influenced and Corrupt Organizations Act (“RICO”) against a Seattle-based vendor of french fry machines, Frenchy Frys, after the electronics retailer discovered that Frenchy Frys had the audacity to register the domain <frys.com>, leaving Fry’s Electronics with its second choice, <fryselectronics.com>. In the wake of the default judgment, Fry’s Electronics obtained the right to use the <frys.com> domain name without having to face the challenge of establishing likelihood of confusion on the part of customers for consumer electronics products and french fry machines, respectively.

In a significant number of other instances, *plaintiffs* have asserted trademark infringement claims without regard, apparently, to the differences in the parties’ goods or services or to differences in customary channels of trade and customer base, factors that are critical to assessing likelihood of confusion in traditional trademark settings. Although most of the cases have settled or are still pending, there is little support at this time for the notion that the use of a domain name by a party in one line of business will be held to infringe even an identical registered trademark when the mark is used as a domain name by a party in another line of business.

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21 Interestingly, this is not the only case involving the second level domain “juris”. Underscoring the international nature of the domain name system and its relevance to trademark owners, on January 15, 1997 a Court in Munich, Germany ruled that the defendant before that court could not retain the domain <juris.de> and the plaintiff was entitled to have the domain transferred to it. Landgericht München, January 15, 1997, 1 HKO 3146/96. As far as we are aware, the parties were not related to those in the U.S. suit.

22 The default judgment was in response to what the court termed “obstructionist behavior” by codefendant David Peter, proprietor of Frenchy Frys. Peter, who is appearing *pro se*, is currently appealing the decision to the Ninth Circuit. Civil appellate docket no. 97-15485, filing date March 11, 1997. As of March 13, 1998, the case had been fully briefed, but not yet calendared for oral argument.

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Since it is the policy of the domain name registration authority Network Solutions, Inc. (NSI) concerning disputes over domain names—a policy that does not address likelihood of confusion—that may have prompted, and serves as the backdrop for, many of these disputes, we turn next to the NSI dispute policy.

## ***2. NSI's Domain Name Dispute Policy***

Network Solutions apparently began without a real domain name dispute policy; and NSI's practice of handing out domain names on a first come, first served basis seemingly worked well enough until the Internet achieved a level of commercial significance such that someone would pay to file a lawsuit to stop someone else from using a domain name perceived to infringe a trademark.

From NSI's perspective, that probably occurred in December 1994, when NSI was first named as a defendant in *KnowledgeNet v. David L. Boone et al.* (N.D. Ill. Eastern Div., filed Dec. 2, 1994). Plaintiff KnowledgeNet included a RICO claim against NSI and Boone's Internet service provider for aiding and abetting Boone's alleged "illegal enterprise" to misappropriate the KNOWLEDGENET trademark by using the domain <knowledgenet.com> and by licensing the same. NSI ultimately was dismissed as a party, without prejudice, but only *after* the primary parties reached a settlement in which Boone gave up the domain and reportedly paid a hefty sum to the plaintiff.

We need not trace the subsequent suits against NSI and the evolution of its dispute policy.<sup>23</sup> Suffice it to say that, in hopes of avoiding being drawn into lawsuits over rights to use domain names, NSI devised (and revised) a set of rules that determine when a trademark owner's claim has sufficient weight that NSI will suspend a registrant's domain name. The entire system of domain name allocations and governance is in flux at this time, and it seems likely that by the middle of 1998, a new system—likely including a significantly different system of dispute resolution—will be in consideration as a result of an imminent "White Paper" from the U.S. government on the subject.<sup>24</sup>

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<sup>23</sup> For a detailed discussion of the evolution of the NSI dispute resolution system and attempts to reform it, see Abel, *supra*, "Trademark Issues in Cyberspace: The Brave New Frontier," at <<http://www.fenwick.com/pub/cyber.html>>.

<sup>24</sup> On January 30, 1998, the Administration released as a discussion draft its "Green Paper" proposing changes in the system of governance of the Internet domain name system, including suggested changes relating to the top level domain structure, to management of the system, and to dispute resolution. The official version of the document was published in the Federal Register on February 20, 1998, as a proposed U.S. Commerce Department rule, and is available online at <[www.ntia.doc.gov/ntiahome/domainname/dnsdrft.html](http://www.ntia.doc.gov/ntiahome/domainname/dnsdrft.html)>. A further "White Paper" reflecting changes in the White House proposal was, in mid-May 1998, expected to be issued shortly. That paper will likely be available at the National Telecommunications & Information Administration's web site at <[www.ntia.doc.gov/](http://www.ntia.doc.gov/)>; further commentary on the Green Paper and on the expected White Paper can be found in the online version of Abel, "Trademark Issues in Cyberspace: The Brave New Frontier," available on Fenwick & West's web site at <<http://www.fenwick.com/pub/cyber.html>>.

