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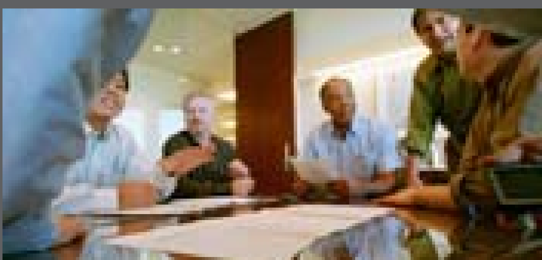

Trademark Issues in Cyberspace:

The Brave New Frontier

by Sally M. Abel

FENWICK & WEST LLP

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Introduction

Cyberspace raises a variety of thought—provoking trademark and trademark-related issues. While many of the issues and problems that arise may be analyzed and resolved from the vantage point of traditional notions of trademark law, others present thornier questions requiring greater sensitivity to the practical effect of cyberspace on the commercial marketplace. The cyberspace trademark issue that continues to get the most press is the domain name controversy. Is a domain a trademark? When does use of a domain infringe trademark rights? Oops, someone else registered my company name or trademark as their domain . . . what do I do? Beyond domains lie the vast array of trademark issues that ultimately are likely to occupy you and your clients much more than domain disputes. Questions of what constitutes use, and abuse, of trademarks in cyberspace are exploding along with the web. In addition to garden variety trademark enhancement and policing concerns that take new shapes on the Internet, companies must be vigilant in avoiding trademark dilution and must think twice before linking to other sites or permitting others to link to the company's site using company logos. Attempting to police trademark rights in cyberspace can be a daunting, but infinitely interesting task.

Domain Names

A company's presence on the Net starts with its domain name ("domain"). A domain is an important corporate identifier: beyond being the name under which the company sends and receives e-mail, like any other trademark or trade name it can be a symbol of the company's goodwill and recognition in the marketplace. Given the unstructured nature of the Internet, obtaining an easily ascertained domain name often is a key element of an on-line marketing strategy. Users regularly attempt to guess at a company's Internet location by typing in the name of the company followed by the ubiquitous .com top level domain. This common practice of guessing at domain names makes an intuitive domain name a valuable corporate asset. Generally speaking, domain names are assigned on a first come, first served basis. In the U.S. today, the vast majority of domains are assigned by a single registry, Network Solutions, Inc. ("NSI"), under contract from the National Science Foundation.[1] In assigning a domain, NSI uses a multi-level system, including a Top Level Domain ("TLD') such as ".com", ".net" and ".org", coupled with a Second Level Domain ("SLD") requested by the party seeking the domain assignment (*e.g.*, <ibm.com>). Not surprisingly, the .com TLD, intended

1 Under the contract, NSI has been delegated the authority to act as the central Internet registry administering the ".com", ".net", ".org", ".edu" and ".gov" TLD's. The ".com", ".net" and ".org" TLD's are considered worldwide generic domains ("gTLD") that may be registered to individuals, companies or institutions located anywhere in the world. The organization currently responsible for overall coordination and management of the domain name assignment system is the Internet Assigned Numbers Authority ("IANA"). IANA purportedly was chartered by the Internet Society, an international organization that provides leadership in Internet standards, issues, and education. The Internet Architecture Board ("IAB") and the Internet Engineering Task Force ("IETF") also have historical and continuing roles in administering the domain name system.

for commercial users has experienced exponential growth in the recent past: there are now close to two million such domains. As would have been expected from such growth, , the .com TLD is at the eye of the storm in domain disputes. Overseas, any number of registration entities (called NICs [2]or registries), assign individual country TLDs using two character ISO country codes, such as ".ca" for Canada or ".fr" for France.[3] Due to the international cachet that has developed in .com, many overseas business have bypassed country TLDs and have registered .com domains with NSI instead.

In the registration process, NSI (and the other NICs) will not exercise veto power over a requested name, so long as that name is not identical to one already assigned within the TLD.[4] Prior to the commercial explosion of the web, the domain name system engendered little or no controversy. Only with the advent of the web, and the commercial world's awakening to enormous marketing possibilities it represents, did this system come under scrutiny.

The Problems

As the commercial world expanded into cyberspace, three related problems with the domain name system became painfully clear.

The first and most obvious problem is the opportunity for others to "pirate" names, typically by obtaining SLD registrations within the .com TLD of a well-known company name or brand. A number of major corporations have had the uncomfortable, and in some cases embarrassing, experience of learning that someone else had already registered their name or mark as a second level domain followed by the now ubiquitous .com TLD. By May 1994, the list of "pirated" names read like a Who's Who of corporate America: McDonald's, Coke, Hertz, Nasdaq, Viacom, MTV and others. By mid-1996, Avon, Levi's, B. Dalton and Readers Digest had joined the list. In 1997, a California college student, Daniel Khoshnood, started a web design firm called The Microsoft Network. Inspired by Steve Jenkins' successful <windows95.com> web site, Khoshnood not only obtained the domain <microsoftnetwork.com>, but also registered dozens of other domain names closely resembling well known trademarks owned by Microsoft and others (*e.g.* <cinemania97.com> and <creativewriter.com)>. In June 1997 Microsoft lawyers convinced Khoshnood's Internet service provider to pull the plug on his web site, but he then planned to relocate the site using the same domain on his own server.

Misspelling popular brands is the second problem. The domain name system creates the opportunity for others to obtain a second level domain that is only a slight variation of

2 NIC is an abbreviation for "network information center."

3 There is also an underutilized ".us" TLD for the United States.

4 Some overseas NICs do, however, require that the party requesting a particular domain be registered to do business under that name.

someone else's well known, or not so well known, name or mark. Indeed, some "entrepreneurs" even register slight variations of others' marks for the sole purpose of getting hits, thus capitalizing on typing errors made by web surfers. These speculators often sell only advertising rather than products or services, while legitimate companies that happen to have a similar domain will disclose that theirs is not the site the surfer actually was seeking.[5]

The third problem, a variation on a theme, is created by the fact that NSI is not alone in assigning domains: NICs and other registries all over the world may assign identical second level domains, so long as the TLD differs. Again, while Microsoft may be <microsoft.com>, there may also be a completely unaffiliated <microsoft.co.uk> commercial domain in England or a <microsoft.az> in Azerbaijan.

Not surprisingly, the first lawsuits in the domain name area involved situations in which intentional "pirating" was admitted or at least alleged. In the first case, *Princeton Review Management Corp. v. Stanley H. Kaplan Educational Center, Ltd.*, 94 Civ. 1604 (MGC) (S.D.N.Y., filed March 9, 1994), Kaplan did not take kindly to its competitor's use of <kaplan.com> in connection with a web site containing messages disparaging Kaplan's educational testing services, and praising those of Princeton Review. Kaplan refused Princeton Review's offer to relinquish the name in exchange for a case of beer, and ultimately convinced an arbiter to order Princeton Review to give up the domain.[6]

Planned Parenthood, a well known, non-profit, reproductive health organization, recently was the target of a similar effort by a "competitor" to divert attention on the web. In *Planned Parenthood Federation of America, Inc. v. Richard Bucci, d/b/a Catholic Radio*, 42 USPQ2d

5 Further complications arise with regard to user names and subdomains. Although NSI may assign second level domains, domain holders are free to create any number of subdomains and user names. Thus, the journalist who registered <mcdonalds.com>, in part to call attention to the reality that only the well to do have access to the Internet, used the moniker "Ronald" (<ronald@mcdonalds.com>). Likewise, there was nothing, other than trademark law, to prevent the registrant of the <windows95.com> domain from using a subdomain such as "microsoft" (<microsoft.windows95.com>) even accompanied by the user name "gates" (<gates@microsoft.windows95.com>).

6 Other cases followed, with more or less amusing facts. *MTV Networks v. Adam Curry*, 867 F. Supp. 202 (S.D.N.Y. 1994), involved a former MTV "video jockey" ("VJ"), who, while employed at MTV, had registered <mtv.com> under his own name with the Company's approval. Curry established a large Internet following, and, when he left MTV acrimoniously, he refused to give up the domain. MTV filed suit, and the case settled quietly on March 24, 1995 with control of the disputed domain passing to MTV. Another case, *Counsel of Better Business Bureau, Inc. v. Mark Sloo*, No. 95-0473-CV-W-2 (D. Kansas, filed May 8, 1995) also settled quickly, after the Better Business Bureau brought suit against an individual who had registered the domains <bbb.com> and <bbb.org>, although he was providing no services and allegedly registered the domains only in an attempt to force the Better Business Bureau to purchase them. Avon had a similar experience. In *Avon v. Carnetta Wong Associates*, CV96 0451 (E.D.N.Y. February 1996), Avon included allegations of dilution under the then new Federal Trademark Dilution Act, in addition to its claims of trademark infringement and unfair competition stemming from the defendant's registration of the domain <avon.com>. That case settled and Avon obtained control of the domain.

(BNA) 1430 (S.D.N.Y. 1997), Planned Parenthood obtained an injunction against an anti-abortion and anti-birth control advocate who set up a web site at <www.plannedparenthood.com> to provide information and promote sales of an anti-abortion book. Planned Parenthood was operating its own web site at <www.ppfa.org> (and its Houston affiliate at <www.plannedparenthood.org>). In finding a likelihood of confusion the court noted that the defendant admitted that he chose the domain name with the intent to divert Internet users who were seeking Planned Parenthood's web site to his own competing site.[7]

Inevitably, the domain name case law moved beyond the context of "pirating" well-known names, into the realm of the more typical trademark dispute between two parties vying for the same name. *Comp Examiner Agency, Inc., dba 25thCentury Internet Publishers v. Juris, Inc.*, No. 96-0213-WMB, 1996 U.S. Dist. LEXIS 20259 (C.D. Cal. April 26, 1996), is the first case in which a U.S. court applied a traditional likelihood of confusion analysis in the context of a domain dispute. In that case, Juris, Inc., owner of a federal trademark registration of JURIS for its legal time and billing software products, had been forced to choose the domain <jurisinc.com> after learning its first choice, <juris.com>, had already been assigned to The Comp Examiner Agency ("Comp Examiner"). When Juris, Inc. subsequently accused Comp Examiner of trademark infringement, Comp Examiner, which used the domain for a legal information web site, filed an action seeking cancellation of Juris, Inc.'s JURIS trademark registration on grounds of genericness; Juris, Inc. then counterclaimed for trademark infringement and dilution. The court granted Juris, Inc. a preliminary injunction which not only precludes Comp Examiner from using the domain <juris.com>, but also from using "juris," <juriscom.com> or any confusingly similar variation for "the advertising, operation or maintenance of any Internet site or bulletin board service." The lawsuit settled shortly thereafter. Juris, Inc. now owns both domains, and operates under the domain <juris.com>.[8]

While *Comp Examiner Agency* essentially involved a "garden variety" claim of likelihood of confusion concerning related services, the limited availability of any particular SLD in the .com domain space has spawned similar litigation involving wholly unrelated goods/services. One such case, though originally scheduled for trial, resulted in a default judgment now on appeal. In *Fry's Electronics, Inc. v. Octave Systems, Inc.*, No. 95-CV-02525-CAL (N.D. Cal.), an electronics retailer in Palo Alto, California brought suit alleging trademark infringement and federal Racketeer Influenced and Corrupt Organizations Act ("RICO")

7 *See also Cardservice Int'l, Inc. v. McGee*, 950 F. Supp 737 (E.D. Va. 1997), discussed *infra*.

8 Interestingly, this is not the only case involving the SLD "juris". Underscoring the international nature of the domain name system and its relevance to trademark owners, on January 15, 1997 a Court in Munich, Germany ruled that the defendant before that court could not retain the domain <juris.de> and the plaintiff was entitled to have the domain transferred to it. *Landgericht München*, January 15, 1997, 1 HKO 3146/96. (The authors currently are making efforts to identify the parties to this dispute).

claims against a Seattle-based vendor of french fry machines, Frenchy Frys, after it learned that Frenchy Frys had registered the domain <frys.com> and Fry's Electronics was left with it's second choice as a domain, <fryselectronics.com>.

The *Fry's Electronics* court issued the default judgment in response to what the court termed "obstructionist behavior" by codefendant David Peter, proprietor of Frenchy Frys. Peter, who is appearing *pro se*, is currently appealing the decision to the Ninth Circuit.[9] In the meantime, Fry's Electronics has achieved its goal of obtaining the right to use the <frys.com> domain name without the obvious difficulty of establishing a likelihood of confusion between unrelated goods/services, although the company does not appear to be using the domain yet.

Another inevitable development in domain name litigation occurred in December 1994, when NSI was named as a defendant in *KnowledgeNet v. David L. Boone, et al*. (N.D. Ill. Eastern Division filed December 2, 1994). The first case to challenge NSI's procedures for assigning domain names, KnowledgeNet included a RICO claim against NSI and Boone's Internet service provider for aiding and abetting, via the Internet and the telephone system, Boone's "illegal enterprise" to misappropriate the KNOWLEDGENET trademark using the domain <knowledgenet.com> and licensing the same. NSI ultimately was dismissed as a party, without prejudice, but only *after* the primary parties reached a settlement in which Boone gave up the domain and reportedly paid a hefty sum to the plaintiff.

