

In Depth

The War In Cyberspace: New Weapons Available To Fight Cybersquatting

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The new millennium will bring, among other things, an escalating war in cyberspace. The World Wide Web is here to stay, and the battle over prime positions on the Web is just beginning.

The Web provides an easy and effective means of marketing names, products, services and information to a worldwide audience. Unfortunately, the Web also provides easy opportunities for those who wish to wrongfully profit from the use or exploitation of protected names and trademarks. Indeed, we have seen the emergence of modern day cyberspace pirates, so-called "cybersquatters."

Until the end of last year, cybersquatting victims had to rely on pre-existing trademark statutes to enforce their rights. These statutes, however, were not tailored to Internet-related infringement cases, and case outcomes were often difficult to anticipate. In late 1999, two major events occurred that may radically change the landscape in the new millennium. The first of these events was the passage by Congress of the Anticybersquatting Consumer Protection Act (ACPA). The second was the creation of a new administrative forum for cybersquatting disputes, the Uniform Dispute Resolution Policy (UDRP), by the Internet Corporation for Assigned Names and Numbers (ICANN). This article provides a road map for what you can expect cyberspace litigation to look like in the near future.

History of Cybersquatting

Prior to mid-1998, the U.S. government invested the sole authority to register domain names in Network Solutions Inc. (NSI), a private company located in Herndon, Va. However, a joint U.S. Department of Commerce and Internet industry initiative has recently opened domain name registration services to competition. As a result, there are currently 23 domain name registrars actively competing for registrations, and an additional 40 plus accredited registrars that have yet to begin operating. NSI remains by far the largest domain name registrar and has taken an active role in the litigation that has ensued over cybersquatting.

To register a domain name online, a person must simply state that the domain name will not be used in an unlawful manner or in a manner that will infringe the lawful rights of another. A cybersquatter will commonly register a domain name that either duplicates or is confusingly similar to a protected name or trademark of an individual or entity. A cybersquatter can be motivated by any number of reasons. The motivation may be to hold a domain name ransom and require the rightful owner to pay a fee. It may be to utilize the domain name to benefit from confusion between the protected name and the domain name so as to draw additional Internet visitors and consumers to the cybersquatter's site. In some cases, a cybersquatter may simply be motivated by nothing other than bad faith and ill will toward the rightful owner.¹

Until recently, cybersquatting victims had to use traditional trademark statutes to enforce their rights. Unfortunately, the Trademark Act of 1946 did not contemplate the development of the Internet and the unique questions that arose with Internet-related trademark claims. Consequently, cybersquatting victims often found that lawsuits filed under the existing trademark laws resulted in unpredictable outcomes. In some cases, a cybersquatter's conduct was held simply to fall outside the prohibitions of the existing trademark laws. In others, the requirements of personal jurisdiction and "commercial use" under the Lanham Act presented litigation problems. Accordingly, cybersquatting litigation was time-consuming and often failed to address all potential wrongful acts of cybersquatters.²

Anticybersquatting Consumer Protection Act

In the face of growing concern in the business community and an increasing number of cybersquatting cases, Congress acted to curb cybersquatting by enacting the ACPA on Nov. 29, 1999.

Under the ACPA, a person is liable to the owner of a mark if the person acts in bad faith to profit from the mark and "registers, traffics in, or abuses" a domain name that is either identical or confusingly similar to a "distinctive" mark or is identical, confusingly similar, or dilutive of a "famous" mark. The ACPA provides several factors a court may weigh in determining whether a person has exercised bad faith, including, for example, intent to divert customers from the mark owner's Web site, offers to sell the mark, and/or registration of multiple similar names. The new legislation specifically addresses a recurring problem in the pre-ACPA litigation world: obtaining personal jurisdiction over a cybersquatter.

Under the new statute, where a mark owner is unable to obtain personal jurisdiction over a defendant or is unable to find a defendant through the exercise of due diligence, the mark owner may file an "in rem" civil action against a domain name in the judicial district in which the domain name registrar that registered the domain name is located. While the new law solves the jurisdiction problem, cybersquatting victims need to know that in an "in rem" proceeding, the mark owner's remedy is limited to the forfeiture or cancellation of the trademark or the transfer of the domain name to the mark owner.

On the other hand, a plaintiff filing an "in personam" action under the ACPA can seek money damages as well as the forfeiture, cancellation, or transfer of the domain name. Such an action requires proof of personal jurisdiction over the cybersquatter. A damages claim can be based either on actual damages or, if the plaintiff elects at any time before final judgment is rendered, on an award of statutory damages between \$1,000 and \$100,000 per domain name "as the court considers just."³

The well-thought-out complaint should include both "in rem" and "in personam" claims.

The ACPA's impact is already being felt in the Internet community. Morgan Stanley Dean Witter & Co. recently settled a claim against an accused cybersquatter as a result of exerting pressure based on the ACPA's provisions. The cybersquatter initially rejected a \$10,000 offer by Morgan Stanley to purchase the domain name, and Morgan Stanley sued. Although the cybersquatter initially contested the case, in the end it agreed to settle and transfer the domain name to Morgan Stanley at no cost.⁴

New Administrative Relief Available

As the battle over Internet space intensified, proceeding on a parallel path with the ACPA legislation was the creation of a new administrative process to address cybersquatting and remove domain name disputes from the courtroom. This administrative reform was met with considerable disagreement and bickering and became bogged down until 1999.

