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Will the Anticybersquatting Consumer Protection Act Create More Problems Than It Solves?

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Various complex legal issues surfaced with the explosive and dynamic growth of the Internet. For example, 1999 witnessed a purchaser pay $7.5 million for the Internet address "business.com."[1] This example illustrates the growing importance of Internet addresses (domain names) and the problem facing trademark owners who register their marks as domain names only to discover that someone else registered their mark to extract a payment. Courts recognize the commercial importance of domain names and thus, apply traditional principles of trademark law to domain name disputes. As a result, courts consistently favor trademark owners when one party, commonly known as a cybersquatter, registers a well-known trademark as a domain name for the sole purpose of collecting money from the trademark's owner. Traditional principles of trademark law, however, fail to resolve the problem created when two parties have a valid claim to a specific domain name. This situation arises either because both parties own the trademark in different geographic areas or because they use the trademark in connection with different goods or services.

In order to adapt existing principles of trademark law to the realities of cyberspace and to protect the goodwill of trademark owners, Senator Spencer Abraham introduced a bill that addressed cybersquatting.[2] Congress adopted this bill, entitled the Anticybersquatting Consumer Protection Act (ACPA), on November

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1. *See* Andrew Pollack, *What's in a Cybername? 7.5 Million For the Right Address*, N.Y. TIMES, Dec. 2, 1999, at C8. (discussing domain names sold for exorbitant amounts of money, including: altavista.com, which sold for $3.3 million; wine.com, which sold for $3 million; Wallstreet.com, which sold for $1.03 million; and drugs.com which sold for $823,000).

2. S. 1255, 106th Cong. (1999).

29, 1999.[3] The ACPA, as enacted, uses traditional trademark infringement and dilution principles to determine whether a person has infringed or diluted the mark in bad faith.[4] The statute's effect, however, merely codifies existing cybersquatting case law, which scarcely addresses the difficult issue created when both parties have a valid claim to the same domain name.

Part I of this Note will discuss the nature of domain name disputes. Part II will describe some of the issues raised by the application of traditional principles of trademark law to domain name disputes, including the application of the Federal Trademark Dilution Act. Part III will discuss the recently enacted ACPA and Part IV will examine whether the ACPA effectively addresses issues raised by domain name disputes. Finally, Part V will describe a main issue that ACPA fails to adequately address—the domain name registration of identical marks in non-competing markets. This Note will suggest a solution to this specific issue and will provide insights into improving this legislation.

I. DOMAIN NAME DISPUTES

A. Domain Names

Commentators often compare the function of domain names with that of postal or street addresses.[5] Every computer connected on the Internet has an assigned Internet Protocol (IP) that serves as its Internet address.[6] A sequence of numbers separated by periods composes each IP address. The computer reads the numbers from right to left in an order of increasing specificity.[7] The cluster of numbers separated by the periods corresponds to the network, subnetwork, and local address.[8] People prefer letters rather than

3. Anticybersquatting Consumer Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1536, 1501A-545 (1999).

4. *Id.*

5. *See* Michael B. Landau, *Problems Arising Out of the Use of "WWW.TRADEMARK.COM": The Application of Principles of Trademark Law to Internet Domain Name Disputes,* 13 GA. ST. U. L. REV. 455, 461 (1997).

6. *Id.*

7. *Id.*

8. *Id.* "For example, for the Internet address 131.96.1.18, '131' would be the network,

numbers, thus a Domain Name Service database links these numbers with alphanumeric equivalents called Internet domain names.[9]

A domain name functions as an important client identifier, or "a symbol of the company's goodwill."[10] Moreover, the unstructured nature of the Internet inspires some to guess the company's Internet location.[11] The common practice of typing the name of the company followed by the top level domain (TLD) ".com," makes an intuitive domain name a valuable corporate asset.[12] For example, an Internet address consists of "www.name.TLD."[13] There are two types of TLDs: geographic and generic.[14] Geographic TLDs refer to the geographical region of the organization.[15] Generic TLDs refer to the type of organization that registered the domain name.[16] For example, generic TLDs include: ".com" for commercial institutions; ".edu" for educational institutions; ".net" for network providers; ".gov" for governmental institutions; and ".org" for organizations.[17] Most domain name disputes emerge over ".com" TLDs.[18]

'96' and '1' refer to the subnetworks, and "18" refers to the local computer." *Id.*

9. *Id.*; *see also*, Joan Meadows, Comment, *Trademark Protection for Trademarks Used as Internet Domain Names*, 65 U. CIN. L. REV. 1323, 1332 (1997).

10. Sally M. Abel, *Trademark Issues in Cyberspace: The Brave New Frontier*, 528 PLI/PAT 323, 333 (1998).

11. *Id.*

12. *Id.*

13. *Id.*

14. *See* Ira S. Nathenson, Comment, *Showdown at the Domain Name Corral: Property Rights and Personal Jurisdiction over Squatters, Poachers and Other Parasites*, 58 U. PITT. L. REV. 911, 920 (1997).

15. *Id.* at 921.

16. *See* Abel, *supra* note 10, at 334 n.1. "Generic TLDs are commonly misunderstood to be U.S. only. However, they are international in nature, so only one pitt.edu exists in the entire world. This global reach explains why generic TLDs have become so coveted." Nathenson, *supra* note 14, at 922.

17. *See* Abel, *supra* note 10, at 324*; see also* Meadows, *supra* note 9, at 1332.

