

# **CYBERSQUATTING, TYPOSQUATTING, AND DOMAINING:**

## ***TEN YEARS UNDER THE ANTI-CYBERSQUATTING CONSUMER PROTECTION ACT***

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In *Leviathan* (1651), Thomas Hobbes described the natural state of the human condition as “solitary, poor, nasty, brutish, and short.” The solution to this chaos, he argued, was government and the rules of civil law. In the 1800s, America’s “Wild West” (including outlaws like the notorious Texas gunfighter, John Wesley Hardin)<sup>1</sup> tested existing laws and government. History has proven that the challenges posed by America’s last “new frontier” were not insurmountable.

The turmoil observed by Hobbes and the Texas Rangers<sup>2</sup> seems to pale in comparison to the disorder caused by the Internet over the past 15 years. A senior IBM consultant was recently quoted as saying “The Internet has finally taken on the characteristics of the Wild West where no one is to be trusted.” <http://news.techworld.com/security/3201556/the-internet-is-the-new-wild-west-reports-ibm-consultant/> (last visited September 21, 2009). It is no secret that legislators, jurists, and organizations – despite many years of effort – continue to search for solutions to the complex legal issues spawned by the World Wide Web, a technological forum that allows billions of people to communicate almost instantaneously.

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<sup>1</sup> Hardin (1853-95), who reportedly shot 30 men, was so mean he once killed a man for snoring too loudly. Hardin later complained: “They tell lots of lies about me. They say I killed six or seven men for snoring. Well, it ain’t true, I only killed one man for snoring.” Trachtman, Paul (1974). *The Old West: The Gunfighters*. New York: Time Life. p. 238. In 1877, the Texas Rangers, the oldest law-enforcement agency in North America with statewide jurisdiction, arrested Hardin, who served 15 years in the Texas state prison in Huntsville. <http://www.lsjunction.com/facts/rangers.htm> (last visited September 21, 2009); <http://www.history.com/this-day-in-history.do?action=Article&id=4291> (last visited September 21, 2009).

<sup>2</sup> The Rangers date back to 1823 and “often have been compared to four other world-famous agencies: the FBI, Scotland Yard, Interpol and the Royal Canadian Mounted Police.” <http://www.lsjunction.com/facts/rangers.htm> (last visited September 21, 2009).

The first domain name, symbolics.com, was registered almost 25 years ago, in March, 1985. See <http://theforrester.wordpress.com/2007/08/13/the-100-oldest-domains-on-the-internet/> (last visited September 21, 2009).<sup>3</sup> With the advent of the modern version of the World Wide Web, in the early 1990s, the volume of domain name registrations exploded. Today, there are more than 100 million registered active domain names. <http://www.domaintools.com/internet-statistics/> (last visited September 21, 2009). Like trademarks, domain names enable companies to establish a critical link with consumers and can serve to identify the source of a business's products and services. *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 19 (1<sup>st</sup> Cir. 2001). However, unlike trademarks, domain names are, for the most part, allotted solely on a first-come, first-served basis without regard to existing trademark rights. This first-come, first-served approach to domain registration has yielded a fertile ground for enterprising and tech-savvy outlaws to profit from others' marks and goodwill through "cybersquatting," *i.e.*, the "registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners." *Sporty's Farm L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489, 493 (2<sup>nd</sup> Cir. 2000) (*citing H.R. Rep. No. 106-412*, at 5-7 (1999); *S. Rep. No. 106-140*, at 4-7 (1999)); *Sallen*, 273 F.3d at 19.

Ten years ago, Congress enacted the Anti-Cybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) (the "ACPA"), an amendment to the Lanham Act that targets the activities of cybersquatters, or those that practice cybersquatting. Although the ACPA provides a legal avenue to assist trademark owners in protecting their brands on the internet, the past decade has proven that the Act has not deterred the creative and ever-evolving activities of those determined to use the Web as a means of trading on others' names. The obvious truth is that the domaining

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<sup>3</sup> The first 20 registered domain names included xerox.com, hp.com, ibm.com, intel.com and ti.com. *Id.* Almost 3 years passed between the registration of symbolics.com and the registration of the 100<sup>th</sup> domain name, nynexst.com. *Id.*

activities of cybersquatters have become more pervasive and innovative. This article assesses the impact of the ACPA on the eve of its ten-year anniversary, its relation to the Uniform Domain Name Dispute Resolution Policy (“UDRP”), recent treatment of the ACPA in various courts, and the evolution of cybersquatting activities over the past several years.

