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Business Identity Theft under the UDRP and the ACPA:
Is bad faith always bad for business advertising?

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Abstract: Websites have provided a very strong platform for businesses to reach their customers. They surpass the regular billboards by providing portals through which transactions are conducted without any physical contacts between a seller and a buyer. This usefulness underscores the importance of domain names through which websites are navigated. Cybersquatters have in bad faith targeted or hijacked domain names of famous and reputable businesses exploiting the goodwill of these names and misleading customers and other internet users. This paper explores the construction of bad faith under both the Uniform Dispute Resolution Policy and the US Anticybersquatting Consumer Protection Act. The paper argues that, despite some inconsistencies, "bad faith" elements have been broadly interpreted to embrace various activities of cybersquatters. It cautions that an overzealous application of the instruments may stifle freedom of speech.

1. Introduction

Since the commercialization of the internet, websites have assumed the role of billboards as a medium through which commercial ventures, from large to small scale, use in signposting their products, contacts, as well as their standard operating procedures, to the general public. In comparison however, a website is a more powerful marketing tool than the traditional billboard. Whilst traditional billboards merely provide basic information about businesses, are stationary, the websites do provide 'on-the-spot' transactional and communication facilities such as mailing tools, links to specific information, and other flexibilities, websites provide a wider range of flexibilities as transactions can be initiated, facilitated, and completed using its tools without physical contacts between the seller and the buyer. Private individuals have also used websites to promote their images and disseminate autobiographical information. The gateway to companies or individuals' websites is a unique "Universal Resource Locator" (URL). A "URL" identifies the physical location of a website in the internet's infrastructure. A core element of a URL is a domain name. Domain names consist of the words and characters that websites owners designate for their registered internet addresses.

Domain names are corporate assets. Businesses do not string random words to generate their URLs. Some business owners use business names or certain combinations of words which are already known to their customers.[1] In other words, businesses, institutions, and individuals use domain names to identify themselves since they are easy to remember and create and easily attract consumers to their website. Markedly, domain names have the semblance of trade marks in real world. However, there is a fundamental difference. While a trademark identifies the source of goods in commerce, a domain name does not generally appear on goods as an indication of source.[2]

While domain name of a business carries the goodwill of the business, it is susceptible to theft, and this means theft of the companies identity or goodwill. Theft of goodwill can occur whereby a person exploits the goodwill of another by deceiving or confusing unsuspecting internet users into believing that the business concerned actually belong to him. The unauthorised exploitation of famous and distinctive domain names is regarded as bad faith in trademark and cybersquatting disputes. Both the Uniform Dispute Resolution Policy (UDRP) and the US Anti-cybersquatting Consumer Protection Act (ACPA)

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[1] Frederick M. Abbott 'On the Duality of Internet Domain Names: Propertization And Its Discontents" (2013) 3 *NYU J. Intell. Prop. & Ent. L.* 1- 52.

[2] WIPO, "The Management of Internet Names and Addresses: Intellectual Property Issues, Report of the WIPO Internet Domain Name Process" WIPO Pub. No.439 at paras. 163-77.

1999 contain guidelines in ensuring consistency in finding and interpretation of "bad faith" or "bad faith intent to profit". However judicial constructions have varied from a very broad interpretation of these guidelines to a very narrow one. This paper explores the interpretation of bad faith in the use of domain names. It seeks to answer the questions of: When does the use of a domain name become a commercial use? Is harsh criticism of a business an act of bad faith? What is the threshold for good faith? The first part examines the nature of domain names and its importance to businesses. Part II focuses on critical examination of bad faith. Part III traces the thin line between good faith and bad faith.

2. The Interest in a Domain Name and Cybersquatting

Domain names share the same characteristics with traditional forms of business identifiers -trademarks, service marks and trade names though they may not necessarily identify a producer or supplier of goods by its location on the internet. The usefulness of domain names exposes business owners to business identity theft. The implication of such exposure is similar to what individuals suffer when they have their identity impersonated or stolen. The effects of identity theft range from negative credit rating to loss of businesses and in the extreme causing damage to business reputation and liability for any injury suffered by a third party.[3]

The characterisation of a domain name as 'property' has lingered on as a topical issue, but there is no consensus on the nature of domain names as a property. It was held that domain names are not a property but a product of a service contract between the registrar and the domain name registrant.[4] Thereby implying it only vests a contractual right to use a unique domain name for a specified period of time on the registrant. Conversely in *Kremen v. Cohen*[5] it was concluded that domain names are intangible property because they satisfy the three-part test for establishing the existence of a property right which are: an interest capable of a precise definition; capable of exclusive possession or control; and capable of giving rise to a legitimate claim for exclusivity. This decision has been argued to be flawed for being both under-inclusive and over-inclusive[6]. It has been argued to be under inclusive because the court fails "to recognize and consider the substantive role of property in establishing the structures of social organization, including, but not limited to, those such as jurisdictional or choice of law rules.[7]" On the other hand it is seen to be over-inclusive because if domain names are deemed as intangible property based on exclusivity, this would expand the scope of property to such resources like those of intellectual property and discretionary benefits awarded by contract.

Irrespective of this uncertainty, the use of domain names creates problems such as its economic importance to their owners. First, the name must be unique but they are limited. Second, their registration has always been based on a first come, first service basis. Before 2011, only 22 suffixes were available for websites. Between October 2013 and February 2014, over 150 new top-level domains have been added but this has not forestalled the problem of cybersquatting.