18. *See* Landau, *supra* note 5, at 462. Landau suggests that most domain name disputes arise in the ".com" TLD because "it is within this domain that parties who do not have any legal rights in a trademark have included another's trademark in their domain name." *Id.* Third parties profit from realizing that use of the ".com" TDL's by commercial institutions transforms a domain name into a valuable client identifier. *See* Abel, *supra* note 10, at 333. "Not surprisingly, the .com TLD, intended for commercial users has experienced exponential growth in the recent past: there are now close to two million such domain names. As would have been expected from such growth, the .com TLD is at the eye of the storm in domain disputes." *Id.* at 334.

B. Domain Name Registration System

Domain names are assigned on a first come, first served basis.[19] Currently, Network Solutions, Inc. (NSI) manages the registration of domain names in the generic TLDs for the U.S. government.[20] The contract between NSI and the government expired in 1998.[21] The contract, however, was extended until September 30, 2000 while the government transferred the responsibilities to a new, nonprofit organization.[22] This new non-profit organization, the Internet Corporation for Assigned Names and Numbers (ICANN), adopted a mandatory dispute resolution procedure for "cybersquatters."[23] The procedure focuses on reverse domain name hijacking where a large trademark owner threatens to sue an individual or small business over their domain name, even though the smaller entity has a legitimate interest in the name.[24]

Under the current dispute policy,[25] the owner of a federal

19. Abel, *supra* note 10, at 334; *see also*, Danielle Weinberg Swartz, Comment, *The Limitations of Trademark Law in Addressing Domain Name Disputes*, 45 UCLA L. REV. 1487, 1490 (1998).

20. Nathenson, *supra* note 14, at 923. While geographic domain names are issued by the authorities in each country, NSI issues generic domain names as part of the InterNIC. *Id.* InterNic was established in 1993 under the sponsorship of the National Science Foundation. *Id.* at 923 n.44. This Note, however, does not address geographic domain names.

21. 57 Pat. Trademark & Copyright J. (BNA) 1412, at 307 (1999).

> In July of 1997, President Clinton directed the Secretary of Commerce to privatize the domain name system. 62 Fed. Reg. 35896, 54 PTCJ 195, 204, 7/3/97. In January of last year the Commerce Department released its "green paper" recommending a transfer of the administration and allocation of Internet addresses to a single not-for-profit corporation. *Id.* Last June, the Commerce Department issued a revised "white paper" that renewed the call for private-sector governance of domain name registration, with the switch-over completed by September 30, 2000.

Id.

22. *Id.*

23. 58 Pat. Trademark & Copyright J. (BNA) 1440, at 530-31 (1999).

> On November 25, ICANN entered into an agreement with the Commerce Department to complete the transfer of this responsibility from the government to the private sector. Under that agreement, ICANN was charged with a number of tasks, including the development of a plan for introducing competition into the domain name registration business.

Id.

24. 58 Pat. Trademark & Copyright J. (BNA) 1440, at 530 (1999).

25. Abel, *supra* note 10, at 341.

trademark registration or a registration in a foreign country may challenge the use of an identical domain name by submitting a registration certificate to the NSI.[26] The trademark owner must also submit proof that he 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. If the "creation date" of the domain postdates the "effective date" of the trademark registration, then NSI gives the domain holder 30 days to prove its ownership of a trademark registration for the same mark in the U.S. or any foreign country. If the domain holder is able to prove either (1) that the creation of the domain name predates the effective date of the challenger's trademark registration, or (2) that the domain name holder has its own trademark registration, then the domain holder will be able to keep the domain. If, however, the domain holder cannot demonstrate the required prior creation date, or produce a trademark registration certificate, then the domain holder must give up the domain, with a ninety-day transition period if the domain holder cooperates. The disputed domain then goes into a "hold" status, where it is not available to anyone, pending the resolution of the dispute between the parties.

This procedure, wherein the domain is frozen, created a number of disputes.

When assigning a domain name, NSI exercises veto power over requested names that are not identical to names already assigned.[27] This creates a problem because NSI does not conduct a search to determine whether a third party is registering a trademark as a domain name.[28] Consequently, trademark owners bear the responsibility of policing their trademarks to ensure that their trademarks are not infringed or diluted.

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26. Kimberly W. Alacantara, *Trademarks in Cyberspace*, 569 PLI/PAT 425, 341 (1987).
27. Abel, *supra* note 10, at 334-35.
28. Alacantra, *supra* note 26, at 429, 484 (Network Solution domain Dispute Policy Present and Future).

II. Traditional Principles of Trademark Law

A. General Principles

In 1946, Congress enacted the Lanham Act to facilitate the regulation of trademarks.[29] The Lanham Act has two main purposes: (1) to protect consumers from being confused as to the source of goods and services; and (2) to protect a trademark holder's goodwill and investment by prohibiting the misrepresentation of goods and services.[30] Moreover, trademarks ensure a consistent level of quality to the purchasing public.[31]

B. Trademark Infringement

Although registration is not necessary for the protection of a trademark, obtaining a trademark registration provides several advantages. Specifically, it constitutes prima facie evidence of both the validity and ownership of the mark and of the right to use the mark in commerce.[32]

Generally trademarks are classified under one of four categories: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or

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29. 15 U.S.C. §§ 1051 (1994): *see* Meadows, *supra* note 9, at 1327. It is important to understand the relationship between common law and federal law. "Trademarks that are used locally or intra-state are protected under common law." *See* Landau, *supra* note 5, at 463. Only those trademarks used in interstate commerce, however, may receive protection under federal law. Nevertheless, the same standards for protection apply under both common law and federal law. *Id.*

30. Meadows, *supra* note 29, at 1327.

31. Swartz, *supra* note 19, at 1490.

32. *See* Landau *supra* note 5, at 466-67.