NSI's Existing Solution

Faced with an ever increasing chorus of complaints from trademark owners regarding the domain assignment system, NSI initially reacted by adopting a policy that an applicant could obtain only one domain. (This policy was rarely, if ever, enforced.) NSI then imposed a fee for obtaining and/or renewing a domain (presently $110 for the first 2 years; $50 a year thereafter).[10] These changes were intended to put an end to the initially prevalent practice in which a few speculators grabbed multiple domains containing well-known company names or marks for the purpose of selling the domains to the respective companies at premium prices.

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9 Civil appellate docket no. 97-15485, filing date March 11, 1997. As of March 13, 1998, the case had been fully briefed, but not yet calendared for oral argument.

10 However, NSI's authority to charge the entire fee is now under judicial scrutiny. In *William Thomas, et al. v. Network Solutions, Inc. and National Science Foundation*, No. 97 CV 2412 (TH) (D.D.C. filed February 2, 1998) the court issued a preliminary injunction against the spending of the 30% of the funds NSI collects that is earmarked for the Next Generation Internet Initiative proposed by the Clinton Administration, on the grounds that it is an illegal tax in violation of Article I, Section 8 of the U.S. Constitution, which reserves the ability to levy taxes to Congress. (NSI keeps 70% of the total registration fees to cover operating costs, and deposits the remaining 30% into the Next Generation Fund. As of September 1997, the Next Generation Fund totaled $37 million. In October 1997, Congress passed the Department of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act authorizing NSF's expenditure of $23 million for the Next Generation Internet program. Further

Finding itself the target of litigation, and with hopes of avoiding further legal entanglements like KnowledgeNet, NSI adopted its Domain Name Dispute Policy, which has been somewhat revised several times since. Under the dispute policy currently in effect, NSI Domain Name Dispute Policy Revision 03, effective February 28, 1998, the owner of a federal trademark registration in the U.S. or a registration in a foreign country may challenge use of an identical second level domain by submitting the registration certificate to NSI, along with proof that the trademark owner has sent the domain holder written notice of the trademark owner's claim that the use and registration of the domain name violates the trademark owner's legal rights. If the "creation date" of the domain postdates the "effective date" of the trademark registration, then NSI gives the domain holder 30 days to prove its ownership of a trademark registration for the same mark in the U.S. or any foreign country.[11]

If the domain holder is able to prove either (1) that the creation of the domain name predates the effective date of the challenger's trademark registration, or (2) that the domain holder has its own trademark registration, then the domain holder will be able to keep the domain (subject to the general obligation of all domain registrants to indemnify NSI and NSF). If, however, the domain holder cannot demonstrate the required prior creation date, or produce a trademark registration certificate, then the domain holder must give up the domain, with a 90 day transition period if the domain holders cooperates. The disputed domain then goes into a "hold" status, where it is not available to anyone, pending the outcome of the dispute between the parties. Among the many domains that have been placed on hold under the policy are the following (challenger follows in parentheses): <dc.com> (DC Comics), <newton.com> (Apple Computer), and <thegap.com> (The Gap), which subsequently was released while the parties continued their negotiations.[12]

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information about the Next Generation Internet Initiative may be found at http://www.ngi.gov/overview/background.html.) On March 16, 1998, the day before a key hearing in *Thomas*, NSI announced that it would lower the registration fees by 30%. An NSI spokesperson was reported as saying the decision was made in response to The Green Paper's recommendation that fees used to fund the government's Next Generation program should be eliminated as of April 1, 1998. (The Paper also recommended that the U.S. government begin eliminating its role in the domain name system on April 1, 1998.) The Green Paper is discussed at "D. A New Approach," *infra*. On May 1, 1998, the Senate approved an appropriations bill, already passed by the House of Representatives, that contains a provision that will make the domain name registration fees legal retroactively. The U.S. Department of Justice has now moved to set aside Judge Hogan's ruling that the fees are illegal. See James Evans, *Domain Tax Dispute Goes Back to the Federal Court*, **San Francisco Daily Journal**, May 14, 1998, at 1.

11 The language of the Revision 03 policy reads, "9. Dispute Procedures (a) Network Solutions shall determine the creation date of the registrant's domain name registration ('domain name creation date'). (b) If the registrant's domain creation date precedes the effective date of the valid and subsisting certified registration owned by the complainant, Network Solutions will take no action on the complainant's request." The policy does NOT define either "creation date" or "effective date." Although no comments have been made thus far regarding how NSI will determine the "creation date," there have been conflicting reports about the anticipated meaning NSI will give to the "effective date." According to one report , Chuck Gomes, NSI spokesperson, said that the effective date will be the *earlier* of the first use and registration dates. In a subsequent report, Leslie A. Gutowski, Manager of NSI's Dispute Administration, is quoted as saying "Network Solutions, Inc. considers the *filing* date of a U.S. trademark registration to be the effective date."

12 In what appears to be an aberration, in July 1997, NSI terminated the domain <nasa.com> following a complaint from the National Aeronautics and Space Administration (NASA), without adherence to the dispute policy at

While the February 1998 revision to the dispute policy serves mainly to clarify the existing policy, NSI made several significant changes. For example, it appears a trademark owner may no longer base a challenge on the grounds that its first use of the trademark (now registered) predated activation of the domain.[13] Instead, the registration on which the trademark holder relies must have an "effective date" before "creation" of the domain. If "effective date" is interpreted as "filing date" or "registration date," then it will be more difficult for U.S. trademark owners in particular to qualify to mount a challenge, as the effective date of the registration may be years after the trademark owner established trademark rights via use. While such trademark rights appear to be no longer cognizable at all under NSI's dispute policy—with or without a related trademark registration—the rights of other trademark owners who have *never* used the mark in question but can take advantage of an early effective date in a jurisdiction that does not require use to obtain a trademark registration are recognized.

In the February 1998 revision, NSI also broadens its discretion in domain name disputes by articulating that it may require "suspension, transfer or other modifications to a domain name." Prior to this point, NSI would not, absent court order or settlement between the disputants, transfer or modify a domain name.

The Problems with NSI's Solution

While perhaps a boon to some large and/or lucky entities who happen to own the right trademark registrations, NSI's chosen solution did little more than to create additional uproar over the domain name system. The engineering community objected to the imposition of a user fee in what always has been a free system, and many legitimate businesses are finding that they are suddenly confronted with the loss of a domain in which they have invested significant financial and other resources.

The NSI system is biased, many say unfairly, in favor of those who have obtained trademark registrations because it ignores common law rights and infringement analysis (likelihood of consumer confusion): the underpinnings of trademark jurisprudence in this country.

At the same time, a challenger may find the dispute policy to be of limited value in policing its trademark rights. Would NSI find that the domain <bus1nessweek.com> is "identical" to the registered trademark BUSINESSWEEK?[14] Also, even a successful challenge under the

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all. The <www.nasa.com> site apparently contained links to pornographic sites which allegedly concerned individuals who, hoping to view groundbreaking photographs from the Mars Pathfinder mission, had mistakenly gone to <www.nasa.com> not realizing that NASA's site is <www.nasa.gov>. The chagrined owner of <nasa.com>, Epicenter Network of New York, apparently contemplated seeking an injunction against NSI. NSI based its decision on The National Aeronautics and Space Act of 1958 (amended) which prohibits misleading uses of the letters "NASA."

13 *But see* footnote 11 above.

14 On September 19, 1996, David Graves of NSI offered the following clarification of the policy requirement that

policy does not necessarily immediately entitle the trademark owner to the domain: in the past, NSI would simply place the domain on hold pending a resolution of the dispute.[15]

At least initially NSI's hopes of avoiding lawsuits with the dispute policy were not entirely realized. Far from shielding NSI from litigation, the dispute policy-at least earlier versions of it-actually may have spawned it. The lawsuits domain holders have filed against NSI illustrate the spectrum of trademark law concerns implicated by the dispute policy.

In the first case, *Roadrunner Computer Systems, Inc. v. Network Solutions, Inc.*, No. 96-413-A (E.D. Va. filed March 26, 1996), Roadrunner Computer (RCS) filed suit against NSI to enjoin NSI from placing the <roadrunner.com> domain on hold, and to require NSI to adopt "fair and evenhanded" dispute policies. NSI counterclaimed for declaratory relief that its policy was not subject to court review.

RCS had obtained the domain <roadrunner.com> in May 1994, and thereafter offered Internet services in connection with the domain. In December 1995, NSI informed RCS of a challenge to RCS's domain by Warner Bros., which holds an August 9, 1995 U.S. trademark registration for ROAD RUNNER for "toys, namely, plush dolls, and Halloween costumes and masks."

Warner Bros. then apparently gave RCS the courtesy of extending the 30 day period for RCS's response several times. RCS used the time to secure a Tunisian trademark registration, a copy of which RCS then submitted to NSI to counter Warner Bros.' U.S. trademark registration. NSI refused to accept the proffered Tunisian trademark registration.[16]

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the trademark and second level domain name must be identical: "We normally discount spaces, small adjectives, and common abbreviations for companies and corporations. For example, a trademark for 'The Washington Post' would be identical to the domain name <washingtonpost.com>." Or, a trademark for 'Network Solutions' would be identical to the domain name <networksolutionsinc.com>. Other variants are evaluated on a case-by-case basis . . .. This clarification leaves open several interesting questions, such as whether phonetic identity is sufficient to invoke the policy, *e.g.*, whether "tie" is identical to "ty." The *Lockheed* case discussed below also raises this issue.

15 This may change now that NSI has given itself the authority to transfer domains. There has been litigation against NSI on this aspect of its policy in the past, where the owner of a well-known mark has found it necessary to bring suit after the dispute policy has been invoked and the offending domain put on hold. *See Porsche Cars North America, Inc. v. Chen and Network Solutions, Inc.*, No. 96 CV 01006 (E.D. Va. filed July 26, 1996) (injunction granted preventing defendants, the International Porsche Club of New York City, from using the <porsche.com> domain or any of plaintiff's other trademarks or trade dress).

16 RCS alleged that NSI based that refusal on the technicality that the 30 day period for submitting a registration had passed. NSI asserted that RCS failed to provide a certified copy of the registration as required in the Domain Name Dispute Policy. Although NSI would not accept RCS's uncertified registration, seeking a quick registration overseas before launching a domain name dispute is still a legitimate strategy. The trademark office for the Benelux processes registrations quickly, and some Benelux practitioners now advise that registrations can be obtained within one month for domain disputes. By comparison, obtaining a U.S. registration usually takes over a year.

However, before the court could address the substantive issues raised, the case resolved itself. Other than initiating the domain name challenge, Warner Bros. had pursued no claim against RCS; likewise Warner Bros. was not a party to the suit. Presumably seeking a way out of the litigation, in June, NSI queried Warner Bros. as to whether it was continuing to suffer "legal harm" as a result of use of the domain. When NSI received what it considered a less than affirmative response, NSI announced that it was terminating the challenge proceedings against the domain, released the hold, and moved the court to dismiss the case as moot. On June 21, 1996, over RCS's objection, the court obliged.[17]

Roadrunner is a concrete example of the failure of NSI's dispute policy to take into account the cornerstone of trademark infringement analysis: likelihood of confusion. Except in the relatively rare dilution context, a trademark owner's rights cover only use of similar marks in connection with those goods or services sufficiently related to the trademark owner's so as to create a potential for consumer confusion as to source, origin, or affiliation. The dispute policy, therefore, awards the holder of a trademark registration certificate a far greater scope of protection against use of the same name than most trademark holders could ever hope to achieve in seeking to prevent use of the same mark, company name or designation other than a domain name.

The second case challenging the dispute policy, *Data Concepts Inc. v. Digital Consulting Inc. and Network Solutions Inc.*, No. 3-96-0429 (M.D. Tenn. filed May 8, 1996), may highlight an even more serious inequity inherent in the dispute policy, that of favoring trademark owners who have registered their marks over those who have not registered, but who nonetheless may have superior trademark rights. Digital Consulting filed a challenge with NSI over Data Concepts' continued use of the <dci.com> domain, on the basis of Digital Consulting's U.S. trademark registration of DCI for business management software and related services, which recites a date of first use of December 2, 1986.

Although Data Concepts claimed to have used DCI as a trademark in interstate commerce and internationally in connection with its data management and process control software for business and industry since at least 1982, four years *prior* to Digital Consulting's trademark use of DCI, Data Concepts did not have a trademark registration to trump Digital Consulting's under the dispute policy. Under NSI's policy, Data Concepts, therefore, was in danger of losing the domain it had used since August 1993. Having no other options under the dispute policy, Data Concepts, the domain holder, filed suit.