## **I. TEN YEARS UNDER THE ACPA**

### **A. History of the ACPA**

Before enactment of the ACPA, trademark owners’ primary legal remedy to combat cybersquatting was to bring a claim for trademark dilution under 15 U.S.C. § 1125(c). *See, e.g., Panavision Int’l L.P. v. Toepfen*, 945 F.Supp. 1296 (C.D. Cal. 1996), *aff’d*, 141 F.3d 1316 (9<sup>th</sup> Cir. 1998) (holding that a cybersquatter’s “panavision.com” diluted the marks of Panavision, the famous camera manufacturer). However, Congress perceived that anti-dilution claims could not adequately address the harm caused by the growing activities of cybersquatters. As McCarthy observes, “the courts have had to create a wholly new category of ‘dilution’ in order to find a legal weapon” to fight the “prototypical cybersquatter,” which may not engage in “traditional dilution by blurring or tarnishment” because it “does not use the reserved domain name as its mark before the public.” 4 J. THOMAS MCCARTY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 25:77, p. 25-343 (4<sup>th</sup> ed. 2006). By design, the ACPA largely rendered such dilution claims obsolete. *See Porsche Cars North America v. Porsche.net*, 302 F.3d 248, 261 (4<sup>th</sup> Cir. 2002) (“We may and do conclude that the enactment of the ACPA eliminated any need to force trademark dilution law beyond its traditional bounds in order to fill a past hole, now otherwise plugged, in the protection of trademark rights.”).

The ACPA, signed into law in 1999, “is carefully and narrowly tailored” to provide a cause of action for a trademark owner<sup>4</sup> against a person who “has a bad faith intent to profit from [the owner’s] mark” and who “registers, traffics in, or uses a domain name” that is identical or confusingly similar to the owner’s distinctive mark or that is identical, confusingly similar to or dilutive of the owner’s famous mark.”<sup>5</sup> See 15 U.S.C. § 1125(d); *H.R. Rep. No. 106-412*, at 9.<sup>6</sup> It 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

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<sup>4</sup> The ACPA also provides “a counterweight to offset potential overreaching by trademark holders.” *Sallen*, 273 F.3d at 29. For example, 15 U.S.C. § 1114(2)(D)(v) authorizes a registrant whose domain name has been “suspended, disabled, or transferred” to file a civil action to establish that the registrant is not in violation of the Act, as well as for injunctive relief. By vesting federal courts with the power to “grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant,” Congress provided registrants with a cause of action to challenge UDRP decisions. *Dluhos v. Strasberg*, 321 F.3d 365, 373 (3<sup>rd</sup> Cir. 2003). Thus, domain registrants may bring suit under the ACPA against purported trademark owners who may have wrongly obtained control over a registrant’s domain name, a practice sometimes referred to as “reverse domain name hijacking.” *Hawes v. Network Solutions, Inc.*, 337 F.3d 377, 387 (4<sup>th</sup> Cir. 2003) (reversing dismissal of the registrant’s complaint, holding that the district court had subject matter jurisdiction under 15 U.S.C. § 1114(2)(D)(v)); *Sallen*, 273 F.3d at 24 (such relief is available against abusive “foreign mark owners and domestic mark owners that have not registered”). Furthermore, a purported trademark owner may be liable for damages incurred by a domain name registrant where the purported trademark owner makes “knowing and material misrepresentations by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark.” 15 U.S.C. § 1114(2)(D)(iv).

<sup>5</sup> The Senate Report accompanying the ACPA defines cybersquatters as those who: (1) “register well-known brand names as Internet domain names in order to extract payment from the rightful owners of the marks;” (2) “register well-known marks as domain names and warehouse those marks with the hope of selling them to the highest bidder;” (3) “register well-known marks to prey on consumer confusion by misusing the do-main name to divert customers from the mark owner’s site to the cybersquatter’s own site;” (4) “target distinctive marks to defraud consumers, including to engage in counterfeiting activities.” *Lucas Nursery and Landscaping v. Grosse*, 359 F.3d 806, 810 (6<sup>th</sup> Cir. 2004) (*quoting S. Rep. No. 106-140* (1999), at \*5-6); *see also Southern Grouts & Mortars, Inc. v. 3M Co.*, 575 F.3d 1235, 1246 (11<sup>th</sup> Cir. 2009); *Schmidheiny v. Weber*, 319 F.3d 581, 582 (3<sup>rd</sup> Cir. 2003) (“The purpose of the Anti-cybersquatting Act is to ‘curtail one form of cybersquatting -- the act of registering someone else’s name as a domain name for the purpose of demanding remuneration from the person in exchange for the domain name.’”) (*citing 145 Cong. Rec. S14715* (daily ed. Nov. 17, 1999) (statement of Sen. Lott)); *Ford Motor Co. v. Catalanotte*, 342 F.3d 543, 549 (6<sup>th</sup> Cir. 2003) (“Registering a famous trademark as a domain name and then offering it for sale to the trademark owner is exactly the wrong Congress intended to remedy when it passed the ACPA.”)

<sup>6</sup> Under the ACPA, a trademark holder is not limited to suing the person or entity that created the infringing domain name. The Act also provides a separate statutory basis to acquire *in rem* jurisdiction over the actual domain name. 15 U.S.C. § 1125(d)(2); *see, e.g., Porsche Cars North America*, 302 F.3d at 254 (holding that *in rem* jurisdiction under the ACPA was proper even after a defendant subsequently submitted itself to *in personam* jurisdiction.). To exercise *in rem* jurisdiction over a domain name, the trademark holder must show that it was either unable to acquire *in personam* jurisdiction over the would-be defendant or the would-be defendant could not be located through due diligence. 15 U.S.C. § 1125(d)(2)(A).

profit from the goodwill associated with that mark.” *H.R. Rep. No. 106-412*, at 9. And, importantly, Congress cautioned that “in determining whether the required bad-faith element exists in any given case” care should be taken “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.” *Id.* at 9-10.