> With a registration, the burden is on the trademark challenger to prove the facts related to the protectability of the mark. Registration also gives the trademark owner: (1) the right to prevent the importation of counterfeit goods; (2) the opportunity to initiate an action under 15 U.S.C. § 1116(d) to prevent the use of counterfeit marks; and (3) the opportunity to take advantage of § 15 of the Lanham Act where a registered mark may become incontestable after five years of continuous post-registration use.

Id. (citations omitted).

fanciful.[33] Generic marks are trademarks that represent the good or service itself, and they may never acquire trademark protection. Descriptive marks merely "convey an immediate idea of the ingredients, qualities or characteristics of the goods" instead of identifying the source of those goods.[34] Thus, a descriptive mark receives protection only if it acquires a "secondary meaning" which identifies the source of the goods.[35] In contrast, suggestive and arbitrary or fanciful marks are inherently distinctive, and thus they receive protection immediately upon their use.[36] "A trademark is 'suggestive' if it 'requires "imagination, thought and perception to reach a conclusion as to the nature of the goods.'"[37] "A trademark is arbitrary or fanciful if it 'has no inherent relationship to the product or service with which it is associated.'"[38]

A successful trademark infringement claim requires a plaintiff to establish two elements: (1) prior rights in the trademark; and (2) that the unauthorized use of the trademark will likely cause consumer confusion, deception, or mistake.[39] This second factor, known as the likelihood of confusion test, is the touchstone of trademark infringement.[40] Although the standard to determine likelihood of confusion varies among the federal circuits, the Ninth Circuit developed a balancing test that incorporates eight factors:

> (1) the similarity of the marks; (2) the proximity of the goods; (3) the marketing channels used; (4) the defendant's intent in selecting the mark; (5) the type of goods and the degree of care likely to be exercised by the purchaser; (6) the evidence of

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33. *See* Mark V. B. Partridge, *A Review of Recent Trademark and Unfair Competition Cases in the U.S.*, 38 IDEA 57, 58 (1997); Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4 (2d Cir. 1976).

34. Landau, *supra* note 5, at 465. (quoting Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992) (alteration added)).

35. *See id.* A trademark acquires secondary meaning when it becomes "associat[ed] with particular goods stemming from a particular source." *Id.* (quoting Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992) (alteration in original)).

36. *Id.* at 464 (citation omitted).

37. *Id.* at 464-65 (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 11.21[1] (3d ed. 1996)).

38. *Id.* at 464 (citing John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 974 (11th Cir. 1983)).

39. Swartz, *supra* note 19, at 1496; *see* 15 U.S.C. § 1114(1) (1994).

40. Swartz, *supra* note 19, at 1496-97.

actual confusion; (7) the strength of the mark; and (8) the likelihood of expansion of the product lines.[41]

C. Legitimate Uses of a Mark by Multiple Parties

The rights of registered trademark owners are not absolute.[42] A federal registration does not confer an absolute right to enjoin all U.S. parties who might use the same mark.[43] Thus, a court will find trademark infringement only if there is a likelihood of confusion.

Absent a likelihood of confusion, there are two circumstances in which trademark law explicitly allows for multiple parties to use the same mark.[44] First, when the marks are used in connection with similar goods in different geographic markets, multiple parties may use the same mark.[45] This situation is known as "concurrent use."[46] Second, multiple parties may use the same mark in connection with different goods.[47]

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41. *Id.* at 1496-97; *see also,* AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).

42. Landau, *supra* note 5, at 468.

43. *Id.*

44. *Id.*

45. *Id.*

46. *Id.*; *see* 15 U.S.C. § 1052(d) (1994).

> No trademark . . . shall be refused registration on the principal register . . . unless it— . . . (d) Consists of or comprises a mark which so resembles a mark as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That if the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks of the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce . . . . Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark of the goods on or in connection with which such marks is registered to the respective persons. (emphasis added).

In re Beatrice Foods Co., 429 F.2d 466, 474 (C.C.P.A. 1970) (holding that the senior user can receive registration covering all parts of the United States except those regions where the junior user can establish existing rights in its actual area of use or zones of natural expansion).

47. Landau, *supra* note 5, at 468.

Additionally, trademark law recognizes the rights of a local intrastate party to continue using a mark despite the acquisition of a federal registration by a larger party who uses the mark in interstate commerce.[48] When a local user uses the mark before the interstate user, then the local user's rights to the mark are geographically fixed.[49] This policy prevents large parties with vast amounts of resources from appropriating local users' marks and preventing the original local user from using the mark.[50] Conversely, when the local user uses the mark in a defined geographic area after another user registers that mark, the local user receives "constructive notice" of the rights of the registrant.[51] If the registrant subsequently expands into the territory of the local user, then the local user may be enjoined.[52]

When a mark is used in connection with different goods, both parties may register that same mark, provided the goods and/or services are sufficiently different, such that no likelihood of confusion exists.[53] For example, both an airline and a faucet manufacturer use the same mark, "DELTA," to identify different goods and services.[54]

D. Trademark Dilution

Prior to the passage of the Federal Trademark Dilution Act (FTDA),[55] a majority of the states had anti-dilution statutes.[56] Courts defined "dilution" as "the gradual whittling away of a distinctive trademark or trade name."[57] State law recognized two distinct types of dilution: blurring and tarnishment.[58] Blurring arises when the defendant uses or modifies the plaintiff's mark to identify the