Ultimately, however, a private, non-governmental entity, the Internet Corporation for Assigned Names and Numbers, was created. ICANN is charged with overseeing the domain name system and has the power to accredit domain name registrars. In order to obtain accreditation with ICANN, all domain name registrars must agree to follow ICANN's policies, including ICANN's Uniform Dispute Resolution Policy. ICANN created the mandatory UDRP to facilitate the resolution of domain name disputes outside the courts in a timely, efficient, and cost-effective manner.

How It Works

Under the UDRP, any person or entity can initiate a domain name dispute by filing a complaint with an ICANN-approved dispute resolution provider. There are presently three approved providers: the World Intellectual Property Organization (WIPO); the National Arbitration Forum (NAF); and Disputes.org/eResolution Consortium. Upon becoming approved, each provider must give ICANN a list of panelists the provider will assign to hear such disputes.

Upon the filing of a complaint, a complainant must pay a non-refundable fee, ranging from approximately \$750 to \$1,500 depending on the provider and the number of domain names involved in a given dispute. A complainant can elect to have the case heard either by a single-member panel or a three-member panel.

Within 20 days of the filing of the complaint, the respondent must file a response. In its response, the respondent can either agree to have the dispute heard by the single-member panel—if the complainant has so chosen—or it can elect to have the dispute heard by a three-person panel. If the respondent elects to have a three-person panel, the dispute resolution fee is increased to approximately \$2,200 to \$3,750, again depending on the number of domain names at issue. The respondent is, however, required to pay half of the fee if it chooses to utilize a three-member panel. On the other hand, if the complainant initially requests a three-member panel, then the complainant must pay the entire fee for the panel.

Within five days of receiving the response, a provider must appoint a panelist or panelists to hear the dispute. If either a complainant or a respondent chooses to utilize a three-person panel, each must submit a list of three panelists. The provider will select one panelist from each list, and a third panelist from the provider's list of panelists.

Relevant factors the ICANN panel will consider are whether the domain name was registered primarily to sell it, to disrupt the business of a competitor, or to attract Internet users by creating the likelihood of confusion with the complainant's mark. The remedies afforded by the UDRP are limited to the cancellation or transfer of the disputed domain name(s) to the complainant/trademark owner. Significantly, the UDRP does not provide for monetary or injunctive relief.

Absent exceptional circumstances, the panel will forward its decision to the provider within 14 days. The decision is based solely on the documents submitted by the parties and the statements contained therein. No live testimony is permitted. Within 3 days of receiving the panel's decision, the provider must forward the decision to the parties, the concerned registrar, and ICANN. In addition, the provider is required to post the decision on the Internet in a location accessible to the public.

In order to prevent abuse of the UDRP by trademark owners, a panel may find that a complaint was brought in bad faith to harass a domain name holder. Such a finding of "reverse domain name hijacking" will be included in a published decision containing a declaration that the complaint was brought in bad faith and amounted to an abuse of administrative proceedings.

Among the disputes that have been submitted under the UDRP are disputes involving the domain names *worldwrestlingfederation.com* (WIPO panel), *musicweb.com* (WIPO panel), and *buyerschoice.com* (NAF panel). On Jan. 14, 1999, WIPO rendered the first decision under the UDRP. In its decision, WIPO ordered that the owner of the domain name *worldwrestlingfederation.com* transfer the domain name to the World Wrestling Federation.

The Catch

Interestingly, by participating in ICANN's administrative process, a party is not precluded from later filing suit in the courts.

If it is unsatisfied with the decision rendered by a provider panel, a losing party can elect to bring a claim under the existing trademark laws or under the newly enacted Anticybersquatting Consumer Protection Act.

In order to prevent the implementation of a panel decision, the losing party must file a complaint with the appropriate court and provide ICANN with a court-stamped copy within 10 business days of being notified of the decision.

What do the principles of *res judicata* and collateral estoppel mean as applied to parties who have completed the ICANN process? Stay tuned!

Where Do We Go From Here?

The passage of the ACPA and the implementation of ICANN's UDRP provide trademark owners with two new independent means for prosecuting cybersquatters.

What is the best route of attack? That will depend on the specific facts of a given case. It will likely boil down to a mark owner's desire to have the dispute settled in a quick and efficient manner via ICANN versus the owner's desire to seek damages. In any event, the next year in the legal cyberspace arena promises to be quite interesting.

¹Such are the allegations contained in a suit filed by the authors on behalf of Worldsport Networks Limited against a former employee who registered more than 15 domain names incorporating the terms "worldsport" or "world-sport" after leaving the company on bad terms. *Worldsport Networks Ltd. v. Nelson*, No. 99-1767-A (E.D. Va. 1999).

²The authors discuss the existing case law in this area in the full text version of this article, which is available on the law firm's Web site at www.akingump.com.

3Although the ACPA applies to all domain names registered prior to and following its enactment, money damages are limited to cases involving domain names registered after Nov. 29, 1999.

4Additional lawsuits filed recently containing ACPA claims include: a lawsuit by Teen magazine against an operator of a pornographic web site located at teenmag.com; a suit filed by the NFL against an individual who registered the domain names nfltoday.com, nfltoday.org, and nfltoday.net; a suit filed by Quokka Sports, a company affiliated with the New Zealand's America's Cup entry, against two men who registered the domain name americascup.com; a suit filed by the New York Yankees against an individual who registered the name newyorkyankees.com; and a suit filed by Harvard University against two individuals who registered more than 60 domain names incorporating the names Harvard or Radcliffe. Even George W. Bush has recently become embroiled in a battle to get the domain name gwobush.com. The domain name is currently owned by a Massachusetts computer consultant and has been used to parody Bush. See Editorial, "George W. and the Cybersquatter," *Chicago Tribune*, Dec. 14, 1999 at 26.

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