B. Elements of an ACPA Claim.

To prevail under the ACPA, a plaintiff must demonstrate, “without regard to the goods or services [offered by] the parties”: (1) that the plaintiff’s trademark is distinctive or famous and therefore entitled to protection; (2) the defendant’s domain name is “identical or confusingly similar to”<sup>7</sup> the plaintiff’s mark;<sup>8</sup> and (3) the defendant registered the domain names in bad faith with the objective of profiting from it. *See Shields v. Zuccharini*, 254 F.3d 476, 482 (3<sup>rd</sup> Cir. 2001); *Southern Co. v. Dauben, Inc.*, 324 Fed. Appx. 309, 314 (5<sup>th</sup> Cir. 2009); 15 U.S.C. § 1125(d)(1)(A).<sup>9</sup>

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<sup>7</sup> Several courts have held that “the likelihood of confusion test in trademark infringement law is different, and more comprehensive, than the test for ‘confusingly similar’ under ACPA.” *Southern Co.*, 324 Fed. Appx. 318 & n.13 (vacating a preliminary injunction order, determining that the district court’s ruling was “flawed,” in part, because the court “erred by equating the more comprehensive likelihood of confusion standard with the confusingly similar standard”); *N. Light Tech., Inc. v. N. Lights Club*, 236 F.3d 57, 66 n.14 (1<sup>st</sup> Cir. 2001) (“[T]he likelihood of confusion test of trademark infringement is more comprehensive than the identical or confusingly similar requirement of ACPA, as it requires considering factors beyond the facial similarity of the two marks.” (internal quotation marks omitted)); *Coca-Cola Co. v. Purdy*, 382 F.3d 774, 783 (8<sup>th</sup> Cir. 2004) (“The inquiry under the ACPA is thus narrower than the traditional multifactor likelihood of confusion test for trademark infringement.”); *Sporty’s Farm*, 202 F.3d at 498 n.11 (“‘confusingly similar’ is a different standard from the ‘likelihood of confusion’ standard for trademark infringement. . .”).

<sup>8</sup> In *Hamptons Locations, Inc. v. Rubens*, 2009 WL 1584467 (E.D.N.Y., June 4, 2009), a federal district court found no error in declining the defendants’ request to charge the jury that “use in commerce” was a required element of the plaintiffs’ § 1125(d) claim.

<sup>9</sup> The Sixth Circuit views an ACPA claim as having five elements. “A trademark owner asserting a claim under the ACPA must establish the following: (1) it has a valid trademark entitled to protection; (2) its mark is distinctive or famous; (3) the defendant’s domain name is identical or confusingly similar to, or in the case of famous marks, dilutive of, the owner’s mark; and (4) the defendant used, registered, or trafficked in the domain name (5) with a bad faith intent to profit.” *DaimlerChrysler v. The Net Inc.*, 388 F.3d 201, 204 (6<sup>th</sup> Cir. 2004) (citing *Ford Motor Co. v. Catalanotte*, 342 F.3d 543, 546 (6<sup>th</sup> Cir. 2003)).

Most courts and litigants have grappled with the element of “bad faith.” The ACPA identifies nine non-exhaustive factors that a court should consider in deciding if the domain name registrant acted in bad faith:

(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 use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person’s bona fide noncommercial or fair use of the mark in a site accessible under the domain name;<sup>10</sup>

(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, or the person’s prior conduct indicating a pattern of such conduct;

(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;

(VIII) 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

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<sup>10</sup> In *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 680 (9<sup>th</sup> Cir. 2005), the Ninth Circuit held that use of a domain name in connection with a site that makes noncommercial or fair use of the mark does not necessarily mean the registrant lacked bad faith. The Court evaluated an ACPA claim that implicated a website described by the Court as the registrant’s “bald-faced effort to get even” with the trademark owner, with whose hair restoration services the registrant was dissatisfied.

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

(IX) 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.

15 U.S.C. § 1125(d)(1)(B)(i).<sup>11</sup> Consideration of these factors is “permissive.” *Southern Grouts & Mortars, Inc. v. 3M Co.*, 575 F.3d 1235, 1244 (“The most important grounds for finding bad faith ‘are the unique circumstances of the case, which do not fit neatly into specific factors enumerated by Congress but may nevertheless be considered under the statute.’”) (citation omitted)); *Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 238 F.3d 264, 269 (4<sup>th</sup> Cir. 2001) (“We need not, however, march through the nine factors seriatim because the ACPA itself notes that use of the listed criteria is permissive.”); *Sporty’s Farm L.L.C. v. Sportsman’s Market, Inc.*, 202 F.3d 489, 498 (2<sup>nd</sup> Cir. 2000).