48. Landau, *supra* note 5, at 469.
49. *See id.* at 468.
50. *Id.* at 469-70.
51. *Id.* at 470.
52. *Id.*
53. *Id.*
54. *Id.* at 470-71.
55. 15 U.S.C. § 1125 (1998).
56. Karen S. Frank, *The Federal Trademark Dilution Act of 1995 Protecting Fame and Fortune*, 454 PLI/PAT 523, 529 (1996).
57. *Id.* at 529 (citations omitted).
58. *Id.* (citing Deere & Co. v. MTD Prods. Inc., 41 F.3d 39, 43 (2d Cir. 1994)).

defendant's goods, which are different from those of the plaintiff, in such a way that the mark may no longer be associated with the plaintiff's product.[59] In contrast, tarnishment arises when the defendant's use of the plaintiff's mark degrades the quality of the plaintiff's mark.[60]

In order to avoid the patch-quilt protection against dilution provided by different state statutes, Congress adopted the FTDA in 1995.[61] The FTDA adds a new section to the Lanham Act, § 43(c).[62] Under the FTDA, the owner of a diluted, famous trademark is entitled to a nation-wide injunction.[63] If the owner of the famous mark, however, establishes that the third party willfully intended to trade upon the reputation or goodwill of the famous mark, the owner is also entitled to traditional trademark infringement remedies.[64] These remedies include restitution of defendant's profits and damages sustained by the plaintiff.[65]

Since its enactment, courts willingly apply the FTDA to resolve domain name disputes.[66] Indeed, many commentators believe that the

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59. *Id.*

60. *Id.* (citing Hasbro, Inc. v. Internet Enter't Group Ltd., 40 U.S.P.Q. 2d (BNA) 1478 (W.D. Wash. 1996)).

61. *Id.* at 525. Legislative history indicates that the FTDA did not intend to preempt state statutes. *Id*. The FTDA, however, specifically provides that a cause of action for dilution under state law shall not be available against marks that are federally registered. *Id.* at 525-26.

62. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (1996).

63. *Id.* at 526.

64. *Id.*

65. *Id.*

66. *Id.* President Clinton signed the FTDA into law on January of 1996. The FTDA amended § 43 of the Lanham Act by adding a new § 43(c) to prevent the dilution of famous marks.

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to–
>
> (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;

FTDA is the strongest weapon against the unauthorized use of a trademark as a domain name.[67] Moreover, the legislative history indicates that the intent of the FTDA was to resolve domain name disputes.[68]

Courts applied the FTDA to domain name disputes in two recent cases. In *Hasbro, Inc. v. Internet Entertainment Group Ltd.*,[69] the court applied the FTDA to a domain name dispute where both parties legitimately used the same mark. Hasbro, the owner of the trademark

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(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 marks is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' 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 . . . or on the principal register.

Id. The FTDA also amended § 45 to include a definition of dilution which is defined as "the lessening of the capacity of a famous mark to identify and distinguish the goods or services, regardless of the presence or absence of–

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception."

Id. Unlike a claim for trademark infringement, a claim for dilution under § 43(c) does not require a finding of likelihood of confusion. *Id*.

This difference facilitates proving dilution despite the defendant's use not satisfying the traditional test for likelihood of confusion. Often times, this situation arises when a defendant uses a mark in connection with completely unrelated goods and services or in a different geographic area. *See* Intermatic, Inc. v. Toeppen, 40 U.S.P.Q. 2d (BNA) 1412 (N.D. Ill. 1996) (exemplifying the problem courts may encounter when interpreting the FTDA, specifically, that judges will extend more protection than granted by statute).

Prior to enacting the FTDA, a majority of states recognized a cause of action for dilution, either under common law or under a state anti-dilution statute. Under state law, two different types of dilution existed: blurring and tarnishment. Blurring is when the exclusivity of a mark becomes diminished. Tarnishment is when the mark is used in an unsavory sense. The legislative history, however, indicates that the massive inconsistencies between states led to the FTDA's enactment and purpose of avoiding forum shopping. For purposes of this Note, it is important to realize that another purpose of the FTDA was to "help stem the use of deceptive Internet addresses by those who are choosing marks that are associated with the products and reputations of others." *Intermatic, Inc.*, 40 U.S.P.Q. 2d (BNA) at 1421 (quoting remarks of Sen. Patrick J. Leahy in the U.S. Senate, Dec. 29, 1995, CONG. REC. S. 19312 (1995)). Michael B. Landau notes, however, that the Senator's remarks are not accurate because if the use of a mark is deceptive, it could potentially withstand traditional trademark infringement or unfair competition inquiries. Landau, *supra* note 5, at 478 n.89.

67. Landau, *supra* note 5, at 478.

68. Frank, *supra* note 56, at 532; *see also*, Landau, supra note 5, at 479.

69. 40 U.S.P.Q. 2d (BNA) 1479 (W.D. Wash. 1996).

"CANDYLAND" for children's board games, brought a complaint against the registrant of the adult-oriented Web site "candyland. com."[70] The Court held that Hasbro's mark was famous and therefore, issued a temporary restraining order and a preliminary injunction ordering the defendant to change its Web site to a different Internet address.[71] In *Toys 'R' US, Inc. v. Akkaoui*,[72] Toys 'R' US brought an action against the registrant of the domain name "adultsrus.com," a Web site that sold sexual devices and clothing.[73] The court held that the domain name diluted the Toys 'R' US family of marks and granted a preliminary injunction against the defendant.[74]

While the FTDA may be the strongest weapon against domain name disputes, its broad language unleashes a host of problems. Specifically, courts are split on two questions: (1) what qualifies as a "famous mark" under the statute, and thus, what is entitled to protection against dilution of its distinctive nature; and (2) what is necessary to prove dilution.