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For the time being, the procedure that determines rights to domain names on an administrative level is the current NSI policy, set forth in NSI Domain Name Dispute Policy Rev. 03, effective February 28, 1998. Briefly stated, the policy provides as follows: NSI will suspend the use of a domain name, allowing neither party to use it, if a challenger owns a trademark registration from any country that predates the domain name, unless the domain name holder also has a trademark registration with an effective date prior to the initiation of the dispute. If the domain holder owns a trademark registration predating the dispute, NSI will take no action and the domain name will remain operative.

The details of the current NSI policy (see attached copy of NSI Domain Name Dispute Policy Rev. 03<sup>25</sup>) are as follows.

First: The owner of a federal trademark registration in the U.S. or a registration in a foreign country may initiate a challenge to another party's use of a domain name by submitting to NSI (1) a trademark registration certificate for a mark identical to the challenged second level domain name (the part before ".com," typically), along with (2) proof that the trademark owner has sent the domain holder written notice of the trademark owner's claim that the use and registration of the domain name violates the trademark owner's legal rights.

Second: NSI determines whether the challenger has priority, in the first instance, over the domain name holder by comparing the "creation date" of the domain with the "effective date" of the trademark registration. NSI's precise rules for making this determination are not entirely clear inasmuch as "creation date" and "effective date" are not defined in NSI's policy. In any event, if the domain creation date comes first, NSI will do nothing. If the trademark registration effective date comes first, NSI will send a notice to the domain holder. The domain holder then has 30 days to prove that it owns a trademark registration for the same mark in the U.S. or any foreign country, a registration that became effective before the initiation of the dispute by the challenger. If the domain owner submits such proof, NSI will take no action and the domain name will remain operative.

(Practice tip: Assuming this policy continues, a domain name applicant that anticipates an administrative dispute over its right to use a domain name might want to apply, at the outset of the domain name application process, to register its intended domain name as a trademark in a country that provides swift registrations. Tunisia, for example, will reportedly register a mark in as little as a week or two. Assuming the applicant obtained the trademark registration before the potential challenger became aware of the domain name registration and initiated a dispute, this would immunize the domain name holder against suspension of the domain name by NSI. Of course, this does not rule out litigation.)

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<sup>25</sup> The policy can also be found at <<http://netsol.com/rs/dispute-policyb.html>>.



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Third: If the domain holder cannot demonstrate the required prior creation date, or produce an appropriate trademark registration certificate, then the domain holder must give up the domain, with a 90 day transition period to begin use of another domain if the domain holder cooperates. The disputed domain then goes into a “hold” status, and is not available to anyone, pending the outcome of the dispute between the parties. NSI has no procedure for transferring the domain name to the challenger, and the above policy provides only for (i) ignoring the challenge if the domain holder meets certain requirements or (ii) placing the name on hold until the parties or a court or arbitrator tells NSI that the dispute is resolved.<sup>26</sup>

For parties without the will or resources to initiate or defend litigation over domain names, NSI’s policy may be dispositive of their rights to use a domain name. Since that policy may result in suspension of the right to use a domain name (which can seriously disrupt a company’s business activities), without any consideration of likelihood of confusion or of the possibility that the domain name holder has senior common law trademark rights arising from use in the United States, it has been the subject of significant criticism. In many cases, the parties have continued into litigation, either because the domain name holder needed to confirm its right to use or resume use of the domain name or because the trademark holder sought to obtain the domain name for its use.

### **3. Case Law on “Garden Variety” Trademark/Domain Name Disputes**

The following sampling of cases illustrates the range of decisions in “ordinary” domain name/trademark cases, and tends to confirm the trend to apply traditional likelihood of confusion standards to trademark claims against parties using a domain name with respect to goods or services unrelated to the trademark holder’s.

- *Giacalone v. Network Solutions, Inc. and Ty, Inc.*, No. C-96 20434, 1996 U.S. Dist. LEXIS 20807 (N.D. Cal. June 14, 1996). In this case, the court enjoined a trademark holder, Ty, Inc. from interfering with use of the <ty.com> domain. Ty, Inc., a stuffed toy manufacturer that owns a trademark registration for the word “TY” superimposed on a heart, for stuffed toys, challenged the right of plaintiff Giacalone (a computer consultant) to use the <ty.com> domain. (Plaintiff reportedly selected the domain <ty.com> as a tribute to his son “Ty.”) Interestingly, Ty, Inc. had itself previously argued (in U.S. Trademark Office proceedings in order to obtain its registration) that “Ty” was a first name entitled to only a “narrow scope of protection.” The case settled while on appeal, with Giacalone transferring the domain name to Ty, Inc., reportedly in exchange for an undisclosed payment.

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<sup>26</sup> NSI also has procedures for tendering the domain name to the court by deposit of the registry certificate, when NSI is notified of a suit. Domain Name Dispute Policy Section 10.