While proving “bad faith” is necessary, it is not sufficient. A prevailing plaintiff must establish that the defendant had a “bad faith intent to profit.” *Southern Grouts & Mortars, Inc.*, 575 F.3d at 1246 (“We cannot read the words ‘intent to profit’ out of the statute.”); 15 U.S.C. § 1125(d); *see also Utah Lighthouse Ministry v. Found. for Apologetic Info. and Research*, 527 F.3d 1045, 1058 (10<sup>th</sup> Cir. 2008) (“[a] defendant could also intend to profit by diverting customers from the website of the trademark owner to the defendant’s own website, where those consumers would purchase the defendant’s products or services instead of the trademark owner’s.”); *Solid Host, NL v. Namecheap, Inc.*, 2009 WL 2225726, at \*13 (C.D. Cal. 2009) (in granting registrar’s motion to dismiss, the court noted that the ACPA was “not meant to prohibit actions outside its scope simply because they were taken in bad faith,” holding that the registrant,

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<sup>11</sup> “The first four factors have been seen as reasons why a defendant might in good faith have registered a domain name . . . , and the other five are indicia of bad faith intent.” *Coca-Cola Co.*, 382 F.3d at 785.

which argued that the registrar acted in bad faith by operating and promoting its anonymity service thereby affording the infringing registrant the benefits of anonymity, did not state a claim under the ACPA).

In *Southern Grouts & Mortars, Inc.*, 575 F.3d 1235, the Eleventh Circuit addressed the plaintiff's complaint that the registrant, 3M, had re-registered the domain name "diamondbrite.com" despite having allowed its registration for the mark DIAMOND BRITE to lapse. The plaintiff, which owned the mark DIAMOND BRITE and competed with one of 3M's lines of business, contended 3M's actions violated the ACPA.<sup>12</sup> In affirming the trial court's summary judgment in favor of 3M, the Eleventh Circuit observed that the plaintiff "accuses 3M not of a design to sell a domain name for profit but of a refusal to sell one." *Id.* at 1247. Before addressing the ACPA's nine "permissive" bad faith factors, the Court focused on the two "unique circumstances" of the case: plaintiff's claims that 3M had the ability to use the domain name to monitor "hits" used to "determine strategic commercial information," and that "3M has kept control of the diamondbrite.com domain name, not to display content, but to prevent others from registering it." *Id.* at 1244-45. After concluding that the plaintiff had failed to establish "bad faith intent to profit" through the existence of either of these "unique circumstances," the Court determined that its conclusion was not undermined by the plaintiff's challenges to the district court's assessment of the ACPA's nine bad faith factors, five of which "favored" 3M. *Id.* at 1247-48 (vague assertions that "3M intended to 'gain commercial advantage in cyberspace'" are not enough).

Safe Harbor. Further complicating the "bad faith" determination, ACPA defendants can also avail themselves of the Act's safe harbor provision, which states: "Bad faith intent . . . shall

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<sup>12</sup> 3M's prior registration was for products unrelated to this line of business. *Id.* at 1238.



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<sup>13</sup> or otherwise lawful.” 15 U.S.C. § 1125(d)(1)(B)(ii); *see also E. & J. Gallo Winery v. Spider Webs Ltd.*, 286 F.3d 270, 275 (5<sup>th</sup> Cir. 2002). Some courts have held that the ACPA’s safe harbor provides a “narrow berth for fair use arguments.” *Southern Co.*, 324 Fed. Appx. at 317 (reversing, partly on that basis that “the district court abused its discretion by omitting any consideration of ACPA’s fair use provision, which affects the bad faith finding.”); *Virtual Works, Inc.*, 238 F.3d at 270 (“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.”).

C. Damages.

Trademark holders in ACPA claims are not limited to traditional trademark remedies such as injunctive relief and damages. Trademark holders may instead elect to recover statutory damages in amounts ranging from \$1,000 to \$100,000 per offending domain name. 15 U.S.C. § 1117(d); *see also Kiva Kitchen & Bath, Inc. v. Capital Distrib., Inc.*, 319 Fed. Appx. 316, 320 (5<sup>th</sup> Cir. 2009) (“[A] plaintiff is authorized to make an informed election of remedy even after the jury has rendered a verdict, with knowledge of the amount of both awards.”). Further, like other Lanham Act actions, claimants under the ACPA may be entitled to recover their attorneys’ fees and costs where the litigant’s actions are “exceptional.” 15 U.S.C. § 1117(a).

## **II. UDRP PROCEEDINGS**

Filing an ACPA suit in federal court is not a trademark holder’s only option. In October 1999, ICANN adopted a Uniform Domain Name Dispute Resolution Policy (“UDRP”) to govern domain name disputes. ICANN-accredited domain name registrars uniformly incorporate the

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<sup>13</sup> “Fair use” is defined as “a use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.” 15 U.S.C. § 1115(b)(4).

terms of the UDRP into their registration agreements. Under the UDRP, domain name registrants must submit to an administrative proceeding before certain UDRP-approved arbitration panels (e.g., World Intellectual Property Organization (“WIPO”) and the National Arbitration Forum (“NAF”)). In such a proceeding the trademark holder must allege and prove:

- (1) the registrant’s domain name is identical to or confusingly similar to the complainant’s mark;
- (2) the registrant has no legitimate rights or interest in the domain name at issue; and
- (3) the registrant acquired the domain name in bad faith.