Although a court may consider numerous factors when determining whether a mark is famous, several problems become evident.[75] First, the enumerated factors are not determinative of a mark's fame. Thus, a court may select the factors it applies. Second, the list of factors is not exhaustive. As such, some courts virtually ignore the factors and apply their own standards.[76] Therefore, the danger exists that courts will broadly misapply the term "famous" and protect marks that should not receive protection. For example, in *Panavision International, L.P. v. Toeppen*,[77] the District Court of California stated that "[t]rademark dilution laws protect 'distinctive' or 'famous' trademarks from certain unauthorized uses of the marks

70. *Id.*

71. *Id.* at 1479-80.

72. 40 U.S.P.Q. 2d (BNA) 1936 (N.D. Cal. 1996).

73. *Id.* at 1837.

74. *Id.* It is important to note that both of these cases have dealt with non-competing uses. *Id.*; *see also* Hasbro, *supra* note 69. The underlying concern in both cases, however, was likely that children could mistakenly reach these adult-oriented Web sites.

75. *See supra* note 66 and accompanying text.

76. *See, e.g.,* Hershey Foods Corp. v. Mars, Inc., 998 F. Supp. 500, 520-21 (M.D. Pa. 1998); Star Markets, Ltd. v. Texaco, Inc., 950 F. Supp. 1030 (D. Haw. 1996).

77. 945 F. Supp. 1296 (C.D. Cal. 1996).

regardless of a showing of competition or likelihood of confusion."[78] The inaccuracy of this statement illustrates the diverging results caused by the statute's broad language.[79]

Courts also disagree over the test to apply when determining whether a plaintiff established a cause of action for dilution. A majority of courts apply a "likelihood of dilution" test.[80] In contrast, the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Division of Travel Development*[81] rejected the likelihood of dilution standard. Instead, the court required a showing of actual dilution.[82] The court analyzed the statutory language of § 43(c) and concluded that because the statute applies to marks that cause dilution, the language requires more than a mere likelihood of dilution.[83]

III. THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT

A. Purposes of the Statute

The purpose of the ACPA is to protect consumers and promote electronic commerce.[84] The Congressional Record reflects that the

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78. *Id.* at 1301 (citations omitted).

79. Note that the court misconstrued the statute, which protects "famous" marks not "distinctive" marks from being diluted. 15 U.S.C. § 1125 (1998).

> Clearly a distinctive mark is not the same as a famous mark. By definition, all trademarks must be distinctive. A famous mark will always be distinctive, but a distinctive mark need not be famous. If courts confuse or interchange distinctive with famous, there is a danger that all marks will become protected under the dilution doctrine, thus requiring the application of the likelihood of confusion test, and eliminating the long established policy of different parties using similar or identical marks in connection with different goods.

Landau, *supra* note 5, at 478-79.

80. *See* Mead Data Cent., Inc. v. Toyota Motor Sales USA, Inc., 875 F.2d 1026 (2d Cir. 1989).

81. 170 F.3d 449, 461 (4th Cir. 1997).

82. *Id.* at 464.

83. *Id.* at 458-61.

84. 145 CONG REC. S7325 (daily ed. June 21, 1999) (statement of Sen. Abraham). On June 21, 1999, Senator Spencer Abraham introduced the Anticybersquatting Consumer Protection Act (ACPA). The Committee on Judiciary recommended that the Senate pass the bill as amended. Senator Brownback reported this amendment to the Senate which passed the Senate by unanimous consent on August 5, 1999. 145 CONG. REC. S10513. (daily ed. Aug. 5, 1999) (statement of Sen. Brownback). After deliberation, the House of Representatives struck

main concern of the ACPA is to protect the goodwill of trademark owners. Almost every Representative and Senator who submitted comments, recognized the problems created when individuals register well-known marks as a domain name with the intent of exchanging their rights to the domain name for money.[85] Moreover, § 2 of the ACPA, entitled "Findings," specifically limited the application of the Act to "domain name[s] that [are] identical without regard to the goods or services of the parties."[86] The amendments contained this provision, but if it remained part of the Act, it would not apply to those situations where a party registers a domain name that is confusingly similar to a "famous" mark. This may impact how courts construe the statute.

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everything after the enacting provision and replaced it with the provisions of a similar measure, H.R. 3028 entitled Trademark Cyberpiracy Prevention Act. 145 CONG. REC. S10513 (daily ed. Aug. 5, 1999). Finally, the bill passed, and President Clinton signed into law an omnibus budget bill that included significant new intellectual property provisions, including the ACPA. Anticybersquatting Consumer Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1536, 1501A-545 (1999).

85. 145 CONG. REC. H10823 (daily ed. Oct. 26, 1999) (statements of Rep. Coble, Rep. Berman, Rep. Boucher, and Rep. Bono).

86. S. 1255, at S10514 (Aug. 5, 1999).

SEC. 2 FINDINGS
Congress finds the following:

> (1) The registration, trafficking in, or use of a domain name that is identical without regard to the goods or services of the parties, with the bad-faith intent to profit from the goodwill of another's mark (commonly referred to as "cyberpiracy" and "cybersquatting")—
>
> (A) results in consumer fraud and public confusion as to the true source or sponsorship of goods and services;
>
> (B) impairs electronic commerce, which is important to interstate commerce and the U.S. economy;
>
> (C) deprives legitimate trademark owners of substantial revenues and consumer goodwill; and
>
> (D) places unreasonable, intolerable, and overwhelming burdens on trademark owners in protecting their valuable trademarks.
>
> (2) Amendments to the Trademark Act of 1946 would clarify the rights of a trademark owner to provide for adequate remedies and to deter cyberpiracy and cybersquatting.