Litman identifies three categories of cybersquatters.[8] The first category of cybersquatters registers unused but commercially viable domain names with the intention of selling them to business owners for substantial sum. In practice, series of common surnames are hijacked with the intention of selling to individuals who wanted to use their surnames as domain names. The second category of cybersquatters is squatters who genuinely wanted to help companies and business ventures build online presence when they are setting up businesses. Finally there are others who register unrelated domain names as porn sites as a way of enticing genuine information seekers. Activities of cybersquatters recognised by the US Senate include: registration of well-known brand names as internet domain names with the intention to extract payment from the rightful owners of the marks; warehousing of well known domain names with

[3] Michael Servian 'Help! Someone's squatting ion my brand – cybersquatting' *Computer and Telecommunications Law Review* 2013 19 (3) 92-93
[4] *Network Solutions Inc v Umbro Intern.*, Inc 529 S.E. 2D 80 (Va 2000)
[5] 337 F.3d 1024 (9th Cir. 2003)
[6] Noah M. Schottenstein "Of Process and Product: Kremen v. Cohen and the Consequences of Recognizing Property Rights in Domain Names" *Virginia Journal of Law & Technology* 2009 Vol. 14, No. 1
[7] Ibid pg 3
[8] Jessica Litman 'The DNS Wars: Trademarks and the Internet Domain Name System' 4 *J Small & Emerging Business* L. 149 (2000)

the intention of selling them to highest bidder; and misleading and diversion of customers to cybersquatter's own site.[9]

In 2010, trademark holders filed 2,696 cybersquatting cases covering 4,370 domain names with the WIPO Arbitration and Mediation Centre[10]. This constitutes an increase of over 28% of the number of cases resolved in 2009[11]. Top affected business areas are retail, banking and finance, biotechnology and pharmaceuticals, Internet and IT and fashion[12].

3. Internet Corporation for Assigned Names and Numbers (ICANN)

Internet Corporation for Assigned Names and Numbers[13] (ICANN) is a coalition of internet's business, non-commercial, technical and academic communities. ICANN was a creation of the US government in 1998 with the oversight of certain tasks relating to the assignment of domain names and IP addresses. ICANN replaced Internet Assigned Numbers Authority (IANA) in response among others to widespread conflicts between trademark holders and domain name holders. Among others, the organisation is dedicated "to preserving the operational stability of the Internet; and to developing a policy appropriate to its mission through bottom-up, consensus-based processes".[14] ICANN maintains a list of accredited registrars who are saddled with registering top level domain and currently has 1,130 registrars on its register.

Part of the mandates of ICANN was to provide a fast and inexpensive mechanism to resolve domain name disputes. The usual forum for a dispute of this nature would be national courts but many of these courts lack the ability to handle internet-related dispute. In 1999 ICANN approved the Uniform Dispute Resolution Policy (UDRP) to be followed by its accredited registrars. The current version of the policy was adopted on 30 October 2009. Its earlier version applies to all **c**omplaints submitted to a provider on or before 28 February 2010.[15] In addition to setting the ground rules for dispute resolution, the policy immunes and excludes ICANN and anybody acting on its behalf from any legal proceedings.[16]

4. Uniform Dispute Resolution Policy (UDRP)

The UDRP forms part of the domain name Registration Agreement and governs proceedings of dispute arising from the disputes between the registrant and any complaining third party excluding ICANN and any of its agents[17]. The UDRP offers a different kind of arbitral process because parties can have recourse against "the award" in a national court or litigate the case de novo. In fact, the UDRP lacks the requisite agreement to arbitrate.

ICANN has five functional dispute resolution service providers[18] namely the World Intellectual Property Organisation (WIPO)[19], the National Arbitration Forum (NAF)[20] and the Asian Domain Name Dispute Resolution Centre (ADNDRC)[21]. Others are Czech Arbitration Court – Arbitration Centre for Internet Disputes[22] and Arab Centre for Domain Names Dispute Resolution[23]. Each of these providers is

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[9] Senate Report No. 106-140 at 5-6 available at http://www.dmlp.org/sites/citmedialaw.org/files/ACPA%20leg%20history.pdf accessed on 20 July 2014
[10] World Intellectual Property Organisation 'Cybersquatting Hits Record Level, WIPO Centre Rolls out New Services' available at http://www.wipo.int/pressroom/en/articles/2011/article_0010.html accessed on 20 July 2014
[11] http://www.wipo.int/pressroom/en/articles/2011/article_0010.html accessed on 20 July 2014
[12] http://www.wipo.int/pressroom/en/articles/2011/article_0010.html#annex3 accessed on 20 July 2014
[13] Murray A.D.; *The Regulations of Cyberspace: Control in the Online Environment*, (Routledge-Cavendish) 2007 p.107
[14] ibid
[15] https://www.icann.org/resources/pages/rules-be-2012-02-25-en Accessed on 31 July 2014
[16] The effect of this provision is to limit the relationship between a registrant and the registrar or ICANN to that of contract only.
[17] https://www.icann.org/resources/pages/policy-2012-02-25-en Accessed on 31 July 2014
[18] http://www.icann.org/dndr/udrp/approved-providers.htm
[19] Approved in 1999, WIPO is the largest global dispute resolution service provider. http://www.wipo.int/amc/en/domains/statistics/cases.jsp
[20] NAF was approved as provider on 23 December 1999. It is acclaimed to be the largest dispute resolution service provider in North America. http://www.adrforum.com/
[21] http://www.adndrc.org/adndrc/index.html
[22] http://www.adr.eu/index.php The Czech Arbitration Court was appointed in January 2008 as the fourth international provider of UDRP services.

required to follow the rules under UDRP and any supplemental rules it may have designed to carry out its duties.