ICANN, Uniform Domain Name Dispute Resolution Policy, ¶ 4(a) (Oct. 24, 1999), <http://www.icann.org/en/dndr/udrp/policy.htm> (last visited Sept. 14, 2009).

While the elements for claims under the ACPA and UDRP are somewhat similar, there are important distinctions between the alternatives for a trademark holder to consider before initiating an action. First, UDRP proceedings are designed to be a relatively quick and inexpensive method to resolve disputes. In contrast, an action filed under the ACPA involves costly federal litigation. In some cases, however, this expense may be justified by the wider variety of remedies available under the ACPA. In a UDRP proceeding, the only available relief is relinquishment of the domain name. In contrast, a trademark holder suing under the ACPA may also be entitled to actual or statutory damages, and possibly attorneys’ fees. *See Figure 1 (attached): Overview Comparison of ACPA and UDRP Proceedings*. Further, as discussed *supra* at n.8, where an alleged cybersquatter is difficult to locate, federal courts may obtain *in rem* jurisdiction of the domain name. *See* 15 U.S.C. § 1125(d)(2).

In addition, “the ACPA authorizes reversing a[n] [arbitration] panel decision if such a result is called for by application of the Lanham Act.” *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento De Barcelona*, 330 F.3d 617, 626 (4<sup>th</sup> Cir. 2003) (“[B]ecause a UDRP decision is

susceptible of being grounded on principles foreign or hostile to American law . . .”); *Southern Co.*, 324 Fed. Appx. at 316 (“[W]hile referring to a WIPO panel may not, itself, be error, courts should recognize that the UDRP standards applied by such a panel often do not mirror the standards under ACPA.”); *Sallen*, 273 F.3d at 28 (“[A] federal court’s interpretation of the ACPA supplants a WIPO panel’s interpretation of the UDRP. . .”); *Storey v. Cello Holdings, L.L.C.*, 347 F.2d 370, 382 (2<sup>nd</sup> Cir. 2003).

### **III. UPDATES: CYBERSQUATTING, TYPOSQUATTING AND LEGITIMATE DOMAINER ACTIVITIES**

#### **A. Cybersquatting Trends**

Though the ACPA is intended to curtail the activities of cybersquatters, the techniques applied by these trademark infringers are constantly changing. Fundamentally, cybersquatting concerns a particular activity:

*[T]he registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners. Since domain name registrars do not check to see whether a domain name request is related to existing trademarks, it has been simple and inexpensive for any person to register as domain names the marks of established companies. This prevents use of the domain name by the mark owners, who not infrequently have been willing to pay “ransom” in order to get “their names” back.*

*Sporty’s Farm*, 202 F.3d at 493 (citing *H.R. Rep. No. 106-412*, at 5-7 (1999); *S. Rep. No. 106-140*, at 4-7 (1999)). As one court hypothetically noted, “registering the site <http://www.dupont.com> with the hope of selling it to E.I. du Pont de Nemours and Company for an exorbitant price would be a quintessential act of cybersquatting.” *Green v. Fornario*, 486 F.3d 100, 105 (3<sup>rd</sup> Cir. 2007).

Since the elimination cybersquatting was one of the ACPA’s primary objectives, many expected that this statute would significantly curb the activities of cyber outlaws. The

effectiveness of the ACPA is open to debate. WIPO recently published a press release warning that 2008 featured the highest number of cybersquatter actions in the history of the UDRP. *See* Record Number of Cybersquatting Cases in 2008, WIPO Proposes Paperless UDRP (Mar, 16, 2009), [http://www.wipo.int/pressroom/en/articles/2009/article\\_0005.html](http://www.wipo.int/pressroom/en/articles/2009/article_0005.html) (last visited Sept. 14, 2009). As shown in Figure 2, below, the total number of UDRP cases trademark holders brought before the WIPO and NAF (a separate ICANN-approved dispute resolution body) against cybersquatters has doubled since 2003.<sup>14</sup> Taken individually, the WIPO has been called upon to address an increasing number of cybersquatting disputes since 2003. Similarly, proceedings filed against cybersquatters before the NAF have steadily increased since 2003, though there was a statistically insignificant decrease of 35 cases between 2007 and 2008.