Id. at S10514.

B. Standards for Actionable Conduct

Section 2(a) of the ACPA amends the Lanham Act[87] to provide a trademark remedy for "cybersquatting" in § 43(d).[88] In effect, the

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87. 15 U.S.C. § 1051-1127 (1994).

88. 145 CONG. REC. 10823 (daily ed. Oct. 26, 1999).

SEC 2. CYBERPIRACY PREVENTION

(a) IN GENERAL—Section 43 of the Trademark Act of 1946 (15 U.S.C. § 1125) is amended by inserting at the end the following:

(d)(1)(A) A person shall be liable in a civil action by the owner of a mark, including a famous personal name which is protected under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a famous personal name which is protected under this section; *and*

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.

(B) in determining whether there is bad-faith

intent described under subparagraph (A), a court *may* consider factors such as, *but not limited to*—

(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

(ii) 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;

(iii) the person's prior lawful use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(iv) the person's lawful noncommercial or fair use of the mark in a site accessible under the domain name;

(v) 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;

(vi) 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;

(vii) the person's provision of material and misleading false contact information amendment incorporates the likelihood of confusion test, an alternative dilution standard, and adds a bad-faith test.[89] To prevail under a § 43(d)(1)(A) claim, a plaintiff needs to prove that: (1) a party has a bad faith intent to profit from the mark; and (2) a party registers, traffics in, or uses a domain name that would either create a likelihood of confusion or dilute the mark.[90] Notice that this two-prong test introduces the concept of "bad faith intent to profit."[91]

The language preceding the bad-faith standard, however, reads: "A person shall be liable in a civil action by the owner of a mark, including a famous personal name which is protected under this section . . . ."[92] Therefore, only parties who own a mark or who own a "famous personal name" may bring a claim under the ACPA, which places a premium on registering marks.

Whether a court will inquire into the intent of both parties, or just one, is unclear from the "bad faith intent to profit" requirement. Additionally, the Act does not define "profit from that mark." Clearly, if the top level domain name is a ".com," then its ultimate purpose is commercial use and profit is reasonably expected. The

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> when applying for the registration of the domain name or the person's intentional failure to maintain accurate contact information;
>
> (viii) the person's resignation 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 such persons;
>
> (ix) the person's history of offering to transfer, sell, or otherwise assign domain names incorporating marks of others to the mark owners or any third party for consideration without having used, or having an intent to use, the domain names in the bona fide offering of any goods and services;
>
> (x) the person's history of providing material and misleading false contact information when applying for the registration of other domain names which incorporate marks, or the person's history of using aliases in the registration of domain names which incorporate marks of others; and
>
> (xi) the extent to which the mark incorporated in the person's domain name registration is distinctive and famous within the meaning of subsection (c)(1) of § 43 of the Trademark Act of 1946 (15 U.S.C. § 1125).

Id. (emphasis added).

89. *Id.*
90. *Id.*
91. *Id.*
92. *Id.*

term "profit," however, was most likely referring to those situations, like in *Panavision*,[93] where the defendant registers famous marks as domain names, and then sells them to their rightful owners for a profit. Pursuant to Senator Leahy's explanation, however, the courts have "had little trouble dealing with a notorious cybersquatter, Dennis Toeppen from Illinois, who registered more than 100 trademarks—including 'yankee stadium.com,' 'deltaairlines.com,' and 'neiman-marcus.com'—as domain names for the purpose of eventually selling the names back to the companies owning the trademarks."[94] If profit is extracting a payment from the trademark owner in exchange for the rights to use the domain name, then this act is argubly limited to situations like the ones faced by the court in *Panavision*,[95] and *Intermatic, Inc. v. Toeppen*.[96] This interpretation of the ACPA will depend upon the courts' interpretation of its language.

The FTDA not only provides a list of factors that a court may consider when determining whether a mark is famous, but the ACPA also provides a list of factors that a court may consider when determining whether there is bad-faith intent.[97] Similarly, both

93. *See supra* note 77 and accompanying text.

94. 145 CONG REC. S10513, S10517 (daily ed. Aug. 5, 1999) (statements of Sen. Leahy).

95. *See* 40 U.S.P.Q. 2d (BNA) 1936 (N.D. Cal. 1996).

96. 947 F. Supp. 1227 (N.D. Ill. 1996).

97. *Cf.* 15 U.S.C. § 1124; Anticybersquatting Consumer Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1536, 1501A-545 (1999). The ACPA contemplates the continued application of traditional trademark principles, including likelihood of confusion and dilution. *See id.* § 2(d)(1)(A)(ii)(I), 2(d)(1)(A)(ii)(II). The likelihood of confusion standard is adopted in the context of domain name disputes in § 2(d)(1)(A)(ii)(I) of the ACPA and states that: "[a] person shall be liable . . . if . . . that person . . . (ii) registers, traffics in, or uses a domain name that—[I] in the case of a mark that is distinctive at the time of registration of the domain name, [II] is identical or confusingly similar to that mark." 145 CONG. REC. H10823 (daily ed. Oct. 26, 1999). This standard adopts a two prong test: (1) a party must register, traffic in, or use a domain name that is "identical or confusingly similar to a distinctive mark"; and (2) that mark must be "distinctive at the time of the registration of the domain name." *Id.* The first prong is the traditional likelihood of confusion test, while the second prong's ascertainment may present more difficulties. The ACPA adopted dilution standard in 2(d)(1)(A)(ii)(II) and states that: "[a] person shall be liable . . . if that person . . . (ii) registers, traffics in, or uses a domain name that—[1] in the case of a famous mark that is famous at the time of registration of the domain name, [2] is dilutive of that mark." *Id.* Like the likelihood of confusion test, this standard adopts a two prong test: (1) a party must register, traffic in, or use a domain name that dilutes a famous mark; and (2) the mark being diluted must be famous at the time of registration of the domain name. *Id.* To determine whether a mark is famous, a court *may* apply the factors listed in § 43(c) of the Lanham Act. The broadness of that statute, however, leads courts to inconsistent decisions.