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- *Actmedia, Inc. v. Active Media, Int'l, Inc.*, No. 96C 3448, 1996 U.S. Dist. LEXIS 20814 (N.D. Ill. filed July 12, 1996). In this unreported case, on the other hand, an Illinois federal court reached a final judgment that the reservation alone of someone else's incontestable trademark as a domain name constituted trademark infringement and state law dilution, without (as far as can be judged from the Order) even considering the nature of the defendant's business activities.
  
  - *Pike v. Network Solutions, Inc.*, No. 96-CV-4256 (N.D. Cal. filed November 25, 1996), likewise involved claims against a party in a completely different line of business. Peter Pike ("Mr. Pike"), a California Realtor, obtained the domains <pike.com>, <pike.net>, and <pikenet.com>, using them in his real estate business. Subsequently, Floyd S. Pike Electrical Contractor, Inc., ("Pike Electrical"), a North Carolina power line repair company, initiated an NSI challenge to Mr. Pike's use of the <pike.com> domain, submitting to NSI a U.S. trademark registration of PIKE in stylized letters, for electrical power line installation and repair and related services. Following a few procedural twists and turns, NSI indicated it would cut off the domain in 30 days. Mr. Pike brought suit, inter alia, against NSI for breach of contract and against Pike Electrical for a declaration of non-infringement. NSI was dismissed without prejudice on February 10, 1997. The case has been referred to a magistrate judge to oversee settlement talks, and an early neutral evaluator was appointed.
  
  - The *Prince* case appears to be the first domain name dispute to involve parties and courts in two different countries. Prince PLC, a British computer services company, obtained the <prince.com> domain from NSI in February 1995. Prince Sports Group, Inc., a U.S. tennis racket manufacturer with trademark registrations for PRINCE in both the U.S. and the UK, invoked NSI's dispute policy by sending a demand letter to Prince PLC in the UK and tendering proof of its registrations. Prince Sports' letter threatened litigation if the British company did not assign the <prince.com> domain to Prince Sports and agree not to use "Prince" as any part of any new domain name that Prince PLC might select.

Prince PLC filed a civil action against Prince Sports Group in the High Court in London pursuant to section 21 of the UK Trade Marks Act of 1994, seeking a declaration of noninfringement and to enjoin Prince Sports Group from continuing to threaten legal action against Prince PLC.<sup>27</sup> While the British case was pending, Prince Sports sued both NSI and Prince PLC in U.S. federal court. *Prince Sports Group v. Prince PLC, et al.*,

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<sup>27</sup> Unlike in the U.S. where "cease and desist" letters threatening legal action for trademark infringement are commonplace, the UK Trade Marks Act actually makes it unlawful for the owner of a UK trademark registration to make unjustifiable threats of legal proceedings for such infringement. Section 21 of the law provides for declaratory and injunctive relief as well as damages for those harmed by such threats.

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No. 97CV03581 (D.N.J. filed Jul. 3, 1997). The British court restrained Prince Sports from further threats, but declined to rule on noninfringement *Prince PLC v. Prince Sports Group, Inc.* CH1997—P2355 (Mr. Justice Neuberger presiding, filed July 30, 1997). The ruling left Prince PLC in control of the domain, and the case subsequently settled with Prince Sports dropping its U.S. lawsuit and Prince PLC retaining ownership of the domain.

- In *Interstellar Starship Services, Ltd. v. Epix, Inc.*, 45 U.S.P.Q.2d 1304 (D. Or. 1997), the district court granted summary judgment against the trademark infringement claim of Epix, Inc. (“Epix”). Epix owned a federal registration for the mark EPIX for “printed circuit boards and computer programs for image acquisition, processing, display and transmission,” and charged that Interstellar Starship’s use of the domain name <epix.com> infringed Epix’s mark. The court found that Interstellar only used its <epix.com> web site to publicize the activities of a theater group production called “The Rocky Horror Picture Show.” Interestingly, the court agreed that Interstellar’s use of <epix.com> could confuse actual or potential customers of Epix, Inc. “initially,” because they might go to the Interstellar web site when they were seeking Epix, Inc. But the court held that the differences between the parties’ goods and services were such that Epix, Inc.’s customers “could not be seriously confused” by the use of the domain name.

*Epix* came closest to considering an interesting and troubling issue specific to domain name litigation, which is the extent to which the Internet should (for purposes of likelihood of confusion analysis) be considered a single channel of trade. Such treatment would tend to support findings that there was a likelihood of confusion simply because two entities are both present in cyberspace.