After having taken the position that its domain name dispute policy is beyond the reach of the courts in that it essentially is executive branch policy by virtue of the contractual relationship between NSI and the National Science Foundation, NSI later stipulated that it

17 Interestingly, shortly thereafter, Time Warner, Inc. announced that its new high speed Internet access service would be named ROAD RUNNER.

would not interrupt Data Concepts' continued use of <dci.com> absent court order. Data Concepts then dropped NSI as a party to the suit.

On May 20, 1997, the court issued a judgment on the merits.[18] After performing a traditional likelihood of confusion analysis, the court concluded that the rights of Digital Consulting in its registered trademark DCI are superior to the rights of Data Concepts. The court apparently was unpersuaded by Data Concepts' evidence that it had first use of the mark in connection with data management software. In reaching its finding on the likelihood of confusion, the court noted that Digital Consulting has an incontestable trademark registration, that both companies' businesses involve database systems and the development of software, that both businesses use the Internet to advertise their products, that "the practice of 'surfing the Net' gives rise to the prospect that Data Concepts' use of Digital Consulting's registered trademark as its Internet domain name would cause confusion," and that Digital Consulting's mark was registered at the time Data Concepts chose its Internet address. Data Concepts is currently appealing to the Sixth Circuit.

Regardless of the eventual outcome, the *Data Concepts* case (like the *Prince* case discussed infra) draws attention to a serious flaw in NSI's domain dispute policy. Because the policy does not take into account trademark rights that exist on the basis of use alone (common law rights), inequitable situations will arise where the party who actually has superior trademark rights, based on seniority of use, is forced to relinquish the domain to the junior trademark user who had the foresight to register the mark. In this regard, the dispute policy resembles the trademark laws of numerous jurisdictions outside the United States, which award trademark rights to the first to register, not the first to use. These laws impose the burden on the trademark owner to protect its own interest in using the mark by registering it. This is not, however, the law in the United States, where substantive trademark rights have always been based on common law notions of seniority of use. Moreover the logic of protecting the interest of the party who went to the trouble of registering its trademark breaks down when the converse-the first to obtain a domain name-is not also protected. Obviously, to a significant degree, the dispute policy is an effort to protect the interests of the senior user of a name, but in this key respect it falls short of the mark.

Giacalone v. Network Solutions, Inc. and Ty, Inc., No. C-96 20434, 1996 U.S. Dist. LEXIS 20807 (N.D. Cal. June 14, 1996), the third case involving a challenge to NSI's dispute policy, is the first in which a court enjoined a trademark holder from interfering with use of the domain. The court enjoined defendant Ty, Inc. ("Ty"), a stuffed toy manufacturer that owns a trademark registration for the word TY superimposed on a heart ("TY and design") for stuffed toys, from interfering with Giacalone's right to use the ty.com domain pending final judgment on the complaint. The court further required Ty "to take any and all steps

18 *See Data Concepts Inc. v. Digital Consulting Inc. and Network Solutions Inc.*, No. 3-96-0429 (M.D. Tenn. May 20, 1997).

necessary to see that Plaintiff's right to use the domain is undisturbed and not suspended or interfered with in any way, due to the past, present or future efforts of the Defendant Ty in contacting third parties and seeking suspension of Plaintiff's right to use the name by alleging trademark infringement claims." Ty's appeal was pending when the case settled.[19]

The court apparently had been unmoved by Ty's claim that because Giacalone, a computer consultant, had included on his web site, accessed by using the URL <http://www.ty.com>, comments analogizing his web software to children's toys, trademark infringement or dilution was manifest.

The case raises two important issues relevant to the dispute policy. First, it suggests another aspect to NSI's broad view of what it considers to be an identical mark as is required for purposes of initiating a challenge under the policy. While it may not be surprising that NSI viewed <roadrunner.com> (the domain) and ROAD RUNNER (the trademark) to be identical, it requires a greater stretch to conclude that <ty.com> (the domain) and TY and design (the trademark) are also identical. The fact that NSI ultimately determines whether names are identical on a case-by-case basis casts another element of uncertainty into the mix.[20]

Second, the NSI dispute policy overlooks the very real possibility that many different parties may each legitimately claim equal rights to use a particular mark or name. Giacalone, who chose the domain <ty.com> as a tribute to his son "Ty", alleged that at least four U.S. trademark registrations exist for TY for such diverse goods as jewelry, screws, sausage processing machinery, and brushing tools. Plaintiff's Memo of Points & Authorities in Support of Preliminary Injunction Order to Show Cause, p.9. In responding to the U.S. Trademark Office's initial rejection of the TY and design application due to a pre-existing registration of TY TARGET for dolls, Ty relied on the same principle, arguing that no likelihood of confusion existed because "Ty" was a first name entitled to only a "narrow scope of protection" and because different images were evoked by "TY within a heart, and TY TARGET". Response to TY and design Office Action, August 23, 1990.[21]

The dispute over the <pike.com> domain further illustrates this inherent inequity in NSI's dispute policy. In *Pike, et al v. Network Solutions, Inc. et al.*, No. 96-CV-4256 (N.D. Cal. filed November 25, 1996), Peter Pike ("Mr. Pike"), a California realtor, obtained the domains <pike.com>, <pike.net>, and <pikenet.com>, using them in his real estate business. Subsequently, Floyd S. Pike Electrical Contractor, Inc., ("Pike Electrical"), a North Carolina

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19 NSI had stipulated that if the injunction issued against Ty, Inc., NSI would take no action with regard to the domain, pending final judgment. Before final judgment was reached, the parties settled and, in exchange for an undisclosed amount, Giacalone transferred the <ty.com> domain to Ty, Inc.

20 Note that NSI's Revision 03 requires that a challenger hold a trademark that is identical to the domain name with no accompanying design. *See also* footnote 13 *supra*.

21 The trademark examiner apparently was persuaded and the registration issued.

power line repair company, initiated a challenge to Mr. Pike's retention of <pike.com>, submitting to NSI a U.S. trademark registration of PIKE, in stylized letters, for electrical power line installation and repair and related services. Mr. Pike trumped that registration with a Tunesian registration for PIKE, recently issued. NSI responded by allowing Mr. Pike to keep the domain (after he agreed to indemnify NSI). Subsequently, however, NSI modified its dispute policy to preclude a domain holder from relying on a trademark registration that issued after the initial challenge, which had been the case with <pike.com>. Pike Electrical then initiated a new challenge to the domain, and NSI indicated it would cut off the domain in 30 days. Mr. Pike then brought suit, *inter alia*, against NSI for breach of contract and against Pike Electrical for a declaration of non-infringement. NSI was dismissed without prejudice on February 10, 1997. The case has been referred to a magistrate judge to oversee settlement talks, and an early neutral evaluator has been appointed.

Clue Computing v. Network Solutions, Inc., No. 96-CV694, Division 5 (D. Co. filed June 13, 1996), another challenge to NSI's policy, involved several firsts: the first domain case filed in state court; the first preliminary injunction issued against NSI (June 25, 1996), precluding NSI from interfering with the <clue.com> domain; and NSI's first attempt to try its interpleader theory in federal court, filing a suit in which it offered to deposit the domain name with the court and asked that Clue Computing be restrained from pursuing the state court action, that the federal court handle the case, and that NSI be released and discharged from any liability (*Network Solutions, Inc. v. Clue Computing, Inc. and Hasbro, Inc.*, 946 F.Supp. 858 (D. Co. 1996)).

While procedurally unique, the *Clue* case appears factually reminiscent of *Roadrunner*, discussed above, and of *Hasbro, Inc. v. Internet Entertainment Group., Ltd.*, No. C96-130WD (W.D. Wash., filed January 26, 1996), discussed below, which involved the domain <candyland.com>. Clue Computing, a computer consulting firm, obtained the domain <clue.com> in August of 1994 and began using it shortly thereafter. On January 26, 1996, Hasbro, Inc. submitted its trademark registration of CLUE for board games, which dates back to the 1950s, to NSI. Lacking a trademark registration certificate, Clue Computing filed suit to prevent the loss of the domain.

Ultimately, NSI's effort to move the case to federal court and to interplead the domain failed; the court ruled that NSI could not fulfill the interpleader requirement of depositing the domain name with the federal court because the domain was not under NSI's control so long as the state court's injunction was in effect. *Network Solutions, Inc. v. Clue Computing, Inc.* and Hasbro, Inc., 946 F. Supp. 858 (D. Colo. 1996). The federal court then dismissed the claim and denied NSI's motion for reconsideration. In January 1997, bringing the litigation full circle, Hasbro filed a federal trademark infringement suit against Clue Computing, which is currently pending. *Hasbro, Inc. v. Clue Computing, Inc.*, No. 97-CV-10065 (D. Mass. filed Jan. 10, 1997).[22]

22 NSI has been named as a defendant in at least seven additional cases: *Panavision International v. Toeppen*

While challenges to NSI and its dispute policy remain on several court dockets, and new challenges to domain names are brought under NSI's dispute policy every day, changes to the Domain Name System are also being implemented (*see below*). These changes will significantly alter the landscape regarding domain name disputes and the role of the registrars (whether NSI or others) in such disputes.

Despite the above litigation, two recent California cases, *Lockheed Martin Corp. v. Network Solutions, Inc.*, 44 USPQ 2d (BNA) 1865, 1997 US Dist LEXIS 19273 (C.D. Cal 1997), and *Academy of Motion Picture Arts and Sciences v. Network Solutions, Inc.*, 45 USPQ 2d (BNA) 1463 (C.D. Cal. 1997) may help insulate NSI from liability in future domain name disputes. The *Lockheed* court found NSI was not a contributory trademark infringer merely by registering the domain. The *Academy* court reached the same result on infringement, and on the Academy's dilution claim, held that NSI's act of registering an Internet domain name that embodies another party's registered trademark does not constitute a commercial use of the mark, and thus does not constitute conduct prohibited under the Federal Trademark Dilution Act of 1995.

A New Approach

The issue of domain names and trademark conflicts now plays out on the world stage. On February 4, 1997, the IAHC, the 11-person International Ad Hoc Committee created by the Internet Society in October 1996 at the request of IANA, issued its plan for the modification and enhancement of the gTLD space.[23] The IAHC had been charged with responsibility for reviewing, modifying as appropriate, and implementing, as warranted, the provisions of the Postel Proposal for enhancement of the Domain Name System, already approved, in concept, by the Internet Society Board of Directors, which plan called for the creation of up to 150 new gTLDs in the first year (1996) alone, with more to follow.[24] Although the IAHC plan has

Corporation and Network Solutions Inc., 96-CV-20551 (N.D. Cal. filed July 9, 1996)(dismissed) involving <regis.com>; *American Commercial Inc. v. Sports & Leisure International, Inc., et al.*, Case 96-CV-713 (C.D. Cal., filed July 25, 1996) involving <mikasa.com>; *Juno Online Services, L.P. v. Network Solutions, Inc.* 96 CV 01505 (E.D. Va., filed Oct. 18, 1996, NSI has been dismissed; case transferred to N.D. Ill.) involving the domain name <juno.com>; *Lockheed Martin Corp. v. Network Solutions, Inc.*, No. CV 96-7438 DDP (Anx) (C.D. Cal., filed Oct. 22, 1996) involving <skunkworks.com>, <skunkworks.net>, <skunkwerks.com> and <skunkwrks.com> (discussed further in section I.E.); and *Futuredontics Inc. v. Network Solutions, Inc.*, Civ. No. BC 177549 (Ca. Sup. Ct. Los Angeles County, filed Sept. 8, 1997) involving <1800dentist.com> and <800dentist.com>.

23 The author, Sally M. Abel, was a member of the IAHC, serving as the International Trademark Association's (INTA) representative. Other organizations naming representatives included two United Nations treaty organizations—The World Intellectual Property Organization (WIPO) and the International Telecommunications Union (ITU)—the Internet Society (ISOC), the Internet Architecture Board (IAB), the Internet Assigned Numbers Authority (IANA), and the National Science Foundation (NSF).

24 As an historical aside, before the Postel Proposal had gained significant momentum, another proposal, which circulated briefly and was quickly withdrawn, would have done away with domain names based on mnemonics (the essential character of SLDs) and simply used numbers instead. While such an approach would have eliminated all but the very rare SLD policing concern for the business community, it is doubtful that the marketing arms of that same community would have been enamored of such a radical about-face.

been preempted by the U.S. government (see below), its details remain important as the IAHC will likely have continuing influence in determining domain name policy going forward.

The IAHC plan, designed to be self governing in nature, was formalized in a gTLD Memorandum of Understanding ("gTLD MoU"), signed in Geneva on May 1, 1997 (the gTLD MoU and the list of signatories is available at <www.iahc.org>). At least 170 companies and organizations worldwide signed the proposal or declared their intent to sign. The private company signatories included several prominent members of the global Internet community, including Internet access providers, Internet backbone service providers, and telecommunications companies, along with governmental and non-governmental organizations.[25]

To increase the available name space and reduce the cachet of the .com gTLD, while at the same time being mindful of increased trademark policing concerns as the domain space expands, the IAHC plan (now typically referred to as the "gTLD-MoU" after the document in which the plan is memorialized) would have added seven new gTLDs, bringing the total generally available to ten (including .com, .org, and .net). IAHC would have added the following:

> .firm, for businesses or firms;
>
> .store, for businesses selling goods;
>
> .web, for entities emphasizing activities involving the world wide web;[26]
>
> .arts, for entities emphasizing cultural and entertainment activities;
>
> .rec, for entities emphasizing recreational entertainment;
>
> .info, for sites offering information services; and
>
> .nom, for sites supported by individuals.

