LEGITIMATE BUSINESSES GET CAUGHT IN THE WEB: DOES THE ANTICYBERSQUATTING PROTECTION ACT GO TOO FAR?

Karen Jacobs Louden, Maria Granovsky and Darlene Ghavimi*

I. INTRODUCTION

The advent of the Internet revolutionized the way consumers search for information and shop. To reach their destination in this new environment, consumers often simply type the name of a familiar brand or business. The Internet also created a new business method whereby advertisers pay for space on a website based on the number of visitors. Soon, the value of domain names incorporating famous marks became apparent and a new type of extortionist was born. Legions of domain names that consumers associated with well-known brands or businesses were quickly snatched up by entities with no connection to them, and were then offered for sale to businesses at exorbitant prices. Because domain names are one of a kind, offered on a first-come, first-served basis, trademark owners often had no choice but to give in to these demands. The practice soon became known as "cybersquatting."

As more and more businesses were held up for ransom, Congress was pressed to enact legislation to combat this unscrupulous practice. The result was the Anticybersquatting Consumer Protection Act (ACPA), enacted in 1999, which prohibits the trafficking, registering or use of domain names with a "bad faith" intent to profit from the mark. The ACPA was greeted with enthusiasm as a potent weapon for stopping a real and harmful wrong. The ACPA packs a powerful punch, including provisions for statutory damages and attorneys' fees, and in rem jurisdiction to extend the reach of the ACPA to cybersquatters who cannot be found.

As often happens with zealous do-good measures, however, little thought was given to protecting those not guilty of cyber-extortion. As courts gain experience with claims under the ACPA, it has become apparent that the ACPA creates a power imbalance between litigants by delivering undue leverage into the hands of plaintiffs who

* Ms. Louden and Ms. Granovsky are attorneys and Ms. Ghavimi is a law clerk with the Intellectual Property group of Morris, Nichols, Arsht & Tunnell LLP in Wilmington, Delaware. Special thanks to Chad Fights for his contribution while a summer associate at Morris Nichols, and to Hua Chen of Paul, Hastings, Janofsky & Walker, LLP.

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assert ACPA claims against legitimate business owners who are not the "cybersquatters" Congress intended to target. It also has provided a vehicle for disgruntled plaintiffs who simply came in too late in the race for a domain name to attempt to force a transfer to which they would not otherwise be entitled.

On the one hand, plaintiffs can hold out the threat of statutory damages and attorneys' fees, while on the other, legitimate businesses accused of ACPA violations have no "safe harbor" to speak of. That is because the ACPA sets forth a non-exclusive nine-factor test to determine whether a defendant has registered a domain in "bad faith." A person's prior use of the domain in connection with the *bona fide* offering of goods or services is but one of those factors. Given the multitude of fact issues the multifactor test raises, a defendant certainly cannot extricate itself from a charge of cybersquatting on a motion to dismiss and often not even on summary judgment. The threat of statutory damages and attorneys' fees, as well as the lack of a clear path to extricate oneself from an ACPA claim, may cause a defendant to surrender rather than face the expense and uncertainty of litigation. The imbalance of power thus creates an incentive for plaintiffs to add a cybersquatting claim to routine trademark disputes, thereby increasing both the time and expense of litigation. Certainly this was not a consequence the drafters of the ACPA intended, but it has become an unfortunate reality.

Although the ACPA purports to have a "safe harbor" provision where the court determines that the person believed and had reasonable grounds to believe that the use of the domain was a fair use or otherwise lawful, this is cold comfort to a defendant who potentially must endure a full trial to make this showing. We propose that, to stop abuses by overzealous plaintiffs and provide a more level playing field, the ACPA should be amended to permit statutory damages and attorneys' fees only where the plaintiff can prove that the domain owner's actions were objectively unreasonable and to create a true safe harbor provision, where one's prior use of a domain in connection with the *bona fide* offering of goods or services would defeat a charge of cybersquatting.

