

**Cybersquatting Ain't What It Used To Be**  
**Part 1: Trademark Holders and the Future**

*By Judith Silver, Esq.<sup>1</sup>*

In November, 1999, two big things happened in the domain name world. The first was that the ICANN domain name dispute resolution process which had begun formation in 1998 was finalized. At approximately the same time, the Anticybersquatting Consumer Protection Act (ACPA), part of the Trademark Act under 15 USC 1125, went into effect in the United States.

Since then more than 700 lawsuits seeking injunctions or damages and almost 4000 arbitration proceedings regarding over 7000 domain names have been filed. Of the 3132 arbitration decisions, 2503 have resulted in domain name transfers or cancellations – that is in almost 80% of the cases, the domain names were transferred to trademark holders.

Under the ACPA, a trademark holder can bring legal action to (a) have a domain name transferred to the holder or cancelled; and (b) obtain actual damages and costs, or statutory damages of between \$1000 and \$100,000 per domain name at the court's discretion. At least one court has already awarded \$500,000 to a plaintiff, \$100,000 per domain name, to deter a known cybersquatter from further squatting and to put him out of business.<sup>2</sup>

The ACPA requires a finding of “bad faith”. According to the statute, a court should consider at least the following factors in deciding whether the registrant had “bad faith”:

- Whether the registrant has any trademark rights in the name
- Whether the registrant has any personal name rights in the name
- Whether the registrant had another bona fide noncommercial or fair use of the domain name
- Whether the registrant had an intent to divert consumers from the trademark holders site for financial gain or to disparage the trademark and create confusion as to the source of the site
- Whether the registrant has offered to transfer, sell or assign the name without having used or intended to use the name or whether the registrant has a prior pattern of such conduct
- Whether the person provided false and misleading contact information to the registrar

Under the ACPA, if a trademark holder cannot obtain personal jurisdiction over the domain name holder, such as a foreign person or corporation, or has been unsuccessful in locating the domain holder after trying through use of the information which he or she provided to the registrar, a court may have the domain name transferred without the domain holder present. While courts making decisions

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<sup>1</sup> Judith Silver is a computer, internet, intellectual property and free speech attorney licensed in CA, FL and TX. This article is informational only and not to be relied on as legal advice.

<sup>2</sup> See *Electronics Boutique Holdings Corp. v. Zuccarini*, US Dist. Court, Eastern District of PA; October 30, 2000.

without someone present is nothing new legally, the taking of domain names is. The legal history of taking tangible property is the idea that the United States has jurisdiction over property located within its borders. This concept, called *in rem* jurisdiction, means that even if the defendant is not here, the property (traditionally, a Ford Mustang or an acre of land) is, and thus the court can make decisions about it. What's unusual in the ACPA is that the US has unilaterally decided for the world that names are ours to govern and the names are located in the US – legally, in the same way that physical property is.

If, instead of filing a claim under the ACPA, a trademark holder were to file a claim through ICANN's domain name dispute resolution system instead, an entirely different result could transpire. Through dispute resolution, the domain name holder ("the respondent") would be contacted wherever he or she is located through the registrar's contact information provided and served via email with a copy of the complaint filed by the trademark holder. The respondent would then have several weeks to answer the complaint with their own legal argument, with or without an attorney. The arbitrator would then decide the matter based entirely on the documents submitted, without any oral discussion, and issue a written decision.

Under ICANN's system, the issue of "bad faith" is also important and the arbitrator is to consider the following factors, similar to those used under the ACPA:

- Any circumstances indicating that the registrant acquired the name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the trademark holder or a competitor of a the holder
- That the registrant registered the name to prevent the trademark holder from doing so, provided that there is a pattern of such conduct
- That the domain name was registered primarily for the purpose of disrupting the business of a competitor; or
- That by using the domain name, the registrant has intentionally attempted to attract, for commercial gain, Internet users to a web site or other on-line location, by creating a likelihood of confusion with the trademark holder's mark as to the source, sponsorship, affiliation, or endorsement of the site

Consideration of the ACPA and the ICANN procedures reveals that if you are a non-US citizen trademark holder trying to obtain a domain name, you should use ICANN's domain name dispute resolution system in which you can have a decision made without ever making a US citizen, thousands of miles from you, show up in a court, and that if you are a US trademark holder and the domain name holder is foreign, you should file a claim in US court under the ACPA so that you can be sure that the domain name holder has no opportunity to speak to the court -- unless he or she flies to America for the proceeding and assuming, he or she even received notice of it.