explicitly state that the list is non-exhaustive. The Congressional Report indicates that the eleven factors listed in the ACPA presumably balance the property interests of trademark owners against the legitimate interests of Internet users.[98] The first four factors pertain to circumstances that suggest the absence of a bad-faith intent to profit from the marks of others, while the remaining seven factors pertain to circumstances that suggest the presence of a bad-faith intent to profit from the marks of others.[99]

IV. DOES THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT EFFECTIVELY ADDRESS THE ISSUES RAISED BY DOMAIN NAME DISPUTES

Inconsistencies between trademark law and the structure of the Internet create a myriad of issues unaddressed by the ACPA. While domain names do not necessarily constitute a trademark, a trademark or service mark may be registered as a domain name.[100] Therefore, use of another's trademark may constitute either infringement or dilution.

The domain name system illustrates a fundamental dichotomy between trademark law and the complexities of Internet technology:

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98. 145 CONG. REC. H10823, 10825 (daily ed. Oct. 26, 1999).

99. *Id.*

100. *See* 15 U.S.C. § 1127 (1994). The Lanham Act defines a trademark as:

> "any word, name, symbol, or device, or any combination thereof—
>
> (1) used by a person, or
>
> (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, (this is part of the above paragraph) to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others . . . ." *Id.*

(Separate paragraph) Similarly, the Lanham Act defines a "service mark" as

> "any word, name, symbol, or device, or any combination thereof-
>
> (1) used by a person, or
>
> (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services . . . ."

15 U.S.C. § 1127 (1994). For purposes of this Note, trademarks will include service marks.

while trademark law is territorial, the Internet is universal. Trademark law permits more than one party to use the same trademark if using the same trademark does not create a likelihood of confusion. Conversely, the Internet allows only one party to own a particular domain name.

Where more than one party is entitled to use a particular trademark, the use of that mark as a domain name does not constitute infringement, and the NSI awards the domain name to the first party who registers it.[101] Consequently, the current system of domain name registration creates a disparity with trademark law because the first party to obtain a trademark registration may trump the rights of another party who in good faith registered the domain name.

When applying the dilution standard, the courts determine which mark is more famous as opposed to concentrating on the issue of whether a given mark satisfies the famous requirement.[102] The critical distinction lies between the first case, where the court is comparing the relative fame of the marks in dispute, and the latter case, where the court is determining the particular mark's fame. While the courts seem to apply a comparison test, the latter situation is consistent with the language of the statute and congressional intent. If the FTDA protected marks because they were famous, then this situation does not address the problem of parties who may have a legitimate trademark in connection with the goods or services in non-competing markets in the case where neither party is the owner of a famous mark. The language utilized in the FTDA is vague and inconclusive. Consequently, courts continue to struggle when interpreting its language and, thus, apply it inconsistently. As the ACPA incorporates the language of the FTDA, courts are likely to encounter a similar struggle when applying dilution to domain name disputes.

Moreover, likelihood of confusion is not required in order to establish a claim for dilution. Therefore, dilution is arguably easier to prove despite the fact that the defendant's use does not rise to the level of infringement. This lower threshold seemingly favors the big fish over the little fish.[103]

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101. *See* discussion *supra* Part II.B.
102. *See* discussion *supra* Part II.D.
103. G. Gervaise Davis, III, *Internet Domain Names and Trademarks: A Growing Area of*

Courts apply the statute inconsistently because the FTDA lists items that are overly broad and not necessary conditions for establishing fame. Consequently, the items listed in the ACPA will most likely yield inconsistent judicial opinions. The ACPA grants courts broad discretionary power when determining a party's bad faith. As a result, courts may disregard ACPA's listed factors or consider other factors. Thus, the lack of specific language defining bad faith may cause the same problems that arise in applying the FTDA.

These issues, remain unaddressed by the ACPA and will potentially unleash a host of problems. Unless Congress amends the FTDA, or the courts reconcile their conflicts, the ACPA's effectiveness will diminish. Moreover, the legislature should consider limiting the scope of the ACPA to prevent the problems experienced in applying the FTDA from emerging in the application of the ACPA. In effect, this statute may merely codify existing case law, as it addresses resolving disputes concerning a party who registers a domain name to extract a payment from the trademark owner. Courts, however, have successfully dealt with this issue by applying the dilution standard. Therefore, inserting the bad faith requirement is not only unnecessary, but it also creates more problems than it solves.

Under the FTDA, damages are recoverable only if the plaintiff establishes that the infringer "willfully intended to trade on the owner's reputation or to cause dilution of the famous mark."[104] In contrast, the ACPA will change the Lanham Act to allow damages for a claim arising out of the newly created § 43(d)(1)(A).[105] Section

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Domestic and International Disputes, 532 PLI/PAT 383, 390-91 (1998).

> Because there are many businesses with the same short, or common (take out comma) name, like "General" electric, telephone, atomics, etc., this has created an inevitable conflict. When a large business that has no domain name or Internet presence decides to register its name, it often finds that someone else has already registered it for their business. This sets the stage for a claim to trademark infringement or trademark dilution by the large company, against the domain name holder, who is often a small entity that registered the name in good faith, but without a trademark search or other legal advice.