II. BACKGROUND

A. Domain Names and Domain Name Registration: A Recipe For Confusion And Market Frenzy

To understand better the impact of the ACPA, it is helpful to first briefly discuss what domain names are and how they are registered.[1] Domain names are the addresses for web pages in cyberspace. A domain name consists of two parts: a top level domain, such as ".com" and a secondary level domain, which typically identifies the goods or services. For example, in nytimes.com, ".com" is the top level domain name and "nytimes" the secondary. There are six major top level domains available: .com, .edu, .org, .gov, .net, and a nation-specific domain such as .uk (for United Kingdom). Although one may choose different combinations of letters, numbers, and typographical symbols, each domain name is unique and exclusive. Thus, although the same mark can be used concurrently in different geographical areas in the real world, there is no such possibility in cyberspace within the same top-level domain.[2]

Domain names are obtained from domain name registrars. For a small, flat fee, a registrar assigns an applicant a domain name. Domain names are granted strictly on a first-come, first-served basis; a trademark owner has no priority or absolute right to a domain name that is identical or similar to its trademark.[3] Therefore, the registration system provides an opportunity for quick-moving cybersquatters to snatch desirable domain names.

At the time that the ACPA was enacted, Internet search engines were in their infancy, and Internet users were not as adept at using them as tools as they are today. Domain names that mimicked a brand name were valuable because Internet users were likely to start their search by simply typing a well-known name followed by the suffix

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1. For a detailed description of the working of domain names and the registration process, see *Sporty's Farm L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489, 492-93 (2d Cir. 2000).

2. A good example of this is the case of *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214 (4th Cir. 2002). There, Harrods Limited ("Harrods UK"), the owner of the Harrods department store in London, sued Harrods (Buenos Aires) Limited ("Harrods BA"), owner of a different department store in Buenos Aires. Although Harrods UK and Harrods BA coexisted peacefully in the real world because they were geographically distinct, they could not coexist in cyberspace because there is only one "harrods.com" domain name.

3. *See, e.g.*, Storey v. Cello Holdings, L.L.C., 347 F.3d 370 (2d Cir. 2003).

".com." The advent of more sophisticated search engines, such as Google, and the growing sophistication of Internet users, however, have changed the way in which consumers surf the web. Now, users uncertain of a domain name are likely to begin the quest with a Google query, which will likely yield the official website as a top result. For example, even though www.nissan.com is not owned by the car manufacturer of the same name, searching on the term "Nissan" in Google yields the official website of Nissan Motors USA (www.nissanusa.com) as the first result.

Because of these advances in technology and in consumers' understanding of the Internet, domain names are not as valuable as they once were. The ACPA, however, has not kept up with this new reality. The lesser reliance of consumers on domain names now makes the remedies of the ACPA all the more draconian.

B. Cybersquatting: Novel Ways to Exploit the Trademarks of Others

"Cybersquatting" covers a range of practices loosely defined as the "deliberate and bad-faith registration of Internet domain names in violation of the rights of trademark owners."[4] The most basic form of cybersquatting involves the registration of famous and distinctive marks for the purpose of extracting a large fee from the rightful trademark owner in exchange for the rights to the registered domain name.[5] This practice is sometimes coupled with the placement of negative, disparaging or lewd content on the associated webpage to bring further pressure on the mark's rightful owner. A related form of cybersquatting is the initiation of an auctioning process for the purpose of selling the domain name to the highest bidder, be it the owner of the mark, the owner's competition or a third-party.[6] Some cybersquatters have registered thousands of trademark-related domain names, including multiple domain names with variations on the same mark.[7] This practice is commonly known as "warehousing." Warehousing created many situations where corporations new to the Internet would find that some or all of the domain names related to their trademarks or trade names had long since been registered by cybersquatters. [8]

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4. 145 CONG. REC. S15019 (daily ed. Nov. 19, 1999) (statement of Sen. Hatch).