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25 Having accomplished this phase of its mission, the IAHC dissolved itself. An interim Policy Oversight Committee (iPOC) is now working to implement the plan, including the development of CORE, the council of registrars. A draft of the CORE MoU is now available at <www.gtld-mou.org>. The CORE, a permanent Policy Oversight Committee (POC), and a policy advisory board (PAB) made up of all interested entities/individuals, essentially will administer the gTLD system.

26 Online Design, a private company claiming it had the sole right to administer the top level domain .web brought suit against IAHC, seeking a temporary restraining order to prevent the organization's plan from going into effect. The court denied injunctive relief and Online Design voluntarily withdrew its claim. Nevertheless, in early May 1997, Online Design claimed in e-mail and Internet postings that it would continue to administer the .web domain.

The plan contemplated numerous registrars dispersed worldwide (over 80 had qualified by November 1997), who would have shared the administration of all of the gTLDs. Within the gTLD space, registrar policy would have been uniform as to, among other things, information required of a domain name applicant before a domain would be assigned.

Mindful of the inequities inherent in NSI's dispute policy, the IAHC plan, as initially conceived, recognized the essential role of the courts in resolving trademark disputes.[27] The plan did, however, include elements that would have assisted trademark holders in policing their marks by requiring enhanced information about each registrant. Under the NSI registration policy, a registrant is required to provide only abbreviated contact information and details about the Internet server it will use. By contrast, each applicant for a domain name in the new gTLD space would have submitted a detailed application, including not just accurate and complete contact information, but also an explanation as to the applicant's interest in the SLD it has chosen and its intended use for the domain.[28] In addition, and importantly, the applicant would have been required to agree to submit to the jurisdiction of appropriate courts in the country where the domain registrar is located and to appoint an agent for service of process. This requirement was designed to ensure that the trademark owner would have at least one guaranteed venue (there may or may not be others depending on the circumstances of business activities, use of the domain, and nationality of the parties) in which to pursue infringement litigation if necessary.

Under the IAHC plan, upon submission to the registrar, SLD applications would have been published on a publicly available website.[29] Trademark owners and search firms would therefore have had immediate access to all such information. Such improved information likely would have proven an effective tool both for routine policing and for pursuing infringers.[30]

In addition, the IAHC plan included alternative dispute resolution mechanisms, including on-line mediation and arbitration, as well as a novel "administrative challenge" approach intended to provide an effective enforcement tool, particularly for preemptive purposes.

27 But see discussion of newly revised proposed administrative challenge panels guidelines, *infra*.

28 Applications for renewal, which would be required annually, would also contain this information.

29 The initial draft of the IAHC plan contained a 60 day waiting period following publication on the web site before a domain would be assigned. The purpose of the waiting period was to enable trademark owners to engage in routine policing efforts and, where a problem appeared, to give the trademark owner and the domain name applicant time to attempt to work out their differences, if any, before the domain applicant made a substantial investment in a domain name it might have to change. As such, the waiting period was intended to minimize the instances in which such disputes escalated to litigation. Due to a groundswell of opposition to the mandatory nature of the waiting period, principally voiced by members of the Internet community to whom such a waiting period was anathema to the open, essentially free and instantaneous nature of the domain name system specifically, and the Internet generally, the IAHC modified the plan to include only a voluntary waiting period.

30 The additional requirement that an applicant prepay before a domain will be assigned would be a further deterrent to some cybersquatters intent on making a "fast buck".

Under this approach, an owner of "intellectual property rights" could have directly challenged a SLD, either before or after the SLD had been assigned to a domain applicant. For example, upon a challenge by Microsoft, an administrative challenge panel (ACP), composed of experts on trademark law and on the Internet, might have concluded that no one other than Microsoft could obtain "microsoft" as a SLD in a particular gTLD space or, possibly, in any gTLD space, depending on the relevant circumstances and the showing made. What those relevant circumstances would have been and how such a challenge might have been resolved however, remains unclear.

Government intervention, however, has essentially mooted the IAHC plan. The White house has now assumed responsibility for the transition of the administration of the domain name system to a wholly non-governmental entity. On June 5, 1998, the Administration released its Policy Statement on the Control of the Internet Domain Name System.[31]

The document encourages the private sector to create a non-profit, U.S. based company which would take over most existing IANA functions. The new corporation would oversee the creation of a competitive market of registrars, registries, and gTLDs, while the government "ramps down" NSI's current monopoly control over these functions. The Statement suggests that the new corporation should be formed by late 1998, and that the total transition of IANA functions should be completed by October 30, 2000.

Notably, the Policy Statement is short on specifics, beginning instead with a statement of principles to guide the transition.[32] Many difficult questions are left to the newly formed corporation. For instance, the Administration declines to add any new gTLDs (in contrast to its proposal for 5 new gTLDs contained in the earlier draft referred to as the "Green Paper")[33], and recommends some measures that might be implemented regarding trademark disputes involving domain names. It also suggests that the new corporation be formed by a temporary "interim board" made up of representatives from a mix of global technical, business, and other interests. Accordingly the intense debate over domain name policy will likely continue after a short respite, once the new corporation forms and begins setting its policies in more detail.

The Courts Weigh In On Trademark/Domain Disputes

U.S. Courts

Beyond questions of domain name registry policy and Internet governance issues, lies the reality that no matter what registry policy or policies ultimately are adopted, disputes

31 The Policy Statement can be found at http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm.

32 The four principles mentioned in the statement are Stability, Competition, Private (Bottom-up) Coordination, and Representation.

33 The Green Paper is at www.ntia.doc.gov/ntiahome/domainname/dnsdrft.html.

invariably will arise, as has always been true in the more traditional trademark and trade name arena, and courts will be called upon to resolve those disputes. In the last year, several federal courts reached the merits of some such domain disputes. In most of these NSI was not an active participant.

One of the earliest decisions has so far remained the most extreme. In an unreported case, an Illinois federal court reached a final judgment that the *reservation alone* of someone else's famous trademark as a domain name constitutes trademark infringement and dilution. *Actmedia, Inc. v. Active Media, Int' l, Inc.*, No. 96C 3448, 1996 U.S. Dist. LEXIS 20814 (N.D. Ill. filed July 12, 1996). The cases decided since then have suggested limitations on this extreme view.

In a recent Oregon case, for example, a federal district court granted summary judgment against a trademark infringement claim that was based on the use of another company's registered trademark as part of a domain name. *Interstellar Starship Services, Ltd. v. Epix, Inc.*, 45 U.S.P.Q.2d 1304 (D. Or. 1997).

Epix, Inc. was the owner of a federal registration for the mark EPIX for "printed circuit boards and computer programs for image acquisition, processing, display and transmission." Interstellar Starship Services registered and used the domain name <epix.com>, and Epix, Inc. charged Interstellar with trademark infringement. However, the court found that Interstellar only used its epix.com web site to publicize the activities of a theater group production called "The Rocky Horror Picture Show." Interestingly, the court concluded that Interstellar's use of <epix.com> could confuse actual or potential customers of Epix, Inc. "initially," because they might go to the Interstellar web site when they were seeking Epix, Inc. But the court held that the differences between the parties' goods and services were such that Epix, Inc.'s customers "could not be seriously confused" by the use of the domain name.

Of course, registration of another's Mark as a domain name has been held to infringe trademark rights in a number of cases, but these have commonly involved more than mere registration.

Three courts have entered orders against a well-known cybersquatter and alleged domain name pirate, Dennis Toeppen, for example, based on his registration and "use" of another's famous mark, and the Ninth Circuit recently affirmed one of those decisions in an important decision on the scope of "dilution" in the Internet/domain name content.

On September 3, 1996, in *American Standard, Inc. v. Toeppen*, 96 CV 02147, 1996 U.S. Dist. LEXIS 14451 (C.D. Ill. filed May 31, 1996), Toeppen was first preliminarily enjoined from using the AMERICAN STANDARD trademark and the <americanstandard.com> domain name and was ordered to transfer the domain name to the plaintiff, American Standard, Inc., for the pendency of the action. The case has been dismissed, and American Standard continues to use the domain to promote its air conditioning, automotive, medical systems and plumbing businesses.

Toeppen lost again in federal court a few months later. *Intermatic, Inc. v. Toeppen*, 947 F.Supp. 1227 (N.D. Ill. 1996). The plaintiff, Intermatic, Inc., which had used its INTERMATIC trade name and mark in connection with its electronics business since 1941, sued Toeppen, who had registered the domain name <intermatic.com>, for dilution and trademark infringement. On Intermatic's motion for summary judgment, the court ruled against Toeppen, holding that Toeppen's registration and use of the <intermatic.com> domain name constituted dilution of a famous mark. The court held that obtaining a domain name with the intent to "arbitrage" the name represented a commercial use, and that its effect was to dilute the mark within the meaning of the new Federal Trademark Dilution Act. The court further held that questions of fact on the issue of likelihood of confusion prevented it from reaching summary judgment on Intermatic's claim of trademark infringement.

Toeppen suffered his third loss in court against plaintiff Panavision International, the well-known Hollywood camera and lens maker that distributes its motion picture equipment under the familiar PANAVISION and PANAFLEX marks. Following the reasoning of *Intermatic*, the district court held Toeppen's registration and "use" of the <Panavision.com> and <Panaflex.com> domain names constituted dilution. *Panavision International v. Toeppen*, 945 F.Supp. 1296, 1996 U.S. Dist. LEXIS 19698 (C.D.Cal. 1996), *aff'd* 1998 U.S. App. LEXIS 7557, 98 Daily Journal D.A.R. 3929 (9th Cir. April 17, 1998).

On appeal, the Ninth Circuit affirmed the summary judgment against Toeppen, interpreting the "commercial use" and "dilution" elements of a federal antidilution claim in the Internet context. First, apparently accepting that registration of a trademark as a domain name without more does not constitute "commercial use," the appeals court held that registration in order to prevent rightful trademark owners from doing business on the Internet under their trademarks unless they paid Toeppen's fee constituted commercial use of the marks. *Id*. at *25. Second, focusing on the Act's definition of dilution— "the lessening of the *capacity* of a famous mark to identify and distinguish goods or services," 15 U.S.C. §1127 [emphasis added]—the Ninth Circuit emphasized that it need not rely on traditional notions of dilution such as "blurring" or "tarnishment." Rather, since potential customers commonly try to find a company on the Internet by using its famous mark to locate the company's web site, the court agreed with the *Intermatic* holding that depriving a trademark owner of the power to use its mark as its domain name "lessens the capacity of [the trademark owner] to identify and distinguish its goods and services by means of the Internet." *Id*. at 30, *citing Intermatic Inc. v. Toeppen*, 947 F.Supp. 1227, 1240 (N.D. Ill. 1996).[34]

34 The Panavision decision is also noteworthy for affirming the California federal court's exercise of personal jurisdiction over Toeppen, an Illinois resident, as discussed in section II.B.

Contrary to the *Actmedia* decision referred to above, which held that domain name registration along of a famous mark represented infringement, a federal court has more recently held that registration of a domain name alone, without use, does *not* constitute infringement or dilution. In *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 44 USPQ2d (BNA) 1865, 1997 U.S. Dist. LEXIS 19273 (C.D. Cal. 1997), Lockheed sued NSI alleging trademark infringement and dilution of its registered trademark SKUNK WORKS. Specifically, Lockheed alleged that by awarding registrations of the domain names <skunkworks.com>, <skunkworks.net>, <skunkwrks.com>, and <skunkwerks.com> to multiple parties other than Lockheed, NSI had infringed and caused dilution of Lockheed's mark. NSI moved to dismiss on the grounds that the registrants of each of these domains were indispensable parties to the suit which Lockheed had failed to join. The Central District of California district court denied NSI's motion, finding that these parties were potential joint tortfeasors along with NSI, and as such, these parties were "permissive" rather than indispensable parties to the suit. In reaching its conclusion, however, the court commented that it seemed "unlikely" that NSI's registration of SKUNK WORKS type domain names would, by itself, violate the Lanham Act.

The court later granted NSI's motion for summary judgment on the grounds that NSI has not made a commercial use of domain names as trademarks, and therefore cannot satisfy the commercial use element of 15 U.S.C. Sec. 1125c. 1997 U.S. Dist. LEXIS 19273, at *1, *31-37. The court further concluded NSI was not liable for contributory infringement because the knowledge requirement was not satisfied, *i.e.*, there was no evidence that NSI knew or had reason to know of an infringing use of the domain name by the registrants.