Registrants are subject to a strict liability rule like that found under common law of torts. All prospective registrants and those renewing a domain name must prove that (a) the statements they made are true and accurate (b) the registration does not infringe the right of third party (c) the registration is lawful and (d) the domain name will not be knowingly used in violation of applicable laws or regulations.[24]

The respondent, an ICANN customer, is mandated to submit to ICANN's jurisdiction when there is a complaint from a third party. Although this jurisdiction is contractual, it permits a registrant who is accused of cybersquatting to commence a fresh proceeding at a court of competent jurisdiction.[25] The new policy, unlike the old, is silent on the effect of such proceedings. The old policy allowed the Administrative Panel the discretion to suspend or terminate the administrative proceeding, or to proceed to a decision.[26] It is argued that an action in the court would serve as a stay of ICANN's panel proceedings except where the court on its own refuses jurisdiction.[27] This would otherwise lead to multiple decisions that could create the problem of enforcement for ICANN where the decisions are conflicting. Either party can appeal the decision of the panel to a national court if the outcome is perceived not to be favourable. The court is likewise not mandated to give any weight to the earlier decision of the panel.[28]

4.1 Finding Bad Faith

To file a complaint, a victim of cybersquatting could invoke the ICANN mandatory administrative proceeding under the heads of claim provided for in paragraph 4(a) that (i) the registrant's domain name is identical or confusingly similar to a mark in which he has right; (ii) the registrant does not have legitimate interest in respect of the domain name; and (iii) the domain name has been registered and *being use in bad faith.*[29] The policy does not provide a definition for "bad faith" for the purpose of paragraph 4(a)(iii) but it adds four non-exclusive circumstances evidencing "bad faith" namely: (i) the respondent registered the domain name primarily for the purpose of selling to the complainant or complainant's competitor for a value more than documented out-of-pocket costs; (ii) the respondent registered the domain name in order to prevent the owner of the mark from using it and has engaged in a pattern of such conduct; (iii) the respondent registered the domain name for the purpose of disrupting the business of a competitor; and (iv) by using the domain name, the respondent has intentionally attempted to attract users for commercial gain by creating a likelihood of confusion with the complainant's mark.

These circumstances show that 'bad faith' means more than being dishonest. It includes "some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined."[30] The UDRP's "bad faith" guidelines are consistent with consensus in common law countries and also at OHIM (the European Union Trade Marks and Designs Registry).[31]

4.1.1 Bad faith Registration and Use

The UDRP requires that proof of registration of domain name in 'bad faith' must be followed by proof that it was also used in bad faith. In other words, it requires a complainant to prove that the domain name in question was registered and used in bad faith, rather than simply registered or used in bad faith. Bad

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[23]http://acdr.aipmas.org/default.aspx?lang=en
Approved as a Dispute Resolution Service provider by ICANN on 18 May 2013.
[24] ibid
[25] Paragraph 4(k) UDRP https://www.icann.org/resources/pages/policy-2012-02-25-en
[26] https://archive.icann.org/en/dndr/udrp/uniform-rules-24oct99-en.htm accessed 31 July 2014
[27] *Weber-Stephen Products Co. v. Armitage Hardware & Building Supply*, 2000 U.S. Dist. LEXIS 6335 (N.D. Ill. 2000)
[28] ibid
[29] Note 11 at para 4
[30] per Mr. Justice Arnold in *Hotel Cipriani SRL and others v Cipriani (Grosvenor Street) Ltd and Others* [2009] Bus LR D81
[31] WIPO Case No. D2008-1531

faith registration can be easily identified when circumscribed within the enumerated circumstances but becomes more difficult when the panels apply other instances not expressly stated in the policy. A bad faith registration cannot be retrospectively implied. In *Nattermann & Cie. GmbH and Sanofi-aventis v. Watson Pharmaceuticals, Inc.*[32] the primary purpose of the registration was to promote the products of the complainant though there was a subsequent bad faith use. In the opinion of the panel, any importation of "retroactive bad faith registration" would only widen the language of paragraph 4(a)(iii) beyond the one contemplated by its drafters. Therefore bad faith registration could be inferred where an offer for sale was made shortly after the registration of a domain name, or if the respondent lacked credible reason for the registration. On the contrary in *Octogen Pharmacal Company, Inc. v. Domains By Proxy, Inc./Rich Sanders and Octogen e-Solutions*[33] it was held that a party can register or acquire a domain name in good faith, yet use the domain name in the future in such a way that the representations and warranties that the registrant made *as of the time of registration* are violated.[34]

Registration of a domain name with the sole aim of offering it for sale would constitute bad faith.[35] The respondent has not put the domain "toefl.com" to any use apart from offering to sell it. The panel inferred bad registration from bad use stating that, "if the respondent's offer for sale is determined to be in bad faith, the registration will also be deemed to be in bad faith."[36] This author agrees that bad faith registration and use is a unitary concept and should not be separated because bad faith registration could be better deduced by examining the subsequent conduct or the form of use to the registrant has put the domain name.