5. S. REP. NO. 106-140, at 5 (1999).

6. *Id*. at 5-6.

7. *Id*. at 4-5.

8. One famous cybersquatter, Dennis Toeppen, registered more then 100 domain names, some of which included trademarked names like Panavision, Delta Airlines, Neiman

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A different technique of cybersquatters is to use well-known marks to collect advertising dollars.[9] Because certain programs allow website owners to collect advertising dollars based on the number of "hits" at a site, the use of a well-known trademark can increase the chances of obtaining hits, thereby increasing the profitability of the site. Additionally, by registering domains with slight variations of well-known marks, registrants may receive hits merely because of a misspelling of the name of the intended website. This particular practice is commonly referred to as "typosquatting."[10]

Some cybersquatters also engage in unfair competition and counterfeiting practices by registering and using a domain name that contains, or is similar to, a famous mark to increase sales of their own wares.[11] Although some use this tactic to sell a similar product under a legal name, hoping that the "lost" Internet user will simply purchase the product offered at the website at which they mistakenly arrived,[12] others fraudulently claim to be connected with the company whose trademark has been incorporated into the domain name.[13]

To complicate matters further, before the ACPA was enacted, many courts held that traditional actions for trademark infringement and dilution were not available to

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Marcus and Eddie Bauer. See Panavision Int'l, L.P. v. Toeppen, 945 F. Supp. 1296 (C.D. Cal. 1996), *aff'd*, 141 F.3d 1316 (9th Cir. 1998). Mr. Toeppen currently maintains a website, www.inert.com, which sells domain names. He claims to have abandoned all domain names containing others' trademarks, however. *See* Dennis Toeppen, www.toeppen.com (listing available domain names for sale and his asking price for each).

9. S. Rep. No. 106-140, at 6.

10. *See, e.g.*, American Girl, LLC v. Nameview, Inc., 381 F. Supp. 2d 876, 879 n.1 (E.D. Wis. 2005) ("[t]yposquatting is profitable because a web site with a domain name consisting of a common misspelling of a famous trademark generates Internet traffic and, therefore, advertising revenue") (citing Christopher G. Clark, *The Truth in Domain Names Act of 2003 and a Preventative Measure to Combat Typosquatting*, 89 Cornell L. Rev. 1476, 1489 (2004)).

11. S. Rep. No. 106-140, at 6-7. An additional tactic used by cybersquatters is to register a domain name with the same secondary level domain (the descriptive, well known portion) but with a different top level domain (i.e., .com, .net, .org and .edu). *Id*. at 4.

12. This tactic was used by the registrants of wwwcarpoint.com, who used a missing period after the "www" to misdirect Internet users to a competitor of www.carpoint.com. *Id*. at 6.

13. Counterfeiting activities of this nature were used by the registrants of attphonecard.com and attcallingcard.com. *Id*.

victims of cybersquatting because those actions require actual use of the domain name in commerce. To avoid liability, some cybersquatters allowed their registered domain names to lay dormant, waiting for the targeted company to initiate contact.[14]

III. THE ACPA: CONGRESS COMES TO THE RESCUE

The ACPA was enacted in November 1999 to boost "consumer confidence in brand name identifiers and in electronic commerce generally" and to "protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks."[15] The ACPA allows a trademark owner to bring a civil action against any person who has a bad faith intent to profit from that mark, by registering, trafficking in, or using a domain name that may cause confusion with respect to its affiliation with that mark.[16]

A. The ACPA Establishes a Nine-Factor Test to Determine "Bad Faith"

Congress intended the ACPA to be "carefully and narrowly tailored to extend only to cases where the plaintiff can demonstrate that the defendant registered, trafficked in, or used the offending domain name with bad-faith intent to profit from the goodwill of a mark belonging to someone else."[17] Therefore, under the ACPA, an act of cybersquatting necessarily requires the element of bad faith.[18] Determining "bad faith" is not

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14. H. Brian Holland, *Tempest in a Teapot or Tidal Wave? Cybersquatting Rights and Remedies Run Amok,* 10 J. Tech. L. & Pol'y 301, 311-12 (2005); S. Rep. No. 106-140, at 16.