On the one hand, there are reasonable arguments that the Internet is no more a channel of trade than is a phone book, and the presence of similar marks as domain names no more proves that consumers are likely to be confused than the fact that similar business names are sometimes found in the white pages of a telephone directory. On the other hand, the Internet is obviously much more than a telephone directory, and the billions of dollars worth of business already being transacted on the web gives strong support to arguments that it does indeed embody channels of trade. The correct assessment is probably that the Internet represents the nexus of multiple channels of online commerce. Of course, no single factor compels the conclusion that there is a likelihood of confusion, and a sophisticated, contextual analysis of the facts will be required to understand the complex and still-emerging role of the Internet and the consumer understandings and expectations that must shape any decision concerning whether relevant consumers are likely to be confused as to source of goods or services or sponsorship.

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#### 4. Foreign Domain Name Cases

Outside the United States, German courts appear to have taken the lead in deciding domain name disputes. To date, German courts have decided at least 15 such cases, and more than 20 additional cases are pending. In the first and most well-known case, a court in Mannheim held that the assignment of the domain name <heidelberg.de> to a private party infringed the City of Heidelberg's superior rights (" .de" is the ISO country code TLD for Germany). Landgericht Mannheim, March 8, 1996, 7-O-60/96. The city of Kerpen appears not to have fared as well in a dispute over <kerpen.de>, where the Köln court ruled that the domain does not represent usage of the name of the city. Landgericht Köln, December 17, 1996, 3 O 477/96.<sup>28</sup>

Two other cases highlight the fact that, under German law, any activity on the Internet that is visible in Germany brings the actor under the jurisdiction of the German courts. A court in Berlin recently enjoined use by MCN, a Kansas City web design, Internet service, and domain name brokerage firm, of <concertconcept.com>, <concertconcept.de>, <concertconcept.com>, and <concert-concept.de>, as violating the rights of a German company in its trade name and mark. Landgericht Berlin, November 20, 1996, 5 U 659/97, 97 O 193/96 (upheld on appeal March 25, 1997). The court specifically noted that it is irrelevant to German jurisdiction whether the defendant's host computer was in the U.S. or whether the domain was registered in the U.S.—the only relevant criteria is that the web site can be read in the district of the court. Accord, Landgericht Dusseldorf, April 4, 1997, 34 O 191/96.<sup>29</sup>

The courts in the Netherlands have decided at least four cases concerning domain name disputes. Perhaps the most interesting involved a group of banks and insurance companies, who together sued IMG Holland N.V., a stock brokerage, for obtaining each plaintiff company's name as an SLD in the .com TLD space—for example <labouchère.com>—and using each of the domains as an address for a single web site containing information relevant to the plaintiffs' activities.<sup>30</sup> *Labouchere et al. v. IMG Holland*, President District

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28 There appear to be other cases on this theme: one involving the domain <braunschweig.de> (Landgericht Braunschweig, January 28, 1997, 9 O 450/96), and another involving <cella.com> (OLG Celle, March 21, 1997, 13 U 202/96).

29 Other decisions in Germany include: <huerth.de>: Landgericht Köln, December 17, 1996, 3 O 478/96; <pulheim.de>: Landgericht Köln, December 17, 1996, 3 O 507/96; <toyota.de>: Landgericht Köln, June 14, 1996; <celle.de>: Landgericht Lüneburg, January 29, 1997, 2 O 336/96; <wirtschaft-online.de>: OLG Frankfurt a.M., February 13, 1997, 6 W 5/97; <auv.de>: Landgericht Frankfurt, May 28, 1997, 2-6 O 125/97; <das.de>: Landgericht Frankfurt, February 26, 1997 (3.3.97), 2/06 O 633/96; <krupp.de>: Landgericht Bochum, April 24, 1997; <lego.de>, and <juris.de> (see above).

30 The other domains in question were: <banklabouchere.com>, <banklabouchere.com>, <snsbank.com>, <staalbankiers.com>, <deltalloyd.com>, <ohra.com> and <vsbbank.com>. The plaintiff banks (individually) own the trade names/services marks LABOURCHERE, BANKLABOURCHERE, SNSBANK, STAALBANKIERS and VSB. The plaintiff insurance companies (individually) own the service marks DELTALLOYD and OHRA.

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Court Amsterdam, May 15, 1997, Rechtspraak van de Week 1997, nr. 193. On May 15, 1997, the District Court at Amsterdam granted an injunction against IMG's continued use of the domains, and found IMG's conduct in obtaining the domains to be tortious, concluding that despite the fact that the site itself disclosed that the information it contained originated from IMG, consumers were likely to assume the information came from the plaintiffs, and the plaintiffs were precluded from establishing their own web sites under their own names. In so ruling, the court rejected IMG's argument that the plaintiffs were not harmed because they could obtain the identical SLDs in the .nl ISO country code TLD, concluding that was insufficient consolation for the plaintiffs because .com is the most common TLD for international commerce.<sup>31</sup>

The Australian courts may get an opportunity to hear a dispute regarding the domain name <sydney2000.net>. This domain has been registered by an Australian Internet service provider, Asia Pacific Internet Company ("APIC"). The Sydney Organizing Committee for the 2000 Olympic Games (SOCOG) has sent a cease and desist letter, and may soon take APIC to court. Commercial use of the phrase "SYDNEY 2000" is expressly prohibited by Australia's Sydney 2000 Games Indicia and Images Protection Act 1996.