<i>Year</i>	<i>UDRP Disputes filed with WIPO<sup>15</sup></i>	<i>UDRP Disputes Filed with NAF<sup>16</sup></i>	<i>Total WIPO/NAF UDRP Disputes</i>
1999	1	Not available	--
2000	1857	Not available	--
2001	1557	1860 (includes 1999-2001)	--
2002	1207	1264	2471
2003	1100	937	2037
2004	1176	1023	2199
2005	1456	1369	2825
2006	1824	1658	3482
2007	2156	1805	3961
2008	2329	1770	4099
2009	1426 (partial year)	Not available	--

*Figure 2: Historical Cybersquatting Actions by Year*

Some commentators and bloggers have interpreted WIPO's UDRP statistics and argued that the cybersquatting problem is actually improving. Their contention is based on the fact that,

<sup>14</sup> Though UDRP proceedings are admittedly separate and distinct from civil actions filed under the ACPA, such quantitative data as to the frequency of actions brought against cybersquatters may be viewed as a measure of the ongoing prevalence of cybersquatting activities.

<sup>15</sup>Source: <http://www.wipo.int/amc/en/domains/statistics/cases.jsp> (last visited Sept. 14, 2009).

<sup>16</sup>Source: <http://www.adrforum.com/users/naf/resources/DomainNameDisputeResolution-FactSheet2009.pdf> (last visited Sept. 14, 2009).

on a percentage basis, UDRP filings against cybersquatters are decreasing in proportion to the growing number of domain names registrations. In other words, even though more UDRP claims were filed in 2008 than in any other year, the proportion of new domain name registrations increased at an even greater rate. See Antony Van Couvering, *WIPO Cybersquatting Report Ignores Real Cybersquatting Trends* (Mar. 18, 2009), [http://www.circleid.com/posts/20090318\\_wipo\\_cybersquatting\\_report\\_ignores\\_real\\_udrp\\_trends](http://www.circleid.com/posts/20090318_wipo_cybersquatting_report_ignores_real_udrp_trends) (last visited Sept. 14, 2009). While the ultimate conclusion to be drawn from the UDRP statistics may be subject to rational debate, it remains apparent that ten years after the ACPA took effect, cybersquatting continues to be a problem for trademark holders.

## B. Gripe Sites

The largest body of law interpreting the ACPA is in the context of gripe sites. Most of these cases have focused on the detailed factual inquiries necessary to make a determination of whether the registrant acted with a bad faith intent to profit.<sup>17</sup>

### 1. *Gripe Site Cases – Insufficient Evidence of Bad Faith*

*Lamparello v. Falwell*, 420 F.3d 309, 320-21 (4<sup>th</sup> Cir. 2005). Reverend Jerry Falwell filed an ACPA action against the registrant of “fallwell.com.” The Fourth Circuit concluded that Falwell could not demonstrate that the registrant had a bad faith intent to profit from using the domain name, observing (1) the contents of the site “simply” criticized Reverend Falwell’s views, (2) although the website provided a link to an Amazon.com webpage selling a book the

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<sup>17</sup> The panelist in *FMR Corp. v. Native American Warrior Society, Lamar Sneed, Lamar Sneed*, WIPO Case No. D2004-0978 (January 20, 2005), distinguished between “pure” gripe sites and “gripe-plus” sites:

[P]ure gripe sites are those that present no indicia of bad faith beyond the fact that they are highly critical of the target. Gripe-plus sites present other evidence of bad faith, either intrinsically (such as offering competing goods for sale) or extrinsically (such as the registrant’s offering to sell the domain name to the trademark owner at a profit). . . . The weight of United States judicial opinion under the ACPA, however, is that a pure gripe site does not evince a ‘bad faith intent to profit,’ even when it uses a trademark.TLD domain name or a domain name that is confusingly similar to the plaintiff’s mark.

*Id.* at 9.

registrant “favored,” the registrant did not stand to gain financially from sales of the book, (3) the domain name does not create a likelihood of confusion (referring to the Court’s earlier analysis of the website’s contents), (4) the registrant made no attempt to transfer, sell or otherwise assign the domain name for financial gain, and (5) the record indicated the registrant had registered only one domain name.

*TMI, Inc. v. Maxwell*, 368 F.3d 433, 438-39 (5<sup>th</sup> Cir. 2004). In reversing the district court’s finding that the registrant had violated the ACPA, the Fifth Circuit reasoned that the site was noncommercial and designed only “to inform potential customers about a negative experience with” the trademark holder.

*Lucas Nursery & Landscaping v. Grosse*, 359 F.3d 806, 810-11 (6<sup>th</sup> Cir. 2003). The registrant registered the domain name lucasnursery.com, which was virtually identical to the trademark owner’s mark. The Sixth Circuit, which found no ACPA violation, considered: (1) the website posted the registrant’s dissatisfaction with the trademark owner, (2) the registrant had registered only one domain name, and (3) the site did not create confusion.

*Utah Lighthouse Ministry v. Found. for Apologetic Info. and Research*, 527 F.3d 1045 (10<sup>th</sup> Cir. 2008). At issue was a website critiquing the Church of Latter-day Saints. In upholding summary judgment in favor of the registrant, the Tenth Circuit agreed with the district court’s determination, that the registrant’s use was entirely noncommercial, and a fair use parody protected by the ACPA’s safe harbor provision. The Court also found “critical” the district court’s conclusion that the website created no likelihood of confusion. *Id.* at 1058-59.