Again, what constitutes "use" has also been shrouded in uncertainty. It may be argued that "use" denotes an active activity by the registrant. Withholding or hoarding which prevents the complainants from making use of the domain name is a passive act in bad faith.[37] The concept of a domain name "being used in bad faith" is not limited to positive action but entails "inaction". [38]

4.2 Circumstances Evidencing Bad Faith

4.2.1 Intent to sell to the mark owner or competitor

The panel must consider three things under this head: the intent of the registrant at the point of registration; the buyer approached by the registrant and the price offered to a prospective buyer. If a registrant has a legitimate interest at the time of registration, the subsequent offer to sell would exclude bad faith. An earlier contractual agreement between parties which shows that they both benefited from the use of the domain negates the allegation that the primary intent was to sell.[39] It would appear that if that where a respondent offer to sell the domain name for a mutually agreeable price, this will not suggest bad faith.[40] However the decision in *Biofield Corp v Kwon* suggests the contrary.[41] Intent to sell could also be inferred where registrant fails to employ the domain name for any purpose and could not establish any legitimate interest behind the registration.

Offering a domain name for sale to somebody with apparent legitimate interest or the competitor of a mark owner would suggest bad faith. An offer made to the general public rather than the mark owner or its competitors would still amount to bad faith.[42] The panel in www.dodialfayed.com inferred that the mark owner is the targeted purchaser considering the asking price by the respondent.[43]

There is no guideline on what amounts to "excess of out-of-pocket expenses." Is there a particular ratio of profit which commercial registrants are only expected to make? The respondent in *Biofield* has requested for $1,000 while the respondent in the dodialfayed.com requested for $400,000.[44] Many

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[32]WIPO Case No. D2010-0800
[33] WIPO Case No. D2009-0786
[34] Ibid.
[35]WIPO Case No D2000-0044
[36] Ibid
[37] WIPO Case No. D2000-0003
[38] Ibid
[39] *Nattermann & Cie. GmbH and Sanofi-aventis*
[40] WIPO Case No. D2000-0046
[41] Case No AF-0102 available at http://www.disputes.org/decisions/0102.htm accessed 15 August 2014
[42] WIPO Case No. D2000-0044
[43] WIPO Case No. D2000-0060
[44] ibid

registrants' demands have been influenced by the fame of the mark or the financial clout of the mark owner. In deciding whether the amount demanded is in excess, panels have always looked at other facts surrounding the complaints and not just the amount itself.

4.2.2 A bad faith pattern of registration

The registrant must have aimed to prevent an access to use the mark by the mark owner and must have engaged in a pattern of such conduct. What happens if the respondent argues that he is not aware of the existence of any third party interest and have no ground for believing to the contrary when the mark was registered? It would appear that this would require an actual knowledge of the existence of the mark owner or the likely existence. Some panels have concluded that there was no requisite bad faith when respondents lacked knowledge of complainant's mark during registration.[45]

Another problematic aspect of this guideline is the issue of what constitutes "pattern". In the context of the URDP policy, pattern would suggest something showing consistency in its occurrence. Does it require the complainant to prove that the respondent has engaged in similar acts in the past? Adducing such evidence would be of help in establishing bad faith but may impose onerous burden on the complainant in finding other victims of the respondents' registrations. Again, is there a required number of domain names that must be registered before bad faith could be inferred? The use of 25 of the disputed domain names to intentionally attract internet users supports a finding of a pattern in *Nobis Inc. v. Organization*[46]. A panel refused to be persuaded that the registration of three very similar or identical domain names met the requirement of "pattern of conduct".[47] Elsewhere another panel conversely held that the failure of respondents to use any of the three marks would be sufficient to infer that a pattern of conduct exists.[48] Instead of limiting their consideration to the number of domain names registered, panels often direct themselves to other conducts of the registrants such as whether a false contact details have been provided, whether the petition is defended and the extent of similarity between marks and registered names.[49]

4.2.3 Registered primarily to disrupt a competitor's business

Businesses do compete with each other and in extreme cases may engage in restrictive practices which are outlawed. Registering a domain name with a primary intention of disrupting a competitor's business evidences bad faith. "Competitor'" has been differently interpreted by panels. It was held that the term "competitor" should not be restricted to a commercial or business competitor but encompasses a person who acts in opposition to another.[50] It is not mandatory that the competition referred to should be commercial; the respondent's opposition to the practices of a broker, of which he was previously a customer and which he criticized, was sufficient to qualify him as a competitor.[51] A restrictive view was preferred in *Tribeca Film Center, Inc. v. Lorenzo Brusasco-Mackenzie*,[52] where it was held that a respondent can disrupt the business of a "competitor" only if he offers goods or services that can compete or rivals with the goods or services offered by the trademark owner. This restrictive reading may be a tool to stifle freedom of speech as seen in the cases decided under ACPA as honest grippers and those who suffered from bad customer services are prevented from voicing out their grievances. Some panels have therefore applied paragraph 4(b)(iii) to instances when the respondent has diverted traffics to the website of the complainant's competitors.[53]

4.2.4 Creating confusion with a mark with intent to attract users for commercial gain

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[45] WIPO Case No. D2000-1299
[46] WIPO Case No. D2014-0068
[47] WIPO Case No D2000-002
[48] WIPO Case No. D2000-56
[49] WIPO Case No. D2014-0029
[50] WIPO Case No. D2000-0279
[51] WIPO Case No. D2000-1571
[52] WIPO Case No. D2000-1772
[53] WIPO Case No. D 2000-0024