There is another interesting element to current law and my related prediction: in about 2 to 3 years, there will be a big outcry over the present system, with the trademark holders doing the crying. Remember that these are the same folks who cried so loudly the first time to Congress that we got the ACPA. Well, I think that eventually, the trademark holders will again cry, but this time about the math. The math here is not pretty.

There are approximately 42 classes of good and services in the US trademark registration system. This means that for each trademark registration granted, there can be at least 42 of registrations granted for the same mark – each being in a different class, associated with a different industry, and in theory therefore not causing any consumer confusion. Additionally, within each class, there are numerous different products and goods which may be registered -- so in reality there are considerably more than 42 marks which may be the same. For example, Proctor & Gamble owns the mark “Tide” in several classes as Laundry Detergent. There are other registered trademarks for the word tide describing other products in other classes. The theory is that consumers are not going to think that Tide surf shop is a Proctor & Gamble shop and therefore be confused as to the source of the goods or services.

So, do the math with me. For each domain name and its derivations, there are at least 42 possible trademark holders in the US that have valid claims to the names. Of course, this does not include all the foreign trademark holders who would also have valid claims. Therefore, we have a little problem which is going to hit as soon as all the really slow, conservative corporate types realize that some tiny Podunk trademark holder has his company’s big time domain name, and has it under equally legally valid trademark rights, and there’s nothing that can be done under the current system. If you have trademark rights, assert them now. You have been warned.

Nonetheless, the future continues to bode well for trademark holders. As part of rolling out the new domain ending “.biz”, the designated sales agent, Neulevel.biz, has created an IP claim period in which persons who have pending, registered or common law trademarks may notify potential registrants of this fact. Upon attempting to register another’s trademark, the registrant will (a) be warned of the rights of the trademark holder, (b) be forced to acknowledge those rights as part of the process, (c) the name will be placed on hold for 30 days, and (d) a mechanism for getting the name back will be provided.

In the end, the surest way to keep your domain names safe is to be sure that your trademark are safe.

## **Cybersquatting Ain’t What It Used To Be** **Part 2: The Cybersquatter’s Day**

Even as a sole practitioner, I get at least three calls a month from someone who has registered a domain name and has just gotten a “cease and desist” letter like this one which was posted in a chat room on the web regarding Porsche:

LAW OFFICES  
HOWARD, PHILLIPS & ANDERSEN  
A PROFESSIONAL CORPORATION

July 21, 2000

VIA E-MAIL and REGULAR MAIL

X in Germany

Re: Infringement and Dilution of Porsche Trademarks

Dear Mr. X:

This law firm represents both Dr. Ing. h.c.F. Porsche AG and Porsche Cars North America, Inc. ("Porsche") on trademark matters and in trademark litigation. Porsche takes policing and enforcement of its trademark rights on the Internet seriously. This letter is an attempt to resolve your infringement and dilution of the Porsche trademarks short of litigation.

You should be aware that Porsche recently obtained a preliminary injunction against the registrant of PORSCHESOURCE.COM in Porsche Cars North America, Inc., et al. v. Spencer, 2000 WL 641209 (E.D. Cal.). Porsche is also seeking \$100,000 in statutory damages in this lawsuit under the recently enacted Anticybersquatting Consumer Protection Act.