## 2. *Gripe Site Cases – Sufficient Evidence of Bad Faith*

*People for the Ethical Treatment of Animals v. Doughney (PETA)*, 263 F.3d 359, 362, 368 (4<sup>th</sup> Cir. 2001). The Fourth Circuit found the bad faith element was satisfied: (1) the registrant had registered 50-60 domain names, and (2) there was a clear intent to sell peta.org to PETA.

*Coca-Cola Co. v. Purdy*, 382 F.3d 774, 776 (8<sup>th</sup> Cir. 2004). The bad faith element was satisfied where the record showed: (1) the registrant had registered almost 70 domain names, (2) there was an offer to stop using the mark if the trademark owner published the registrant's opinion piece on its editorial page, (3) the website provided links to sites that solicit funds for the antiabortion movement (the registrant's organization of choice) and sell merchandise, and (4) the record contained evidence of actual confusion. *Id.* at 784-86. The Court found that at least eight of the ACPA's bad faith factors favored the trademark owner. *Id.* at 786.

### C. Other Cyber Squatting Methods: Recent Trends

As technology has evolved, so have the innovating activities of cyber-bandits. As discussed below, some activities like "typosquatting" are evolutions of the general cybersquatting practice. *See Green v. Fornario*, 486 F.3d at 103 n.5 (describing typosquatting as a "subgenera of cybersquatting."). Other activities such as domain tasting and domain kiting have sought to manipulate ICANN's policies, though ICANN recently tailored its policies to counteract such activities.

#### 1. *Typosquatting*

Typosquatting is the practice of registering a domain name with a slight variation in the spelling of a trademarked term. *See The Mashantucket Pequot Tribe v. Redican*, 403 F.Supp.2d 184, 196 (D. Conn. 2005); *Southern Co.*, 324 Fed. Appx. at 312 at n.2 ("Typosquatting is, generally speaking, the 'registering [of] domain names that are intentional misspellings of

distinctive or famous names.”); Andy Johnson-Laird, *Looking Forward, Legislating Backward?*, 4 J. SMALL & EMERGING BUS. L. 95, 101 (2000) (explaining typosquatting as the “register[ing] [of] mis-typed variants of popular domain names to catch the electronic crumbs dropped by careless web surfers”); *see also American Girl, LLC v. Nameview, Inc.*, 381 F. Supp. 2d 876 (E.D. Wis. 2005) (“amercangirl.com” v. “americangirl.com” held by the owner of the AMERICAN GIRL trademark); *Virtual Works, Inc. v. Network Solutions, Inc.*, 106 F. Supp. 2d 845, 847 (E.D. Va. 2000), *judgment aff’d*, 238 F.3d 264 (4<sup>th</sup> Cir. 2001), *aff’d*, 238 F.3d 264 (4<sup>th</sup> Cir.) (Volkswagen of America entitled to the domain name “VW.net,” which had been registered by Virtual Works Inc).

A Texas federal district court recently granted summary judgment in favor of a trademark owner who brought an ACPA claim against a typosquatter. *Texas Int’l Property Associates v. Hoerbiger Holding AG*, 624 F.Supp.2d 582 (N.D. Tex. 2009). The registrant, which owned over 500,000 domain names, registered and used “horbiger.com,” which the court deemed to be “substantially the same” as the trademark owner’s mark, HOERBIGER. *Id.* at 588, 590. The record also showed that the website found at horbiger.com “provides advertising links for automation and compression, the same products offered by” the trademark owner. *Id.* at 588. After considering the “totality of applicable facts presented,” the district court found that the registrant’s use of the domain name constituted bad faith, based both on the nine ACPA factors and the additional facts unique to the case. *Id.* at 591.

WIPO Statistics. Interestingly, according to the WIPO’s searchable UDRP databases, domain proceedings related to typosquatting appear to have declined over the last several years. As shown in Figure 3, below, the majority of WIPO’s UDRP “Typosquatting” cases were filed between 2000 and 2002; and no typosquatting decisions have been published since 2007.



Year	WIPO “Misspelling (‘Typosquatting’)” Decisions
2000	18
2001	16
2002	7
2003	8
2004	3
2005	5
2006	3
2007	0
2008	0
2009	0
TOTAL	60

Figure 3: Historical Typosquatting Cases

See Index of WIPO UDRP Panel Decisions, <http://www.wipo.int/amc/en/domains/search/legalindex.jsp#11040> (last visited Sept. 14, 2009) (index filtered under search term II(A)(3)(d) “Misspelling (‘Typosquatting’)” yielded 60 reported decisions).