15. S. Rep. No. 106-140, at 4-5.

16. 15 U.S.C. § 1125(d) (2007).

17. S. Rep. No. 106-140 at 12.

18. *Id*. ("[T]he bill does not extend to innocent domain name registrations by those who are unaware of another's use of the name, or even to someone who is aware of the trademark status of the name but registers a domain name containing the mark for any reason other than with bad faith intent to profit from the goodwill associated with that mark.").

a simple exercise, however. The ACPA sets forth nine non-exclusive factors that a court may consider in determining the presence or absence of bad faith:

> (1) the trademark or other intellectual property rights of the person, if any, in the domain name;
> (2) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
> (3) the person's prior use, if any, of the domain name in connection with the *bona fide* offering of any goods or services;
> (4) the person's *bona fide* noncommercial or fair use of the mark in a site accessible under the domain name;
> (5) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
> (6) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the *bona fide* offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
> (7) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
> (8) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

> (9) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section.[19]

"These factors are designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc."[20]

The ACPA also purports to contain a safe harbor provision whereby bad faith "shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful."[21] In practice, however, determining whether or not the defendant had "reasonable grounds to believe" that his or her use of the domain name was lawful requires a court to engage in a factual determination of the presence or absence of bad faith. In this task, courts often follow the nine-factor test, and the defendant's prior use of the domain name in connection with the *bona fide* offering of any goods or services is only one of the factors a court considers.

B. The ACPA Provides Potent New Remedies

The ACPA allows a plaintiff to file an in rem action against a domain name where the plaintiff either cannot obtain *in personam* jurisdiction over the defendant or cannot locate a defendant after diligent efforts to do so.[22] The benefit of an in rem action is most obvious for trademark owners who cannot locate a cybersquatter that provided false information to the domain name registrar. Without such a provision, cybersquatters could sweep up domain names and remain practically immune from suit by simply providing false information. The only relief available to an *in rem* plaintiff, however, is forfeiture, cancellation or transfer of the domain name; money damages are not available.

The ACPA also expanded the remedies for cybersquatting beyond those traditionally available for trademark infringement and trademark dilution causes of action. In a

19. 15 U.S.C. § 1125(d)(1)(B)(i) (2007).

20. S. Rep. No. 106-140, at 13.

21. 15 U.S.C. § 1125(d)(1)(B)(ii) (2007).

22. 15 U.S.C. § 1125(d)(2)(A) (2007).

traditional trademark infringement case, a successful plaintiff can recover actual damages, including the defendant's profits and damages sustained by the plaintiff, as well as costs of the action.[23] The plaintiff must prove those damages, however, which often can be difficult to do. No statutory damages or attorneys' fees are available unless the infringement was willful. Moreover, in trademark dilution suits, a plaintiff can only obtain injunctive relief, and is not entitled to any monetary relief unless it can prove that the defendant willfully traded on its goodwill in using the mark.[24] Moreover, unlike the ACPA, neither the Lanham Act[25] nor the Trademark Anti-Dilution Act[26] explicitly provides for transfer of a domain as a remedy.[27]

A plaintiff in an ACPA action, in contrast, need not prove its damages. Rather, the plaintiff may elect to seek statutory damages instead of actual damages "in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just."[28] The availability of statutory damages gives a plaintiff a tremendous advantage because actual injury is often difficult to prove. Most importantly, the ACPA explicitly allows for forfeiture, cancellation or transfer of the domain name to the trademark owner.[29] An ACPA plaintiff also can recover its attorneys' fees.[30]

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23. 15 U.S.C. § 1117(a) (2007).