This last arm, in tandem with traditional trademark laws, underscores an instance where the respondent has intentionally created confusion with the mark in order to attract internet users for commercial gains. It requires the panel to look at the intention of a respondent when making its decisions. Impliedly, there may be instances where there can be similarly confusing marks which were not borne out of deliberate acts of wanting to confuse consumers or attract users. A deliberate act to create confusion and make commercial gains was found in *TRW Inc. v. Autoscan Inc.*[54] To the panel, the lines of business of both parties are sufficiently close, and a likelihood of confusion would be created among internet users by respondent's use of complainant's trademark in a substantially similar domain name. Similarly where a respondent has not only registered identical or confusingly similar domain names but also used the complainant's distinctive logo and framing the content of the complainant's website, it was not difficult to infer that the respondents aim was to create confusion and profit from such act.[55] No evidence of profit is needed. What is important is that the respondent must have attempted to profit from the established goodwill of the complainant.

5. Pre ACPA

Under the US Federal Trade Mark Act 1946, usages that could cause confusion, mistake or deception constitute the breach of the mark owner's rights but novelty surrounding the use of internet for business marketing exposed the inability of this Act to protect cybersquatters' victims. Trademark focuses on likelihood of confusion while dilution protects famous marks. A plaintiff under this action must prove that a "commercial use" of the mark has been undertaken[56] but some cybersquatters do not actually do this. Some courts had to embark on judicial activism as not to leave a domain names owners without any protection. For example, *Panavision International, Inc v. Toeppen*[57] demonstrated the willingness of the court of to respond to impact of technological inventions on business world. The Ninth Circuit, departing from the traditional approach, ruled that the idea of registering the domain name and attempting to sell it to complainant (though not using it to sell a distinct product as stipulated under the Act) was itself a commercial use in commerce of the trademark of the complainant.[58] However, the decision in *Avery Dennison Corp v. Jerry Sumpton*[59]veered from the direction of earlier cases limiting the dilution cases to truly famous marks. Apart from problems of conflicting decisions, there are jurisdictional challenges. It was difficult making the US an appropriate forum because infringements take place in the cyberspace. In response, the Congress passed the ACPA, codified in the Lanham Act at 15 U.S.C. §1125(d).[60]

6. Anti-cybersquatting Consumer Protection Act (ACPA) 1999

United States is a hub of cybersquatting infringements. Statistics available from WIPO's websites shows that out of 1,934 cases before WIPO in 2007, 930 cases were initiated by US resident complainants and 841 respondents' were also resident in the same country.[61] By 7 August 2014, 485 cases had been filed in the US.[62] The inconsistencies that were rife in US courts on how to treat cases of cybersquatting necessitated the enactment of the Anti-cybersquatting Consumer Protection Act (ACPA) in 1999. The Act which amended section 43 of the Trademark Act was passed to:

> *to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the*

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54 WIPO Case No. D2000-0156
55 WIPO Case No. D2000-0050
56 Federal Trademark Dilution Act of 1995, 15 U.S.C §1125(a) and (c)(1)
57 141 F.3d 1316,1319 (9th Circuit 1998)
58 Panavision, 141 F.3d at 1325-26
59 189 F.3d 868 (9 Cir 1999)
60 Anti-cybersquatting Consumer Protection Act, Pub.L. No.106-113, §§3001-10 (1999), 113 Stat. 1501A-545 (codified) at 15 U.S.C. §1125(d) 0.
61 See WIPO Complainant Filing by Country: United States of America http://www.wipo.int/amc/en/domains/statistics/countries_yr.jsp?party=R&country_id=178 accessed 7 August 2014
62 Ibid

> *bad-faith*[63] *and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as "cybersquatting".*

The ACPA allows a trademark owner and the owner of a personal name registered as a mark to sue a person who registers or uses a domain name with bad-faith intent to profit from the owner's trademark or personal name.[64] It outlaws registering, trafficking in or using a domain name that is identical to or confusingly similar to a distinctive or famous trademark. The Act prohibits the registration, trafficking in or using a domain name that dilutes a famous trademark. Where the trademark is merely distinctive when the domain is registered but not famous, it is not protected against dilution.

Like URDP, whether the defendant had acted in bad faith is important in determining whether the domain name should be transferred to the plaintiff. The ACPA specifies nine nonexclusive factors to guide the courts in finding bad faith.[65] Through a case by case analysis in finding out the actual intent of the registrant, the court can consider other unique instances test which may not necessarily be covered by the nine factors.

The first four factors negate the finding of bad faith. The court must ask whether the registrant has legitimate rights in the domain name. These rights may be in form of intellectual property rights, legal names, prior usage and genuine non-commercial or fair use of the mark. These factors give justifications of instances when a defendant might have in good faith registered a domain name incorporating the mark of another party.[66] For example, a prior agreement between business partners that defendants would develop and utilize web sites as a means of attracting clients to plaintiff's business would not amount to bad faith.[67] The next four factors constitute acts of deliberate cybersquatting: (i) creating a confusion which could harm the goodwill of the mark; (ii) offering the domain name for sale for financial gain (iii) providing false information contact or registering identical or confusingly similar multiple domain names; and (iv) registering multiple domain names which are confusingly similar. The last factor looks at the feature of the mark itself. To what extent is the mark distinctive and famous? Registration of a more distinctive or famous mark by a defendant may point towards bad faith intent.