These cases raise national and international issues of trademark law in the context of domain name disputes. As the domain name system continues to evolve and electronic commerce continues to grow, more and more courts throughout the world will be called on to resolve these issues.

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<sup>31</sup> The other three cases in the Netherlands all involved domains in the .nl TLD (.nl is the ISO country code TLD for the Netherlands). In an unpublished decision issued August 29, 1996, applying likelihood of confusion principles, the Amsterdam Court determined that the use of the domain name <xlink.nl> did not violate the rights of the party that held the Benelux trademark XLINK. The decision was based in part on the finding that there was insufficient similarity in the services offered by the respective companies to give rise to confusion. In the second case, the court decided that, based on the descriptive nature of the term "ouders" (Dutch for "parents"), registration and use of the domain name <ouders.nl> did not infringe the rights of the owner of the Benelux trademark OUDERS VAN NU. In the third case, a Cantonal Judge enjoined the use of the domain name <flevonet.nl>. The challenge was brought by an Internet service provider who operated under the name FLEVONET against the party who subsequently registered the domain name.

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## IV. The Internet, Domain Names and Jurisdiction

A complex body of law is emerging internationally concerning rights in domain names and, in some cases, when the fact that a domain can be accessed essentially from anywhere will suffice to create personal jurisdiction in other states and countries.

As noted above, a German state trial court in Berlin enjoined the use of the domain names <concertconcept.com>, <concertconcept.de>, <concert-concept.com>, and <concertconcept.de> under German trademark law. Landgericht Berlin, November 20, 1996, 5 U 659/97, 97 o 193/96 (upheld on appeal March 25, 1997). The court found jurisdiction over the defendant, a United States corporation doing business in Kansas and Germany, on the grounds that the domain names were accessible at the plaintiff's location in Germany. As for the claims concerning the .com sites, which are registered in the U.S., the court stated that the country within which the name had been registered was irrelevant in determining jurisdiction.

This exercise of jurisdiction over a domain name dispute on the basis of accessibility of a foreign registered site within the forum country goes beyond the most expansive extraterritorial exercise of jurisdiction occurring to date within the U.S.<sup>32</sup> Since, however, the U.S. company was (apparently) actually doing business in Germany, the result may not have been particularly outrageous.

In numerous cases involving trademarks or other content on the Internet, the first issue the court confronts is jurisdiction, but traditional principles of jurisdiction do not always fit the situation. U.S. law, for example, commonly addresses a party's purposeful establishment of minimum contacts with a state or a federal judicial district, but what this means for the Internet, an instrumentality that is global in scope, is not at all clear. Certainly, an enterprise as local as your neighborhood, non-franchise, one-store Pizzeria may "purposefully" set up a web site, knowing it can be accessed by web surfers in San Francisco, Atlanta, Tobruk or Moscow, without the owner actually intending to avail itself of the privilege of doing business further than a few miles from the store. More recent U.S. cases tend to treat Internet contacts as just another form of contact with the forum.

The Sixth Circuit first addressed the issue of jurisdiction in an action brought by Compuserve in federal district court in Ohio against one of Compuserve's Texas subscribers, who also sold software known as "shareware" on the Compuserve system. *Compuserve, Inc. v.*

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<sup>32</sup> In *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996), the district court found that it had jurisdiction over the operators of the Italian web site "playmen.it." The service allowed users to download information from the Italian PLAYMEN magazine and specifically courted U.S. users. Although this extra territorial exercise of jurisdiction appears expansive, the court determined it had jurisdiction based on retention of jurisdiction over the defendant for the purposes of enforcing a permanent injunction issued in 1981. The court ruled that the operators must either completely shut down the site or prevent U.S. users from accessing the Italian site.

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*Patterson*, 89 F.3d 1257 (6th Cir. 1996). After Patterson alleged that Compuserve was infringing his copyright and trademarks in his Internet browser software, Compuserve sued for declaratory judgment. To establish personal jurisdiction over Patterson, Compuserve introduced the following facts: as a shareware provider, Patterson entered into an online subscription agreement as well as a separate online shareware agreement with Compuserve. Both agreements provided that they are entered into in and governed by the laws of Ohio. From his residence in Texas, Patterson electronically assented to these terms. Patterson advertised and made his shareware programs available to buyers using Compuserve's servers, which are located in Ohio. Finally, Patterson actually sold some of his software to 12 Ohio residents through Compuserve. Unconvinced, the district court dismissed for lack of personal jurisdiction, and Compuserve appealed.