24. 15 U.S.C. § 1125(c). If willful intent is proven, the plaintiff can recover defendant's profits, plaintiff's actual damages, and costs of the action. 15 U.S.C. § 1125(c)(2).

25. 15 U.S.C. § 1117(a).

26. 15 U.S.C. §1125(c).

27. *See* Interstellar Starship Servs. Ltd. v. Epix, Inc., 304 F.3d 936, 948 (9th Cir. 2002) (affirming the district court's refusal to order transfer of the domain based on a finding of trademark infringement because "only upon proving the rigorous elements of cybersquatting under the ACPA have plaintiffs successfully forced the transfer of an infringing domain"); Porsche Cars N. Am., Inc. v. Porsche.net, 302 F.3d 248, 261 (4th Cir. 2002) ("A trademark-dilution action under § 1125(c) and § 1655 simply cannot afford Porsche the only remedy it seeks in this case - transfer of the defendant domain names .... [N]othing in § 1125(c) alone entitles a plaintiff to possess the offending materials." (Internal citations omitted)).

28. 15 U.S.C. § 1117(d).

29. 15 U.S.C. § 1125(d)(1)(C).

30. 15 U.S.C. § 1117(a).

IV. THE ACPA IS SUBJECT TO ABUSE BY DISGRUNTLED PLAINTIFFS WHO LOST THE RACE FOR A DOMAIN NAME

The ACPA has not only been invoked by legitimate trademark owners held up by extortionists who buy up domains for a profit. Instead, it is increasingly being invoked by disgruntled companies who were the second-comers in the race for a domain. As noted earlier, domain names are made available on a first-come, first-served basis, and each name is unique.

Therefore, when a business discovers that the domain name it wants is unavailable, it sometimes resorts to a charge of cybersquatting under the ACPA to attempt to force a transfer of the domain, even where the "winner" of the race is not a traditional cybersquatter. The potential statutory damages and attorneys' fees available under the ACPA and the specter of endless litigation can be a powerful negotiating tool, often forcing legitimate businesses to ransom their rightfully obtained domain names to larger and more powerful companies. What's worse, courts have been reluctant to dispose of cybersquatting claims on motions to dismiss or for summary judgment due to the multiplicity of fact issues raised by the nine bad faith factors. Thus a legitimate domain name owner may be forced to proceed through trial to vindicate its rights to its name. The litigation process can be expensive and exhaustive and can potentially bankrupt a small business. Thus, many may surrender to avoid the expense and uncertainty of litigation. The ACPA thus has the potential to be wielded as a hammer against small businesses — unintended targets of the Act.

A good example of this phenomenon is the case of Mr. Uzi Nissan, the owner of a small computer company named Nissan Computer Corporation ("Nissan Computer"). Mr. Nissan has spent years in litigation with Nissan Motor Company ("Nissan Motor") in a dispute over his ownership and use of www.nissan.com and www.nissan.net,[31] a saga

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31. *See* Nissan Motor Co., Ltd. v. Nissan Computer Corp., 89 F. Supp. 2d 1154 (C.D. Cal. 2000) (Nissan I); Nissan Motor Co. v. Nissan Computer Corp., 61 U.S.P.Q.2d 1839 (C.D. Cal. 2002) (Nissan II); Nissan Motor Co., Ltd. v. Nissan Computer Corp., 231 F. Supp. 2d 977 (C.D. Cal. 2002) (Nissan III), *aff'd in part, rev'd in part*, 378 F.3d 1002 (9th Cir. 2004). In Nissan I, the court granted Nissan Motor's motion for preliminary injunction on its trademark infringement claims. The *Nissan II* court granted Nissan Computer's motion for summary judgment on the ACPA claim, however. Finally, in Nissan III, the court granted Nissan Motor's motion for summary judgment on its federal trademark dilution claims and permanently enjoined Mr. Nissan from using the Nissan.com site in any way that would dilute the famous Nissan mark.

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which he has colorfully detailed on his website.[32] Mr. Nissan did not submit, however, and the litigation is still ongoing for him.