6.1 Intent to Profit?

According to the Congressional Record, "The bill is carefully and narrowly tailored…to extend only to cases where the plaintiff can demonstrate…*bad-faith intent to profit…*"[68] Does it mean that the act of the defendant must be commercially driven? Should the court separate the phrase "bad faith intent to profit" into two separate elements "bad faith" and "intent to profit"?

The decision in *People for the Ethical Treatment of Animals (PETA) v. Doughney*[69] constituted a broad interpretation of the meaning of "intent to profit". For the usage of the domain name to constitute a commercial use, the defendant does not necessarily need to have advertised goods or services with the domain name. The defendant did not advertise any goods or services but posted information and materials which opposed the view and purposes of PETA. When sued for service mark infringement, unfair competition, dilution and cybersquatting, the defendant contended that his website, (People Eating Tasty Animals) was a constitutionally-protected parody of PETA. Rather than examining whether the defendant benefitted financially, the district court looked at the financial loss which the plaintiff might have suffered. The district court opined that defendant activities constituted a commercial use because it must have diminished the plaintiff's clientele base. The court concluded that services included a dissemination of purely ideological dissemination and inferred a more substantial evidential of commercial use through the presence of hyperlinks to commercial operations. Surprisingly, there was no evidence supporting that the defendant derived any benefit from the hyperlinks to these other websites. The court should have directed its mind to the initial purpose of registering the domain name, that is, a parody of the views of PETA. However, it would not be wrong to conclude that the court was influenced

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[63] Emphasis supplied
[64] 15 U.S.C. §1125(d)(1)(A)
[65] §1125(d)(1)(B)(i)
[66] Coca-Cola Co. v. Purdy, 382 F. 3d 774 - Court of Appeals, 8th Circuit 2004
[67] Eagle HOSP. Physicians v. SRG Consulting, 509 F. Supp. 2d 1337 - Dist. Court, ND Georgia 2007
[68] Senate Report Note 9 pg 12
[69] 113 F. Supp. 2d 915 - Dist. Court, ED Virginia 2000

by the reference of willingness to settle found on the defendant's website."[70] In summary the respondent only need to have prevented users from accessing PETA's goods or services, or need only to have connected the website to other's goods or services.[71] However, was the district court right to reject the parody evidence of the defendant? A fear expressed is that ACPA may result in unconstitutional chilling of freedom of speech.[72] The ACPA contains a safe harbour provision or a good faith provision which is examined below.

On whether the plaintiff should prove "bad faith intent to profit" or either "bad faith" or "intent to profit", the Eleventh Circuit in *Southern Grouts & Mortars, Inc. v. 3M Co.*[73] held that proving "bad faith" is not enough. A plaintiff must establish that the defendant had "bad faith *intent to profit"* Reading the words "intent to profit" out of the statute would defeat the purpose of the Act. The Act targets those who may want *to extract payment* from the rightful owners of the marks, *sell the marks* to the highest bidder, *prey on* consumer confusion and *to defraud consumer.[74]* For example, a mere effort to obtain a cardcheck/neutrality agreement does not translate to a monetary gain hence it will not constitute "intent to profit."[75]

6.1.1 Finding Bad Faith under the ACPA

The ACPA was first put to test in *Sporty's Farm L.L.C. v Sportman's Market, Inc.*[76] in a dispute over the ownership of the domain name "sportys.com." This case is of interest because the US District court applied the Federal Trademark Dilution Act while the Second Circuit applied ACPA. The plaintiff, Sportman's, a mail order company selling aviation tools annually distributes approximately 18 million catalogues nationwide, and has yearly revenues of about $50 million.[77] Sportsman's claimed that it had used the disputed mark for forty year prior to the commencement of the case and had spent about $10 million annually building and advertising the brand, "sporty". It alleged that the defendant, a subsidiary of Omega Engineering and Pilot's Depot (formed by Arthur Hollander) had registered sporty.com with bad faith intent to profit in 1995.[78] The defendant contended that the purpose of registering the domain name was to sell Christmas trees. On how it came about the name, Ralph S. Michael, the CEO of Omega and manager of Sporty's Farm explained that the origin of the name derived from a childhood memory he had of his uncle's farm in upstate New York and that he had a dog named Spotty when he was a youngster.[79]

In its decision, the lower court applying the traditional trademark infringement and dilution principles concluded that the defendant did not violate trademarks rights in "sportys.com" and because the two parties operated different kinds of businesses so there would be no likelihood of confusion.[80] On dilution of mark, the District Court found that the term "sporty" was a famous mark deserving protection and Sporty's Farm made it difficult for Sportman's to identify and distinguish its goods on the internet.[81]

On appeal, the appellate court agreed with the lower court and further highlighted the importance of a new legislation in tackling the problem of cybersquatting. On whether Sporty's Farm had acted in bad faith, the court concluded there was overwhelming evidence as required under the new legislation. The court reached the following conclusions after analysing the first four factors. First, having regard to the time when the domain name was registered; the court concluded that the defendants could not establish intellectual property rights at the time of registration. Second, there was no correlation between Omega as the registrant and the disputed domain name. Third, the sudden of the domain name was