On July 22, 1996, the Sixth Circuit reversed, holding that Patterson's contacts with Ohio, even though they were primarily electronic, exceeded the constitutional minimum for jurisdiction, and made clear that Patterson had purposefully established an ongoing business relationship in Ohio. Although the Sixth Circuit was willing to find this combination of contacts sufficient to satisfy minimum contacts, the court noted that it was questionable as to whether either entering an electronic contract or placing products into the electronic stream of commerce on their own would support exercising jurisdiction.

Most courts presented with a defendant who has actively maintained a web site and advertised services over the net combined with an action with some direct effect in the forum state, such as provisions of services to forum states customers or defamation directed at the forum state, have found a sufficient basis to exercise jurisdiction. *Edias Software International, LLC, v Basis International Ltd.*, 947 F. Supp. 413 (D. Ariz. 1996) (court had jurisdiction over non-Arizona defendant who had sent e-mail and posted messages to a web site and interactive Internet forum announcing that it would no longer use Arizona plaintiff as its software distributor); *Heroes, Inc. v. Heroes Foundation*, 958 F. Supp. 1 (D.D.C. filed Dec. 19, 1996) (court has jurisdiction over non-DC defendant who used web site <heroes.org> and newspaper advertisement to solicit donations for charitable service similar to DC plaintiff's HEROES charitable service; in *dicta* the court stated that the web site activities alone would be an adequate basis for personal jurisdiction); *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 1119 (W.D. Pa. 1997) (court has jurisdiction over non-Pennsylvania defendant Internet service provider that processed applications by Pennsylvania residents for service and issued passwords to those residents).

Courts have been invited to expand personal jurisdiction most broadly in cases alleging trademark infringement. In some of these cases the primary contact consists of the web site alone, without much more.

In a New York case, *Bensusan Restaurant Corp.*, the owner of The Blue Note, a highly acclaimed New York jazz club and a federally registered trademark for THE BLUE NOTE,

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alleged that a web site maintained by Missouri resident Richard King was infringing Bensusan's trademark rights. *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295 (S.D.N.Y. 1996). King operated a small club in Missouri also known as The Blue Note. In April of 1996, King posted a web site promoting his club and offering information for ticket purchase by telephone. Tickets had to be picked up at outlets located in Missouri.

King challenged jurisdiction, and the court dismissed the case for lack of personal jurisdiction. The court held that, under the New York long-arm jurisdiction statute, King was not committing a tortious act in New York, because he was not offering anything for sale in New York. Tickets to the Missouri Blue Note could be picked up only in Missouri; they would not be mailed, nor could they be ordered directly from King's web site. The court also noted that King could not offer tickets for sale to a New Yorker unless the New Yorker took affirmative steps to obtain access to the Internet, and King's site specifically, before placing an order. Considering a separate prong of the New York long-arm statute, the court found that, even if King's activities were likely to cause consequences in New York, King did not derive substantial revenue from interstate commerce, again falling short of the statutory minimum to establish jurisdiction. The case was dismissed on September 9, 1996.

A second New York district court case held that web sites are analogous to advertisements in national magazines, which under New York law are by themselves insufficient to confer jurisdiction. Further, the court analogized e-mails to letters or telephone calls, which are also not sufficient to establish jurisdiction under the New York long-arm statute. The *Hearst Corp. v. Goldberger*, 1997 U.S. Dist. Lexis 2065 (S.D.N.Y. 1997).

Two Ninth Circuit decisions have drawn what appear to be coherent distinctions concerning personal jurisdiction alleged to arise out of the existence of a web site that can be accessed from the forum.

On the one hand, the Ninth Circuit held last year that the mere posting of a web site that was capable of being viewed in Arizona was an insufficient basis for the assertion of personal jurisdiction in Arizona over a Florida-based defendant. *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997). In *Cybersell*, the Florida Cybersell entity advertised commercial services over the Internet, via a 'passive' web site;<sup>33</sup> the Arizona Cybersell corporation, which also advertised services on the web, thereupon brought suit for infringement. In considering the personal jurisdiction issue, the court found the defendant—which neither specifically solicited Arizona customers nor had any other contact with the state—had not purposefully availed itself of the forum state, thereby “invoking the benefits

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<sup>33</sup> A passive web site is one that affords no interaction by the user, and merely provides information (such as an advertisement).



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and protections of Arizona.” Thus, it concluded the exercise of personal jurisdiction here would not comport with “traditional notions of fair play and substantial justice.”<sup>34</sup>

Contrast this result with the affirmation of the jurisdiction outcome in the *Panavision* cybersquatter case discussed above. Panavision brought suit in California against Dennis Toeppen, an Illinois resident, and the district court held there was personal jurisdiction. Following a thorough discussion of the issue, the Ninth Circuit affirmed the jurisdiction holding based on the “effects” doctrine. *Panavision International, L.P. v. Toeppen*, 1998 U.S. App. LEXIS 7557 at \*16, 98 Daily Journal D.A.R. 3929 (9th Cir. April 17, 1998). As discussed above, Toeppen sought to extract payment from Hollywood camera- and lens-manufacturer Panavision International in exchange for releasing the <panavision.com> and <panaflex.com> domain names to Panavision.