Nissan Computer registered nissan.com and nisssan.net in 1994 and 1996 and used the websites to promote its business.[33] Nissan Motor owns the famous Nissan mark, and markets and distributes Nissan vehicles throughout the United States.[34] After discovering that it had lost the race for the nissan.com and nissan.net domains, Nissan Motors sought to buy these domains from Mr. Nissan.[35] Negotiations between the parties broke down in October 1999.[36] Shortly thereafter, Nissan Motor filed suit in California, initially asserting only traditional trademark-related claims — trademark infringement, trademark dilution, domain name piracy, false designation of origin and state law unfair competition (Nissan I). Later, Nissan Motors added a claim under the ACPA (Nissan II).

The Nissan II court analyzed the nine bad faith factors in ruling on Nissan Computer's motion for summary judgment.[37] The court found that Nissan Computer had made an offer to sell the two domain names for an exorbitant price, which would normally support a finding of bad faith.[38] The court found that factor III, the use of the domain name in connection with a *bona fide* offering of goods and services, worked in Nissan Computer's favor, however, because it had used the domain name in connection with its computer business for several years. The court granted summary judgment for Nissan Computer on the ACPA claim, but litigation on the other claims continued.

It is difficult for a defendant to end an ACPA claim based on the safe harbor provision because it can only be invoked if the court finds that the defendant believed

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32. For more information on "Nissan" and Mr. Uzi Nissan's business adventures, please visit http://www.ncchelp.org/.

33. *Nissan II*, 61 U.S.P.Q.2d at 1840.

34. *See* www.nissan-usa.com.

35. *Nissan II*, 61 U.S.P.Q.2d at 1840.

36. *Id*.

37. *Id*. At 1842-45.

38. Mr. Nissan disputes this on his website. He claims that during a meeting with representatives from Nissan Motors, he was pressed to name a selling price, to which he responded that the domains were not for sale. After continued pressure, Mr. Nissan says that he named an outrageous price, $15 million, and then reiterated that the domains were not for sale. Mr. Nissan asserts that Nissan Motors used this "misstatement" to assert its cybersquatting claim. *See* http://www.ncchelp.org/.

and had reason to believe that its use of a domain was a fair use or otherwise lawful. Thus, a defendant may be forced to proceed through trial to vindicate itself. That was the situation in *Pure Imagination, Inc. v. Pure Imagination Studios, Inc*.[39] Both parties, Pure Imagination Inc. ("Pure Imagination") and Pure Imagination Studios ("Studios"), were small advertising and marketing firms in Illinois that provided web services.[40] Studios was unaware of Pure Imagination and of the fact that Pure Imagination first used its mark in 1999,[41] three years before Studios registered the domain www.pureimagination.com in 2001.[42]

After Pure Imagination unsuccessfully attempted to buy the domain name, it filed suit against Studios, asserting various trademark claims as well as an ACPA claim.[43] It was not until after a full trial on the merits that the court eventually held that the safe harbor provision applied because Studios had reasonable grounds to believe that its use of its domain was lawful.[44] Specifically, the court relied on the fact that Studios had "used the domain name in connection with a *bona fide* offering of its web and icon design services."[45]

Another example where a legitimate business had to proceed through a full trial to invoke the safe harbor provision is *Hartog & Co. AS v. Swix.com*.[46] There Mr. Bürgin, a sole proprietor offering Internet services in Switzerland, registered the swix.com and swix.net domains for use with his business, SWiX Internet Dienste.[47] The Norwegian ski wax manufacturer, Hartog, once again the second-comer to the race, wanted to use those

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39. Pure Imagination, Inc. v. Pure Imagination Studios, Inc., No. 03 C 6070, 2004 WL 2967446 (N.D. Ill. Nov. 15, 2004).

40. *Id*. at *1.

41. Pure Imagination, however, did not apply for registration of the trademark until 2002.

42. *Id*. at *2.