In *Planned Parenthood Federation of America Inc. v. Bucci*, 42 USPQ2d (BNA)1430 (S.D.N.Y. 1997), use of the domain in question, <plannedparenthood.com>, was beyond dispute, but the character of that use was at issue. The defendant, Richard Bucci, an anti-abortion activist and the host of a radio show called Catholic Radio, obtained and used the domain at least in part to attract individuals who believed in abortion to his site. That site, <www.plannedparenthood.com>, carried an opening banner that read, "Welcome to the PLANNED PARENTHOOD HOME PAGE" and promoted an anti-abortion text called *The Cost of Abortion*. *Id*. at 1432. Planned Parenthood, which owned incontestable registrations for the mark PLANNED PARENTHOOD, which it had used in connection with its reproductive health services for 50 years, brought suit for trademark infringement and dilution under the Lanham Act.

Bucci first argued that there was no subject matter jurisdiction under the Lanham Act, as his was non-commercial speech. Noting that in a prior hearing in the case the defendant had admitted that his use of the plaintiff's mark was use in commerce as defined by the Act, the court quickly rejected Bucci's attempted retrenchment. The court held that the "in commerce" requirement was satisfied for two reasons. First, Bucci's actions affected

Planned Parenthood's ability to offer its health and information services which unquestionably were rendered in commerce. Second, the fact an Internet site must be accessed via interstate telephone lines means that putting up a home page, with unrestricted access, satisfies the in commerce requirement of the Lanham Act. The breadth of these conclusions, particularly the latter, likely will be scaled back in future decisions. *But see Jews on Jesus v. Brodsky*, No. CIV A 98-274 (AJL), 1998 WL 111676 (D.N.J. Mar. 6, 1998).

Finding subject matter jurisdiction under the Lanham Act, the court then found the commercial use requirements of 15 U.S.C. Section 1114 (infringement of a registered trademark), 15 U.S.C. Section 1125(c) (dilution), and 15 U.S.C. Section 1125(a)(1)(A) (false designation of origin) were satisfied for three reasons: the defendant was promoting the sale of a book (though he did not benefit monetarily from those sales), the defendant solicited funds for his political activities, and the defendant's actions harmed the plaintiff's ability to distribute its services by preventing some Internet users from reaching the real Planned Parenthood site.

In its discussion the court noted "whether defendant's use of the mark is commercial within the meaning of the Lanham Act is a distinct question from whether defendant's use of the mark is protected by the First Amendment." *Planned Parenthood* at 1437. However, after finding the use to be commercial, and concluding that a likelihood of confusion exists, the court went on to reject Bucci's First Amendment defense on the basis that the use being made was more as a source identifier than as part of the "communicative message", the latter being protected speech, but the former not. *Id.* at 1440.

The Second Circuit summarily affirmed the lower court (unpublished table decision, _____ F.3d _____ (2nd Cir. 1998)). Beyond the commercial speech issues, the case is of interest for the court's likelihood of confusion analysis: the court essentially eliminates two prongs of the multi-factor *Polaroid* test as applied to disputes on the Net. The court's conclusion that because both parties have web sites, the parties' goods and services are in close proximity to each other (*Id*. at 1438), taken to its logical conclusion, would significantly eliminate this factor of likelihood of confusion analysis whenever adverse parties have web sites on which the marks/names in question appear. Likewise, concluding that the bridging the gap factor need not be considered because both parties have web sites (*Ibid*.), overlooks the substantive aspect of this factor and attributes too much to the "market" of the web. Again, this approach proves too much: one could just as easily conclude that bridging the gap is an unnecessary inquiry between two companies engaged in national distribution of their respective products because they are both in the U.S. market. While the court reached the right result on both of these prongs of the likelihood of confusion test, it did so for the wrong reasons, reasons which may continue to reverberate in Internet case law for some time.

Finally, in another recent domain name decision, *Cardservice Int' l, Inc. v. McGee*, 950 F. Supp. 737 (E.D. Va. 1997), the court found infringement of the plaintiff's registered CARDSERVICE INTERNATIONAL mark for credit card and debit card processing and related services. The defendant, Webster McGee, had registered the domain <cardservice.com> and set up a web site advertising credit card processing services using the name "EMS—Card Service on the Caprock." McGee claimed that he was not violating the plaintiff's mark because his business name used the words "card" and "service" separated by a space; the space was omitted only from the domain name, and only because spaces are not permitted by Internet protocol. However, the plaintiff submitted evidence showing that McGee intended to use "guerrilla warfare" on the Internet against Cardservice International, that he had also registered <csimall.com> (the "csi" having been derived from the plaintiff's trademark), and that he was using the web sites to direct users to the plaintiff's competitors. The court, characterizing McGee's behavior as "malicious," issued a permanent injunction against him and ordered him to pay the plaintiff's attorneys fees.

Non-U.S. Courts

Although domain name disputes, particularly those surrounding the .com TLD, are often perceived as involving U.S. interests only, courts throughout the world are now deciding trademark cases involving domain names.

The *Prince* case appears to be the first domain name dispute to involve parties and courts in two different countries. The case revolves around the <prince.com> domain which Prince PLC, a British computer services company, obtained via NSI in February 1995. Prince PLC also obtained the domain <prince.co.uk>. When Prince Sports Group, Inc., a U.S. manufacturer of tennis rackets and other sporting goods, tried to register the <prince.com> domain, it learned from NSI that the name was already taken. Prince Sports Group registered several other domain names instead, including <princetennis.com> and <princesportsgroup.com>, but the U.S. company also launched an effort to obtain <prince.com> from Prince PLC.

In order to trigger NSI's dispute policy, Prince Sports Group-which has several trademark registrations for PRINCE in both the U.S. and the UK-sent a demand letter to Prince PLC in the UK. The letter threatened litigation if the British company did not assign the <prince.com> domain to Prince Sports Group and agree not to use PRINCE as any part of any new domain name they may select. Prince PLC does not own a trademark registration for its PRINCE service mark in the UK or elsewhere.

Prince Sports Group then initiated a domain name dispute with NSI, enclosing a copy of its demand letter to Prince PLC along with copies of its valid preexisting U.S. trademark registrations. Under the provisions of NSI's dispute policy, Prince PLC was given 30 days to either relinquish the <prince.com> domain, produce a valid preexisting trademark registration, file a legal action "in any court of competent jurisdiction in the United States," or do nothing and have its domain put on hold.

With only one day remaining before <prince.com> would be put on hold, Prince PLC opted not to comply with NSI's dispute policy and instead filed a civil action against Prince Sports Group in the High Court in London pursuant to section 21 of the UK Trade Marks Act of 1994. Prince PLC sought declarations from the UK court that its registration of the <prince.com> domain did not infringe Prince Sports Group's trademark rights and that Prince Sports Group's allegation of infringement and threats of legal action were unjustified, and sought to enjoin Prince Sports Group from continuing to threaten legal action based on Prince PLC's use of the <prince.com> domain.[35] *Prince PLC v. Prince Sports Group, Inc.* CH1997—P2355 (Mr. Justice Neuberger presiding, filed July 30, 1997. Despite the fact that Prince PLC had not satisfied the requirements of NSI's dispute policy, NSI nonetheless did not put the <prince.com> domain on hold but instead deposited it with the UK court for disposition.

While the British case was pending, Prince Sports Group sued both NSI and Prince PLC in U.S. federal court. *Prince Sports Group v. Prince PLC, et al.*, No. 97CV03581 (D.N.J. filed Jul. 3, 1997).

On July 31, 1997, the UK court ruled that Prince Sports Group's threats were unjustified and issued an injunction preventing the U.S. company from repeating its threats. However, the UK court would not go so far as to declare that Prince PLC's use of the <prince.com> domain name did not infringe Prince Sports Group's registered UK trademarks. The UK court stated that it declined to get involved in the legal battle over domain name ownership because it might be construed as undue interference in the U.S. lawsuit filed by Prince Sports Group.[36] The ruling left Prince PLC in control of the domain and the case subsequently settled with Prince Sports Group dropping its U.S. lawsuit and Prince PLC retaining ownership of the domain.

On the cybersquatting front, in Marks & Spencer PLC, et al v. One in a Million, et al, Nos. CH 1997 M5403, M.5404, J.5402, V.5401 and B.5421 (November 28, 1997), the High Court of Justice, Chancery Division, recently enjoined the activities of two cyber-dealers and their related companies, who had obtained and were offering for sale or "hire" numerous domain names containing well known marks, such as burgerking.co.uk, motorola.co.uk, britishtelecom.co.uk, spice-girls.net and virgin.org. In this group of cases, the court enjoined the "threat of passing off" (which threat would become a reality if an offending domain was sold to and used by a stranger to the trademark owner), issuing a warning to cybersquatters:

35 Unlike in the U.S. where "cease and desist" letters threatening legal action for trademark infringement are commonplace, the UK Trade Marks Act makes it unlawful for the owner of a UK trademark registration to make unjustifiable threats of legal proceedings for such infringement. Section 21 of the law provides for declaratory and injunctive relief as well as damages for those harmed by such threats.

36 The UK court commented in denying Prince PLC's request that it was unclear for what purpose this further declaration was being sought other than to provide Prince PLC with leverage in the U.S. lawsuit.

> "Any person who deliberately registers a domain name on account of its similarity to the name, brand name or trademark of an unconnected commercial organization must expect to find himself on the receiving end of an injunction to restrain the threat of passing off, and the injunction will be in terms which will make the name commercially useless to the dealer."

Judgment, November 28, 1997. In addition to the threat of passing off, the court also based its "final injunctions" on grounds of trademark infringement, concluding that the defendants' activities were inherently likely to confuse.

The *One in a Million* case was preceded by one involving Harrods, the internationally known department store, and the domain <harrods.com>. Although the Chancery Division of the High Court of Justice declined to reach final judgment on the merits, the court enjoined the domain holder, UK Network Services Limited, an Internet service provider, and other defendants from infringing the Harrods name and mark and ordered release of the <harrods.com> domain name. *Harrods Limited v. UK Network Services Limited*, 1996 H 5453. Mr. Justice Lightman presiding, ordered December 9, 1996).

The United Kingdom's Royal Courts of Justice have also created legal precedent involving ".co.uk" domains (".uk" is the ISO country code TLD for the United Kingdom, and ".co" is used to demonstrate commercial entities, similar to the .com TLD in the U.S.). In a case involving the name <pitman.co.uk>, the court ruled that anyone may obtain a domain name that has not already been assigned to another party. The <pitman.co.uk> domain was initially assigned to Pearson Professional Limited ("Pearson") on February 16, 1996, though Pearson did not begin using the domain immediately. On March 31, 1996, another company, PTC, obtained the domain name through an agent and began to use it for e-mail purposes. At Pearson's request, the registry, Nominet UK, returned the domain name to Pearson in accordance with Nominet UK's "first come, first served" rule, cutting off PTC's e-mail. PTC sued. On May 22, 1997, the court reaffirmed the "first come, first served" principle and Pearson's right to the domain name.

Outside the United States, German courts appear to have taken the lead in deciding domain name disputes. To date, German courts have decided at least 15 such cases, and more than 20 additional cases are pending. In the first and most well-known case, a court in Mannheim held that the assignment of the domain name <heidelberg.de> to a private party (".de" is the ISO country code TLD for Germany) infringed the City of Heidelberg's superior rights. *Landgericht Mannheim*, March 8, 1996, 7-O-60/96. The city of Kerpen appears not to have faired as well in a dispute over <kerpen.de>, where the Köln court ruled that the domain does not represent usage of the name of the city. *Landgericht Köln*, December 17, 1996, 3 O 477/96.[37]

37 There appear to be other cases on this theme: one involving the domain <braunschweig.de> (*Landgericht Braunschweig*, January 28, 1997, 9 O 450/96), and another involving <cella.com> (*OLG Celle*, March 21, 1997, 13 U 202/96).

Two other cases highlight the fact that, under German law, any activity on the Internet that is visible in Germany brings the actor under the jurisdiction of the German courts. A court in Berlin recently enjoined use by MCN, a Kansas City web design, Internet service, and domain name brokerage firm, of <concertconcept.com>, <concertconcept.de>, <concert-concept.com>, and <concert-concept.de>, as violating the rights of a German company in its trade name and mark. Landgericht Berlin, November 20, 1996, 5 U 659/97, 97 o 193/96 (upheld on appeal March 25, 1997). The court specifically noted that it is irrelevant to German jurisdiction whether the defendant's host computer was in the U.S. or whether the domain was registered in the U.S.—the only relevant criteria is that the web site can be read in the district of the court.[38]

A Dusseldorf court reached the same conclusion, albeit in dicta, in a dispute involving the domain <epson.de>. In ordering removal of the defendant's domain registration, the court offered that it makes no difference whether the TLD is .com or .de, so long as the web site with which the domain is used is visible in Germany. *Landgericht Dusseldorf*, April 4, 1997, 34 O 191/96.[39]

The courts in the Netherlands have decided at least four cases concerning domain name disputes. Perhaps the most interesting involved a group of banks and insurance companies, who together sued IMG Holland N.V., a stock brokerage, for obtaining each plaintiff company's name as an SLD in the .com TLD space-for example <labouchère.com>—and using each of the domains as on addresses for a single web site containing information relevant to the plaintiffs' activities.[40] *Labouchere et al. v. IMG Holland*, President District Court Amsterdam, May 15, 1997, Rechtspraak van de Week 1997, nr. 193. On May 15, 1997, the District Court at Amsterdam granted an injunction against IMG's continued use of the domains, and found IMG's conduct in obtaining the domains to be tortious, concluding that despite the fact that the site itself disclosed that the information it contained originated from IMG, consumers were likely to assume the information came from the plaintiffs, and the plaintiffs were precluded from establishing their own web sites under their own names. In so ruling, the court rejected IMG's argument that the plaintiffs were not harmed because they could obtain the identical SLDs in the .nl ISO country code TLD, concluding that was insufficient consolation for the plaintiffs because .com is the most common TLD for international commerce.