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70 Ibid at 920. This decision was affirmed on appeal. See *People for Ethical Treatment/Animals v. Doughney*, 263 F. 3d 359 - Court of Appeals, 4th Circuit 2001
71 ibid
72 John Brogan "Much Ado About Squatting: The Constitutionally Precarious Application of the Anticybersquatting Consumer Protection Act 88 *Iowa Law Review* 2002 163 – 197
73 575 F. 3d 1235 - Court of Appeals, 11th Circuit 2009
74 Senate Report Note 9 pp 5-6
75 *Cintas Corp. v. Unite Here* 601 F. Supp. 2d 571 - Dist. Court, SD New York 2009. The District Court decision was affirmed by the Court of Appeals, 2nd Circuit 2009.
76 202 F.3d 489 (2nd Circuit 2000)
77 Ibid at 494
78 In late 1994 or early 1995, the owners of Omega, Arthur and Betty Hollander, decided to enter the aviation catalogue business and, for that purpose, formed a wholly-owned subsidiary called Pilot's Depot, LLC ("Pilot's Depot").
79 Ibid
80 *Sporty's Farm L.L.C v. Sportman's Mkt Inc* 1998 US Dist LEXIS 23290 at 14
81 Ibid at 23

influenced by the court action. Finally, the use of the domain name by Sporty's was "non-commercial and the purchase of the name was shrouded in "suspicious circumstances.[82]"

Furthermore, the Second Circuit inferred actual knowledge of the existence of the brand name in the act of Omega owner, Arthur Hollander, who was a pilot and had received Sportman's catalogues. This finding negated the childhood story of Michael because there was no evidence supporting that Hollander was considering starting a Christmas tree business when he registered sportys.com or that Hollander was ever acquainted with Michael's dog, Spotty. More evidence of bad faith was found in Sporty's Farm intentions to compete with Sportman's in the same line of business and knowing well that there was link between "sporty's and Sportman's.

The decision of the Second Circuit in Sporty's Farm is laudable in various ramifications. It decides to widen the dragnet of ACPA by looking at the intention of the registrant not necessarily within the Act alone. It looks beyond the regular cybersquatters found in UDRP cases above.

6.1.2 Is Typosquatting an act of cybersquatting?

A claim that the act of the defendant is a mere typosquatting will not constitute a suitable defence of lack of bad faith. Typosquatting or domain mimicry is a variation of cybersquatting. A typosquatter registers one or more internet domain names with the aim of exploiting common misspellings that a user may make when trying to use company's registered trademark names. In *Northern Light Technology, Inc v Northern Lights Club*,[83] the parties disputed over the ownership of "northernlights.com." The plaintiff had used the domain name "northenlight.com" as an internet search engine since 1997. Jeff Burgar a self-described "Internet entrepreneur," registered thousands of "catchy" domain names which appropriated, in identical or slightly modified form, the names of popular people and organizations. As the president of Northern Lights Club, he claimed to have registered the disputed domain name with the intention of bringing together "devotees of the Northern Lights, or *aurora borealis,* including businesses that take their name from the famous celestial phenomenon".

Rather than serving as the forum indicated by the defendant, the association had no real members, instead it provided a search function on the northernlights.com site for specific words or phrases and created links to various businesses which included the plaintiff's website under the "Northern Lights Community" without the plaintiff's authorisation. The plaintiff sought a restraining order modifying the content of the northernlights.com site to prevent further public confusion.

The district court found for the plaintiff on its ACPA claims based on the confusing similarity of the two domain names and proof of defendants' bad-faith intent to profit from plaintiff's northernlight.com mark. However, defendants' historical practice of "targeting trademarked names, creating fictional entities to register them, and offering dubious explanations for the selection of these domain names" ultimately tipped the scales in favour of such a preliminary determination. [84]

Dismissing the appeal of the defendant, the Second Circuit Court noted that multiple registrations alone are not dispositive of the bad-faith issue but based on defendants' apparent *modus operandi* of registering domain names containing the famous trademarks of others in the hope that the famous trademark holder will be willing to pay to reclaim its intellectual-property rights fit within the determination of bad faith factors under ACPA. Neither the lower court nor the court of appeal addresses the issue of typosquatting as demonstrated in this case.

The court was presented with another opportunity to address the problem of typosquatting in *Shields v. Zuccarini*[85] where the defendants registered series of domain names which were confusingly similar to "Joe Cartoon" mark. The defendant contended that he was not cybersquatting rather he was "typosquatting and his act was not covered by ACPA.[86] Rejecting the argument of the defendant, the court concluded that the ACPA protection extends not only the registration of domain names that are "identical" to distinctive or famous marks, but also to those are "confusingly similar" to distinctive or famous marks.[87] According to the court, a reasonable interpretation of conduct covered by the phrase

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[82] Ibid
[83] 236 F.3d 57 (1st Cir. 2001)
[84] District Court 119
[85] 254 F. 3d 476,486 (3d Cir 2001)
[86] Ibid pg 484
[87] Ibid

"confusingly similar" is the intentional registration of domain names that are misspellings of distinctive or famous names, causing an Internet user who makes a slight spelling or typing error to reach an unintended site.[88]

On the issue of bad faith intent to profit, it was led in evidence that web users were lured into Zuccarini's websites and were trapped to the extent that they could only exit after they had clicked on the advertisements on the websites. The court found bad faith with intent to profit not only from the revenue being generated from the clicks on the advert but also with the deliberate act of the defendant to mislead consumers.