43. *Id*. at *2-4.

44. *Id*. at *13.

45. *Id. See also* Nordic Inn Condominium Owners' Ass'n v. Ventullo, 864 A.2d 1079 (N.H. 2004).

46. 136 F. Supp. 2d 531 (E.D. Va. 2001).

47. *Id*. at 534-35.

domains to sell its popular ski wax, Swix, through websites in the United States.[48] After Bürgin refused to sell his domain, Hartog sued and asserted a claim for cybersquatting under the ACPA.[49] Hartog asserted in rem jurisdiction over swix.com and swix.net (under § 1125(d)), and sought an order transferring the domain names.[50]

Following a bench trial, the district court applied the nine bad faith factors and found that Mr. Bürgin prevailed on nearly all of them.[51] The court also held that the safe harbor applied because it concluded that Bürgin had reasonable grounds to believe that his use of swix.com and swix.net was fair and lawful.[52] The court held that Mr. Bürgin was not a cybersquatter "within either the letter or the spirit of the law" because he operated a legitimate business.[53] Although he ultimately prevailed, Mr. Bürgin was forced to litigate his legitimate registration of his domain names and expend considerable resources. Mr. Bürgin had no choice but to litigate, however, because the "loss of the domain name, swix.com, would effectively end [his] business."[54]

Some businesses have been successful at invoking the safe harbor provision at the summary judgment stage, but still have had to expend significant resources to defend their domain names. Bodum International, the well-known manufacturer and seller of Chambord coffee makers, coffee and tea, which it sells under the marks "Café Chambord Coffee" and "Cafeteriere Chambord," successfully obtained summary judgment in its favor in a cybersquatting action brought by Chatam International, the maker of Chambord raspberry liqueur and confections, which it sells under "Chambord Liqueur Royale."[55]

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48. *Id*.

49. *Id*. at 535.

50. *Id*.

51. *Id*. at 541. The court dismissed Hartog's argument under factor VII (the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct), that Bürgin's failure to update his mailing address with the domain name registrar showed a bad faith intent.

52. *Id*.

53. *Id*. at 540-42.

54. *Id*. at 535.

55. Chatam Int'l v. Bodum, 157 F. Supp. 2d 549, 552 (E.D. Pa. 2001).

Chatam had registered the mark "Chambord" in 1984 for the sale of liqueur, milk chocolate, fruit preserves, and cake,[56] while Bodum registered the mark "Chambord" in connection with the sale of non-electric coffee makers in 1991. Bodum then registered the domain name chambord.com to advertise its products in 1996.

Bodum ultimately prevailed on summary judgment based on the safe harbor provision.[57] The court held that Bodum reasonably believed its use of the name was fair and lawful because both parties were legitimate businesses that utilized the mark "Chambord," albeit for different products.[58] The court noted that the ACPA, as structured, does not apply to the circumstances presented in the case, where "both parties can invoke legitimate grounds for the registration of the same domain name for their respective products."[59]

Similarly, the De Beers diamond company and subsidiaries ("De Beers"), prevailed on summary judgment on an ACPA claim that Diarama Trading Company brought against it in an action involving the domain name dtc.com.[60] De Beers began using DTC as an acronym for one of its subsidiaries in 1994 but did not have a registered trademark. It registered the dtc.com domain name in 2000.[61] The plaintiff, Diarama Trading Company began using the name DTC in 1997 and registered it as a trademark in 1999. The court found that De Beers had priority to the DTC name and because of that prior use, there was no bad faith on the part of De Beers in registering dtc.com.[62] The analysis of the nine ACPA factors overwhelmingly favored the defendants.[63]

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56. *Id*. at 551-52.

57. *Id*. at 554.

58. *Id*.

59. *Id*.