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38 However <www.concertconcept.com> still resolves at MCN's web site.

39 Other decisions in Germany include: <huerth.de>: *Landgericht Köln*, December 17, 1996, 3 O 478/96; <pulheim.de>: *Landgericht Köln*, December 17, 1996, 3 O 507/96; <toyota.de>: *Landgericht Köln*, June 14, 1996; <celle.de>: *Landgericht Lüneburg*, January 29, 1997, 2 O 336/96; <wirtschaft-online.de>: *OLG Frankfurt a.M.*, February 13, 1997, 6 W 5/97; <auv.de>: *Landgericht Frankfurt*, May 28, 1997, 2-6 O 125/97; <das.de>: *Landgericht Frankfurt*, February 26, 1997 (3.3.97), 2/06 O 633/96; <krupp.de>: *Landgericht Bochum*, April 24, 1997; <lego.de>, and <juris.de> (see above).

40 The other domains in question were: <banklabrouchere.com>, <banklabouchere.com>, <snsbank.com>, <staalbankiers.com>, <deltalloyd.com>, <ohra.com> and <vsbbank.com>. The plaintiff banks (individually) own the trade names/services marks LABOURCHERE, BANKLABOURCHERE, SNSBANK, STAALBANKIERS and VSB. The plaintiff insurance companies (individually) own the service marks DELTALLOYD and OHRA.

The other three cases in the Netherlands all involved domains in the .nl TLD (.nl is the ISO country code TLD for the Netherlands). In an unpublished decision issued August 29, 1996, applying likelihood of confusion principles, the Amsterdam Court determined that the use of the domain name <xxlink.nl> did not violate the rights of the party that held the Benelux trademark XLINK. The decision was based in part on the finding that there was insufficient similarity in the services offered by the respective companies to give rise to confusion. In the second case, the court decided that, based on the descriptive nature of the term “ouders” (Dutch for “parents”), registration and use of the domain name <ouders.nl> did not infringe the rights of the owner of the Benelux trademark OUDERS VAN NU. In the third case, a Cantonal Judge enjoined the use of the domain name <flevonet.nl>. The challenge was brought by an Internet service provider who operated under the name FLEVONET against the party who subsequently registered the domain name.

The Australian courts may get an opportunity to hear a dispute regarding the domain name <sydney2000.net>. This domain has been registered by an Australian Internet service provider, Asia Pacific Internet Company (“APIC”). The Sydney Organising Committee for the 2000 Olympic Games (SOCOG) has sent a cease and desist letter, and may soon take APIC to court. Commercial use of the phrase “SYDNEY 2000” is expressly prohibited by Australia’s Sydney 2000 Games Indicia and Images Protection Act 1996.

These cases raise national and international issues of trademark law in the context of domain name disputes. As the domain name system continues to evolve and electronic commerce continues to grow, more and more courts throughout the world will be called on to resolve these issues.

Other Trademark Issues in Cyberspace

Beyond domain name problems, trademark issues pop up in a variety of forms in cyberspace. Some are “garden variety” trademark infringements; while the medium may have changed, the legal analysis has remained virtually unaltered. At the same time, however, the web’s commercial explosion has presented trademark holders and the courts with some knotty new issues. For example, as discussed below, the technological ability to create hypertext links from one web site to others and to imbed hidden code called Meta tags in web pages that, although not viewable on the site, can be recognized by Internet search engines, poses novel questions of trademark and unfair competition law (not to mention copyright). Simultaneously, the lack of geographical limits on the Internet has spawned a host of cases regarding jurisdiction. The Internet has also generated some of the first test cases for the new federal anti-dilution statute.

Linking and Framing

One of the most significant technical features that distinguishes the Internet from all other communications media is the ability to dynamically connect multiple documents and elements. These dynamic connections most often appear in the form of “links” or “frames.” It is important to understand the nature of links and frames to understand the context in which they can pose trademark concerns.

Linking comes in two forms. When a net user clicks on an icon or highlighted text segment programmed as a *hypertext reference link*, the link instantly transports the user to another location. The link may lead simply to a particular point within the same web site, but, just as often, the link allows the user to leap from one site to a completely different, unrelated site provided by a different source, across the country or across the world. This latter form of linking, called “linking out,” is what most people mean when they speak of linking. If the user checks the Uniform Resource Locator (URL) address on the browser being used, the address will change from the page where the user started to that of the linked page. In contrast to hypertext reference links, *image links* bring an image contained in a separate file onto the page being viewed. The separate file may be an image file stored on the same server as the link or an image file stored on a separate, unrelated site, which is known as “linking in.” For example, a travel agency advertising trips to Hawaii might link in photographs from hotel, airline, and resort sites to promote bookings. The end result is a web page that appears to be a seamless integration of content and images all provided by the same source.

Framing is another type of dynamic connection that is similar to image linking, but that permits more sophisticated “capture” of content. A framing site brings entire web pages from another site into a window on the original site. Using framing technology a web developer can allow users to scroll through multiple sites simultaneously. For example, our travel agent might have a page that shows an airline’s page in a left hand column window. In the right hand window, the content of the web sites of various destination resorts would display in cycles, that is, a new page, and new resort, would appear every five minutes. Across the bottom of the screen the travel agency might have a ledge, that is, a portion of the screen that does not change so long as the user is at the travel agency’s site. The ledge might contain the agency’s logos, links for navigating within the agency’s site, and advertisements from sponsors.

With both image links and framing, the URL does not change, which may give the impression that the site on which the link is located is an authorized provider of the linked or framed content. To prevent access to image files, web site owners can limit access to the files so that only requests to link from authorized pages are allowed. To prevent a site from being framed, developers add an instruction to the page’s source code so that when the user clicks the link to the page a new window is opened so that the page appears in its own window without the linked to page's frame around it.

The ability to direct users from one site to another using hypertext reference links underpins Internet commerce. Although under some circumstances a party linking to or framing another's site may seek permission, doing so is not the norm. Content providers have been less receptive of framing and image links than they have of hypertext reference links, for which permission to link historically has been regarded as unnecessary.

The first major case to challenge framing on intellectual property theories has settled. In *Washington Post Co. v. Total News*, No. 97-1190 (S.D.N.Y. 1997), Total News provided a web site that featured a list of "name-brand" news services, identified by their trademarks, in a narrow column to the left, an advertising banner across the bottom right of the screen, and a content window in the upper right of the screen. When a user clicked on a news service, that news service's content appeared within the content window on the Total News web site. However, when the news service's content first loaded, its advertisements were obscured by the advertising banner on the Total News web site. Some of the framed sites, such as CNN Interactive, responded by setting their pages to refresh when loaded so that the pages appeared in their own window without the Total News frame.

Although substantially a copyright case, the *Total News* plaintiffs (The Washington Post, Time, CNN, The Los Angeles Times, Dow Jones and Co., and Reuters) also alleged trademark infringement, false designation of origin, and unfair competition. On June 5, 1997, the parties settled with Total News agreeing to cease framing the plaintiffs' web sites in exchange for permission to link to the plaintiffs' web sites using hypertext reference links consisting only of highlighted plain text. Each plaintiff is entitled to revoke permission to link to its site; however, if the defendant refuses to remove the link the plaintiff must convince a court that the link is an impermissible violation of rights under some theory of intellectual property.

A more recent case involving framing, based substantially on copyright claims, has not settled, and has already generated two opinions. *Futuredontics, Inc. v. Applied Anagramics, Inc.*, 45 USPQ2d (BNA) 2005, 1997 U.S. Dist. LEXIS 22249 (C.D. Cal. filed Dec. 2, 1997) (Order Re: Plaintiff Futuredontics, Inc.'s Motion for Preliminary Injunction [Denied]); and *Futuredontics, Inc. v. Applied Anagramics, Inc.*, 45 USPQ2d (BNA) 2005, 1998 U.S. Dist. LEXIS 2265 (C.D. Cal. Feb. 3, 1998) (Order Re: Defendants' Motion to Dismiss [Denied]).

Defendant Applied Anagramics is the owner of the "1-800-DENTIST" trademark, and exclusively licensed it to plaintiff Futuredontics. Evidently still desiring some credit or benefit relating to the mark, Anagramics created a web site that displayed the mark by framing Futuredontics' site. Futuredontics has sued for copyright infringement, alleging that defendants had created an unauthorized derivative work within the meaning of the

Copyright Act, and alleging a false advertising claim under §43(a) of the Lanham Act, arising out of certain representations made by Applied Anagramics.

The district court's two opinions seemingly point in different directions and illuminate little: On the one hand, the court denied plaintiff's motion for preliminary injunction on the ground plaintiff had not shown a likelihood of success on merits; on the other hand, the court denied defendant's motion to dismiss on the ground that defendants had failed to show that plaintiff would not be entitled to relief under any set of facts that could be proved. The denial of the preliminary injunction is presently on appeal to the Ninth Circuit.

Although the *Futuredontics* case does not illustrate this point, the *Total News* case demonstrates an important distinction between framing and linking in the context of advertising, the lifeblood of the web. With framing, the framing site's revenue generating advertisements are substantially more visible to the consumer than those of the framed site. Unlike the *Total News* style framing model, the hypertext reference linking model, permitted under the terms of the settlement, does not obscure the advertisements of the linked-to page. Where sites are linked, rather than framed, the link can enhance the revenues of both sites, providing additional consumers through links. Such economic benefits of linking, as well as the fair use nature of many such links, have led linking to be ubiquitous on the net.

However, not everyone accepts the theory that hypertext reference links are beneficial, or at least harmless. On April 28, 1997, Ticketmaster filed a complaint against Microsoft in federal district court in Los Angeles alleging that Microsoft's unauthorized links to interior pages of Ticketmaster's site constitute "electronic piracy," and accusing Microsoft of "feathering its own nest at Ticketmaster's expense." *Ticketmaster Corp. v. Microsoft Corp.*, No. 97-3055 DDP (C.D. Cal. filed Apr. 28, 1997) Complaint ¶6.

In the complaint, Ticketmaster indirectly alleges that Microsoft's Seattle Sidewalk city guide at <www.seattle.sidewalk.com>, a feature of the Microsoft Network, wrongfully linked users in search of tickets to Seattle-area sports and entertainment events directly to the page of the Ticketmaster site where such tickets could be ordered. The complaint states several counts, including trademark infringement, dilution, and federal and state unfair competition claims, all of which are primarily premised on a theory of web site dilution—likely the first of its kind. Pursuing an argument that would allow it to direct the flow of traffic into and within its web site, Ticketmaster essentially equates a web site with a trademark, claiming that is has an obligation to control "the manner in which others utilize and profit from its proprietary services, or face the prospect of a feeding frenzy diluting its content." *Id.*

After filing the suit, a Ticketmaster representative commented to the press that Ticketmaster's concern was not Microsoft's links to the Ticketmaster home page (<www.ticketmaster.com>), but Microsoft's direct links to specific parts of the Ticketmaster site that allowed a ticket customer to bypass the home page. Not surprisingly, the Ticketmaster home page contains advertising (in addition to other content) that was bypassed by a link, such as Microsoft's, to an internal page within the site. Significantly, shortly before the suit was filed Ticketmaster and Microsoft ended efforts to negotiate a partnership in which they would jointly provide a city events guide and ticketing service; Ticketmaster announced that it would offer its service in collaboration with City Search, another guide service. Not surprisingly, Microsoft answered, denying the claims and asserting affirmative defenses such as fair use,[41] non-commercial use, estoppel, assumption of the risk and First Amendment protection. Microsoft also asserted various counter-claims.

Ultimately, if a court were to find Microsoft liable for the mere act of linking, the decision would have profound repercussions for all Internet users. It is likely that, if a court ultimately finds any liability at all, the decision will be quite narrow and limited to the particular facts of the case.

But even if the case should settle, the issue will continue to resurface in the context of linking that results in diverting advertising revenues.[42] For example, one meta-search engine provides the results of other search engines, such as Excite or Yahoo, in which the content is attributed to the source engine, but without the logos, features, or advertising of the source engine. The meta-search engine sells advertising on its site. If meta-search engines like this become popular and reduce the number of direct searches on the source engines, thus reducing advertising revenues, the source engines may sue on theories similar to those in *Ticketmaster*.