## 2. *Phishing*

“Phishing” seeks confidential financial information for the perpetration of financial fraud or identity theft. The activity typically involves sending emails that, to the unsuspecting recipient, appear to originate from the legitimate trademark owner. The disguised emails are designed to dupe recipients into revealing personal financial data or other sensitive information which are then misused by the “phisher.” Phishing scams also may include fake websites that appear to be hosted by legitimate and reputable institutions. In such contexts, phishing is a type of cybersquatting that may violate the ACPA to the extent that it involves the registration of a domain name similar to a legitimate holder’s mark. *See, generally*, 4 MCCARTY ON TRADEMARKS AND UNFAIR COMPETITION at 25:68.50, p. 25-187. For example, in *Atlas Copco AB v. Atlascopcoiran.com*, 533 F.Supp.2d 610 (E.D. Va. 2008), a trademark holder successfully brought an ACPA claim against an alleged phisher. In granting summary judgment in favor of

the trademark holder, the court found that the defendant's phishing scam was evidence of its "bad faith intent to profit" from the plaintiff's trademarks. *Id.* at 614.

### 3. *Domain Tasting and Domain Kiting*

Though the ACPA has squarely addressed the improper practices of cybersquatting and typosquatting, cyber outlaws have developed additional techniques to wrongfully profit from the use of others' valid trademarks. The practice of domain tasting and domain kiting involve the temporary registration of domain names, and seek to take advantage of ICANN's five calendar day Add Grace Period ("AGP"),<sup>18</sup> during which time a domain registrant may (through its registrar) cancel a newly-registered domain name and receive a refund. Domain tasters may register large quantities of domain names and use the five-day AGP to determine which domain registrations would actually be profitable (i.e., register a group of domain names and then monitor which domain names actually yield internet traffic). Domain kiting is the practice of repetitious domain tasting, and it effectively extends the period of the registrant's tasting efforts. The practice also allows the registrant to maintain control of a domain name without ever actually paying the registration fee.

However, recent changes in ICANN's policies may have eliminated the tasting and kiting practices of cybersquatters. In June of 2008, ICANN included a new provision, the AGP Budget Provision, which effectively imposed a tax of \$0.20 for each AGP deletion of a domain name above a certain threshold. *See* ICANN, AGP Deletes Down by 84% (Nov. 13, 2008), <http://www.icann.org/en/announcements/announcement-13nov08-en.htm> (last visited Sept. 14, 2009). Further, ICANN implemented a related AGP Limits Policy which established the threshold quantity of excessive AGP deletions as the maximum of either (1) "10% of the

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<sup>18</sup> The AGP was instituted to allow registrars to cancel domain registrations where the registrant mistakenly registered the wrong domain name or where the registrant refused to pay for the registration.

registrars net new registrations in that month,” or (2) “50 domain names, whichever is greater.”  
*See* ICANN, AGP (Add Grace Period) Limits Policy (Dec. 17, 2008), <http://www.icann.org/en/tlds/agp-policy-17dec08-en.htm> (last visited Sept. 14, 2009).

Thus far, ICANN’s efforts appear to have succeeded. On August 12, 2009, ICANN reported that the new AGP policies resulted in a 99.7% reduction in the number of domain names deleted during the AGP. *See* ICANN, The End of Domain Tasting: Status Report on AGP Measures (Aug. 12, 2009), <http://www.icann.org/en/tlds/agp-status-report-12aug09-en.htm> (last visited Sept. 14, 2009).

	<b>ACPA</b>	<b>UDRP</b>
<b>Elements</b>	(1) the complainant's trademark is distinctive or famous and therefore entitled to protection; (2) the registrant's domain name is "identical or confusingly similar to" the complainant's mark; and (3) the registrant registered the domain names in the bad faith with the objective of profiting from it	(1) the registrant's domain name is identical to or confusingly similar to the complainant's mark; (2) the registrant has no legitimate rights or interest in the domain name at issue; and (3) the registrant acquired the domain name in bad faith
<b>Response Time</b>	- Twenty (20) days after service or sixty (60) days, if service waived <sup>19</sup>	- Twenty (20) days of the date of commencement of the administrative proceeding <sup>20</sup>
<b>Immediate Relief</b>	- Immediate relief may be available through temporary restraining order and preliminary injunction	- No immediate relief; registrar implements panel decision (i.e., returns domain name) ten (10) business days following conclusion of UDRP proceeding
<b>Available Remedies</b>	- Return of domain name; - Actual damages <u>or</u> statutory damages (\$1,000 to \$100,000 per domain name); - Injunctive relief	- Return of domain name only; - No civil damages
<b>Other Factors</b>	- Costs and attorneys' fees associated with federal litigation - Time consuming - Formalized appeals process pursuant to federal rules of civil and appellate procedure.	- Relatively inexpensive given lack of formal hearings, discovery, oral testimony - Quicker resolution (~45-60 days) - No formal appeal process (decisions may be effectively "appealed" by filing subsequent suit pursuant to ACPA)

*Figure 1: Overview Comparison of ACPA and UDRP Proceedings*

<sup>19</sup> See FED. R. CIV. P. 12(a)(1).

<sup>20</sup> Source: Rules for Uniform Domain Name Dispute Resolution Policy (adopted by ICANN Oct. 24, 1999), <http://www.icann.org/en/dndr/udrp/uniform-rules.htm> (last visited Sept. 14, 2009).