60. Diarama Trading Co. v. J. Walter Thompson U.S.A., No. 01 Civ. 2950, 2005 WL 2148925, at *1 (S.D.N.Y. Sept. 6, 2005), *aff'd*, 2006 WL 2570838 (2d Cir. Sept. 6, 2006). The domain, dtc.com, was registered by one of De Beers' gem selling subsidiaries, Diamond Trading Company.

61. *Id*. at *1-4.

62. *Id*. at *13.

63. *Id*.

Another problem with the current safe harbor provision is that its parameters are not at all clear, because it depends on a court's after-the-fact determination of whether a defendant's conduct was reasonable. For example, in *Audi AG v. D'Amato*, the Sixth Circuit affirmed the district court's holding that the defendant violated the ACPA by registering and operating the website www.audisport.usa to sell merchandise with the "Audi" trademark and logo, without authorization from Audi.[64] The court found that the defendant was not covered by the safe harbor provision because even though D'Amato used the website for "some legitimate purpose…he did not have prior use of the domain name for the *bona fide* offering of goods and services."[65]

Also, in *Virtual Works, Inc. v. Volkswagen of America, Inc.*, the Fourth Circuit refused to apply the safe harbor provision where the defendant, an Internet service provider, registered the domain name vw.net in 1996 and used the site for two years to support its business.[66] The court found that Virtual Works knew of the potential confusion with Volkswagen, the automobile manufacturer, when it registered the domain name. Virtual Works decided to register the name in any event, reasoning that they could sell the name to Volkswagen if it became an issue. The Fourth Circuit held that Virtual Works could not invoke the safe harbor because it had not previously done business as "vw." The court further held that the safe harbor provision did not apply because "[a] defendant who acts even partially in bad faith in registering a domain name is not, as a matter of law, entitled to benefit from the Act's safe harbor provision."[67]

All of these cases illustrate situations where "both parties can invoke legitimate grounds for the registration of the same domain name for their respective products,"[68] which the ACPA was not intended to address. As discussed below, a more robust safe harbor provision, under which one's prior use of a domain in connection with the *bona fide* offering of any goods or services alone suffices to defeat a charge of cybersquatting, as well as limitations on the damages provisions, might correct the uneven balance of power between the parties.

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64. Audi AG v. D'Amato, 469 F.3d 534, 549 (6th Cir. 2006).

65. *Id*.

66. Virtual Works, Inc. v. Volkswagen of America, Inc., 238 F.3d 264, 266 (4th Cir. 2001).

67. *Id*. at 270 (emphasis added).

68. *Chatam*, 157 F. Supp. 2d at 554.

V. LEVELING THE PLAYING FIELD BY REFORMING THE ACPA

As discussed above, advances in technology and in consumers' use of Internet search engines have somewhat lessened the likelihood of consumer confusion. Although there is still a danger that counterfeit goods can be passed off on websites with confusing domain names, these are the type of offenses for which remedies are available under traditional trademark, unfair competition and consumer protection laws. In view of the current circumstances, the ACPA appears to have expanded beyond its original purpose of providing a mechanism to protect the rights of trademark owners by providing "adequate remedies for the abusive and bad faith registration of their marks."[69] Indeed, in its current form, the ACPA appears draconian in the amount of leverage it can afford a plaintiff bringing a cybersquatting action.

To remedy this situation, the ACPA should be amended to make its safe harbor provision meaningful. Instead of the multi-factor test that it currently employs, the safe harbor provision should protect a domain name owner who has used the domain name in connection with the *bona fide* offering of goods or services before the registration of the domain. A more robust safe harbor provision would help protect innocent domain name owners from frivolous lawsuits and counter-balance the leverage that the ACPA delivers into the hands of plaintiffs.

In addition, statutory damages and attorneys' fees, which create much of the incentive to allege cybersquatting in routine trademark disputes, should only be available to plaintiffs who have affirmatively proven that the domain owner's actions were objectively unreasonable. Shifting the burden of proof in this manner would assure that these potent remedies would only be available against true cybersquatters.

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69. S. Rep. No. 106-140 at 13 (emphasis added).