6.1.3 Good Faith v. Bad Faith

The ACPA includes a safe harbour provision which strikes a balance between internet authors and mark owners. The Act excludes bad faith intent to profit where in the court opinion the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.[89] The Eight Circuit explained in *Coca Cola v. Purdy*[90] that ACPA "was intended to balance the interests of trademark owners against the interests of those who would make fair uses of a mark online for comment, criticism, parody, and news reporting."[91] The interest that safe harbour intends to balance does not include an employee or contractor who registered a domain name on behalf of his employer and was later relived of his employment.[92] The court pre-empt a situation where a cybersquatter would put forward every lawful justifications for his act if the safe harbour provision is not narrowly read.[93] Without doubt such a broad reading would not align with the intention of the Congress.

The application of safe harbour or good faith has not been very straightforward looking at *Northland Insurance v Blaylock*[94] and the case of *PETA* discussed above. In *Northland Insurance,* when a domain name offers a forum for criticism of a company (cybergripping) or using names such as "companynamesucks.com" would not amount to bad faith. The court emphasises the importance of "intent to profit" and not merely bad faith from the registrant. Websites offering criticism or parody may be borne out of bad faith but this does not out rightly make them bad. The defendant did not seek any financial or commercial benefit but to inform other insurance consumers of his commercial commentary and criticism.[95] Even where the defendant "deceived" customers to his own site, there was no discernible "switch".[96]

Similarly in PETA the defendant had set up the website to disseminate views that are antithetical to that of the plaintiff. However PETA defendants website provided links to other commercially viable websites. The appellant contended that the rejection by the district court of attorney's fees confirmed that his actions constituted parody and was protected by First Amendment. Dismissing the appeal, the appellate court reasoned that the appellant had no reasonable ground to believe that his act was lawful. The presence of commercial links vitiated any claim of any legitimate non-commercial use the defendant may have and more importantly the defendant's demonstration of willingness to transfer the domain name for a price suggested intent to profit. Where a defendant has acted partially in bad faith in registering a domain name it would not be entitled to benefit from the ACPA's safe harbour provision.[97] Attempt to sell or actual sale and presence of commercial banners or links would deny any reliance on safe harbour defence.

Application of the safe harbour provision by some courts has constituted an overzealous application of the ACPA. The order of analysis of the conduct of the defendant favours a finding of bad faith intent to profit. The factors used in assessing whether the acts of the defendant were lawful are the same used in analysing bad faith making the safe harbour provision lacks any independence from the

[88] Ibid pg 485
[89] 15 U.S.C. s1125(B)(ii)
[90] 382 F3d 774 (8th Cir. 2004)
[91] ibid at 778; See also *Lucent Techs., Inc. v. Lucentstcks.com*, 95 F.Supp.2d 528,535 (E.D.Va. 2000)
[92] *DSPT International v Lucky Nahum* (9th Circuit Oct 27, 2010)
[93] 238 F. 3d 264 (4th Circuit 2001)
[94] 115 F.Supp. 2d 1108 (D.Minn 2000)
[95] See also *Bally Total Fitness Holding Corp. v. Faber,* 29 F.Supp.2d 1161, 1168 (C.D.Cal.1998)
[96] ibid
[97] Supra Note 69

ACPA.[98] Such approach relegates the importance of the parody and other secondary acts are given prominence. For example in *Toronto-Dominion Bank v Karpachev*,[99] the defendant criticised the plaintiff's organisation on 16 domain names typosquatting the plaintiff's actual domain name. The defendant also made strong allegation of 'white collar crime' and likened the plaintiffs' business methods to 'Nazi or Soviet Totalitarists.'[100] There was no evidence that Karpachev attempted to sell the domain names to plaintiff, and it was not proved that the domain was used in connection with the offering of goods or services. The court gave regard to the defendant's intention to divert consumers and registration of multiple domain names. Despite the fact that the content of the site constitute complaints about plaintiff's business practices, the use of the domain names was held not to be a "fair use." It is appropriate to conclude the content of vilification played a significant role in the court's finding however this decision conflicts with the holding of the court in *Northland Insurance Companies v. Blaylock* above and *Marianne Bihari and Bihari Interiors, Inc. v. Craig Ross and Yolanda Truglio.*[101] So a griper must ensure that content of his criticism are directly related to the business of the defendant or acts being complained about and not just a blanket disparaging remark.

It appears that the ACPA covers instances of coincident registration. Coincidence here includes a reasonable belief that registration was carried without awareness of the existing mark. The Senate report states that "… The bill does not extent (sic) to innocent domain name registrations by those who are unaware of another's use of the name."[102] Therefore innocent infringement predicated on a person's ignorance of a third party superior right to the mark incurs no liability.

7.0 Conclusion

The last fifteen years of both UDRP and ACPA have been preoccupied with plethora of cases adjudicating the ownership of domain names in bad faith. This however has not abated the threat of cybersquatting to business identities considering the statistics obtained from WIPO alone. Both instruments examined have reasonably targeted registrations done in bad faith by providing appropriate guidelines to the court and the panels. The discretion allowed by these instruments makes it easy to circumscribe instances not enumerated within the guidelines as bad faith. As laudable as this may be, certain contours especially the areas of intent to profit and safe harbour provisions would still need to be addressed. The URDP starkly leaves a genuine griper without any remedy and it is imperative under the ACPA to cautiously carve the interpretation be given safe harbour provisions.

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[98] John Brogan "Much Ado About Squatting: The Constitutionally Precarious Application of the Anticybersquatting Consumer Protection Act 88 *Iowa Law Review* 2002 163 – 197
[99] 188 F. Supp. 2d 110 (D. Mass 2002)
[100] Ibid at 112
[101] 2000 U.S. Dist. Lexis 14180
[102] Senate Report Note 9 pg 13