A final dispute, from the United Kingdom, also settled before it was fully litigated, illustrates the possibly overlap that can occur between copyright and trademark law claims arising out of linking. In the *Shetland Times* case, the defendant newspaper publisher's web site included, as hyperlinks, current headlines copied from the plaintiff's web site. When the headline links were clicked on, the reader jumped to the full texts of the news stories that had been prepared by the plaintiff publisher, on the plaintiff's web site. An interim injunction or interdict was entered against the defendant, based in large part on copyright law claims.

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41 Significantly, Microsoft has used textual links only; Microsoft has not reproduced the Ticketmaster logo. Microsoft is likely to argue that it made no more use of Ticketmaster's intellectual property than necessary in providing Seattle Sidewalk customers with ticketing information. *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992) (setting forth a three part "nominal fair-use" test where a commercial defendant uses the plaintiff's mark in describing the defendant's product or service: 1) the defendant's product or service is not readily identifiable without use of the mark; 2) only so much of the mark as is reasonably necessary to identify the product or service is used; and 3) the user does nothing with the mark that suggests sponsorship or endorsement by the trademark holder). At least as an equitable matter, Microsoft undoubtedly also will argue that Ticketmaster is not harmed but actually benefits from the increased traffic to its site.

42 And in other contexts in which a link may be unappreciated, such as to a pornographic site.

Shetland Times v. Wills [Shetland News], Scot. Sess. Cas. (10/24/96) 1 EIPLR 723 (11/1/96) (see text of interdict at: "http://www.jmls.edu/cyber/cases/shetld1.html"). For reasons that go beyond the scope of this paper, the copyright claims were uncertain at best, but the facts of the case did appear to pose issues of reverse palming off, no such those claim was pled. Under the settlement, defendant could only link to plaintiff's news stories if the headlines were accompanied by the plaintiff's logo and the legend, "A Shetland Times Story."

As is evident in the *Ticketmaster* case, linking highlights another complication which may be unique to the net: the ability of friend or foe to divert traffic from a trademark owner's web site, likely the intended site, to the proponent or opponent's site. As the vast majority of search engines available on the web today report search results based on raw number of hits, a detractor may deliberately overwhelm the trademark owner's presence on the web, or a supporter may unwittingly do so, thereby diverting traffic away from the trademark owner's site.

A more sinister development involves the wholesale appropriation of the content of sites that receive a high numbers of hits. The appropriator downloads the content of a site that receives a substantial number of hits, for example, Disney, and then converts all text and images to white on white so that it becomes hidden. This hidden content is then made part of the appropriator's site, which, for example, may be a competing site selling videotapes of children's movies. When an Internet user searches based on content that appears on the appropriated site, for example "Hercules," the search engine will return both the Disney site and the competing, site side by side, because both sites contain the same content, even though the user cannot see the appropriated site's content on the competing site. While such appropriation is a copyright violation, it may also qualify as unfair competition or trademark dilution.

A related problem involves use of corporate logos by disgruntled former employees. In several instances, unhappy former employees have set up web pages, complete with doctored versions of their target's marks, to rail against the injustices visited upon them by their former employer. The same may be true of consumers, displeased with "lemon" purchases, and virtually anyone else with an ax to grind. While each of these avenues of complaint has been available through more traditional forms of media in the past, the opportunity to reach a broader audience, cheaply, and to flaunt corporate logos and marks in the process, is increased more than a thousand-fold on the net.

Attempted enforcement of trademark rights against persons who use marks or content to divert traffic from a trademark owner's site, whether the troublesome use is by friend or foe, requires careful consideration of First Amendment (freedom of speech) concerns as well as of trademark principles of fair use. The public relations nightmare that could result from a misstep in this area should be balanced against both the perceived need to police trademark rights and the proposed policing method.

Meta Tagging

Some appropriators steal content simply to ensure that their site appears in search engine results, even if the searcher was not searching for their product or service. Meta tagging is a technique whereby a word (*e.g.* “sex”) is inserted in the keywords field of the site in order to increase the chances of a search engine returning the site, although the site may have nothing to do with the inserted word. In another version of this technique, a pornographic site duplicates, in their keywords field, the keywords of frequently searched sites so that the pornographic site will be returned by search engine looking for the frequently searched site.

In what appears to be the first case of this type, the law firm of Oppedahl & Larson, owner of the domain name <patents.com>, filed a trademark infringement action against three companies and the corresponding ISPs after discovering that the companies inserted the words “Oppedahl” and “Larson” in the keywords field of their web pages in order to draw traffic to their sites. When the law firm ran a search on “Oppedahl” and “Larson,” the defendants’ web sites were returned but the sites did not appear to contain either term. Only a review of the source page revealed the hidden text. *Oppedahl & Larson v. Advanced Concepts*, No. 97CV1592 (D. Co. filed July 24, 1997). The case is currently pending, and although one of the defendants and its ISP have answered the complaint, the remaining defendants have yet to do so.

It is anticipated that all the defendants will defend their actions on fair use and First Amendment grounds, however, to the extent such actions cause confusion, or are used to intentionally mis-direct potential customers to a competitor’s site, such actions may be found to constitute trademark infringement or unfair competition.[43]

For a slight variation on this theme, and the first case in which a court ordered injunction has issued precluding the defendants from using misleading terms in hidden text or metatags on a web site, we have *Playboy Enterprises, Inc. v. Calvin Designer Label*[44], *Calvin Fuller and Calvin Merit*, 44 USPQ2d (BNA) 1157, 1197 U.S.Dist. LEXIS 14345 (N.D. Cal. filed Aug. 1997). This injunction is the first court order which prevents the use of misleading terms in hidden text or metatags on a web site. In this case, the defendants’ web sites <playboyxxx.com> and <playmatelive.com> featured adult material and nude photographs, advertised defendants’ “Playmate Live Magazine” and displayed the message “Get it all here @ Playboy.” The sites also contained the terms PLAYBOY and PLAYBOY MAGAZINE and PLAYMATE, repeated several hundred times on the web site although, since the terms were

43 A rather amusing footnote to this case can be found at <www.geocities.com> which contains an entire page of statements disclaiming any connection, affiliation, sponsorship of the site, or even information about Carl Oppedahl or Oppedahl & Larson, but which also ensures the site will appear prominently in search engine results when the terms “Oppedahl” or “Larson” are input.

44 No relation to the fashion designer of the same name.

in black type on a black background, they were not visible to individuals viewing the site but did cause the sites to be returned by search engine queries for “Playboy” or “Playmate.” In fact, given the number of times the terms appeared, the sites were typically the first or second sites to be returned.

When the defendants failed to respond to requests that they cease using the marks, Playboy Enterprises (PEI) sued for, inter alia, trademark infringement, dilution, and unfair competition and moved for injunctive relief to preclude defendants from continuing to use the marks in this fashion. The defendants failed to respond to the motion and, on September 8, 1997, a preliminary injunction issued which precluded the defendants from continuing to use the <playboyxxx.com> and <playmatelive.com> domains or PEI’s registered PLAYBOY and PLAYMATE trademarks in hidden text or metatags on the defendants’ web site. Interestingly, the preliminary injunction not only precludes defendants from continuing to use the marks and domain names, it ordered defendants to immediately request that NSI cancel its domain name registrations and, anticipating NSI’s likely response, ordered that, in the event NSI were to deposit the domain names with the court for disposition, “the domain names are hereby canceled.” The case is currently pending and the defendants have yet to file an appearance.

In another case involving PEI, a district court in California ruled in favor of a defendant (Ms. Terri Welles) who had included trademarked terms on both the title and metatags in her website. Welles, who appeared in Playboy magazine as Playmate of the Month, and then Playmate of the Year, established a website, <http://www.terriwelles.com>, which included the heading “Terri Welles-Playmate of the Year 1981.” Among other uses of PEI’s trademarks, the site also contained the terms “Playboy” and “Playmate” within the keywords section of its metatags. *Playboy Enterprises, Inc. v. Terri Welles*, No. 98-CV-0413-K (S.D. Cal. Filed Mar. 18, 1998).

The court held the use of the trademarked terms in metatags on Ms. Welles’ site did not constitute trademark infringement, since it qualified for the “fair use” defense. Although the court briefly mentioned that metatags are not visible to websurfers, it did not then proceed to carve out the website's metatag as a specialized tool of trademark infringement. Instead, it compared metatags to the “subject index of a card catalog,” and held that there may be “legitimate editorial uses” of trademarked terms in metatags which make it easier for websurfers to know the content of a website. “[The] defendant may propertly use the term Playboy in an editorial fashion Therefore, the court finds that defendant has not infringed on defendant’s trademarks by using them in her website meta tags.” *Id*.

Ultimately, for infringement purposes, the court treated the “invisible” metatags much like the “visible” webpage itself. Since Ms. Welles was indeed a Playboy Playmate, her use of those terms to describe herself, whether visibly on her webpage or through metatags, was a fair use.

In *Patmont Motor Werks, Inc. v. Gateway Marine, Inc.*, No. 96-2703 TEH, 1997 U.S. Dist. LEXIS 20877 (N.D. Cal. filed Dec. 29, 1997) the court was unwilling to extend trademark protection in a domain name dispute that focused on the path of the URL (as opposed to the use of someone else's registered mark). The path is that part of the web site address that immediately follows the forward slash after the domain name. Reasoning that the path merely shows how the web site's data is organized within the host computer, and does not serve the same source identifying function as the domain name, the court held it does not merit the same protection. The court noted, "[plaintiff] has cited no case in which the use of a trademark within the path of the URL formed the basis of a trademark violation." *Id*. at *13 n. 6.

Procedural Concerns: Jurisdiction

The instantaneous international nature of the web adds an element of uncertainty to trademark use. For example, a client may put up a page containing marks cleared for use in the U.S., perhaps even marks that have long been in use in the U.S. market, and receive a cease and desist demand from a company with trademark rights in Germany. Recently, a German state trial court in Berlin enjoined the use of the domain names "concertconcept.com," concertconcept.de, "concert-concept.com," and "concert-concept.de" under German trademark law (*See supra*, Section I.E.2). The court found jurisdiction over the defendant, a United States corporation doing business in Kansas and Germany, on the grounds that the domain names were accessible at the plaintiff's location in Germany. As for the claims concerning the .com sites, which are registered in the U.S., the court stated that the country within which the name had been registered was irrelevant in determining jurisdiction. At this time the .de sites are no longer operational but the .com sites continue to take the user to the U.S. corporation's web page.

This exercise of jurisdiction over a domain name dispute on the basis of accessibility of a foreign registered site within the forum country goes beyond the most expansive extraterritorial exercise of jurisdiction occurring to date within the U.S. In *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996), the district court found that it had jurisdiction over the operators of the Italian web site "playmen.it." The service allowed users to download information from the Italian PLAYMEN magazine and specifically courted U.S. users. Although this extra-territorial exercise of jurisdiction appears expansive, the court determined it had jurisdiction based on retention of jurisdiction over the defendant for the purposes of enforcing a permanent injunction issued in 1981. The court ruled that the operators must either completely shut down the site or prevent U.S. users from accessing the Italian site.

In numerous cases involving trademarks or other content on the Internet, the first issue the court confronts is jurisdiction. Most problematic is applying traditional principles of jurisdiction, which speak in terms of a party's purposeful establishment of minimum contacts with a state or a federal judicial district, to the Internet, an instrumentality that is global in scope.

The Sixth Circuit first addressed the issue of jurisdiction in an action brought by Compuserve in federal district court in Ohio against one of Compuserve's Texas subscribers, who also sold software known as "shareware" on the Compuserve system. *Compuserve, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir. 1996). After Patterson alleged that Compuserve was infringing his copyright and trademarks in his Internet browser software, Compuserve sued for declaratory judgment. To establish personal jurisdiction over Patterson, Compuserve introduced the following facts: as a shareware provider, Patterson entered into an online subscription agreement as well as a separate online shareware agreement with Compuserve. Both agreements provided that they are entered into in and governed by the laws of Ohio. From his residence in Texas, Patterson electronically assented to these terms. Patterson advertised and made his shareware programs available to buyers using Compuserve's servers, which are located in Ohio. Finally, Patterson actually sold some of his software to 12 Ohio residents through Compuserve. Unconvinced, the district court dismissed for lack of personal jurisdiction, and Compuserve appealed.

On July 22, 1996, the Sixth Circuit reversed, holding that Patterson's contacts with Ohio, even though they were primarily electronic, exceeded the constitutional minimum for jurisdiction, and made clear that Patterson had purposefully established an ongoing business relationship in Ohio. Although the Sixth Circuit was willing to find this combination of contacts sufficient to satisfy minimum contacts, the court noted that it was questionable as to whether either entering an electronic contract or placing products into the electronic stream of commerce on their own would support exercising jurisdiction.