As you may also be aware, Porsche has filed a lawsuit against 128 Internet domain names that use the trademarks Porsche® or Boxster®, or variations of the trademarks Porsche® or Boxster® in Internet domain names. This lawsuit is presently pending before the Fourth Circuit Court of Appeals. The Eastern District of Virginia held that "the mere act of registration [of domain names containing Porsche trademarks] creates an immediate injury [to Porsche] . . . [c]ustomers might try to contact Porsche through 'PORSCHE.NET,' for example, only to find that they have reached a 'dead end' on the Web and then to conclude that the strength of Porsche's brand name is not as great as they first thought." Porsche Cars North America, Inc. et al. v. PORSCHE.COM, et al., -F.Supp.2d-, 1999 WL 378360 (E.D.Va. 1999). In short, the law is well settled that the misappropriation of famous trademarks as domain names violates the Lanham Act and dilutes trademarks. See, e.g., Panavision International, L.P. v. Toeppen, 1998 WL 178553 (9th Cir. April 17, 1998).

It has recently come to Porsche's attention that you have registered the Internet domain name PORSCHEFANCLUB.COM that uses the world famous trademark Porsche®. It appears from the many other domain names that you have registered and that are listed in the Internic Whois Database that you are a cyberpirate and a cybersquatter. You should be aware that the Anticybersquatting Consumer Protection Act makes it unlawful to register famous trademarks in an Internet domain name and provides for statutory damages of up to \$100,000.00 per domain name.

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954.630.3551  
[www.coollawyer.com](http://www.coollawyer.com)  
jsilver@coollawyer.com

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In order to resolve this issue amicably and without litigation, please sign and return a copy of the enclosed Declaration of Cancellation of Domain Names. This matter will then be fully resolved as far as you are concerned. If the Declaration is not signed and returned to me on or before August 4, 2000, Porsche will initiate legal action against you with respect to the Internet domain names that you have registered and seek damages in the amount of \$100,000 per domain name as the Anticybersquatting Consumer Protection Act allows.

This letter is without prejudice to all rights of Porsche, including past or future royalties, past or future damages, attorneys' fees, and to bring enforcement actions for all past or future infringement, dilution, or unauthorized uses.

Should you or your attorney have any questions concerning Porsche's position in this matter, please do not hesitate to contact me.

Sincerely,

Ms. X  
Trademark Paralegal

I find these letters depressing. These are the kind of letters that cause people to hate lawyers.

Notice of the problem and the trademark holders' intent to file a claim are required by the ACPA, but the tone of these letters is not. Instead of nicely explaining what the law is, what the goal is and how appreciative the trademark holder would be if the domain name holder was courteous enough to transfer the name as requested, these letters bombard the recipients with legal jargon and serious threats without context or explanation. In the above case with Porsche, this is especially striking since the domain name at issue is porscheclub.com which obviously is owned by people that like, or used to like, Porsche.

What is also surprising is how the trademark holders, even regarding relatively unknown marks, assume that the registrant knew all about the mark and is trying to steal something. The registrants I've spoken with did not know that their action was not legal and often did not know anyone owned a trademark matching the domain name registered. If the mark doesn't have international fame, then the registrants simply do not know there's a potential problem. The registrant then gets the above letter and is angry and afraid. Angry because the registrant is often out time, effort and money if they comply and angry

because the registrant thinks that he or she had the foresight to register this name and the letter writer did not. The “cease and desist” letters never offer to compensate the domain name holder in any way – not even for the registration fees paid – and if the domain name holder should be unfortunate enough to ask for any money for his or her time or the name or whatever, that can be used as evidence of bad faith in the court or arbitration proceeding.

When I have a client on either side of the cybersquatting scenario, I urge starting with the polite request approach. Usually, I can succeed that way through some polite explanation of the law over the phone and a little patience. That approach also costs my clients less than either court or arbitration would since both of those require filing fees and lengthy legal briefs. More importantly, solving disputes through discussion makes me feel good and helps me prove that, at least occasionally, lawyers can act like human beings and make someone’s day instead of ruining it.