Id.

104. 15 U.S.C. § 1125(c)(2) (1999).

105. *See* Mead Data Cent., Inc. v. Toyota Motor Sales USA, Inc., 875, F.2d 1026 (2d Cir. 1989). "Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first

35(a), however, also states that "such sum . . . shall constitute compensation and not a penalty."[106] Currently, whether the imposition of damages under the ACPA is consistent with this provision remains unclear.

V. Domain Name Registration of Identical Marks in Non-Competing Markets: Unresolved Issues

A. *Domain Name Registration of Identical Marks in Non-Competing Markets as an Illustration of the Problem*

Traditional principles of trademark law allow multiple parties to use the same mark provided there is no likelihood of confusion. Currently, only one company can own a particular domain name. Therefore, only one of the several registered owners of an identical trademark may use the trademark as a domain name. This is significant because domain names are universal and represent a company's goodwill. In the case of non-competing goods, both parties may use the mark in connection with specific goods or services. For example, one company can use the mark DELTA for an airline and another company can use it for faucets, but only one company can own "delta.com."[107] This apparent inconsistency exemplifies the problems of applying dilution principles to domain name disputes. Although the FTDA[108] is arguably the strongest remedy against those who own similar domain names, it may also place at risk those whose domain names are owned by companies in non-competing markets. Moreover, the typical situation does not involve two large companies battling over the rights to use their trademark as a domain name. Instead, a majority of domain name disputes arise when a large company attempts to register its trademark and finds that someone else registered the domain name. Consequently, the large company files either a claim for trademark infringement or trademark dilution against the domain-name holder.

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sentence by inserting, '(c), or (d)' after 'section 43(a).'" *Id.*

106. 15 U.S.C. § 1117(a) (1999).

107. *See Mead Data*, 875 F.2d at 1026.

108. *See* Hasbro, Inc. v. Internet Entm't Group, Ltd., 40 U.S.P.Q. 2d (BNA) 1479 (W.D. Wash. 1996).

Generally, the domain-name holder is a smaller company. Therefore, litigation expenses may create a disincentive. Recognize, however, that abuses on both sides of the domain-name/famous-mark dichotomy are possible. For example, the smaller company may register the trademark of a well-known company with the intent of trading on that company's good will. This Note, however, does not address these latter cases but rather focuses on the issue of both parties having a legitimate claim to the same domain name.

The international registration of trademarks also exacerbates the problem of non-competing goods. An essential feature of trademark law is that it is geographic in nature. Trademark rights are granted in a specific territory and, as such, most trademarks are not enforceable beyond the territorial boundaries of the country, unless the party sought registration in other countries. In contrast, the Internet has no boundaries, but because it is universal, only one company may use a given trademark as its domain name.

B. Reconciling the Anticybersquatting Consumer Protection Act

First, under paragraph (1)(B)(i)(I), a court may consider whether the domain name registrant owns any other intellectual property rights in the domain name.[109] For example, the situation where both parties have a legitimate trademark or intellectual property right indicates that the party lacked the requisite "bad faith intent to profit." The domain name, however, may not belong to the domain-name holder despite the domain-name holder's non-infringing use of the plaintiff's mark under the ACPA. In fact, the ACPA does not resolve the dispute; it merely imposes penalties on those who intentionally trade on the goodwill or dilute the mark of another. Unless the conduct is willful or intentional, the ACPA does not regulate it, leaving courts with the dilemma without any legislative guidance.

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109. *See* Abel *supra* note 10; *see also* 145 CONG. REC. H10823, 10825 (daily ed. Oct. 26, 1999).

C. An Alternative Solution to the Domain Name Registration of Identical Marks in Non-Competing Markets

Courts faced with the problem of two legitimate trademark owners seeking to register their mark as their domain name have a number of alternatives. First, they could uphold NSI's first-come, first-served approach to registration. Under this system, whichever party wins the "race" to the registrar earns the domain name. This alternative is easily administered. Indeed, the role of courts may diminish. In effect, however, this alternative may increase the likelihood of confusion, especially when the famous mark loses the race. Second, the majority of courts applying dilution standards to domain-name disputes decide which party is the most famous thereby reducing the likelihood of dilution. The viability of this alternative will eventually depend on whether NSI modifies its policy of placing contested domain names on hold. Finally, courts could force the competing parties to co-exist by either choosing similar names or sharing a welcome page as evidenced in *Mattel v. Hasbro*.[110]

The best way to address disputes between legitimate trademark owners is by distinguishing between the marks used in connection with non-competing goods and services and the marks used in connection with competing goods and services. For marks used in connection with non-competing goods and services, the parties should include in their domain name a word describing the nature of the goods or services provided. For example, both an airline and a faucet manufacturer use the mark "DELTA" in connection with non-competing goods and services. According to this solution, DELTA Airlines would register the domain name "Delta.Airlines.com," and the faucet manufacturer would register the domain name "Delta.Faucets.com." Alternatively, parties using the same mark in connection with competing goods and services should share a welcome page that has a link to both of their respective sites. This option would reduce the likelihood of confusion. Parties could, however, obtain a domain name using their trademark knowing they could share a welcome page with another commercial entity of more

110. 128 A.2d 218 (1987).

prestige.

The outcome of these conflicts is very uncertain, as courts and Congress continue adopting existing laws in response to rapidly emerging technologies. If use of a domain name as a trademark amounts to trademark use then amendments to current administrative policies of domain name registration should occur in uniformity with trademark law because current policies foster a race to register. Thus, domain name registration should parallel trademark law in that the organization handling domain name registrations should conduct a trademark search.