The Ninth Circuit held that by “engag[ing] in a scheme to register [California-based] Panavision’s trademarks as his domain names for the purpose of extorting money from Panavision,” Toeppen had done something more than merely register someone else’s trademark as a domain name and posting a web site: “His conduct, as he knew it likely would, had the effect of injuring Panavision in California,” the court observed. “In addition, he sent a letter to Panavision in California demanding \$13,000 to release his registration of <Panavision.com>”. *Id.* at \*17. Applying the “effects test” set out in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985), the court had no difficulty concluding that Toeppen had purposeful availed himself of the privilege of conducting activities in California and that the exercise of jurisdiction was constitutional. The conclusion seems unassailable.

District court decisions in other cases have found personal jurisdiction, based on various other connections (in addition to web site availability) between the defendant and the forum.<sup>35</sup> In all of these cases, the courts applied an established personal jurisdiction analysis. In evaluating minimum contacts, the courts treated Internet and electronic contacts

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<sup>34</sup> *Cybersell*, 130 F.3d at 414 citing *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

<sup>35</sup> See, e.g. *Maritz, Inc. v. CyberGold, Inc.*, 947 F.Supp. 1338 (E.D. Mo. 1996). The district court in Missouri which found jurisdiction under the Missouri long-arm statute. The Missouri plaintiff offered e-mail subscription advertising services under the GOLDMAIL mark. Defendant CYBERGOLD advertised a similar service at its web site <cybergold.com>. Reasoning that while the defendant’s action in establishing the cybergold.com web site concededly occurred outside Missouri, the defendant’s intent to encourage all Internet users to sign on to the defendant’s mailing list, provided sufficient contacts to establish personal jurisdiction.

Likewise, a Connecticut district court found sufficient minimum contacts in an infringement case where the alleged contacts consisted of a web site and a toll-free phone number. *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996). In part, the Connecticut court relied on the physical proximity of the forum state and the defendant’s state of residence, Massachusetts. The court analogized the web site and phone number to an enormous billboard placed at the border directed toward the Connecticut side.

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no differently from other business activity. No federal court has accepted a plaintiff's invitation to expand general jurisdiction, where the contacts are unrelated to the cause of action, to any defendant who merely advertises on a global computer network. *See IDS Life Insurance Co. v. SunAmerica, Inc.*, 958 F.Supp. 1258, 1268 (N.D. Ill. January 2, 1997) ("it cannot plausibly be argued that any defendant who advertises nationally could expect to be haled into court in any state, for a cause of action that does not relate to the advertisements."); *McDonough v. Fallon McElligott, Inc.*, 40 U.S.P.Q.2d (BNA)1826 (S.D. Cal. 1996) ("allowing computer interaction via the Web to supply sufficient contacts to establish [general] jurisdiction would eviscerate the personal jurisdiction requirement as it currently exists").<sup>36</sup>

As the courts hear more cases involving electronic commerce, the case law will continue to reflect the challenge of applying well-established jurisdictional doctrine to this new global activity, and to understanding the operation and significance of a new and still-evolving commercial arena. Inasmuch as personal jurisdiction standards of other countries may be implicated, and U.S. parties have actual business dealings and commercial relations outside the United States, they must weigh the risk that they may be subject to suit elsewhere, suits that they may ignore only at some peril.

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<sup>36</sup> See also, *GenneX Corp. v. Blue Cross and Blue Shield of Massachusetts*, No. 97C 1750 (ND IL, Eastern Div., filed Mar. 14, 1997), and *Blue Cross and Blue Shield of Massachusetts v. GenneX Corp., et al.*, No. 97 11174 MLW (D. MA, filed May 23, 1997). Blue Cross and Blue Shield of Massachusetts filed an objection with NSI to GenneX Corporations' use of the <healthwire.com> domain and GenneX responded by filing a declaratory judgment action in the District Court in Illinois. GenneX provides women's health information via its <healthwire.com> web site and also hosts home pages of other individuals and organizations providing related information. Blue Cross uses and owns a registration for the HEALTHWIRE mark for its health care provider claims processing system.

Blue Cross moved to dismiss the Illinois action on the ground that the ability to access its home page in Illinois is not enough, by itself, to subject it to jurisdiction in that court, and simultaneously filed suit in Massachusetts and moved to enjoin GenneX's continued use of the <healthwire.com> domain. GenneX opposed Blue Cross' preliminary injunction motion also on jurisdictional grounds. Thus, each party was in the unenviable position of arguing it should not be subjected to the jurisdiction of another party's home courts based on the ability to access its web site there, but that the opposing party should be subject to jurisdiction on this basis in its home state. This dispute settled after the Illinois district court dismissed the action pending there for lack of personal jurisdiction. See Minute Order of July 11, 1997 by Hon. Marvin E. Aspen.

Other recent decisions regarding personal jurisdiction over defendants whose conduct involved the Internet include: *American Network, Inc. v. Access America*, 975 F.Supp. 494 (S.D.N.Y. 1997); *Clipp Designs, Inc. v. Tag Bags, Inc.*, 1998 U.S. Dist. LEXIS 128 (E.D. Ill. filed Jan. 7, 1998); *Haelan Products Inc. v. Beso Biological*, 43 USPQ2d (BNA) 1672, 1997 U.S. Dist. LEXIS 10565 (E.D. La. filed July 11, 1997); and *Telco Communications Group, Inc. v. An Apple a Day, Inc.*, 977 F.Supp. 404 (E.D. Va. filed Sept. 24, 1997) in which jurisdiction was held properly asserted; and, *CD Solutions, Inc. v. Tooker*, 965 F.Supp. 17 (N.D. Tex. filed May 9, 1997); *Expert Pages v. Buckalew*, 1997 U.S. Dist. LEXIS 12205 (N.D. Cal. Aug. 8, 1997); *SF Hotel Company, L.P. v. Energy Investments, Inc.*, 985 F.Supp. 1032 (D. Kan. Nov. 19, 1997); and *Transcraft Corp. v. Doonan Trailer, Corp.*, 45 USPQ2d (BNA) 1097, 1997 U.S. Dist. LEXIS 18687 (N.D. Ill. Nov. 17, 1997), in which exercise of personal jurisdiction was held improper.

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## V. Trademark Searching/Policing

Just as the World Wide Web challenges traditional notions of trademark use, territoriality and infringement, and offers new opportunities for testing principles like dilution, it also raises new challenges to trademark counsel's job of clearing trademarks for availability, and identifying and investigating potential infringements.

Traditionally, companies have cleared trademarks for use by relying on a search provided by a commercial vendor, such as Corsearch or Thomson & Thomson. Most such search vendors have added to their U.S. searches a domain name section, identifying similar domain names registered through NSI. (To date, none of these vendors has developed or is offering a web search beyond domains or a search of domains registered by entities other than NSI.)

The problem for the company looking for a name is obvious: the trademark search, including domains, may not identify a trademark that actually is in use on the web. As noted above, in this country, trademark rights arise as a result of use; trademark registration is not a precondition to establishing rights. While that reality has always made it impossible to guarantee that a trademark search has picked up every preexisting use of a potential mark, that uncertainty is magnified on the web.

A similar problem arises with regard to trademark policing. Obtaining trademark searches at regular intervals from a search service, or employing a watch service, two traditional tools for policing unauthorized use of similar marks, likely will not tell the whole story. To fill this gap, several companies now offer services that monitor the web for potential infringers of a particular trademark. The first service of this kind was MarkWatch, now owned and operated by Datalytics, Inc., <[www.markwatch.com](http://www.markwatch.com)>. For an annual \$900 fee, MarkWatch will monitor the web, usenet postings, the NSI domain registry, and on-line newswires. Similar monitoring services are now also offered by Net Searchers, a London-based firm (<[www.netsearchers.co.uk](http://www.netsearchers.co.uk)>), and by MicroPatent (<[www.marksearch.com](http://www.marksearch.com)>). While no service can guarantee that it will locate every single Internet reference to a mark, they cover quite a bit of ground. Ultimately, the value of these services, and their adequacy in addressing the challenges facing trademark holders, will be proven as the Internet and its impact on trademark law continues to grow.

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## Conclusion

Both the technical and legal structures of governance relating to domain names are changing at this time, as are the administrative procedures that govern dispute resolution over domain names. The trend of the U.S. dilution cases appears to be strengthening the hand of trademark holders, but in the standard, “likelihood of confusion” trademark infringement context, traditional analysis still seems to be in effect.

Although many cases have been brought, there have been few decisions providing a thorough analysis of infringement or reflecting a sophisticated understanding of the online environment. This is not surprising inasmuch as the Internet has made a rather sudden appearance on the scene and inasmuch as the online environment has been changing quite rapidly. In some ways, the last thing we need is a thorough, authoritative—and already obsolete—set of holdings on trademark infringement on the Internet. On the other hand, this situation means that outcomes are not highly predictable in domain name disputes. Rights to use domain names and other marks on the Internet remain uncertain, and attorneys who are counseling businesses that want to go online must help their clients deal with the challenge of decision-making in an uncertain and unstable legal environment.

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