Most courts presented with a defendant who has actively maintained a web site and advertised services over the net combined with an action with some direct effect in the forum state, such as provisions of services to forum states customers or defamation directed at the forum state, have found a sufficient basis to exercise jurisdiction. *Edias Software International, LLC, v Basis International Ltd.*, 947 F. Supp. 413 (D. Ariz. 1996) (court had jurisdiction over non-Arizona defendant who had sent e-mail and posted messages to a web site and interactive Internet forum announcing that it would no longer use Arizona plaintiff as its software distributor); *Heroes, Inc. v. Heroes Foundation*, 958 F. Supp. 1(D.D.C. filed Dec. 19, 1996) (court has jurisdiction over non-DC defendant who used web site <heroes.org> and newspaper advertisement to solicit donations for charitable service similar to DC plaintiff's HEROES charitable service; in *dicta* the court stated that the web site activities alone would be an adequate basis for personal jurisdiction); *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 1119 (W.D. Pa. 1997) (court has jurisdiction over non-Pennsylvania defendant Internet service provider who processed applications by Pennsylvania residents for service and issued passwords to those residents).

Courts have been invited to expand personal jurisdiction most broadly in cases alleging trademark infringement. In these cases the primary contact consists of the web site alone, without much more. Federal district courts in New York have declined the invitation thus far to interpret New York's long-arm statute broadly. However, district courts in states with less restrictive long-arm statutes have been willing to find that a web site, combined with the merest hint of an effect or second contact, sufficed to establish personal jurisdiction within the constraints of due process.

In the first New York case, Bensusan Restaurant Corp., the owner of The Blue Note, a highly acclaimed New York jazz club and a federally registered trademark for THE BLUE NOTE, alleged that a web site maintained by Missouri resident Richard King was infringing Bensusan's trademark rights. *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295 (S.D.N.Y. 1996). King operated a small club in Missouri also known as The Blue Note. In April of 1996, King posted a web site promoting his club and offering information for ticket purchase by telephone. Tickets had to be picked up at outlets located in Missouri.

King challenged jurisdiction, and the court dismissed the case for lack of personal jurisdiction. The court held that, under the New York long-arm jurisdiction statute, King was not committing a tortious act in New York, because he was not offering anything for sale in New York. Tickets to the Missouri Blue Note could be picked up only in Missouri; they would not be mailed, nor could they be ordered directly from King's web site. The court also noted that King could not offer tickets for sale to a New Yorker unless the New Yorker took affirmative steps to obtain access to the Internet, and King's site specifically, before placing an order. On a separate prong of the long-arm statute, the court found that, even if King's activities were likely to cause consequences in New York, King did not derive substantial revenue from interstate commerce, again falling short of the statutory minimum to establish jurisdiction. The case was dismissed on September 9, 1996.

The second New York district court case held that web sites are analogous to advertisements in national magazines, which under New York law are insufficient on their own to confer jurisdiction. Further, the court analogized e-mails to letters or telephone calls, which are not sufficient to establish jurisdiction under the New York long-arm statute. The *Hearst Corp. v. Goldberger*, 1997 U.S. Dist. Lexis 2065 (S.D.N.Y. 1997).

Several federal district courts outside of New York have been most willing to infer sufficient contacts based on the existence of a web site and scant more where the allegations involve trademark infringement. A California court held that it could exercise personal jurisdiction over a well-known "cybersquatter," Dennis Toeppen, an Illinois resident who specifically targeted his activities at a California-based entity, thus causing requisite harm in California. *Panavision International v. Toeppen*, CV-96-3284 DDP, reported in 1996 U.S. Dist. LEXIS 19698 (denying motion to dismiss for lack of personal jurisdiction), 945 F. Supp. 1296 (granting plaintiff's motion for summary judgment in part) (C.D. Cal. 1996). Following a thorough discussion of the issue, the Ninth Circuit affirmed the personal jurisdiction holding against Toeppen based on the "effects" doctrine. *Panavision International, L.P. v. Toeppen*, 1998 U.S. App. LEXIS 7557 at *16, 98 Daily Journal D.A.R. 3929 (9th Cir. April 17, 1998). As discussed above, Toeppen sought to extract payment from Hollywood camera- and lens-manufacturer Panavision International in exchange for releasing the <panavision.com> and <panaflex.com> domain names to Panavision.

The Ninth Circuit held that by "engag[ing] in a scheme to register [California-based] Panavision's trademarks as his domain names for the purpose of extorting money from Panavision," Toeppen had done something more than merely register someone else's trademark as a domain name and posting a web site: "His conduct, as he knew it likely would, had the effect of injuring Panavision in California," the court observed. "In addition, he sent a letter to Panavision in California demanding $13,000 to release his registration of <Panavision.com>". *Id*. at *17. Applying the "effects test" set out in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985), the court had no difficulty concluding that Toeppen had purposeful availed himself of the privilege of conducting activities in California and that the exercise of jurisdiction was constitutional.

Similar reasoning was embraced by a district court in Missouri, which found jurisdiction under the Missouri long-arm statute. The Missouri plaintiff offered e-mail subscription advertising services under the GOLDMAIL mark. Defendant CYBERGOLD advertised a similar service at its web site <cybergold.com>. Reasoning that while the defendant's action in establishing the cybergold.com web site concededly occurred outside Missouri, the defendant's intent to encourage all Internet users to sign on to the defendant's mailing list, provided sufficient contacts to establish personal jurisdiction. *Maritz, Inc. v. CyberGold, Inc.*, 947 F.Supp. 1338 (E.D. Mo. 1996).

Likewise, a Connecticut district court found sufficient minimum contacts in an infringement case where the alleged contacts consisted of a web site and a toll-free phone number. *Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996). In part, the Connecticut court relied on the physical proximity of the forum state and the defendant's state of residence, Massachusetts. The court analogized the web site and phone number to an enormous billboard placed at the border directed toward the Connecticut side.

In all of these cases, the courts applied an established personal jurisdiction analysis. In evaluating minimum contacts, the courts treated Internet and electronic contacts no differently from other business activity. No federal court has accepted a plaintiff's invitation to expand general jurisdiction, that is, where the contacts are unrelated to the cause of action, to any defendant who merely advertises on a global computer network. *See IDS Life Insurance Co. v. SunAmerica, Inc.*, 958 F.Supp. 1258, 1268 (N.D. Ill. January 2, 1997) ("it cannot plausibly be argued that any defendant who advertises nationally could expect to be haled into court in any state, for a cause of action that does not relate to the advertisements."); *McDonough v. Fallon McElligott, Inc.*, 40 U.S.P.Q.2d (BNA)1826 (S.D. Cal. 1996) ("allowing computer interaction via the Web to supply sufficient contacts to establish [general] jurisdiction would eviscerate the personal jurisdiction requirement as it currently exists").[45]

Consistent with this line of reasoning, the Ninth Circuit held last year that the mere posting to a web site that was capable of being viewed in Arizona was an insufficient basis for the assertion of personal jurisdiction in Arizona over a Florida-based defendant. *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997). In *Cybersell*, the Florida Cybersell advertised commercial services over the Internet, via a 'passive' web site,[46] and the Arizona Cybersell corporation, which also advertised services on the web, brought suit for infringement. In considering the personal jurisdiction issue, the court found the defendant—which neither specifically solicited Arizona customers nor had any other contact with the state—had not purposefully availed itself of the forum state, thereby "invoking the benefits and protections of Arizona." Thus, it concluded the exercise of personal jurisdiction here would not comport with 'traditional notions of fair play and substantial justice.'"[47]

An effects test, like that applied by the Panavision court, stretches a court's jurisdictional reach under a minimum contacts analysis the furthest. The Panavision court emphasized Toeppen's choice in targeting the well-known trademarks of a California business and conducted no analysis of Toeppen's Internet activity or even hits on his web site from California. The Panavision court also had great temptation to expand its jurisdiction, given that the defendant allegedly was a notorious domain name pirate, and given the defendant's reportedly conceded intent to extract money from a California-based company. As the courts

45 *See also, GenneX Corp. v. Blue Cross and Blue Shield of Massachusetts*, No. 97C 1750 (ND IL, Eastern Div., filed Mar. 14, 1997), and *Blue Cross and Blue Shield of Massachusetts v. GenneX Corp., et al.*, No. 97 11174 MLW (D. MA, filed May 23, 1997). Blue Cross and Blue Shield of Massachusetts filed an objection with NSI to GenneX Corporations' use of the <healthwire.com> domain and GenneX responded by filing a declaratory judgment action in the District Court in Illinois. GenneX provides women's health information via its <healthwire.com> web site and also hosts home pages of other individuals and organizations providing related information. Blue Cross uses and owns a registration for the HEALTHWIRE mark for its health care provider claims processing system.

Blue Cross moved to dismiss the Illinois action on the ground that the ability to access its home page in Illinois is not enough, by itself, to subject it to jurisdiction in that court, and simultaneously filed suit in Massachusetts and moved to enjoin GenneX's continued use of the <healthwire.com> domain. GenneX opposed Blue Cross' preliminary injunction motion also on jurisdictional grounds. Thus, each party was in the unenviable position of arguing it should not be subjected to the jurisdiction of another party's home courts based on the ability to access its web site there, but that the opposing party should be subject to jurisdiction on this basis in its home state. This dispute settled after the Illinois district court dismissed the action pending there for lack of personal jurisdiction. See Minute Order of July 11, 1997 by Hon. Marvin E. Aspen.

46 A passive web site is one that affords no interaction by the user, and merely provides information (such as an advertisement).

47 *Cybersell*, 130 F.3d at 414 *citing International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

hear more cases involving electronic commerce, the case law will continue to reflect the challenge of applying well-established jurisdictional doctrine to a new global activity.[48]

Dilution

As noted above, the Internet has been a rich training ground for the application of the new federal dilution statute. Dilution occurs when a trademark owner's trademark, or a similar one, is used in such a way as to dilute—and in some cases, to tarnish—the distinctive quality of the mark. Unlike an infringement claim, in a dilution case, it is not necessary for the court to assess whether consumers are likely to be confused into thinking there is an association between the unauthorized use and the trademark owner, so it is not necessary for the goods with which the marks are used to be at all similar for a court to find that dilution is present.

On January 16, 1996, federal dilution protection went into effect in this country. Prior to that time, dilution protection was only available in some states, although courts often bent over backwards where dilution protection was not available to find liability under Section 43(a) of the Lanham Act (covering unfair competition) for particularly offensive (typically sexually explicit) situations.

Not surprisingly, the first dilution case on the web involved two of the hot issues on the web today: domain names and the availability of sexually explicit materials. On February 5, 1996, the court in *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, 40 USPQ2d(BNA) 1479 (W.D. Wash. 1996) issued a restraining order and preliminary injunction precluding the defendant from continuing to use the domain "candyland.com" as the domain/URL for its "Candyland" web site featuring sexually explicit materials.

The court apparently was persuaded by evidence that 94% of U.S. mothers are familiar with Hasbro's popular 47 year old CANDY LAND game for young children that Hasbro was likely to be successful on its federal dilution claim at a trial on the merits. Beyond the offensive nature of the content at the "candyland.com" web site, the court may also have been troubled by the defendant's reservation of another domain, "parkerbrothers.com"—Parker Brothers being the name of a well known Hasbro subsidiary. Shortly after the court issued

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48 Other recent decisions regarding personal jurisdiction over defendants whose conduct involved the Internet include: *American Network, Inc. v. Access America*, 975 F.Supp. 494 (S.D.N.Y. 1997); *Clipp Designs, Inc. v. Tag Bags, Inc.*, 1998 U.S. Dist. LEXIS 128 (E.D. Ill. filed Jan. 7, 1998); *Haelan Products Inc. v. Beso Biological*, 43 USPQ2d (BNA) 1672, 1997 U.S.Dist. LEXIS 10565 (E.D. La. filed July 11, 1997); and *Telco Communications Group, Inc. v. An Apple a Day, Inc.*, 977 F.Supp. 404 (E.D. Va. filed Sept. 24, 1997) in which jurisdiction was held properly asserted; and, *CD Solutions, Inc. v. Tooker*, 965 F.Supp. 17 (N.D. Tex. Filed May 9, 1997); *Expert Pages v. Buckalew*, 1997 U.S. Dist. LEXIS 12205 (N.D. Cal. Aug. 8, 1997); *SF Hotel Company, L.P. v. Energy Investments, Inc.*, 985 F.Supp. 1032 (D. Kan. Nov. 19, 1997); and *Transcraft Corp. v. Doonan Trailer, Corp.*, 45 USPQ2d (BNA) 1097, 1997 U.S. Dist. LEXIS 18687 (N.D. Ill. Nov. 17, 1997), in which exercise of personal jurisdiction was held improper.

its order, a visit to <www.candyland.com> yielded only a screen carrying a large "NEWS FLASH" graphic and explaining that due to court order in the Hasbro litigation, those wishing to access the site need to use the new URL, <www.adultplayground.com/>. The screen closed with a plea for adults to limit children's access to adult content on the Net by using blocking software such as SURF WATCH, NET NANNY or CYBERSITTER. The "candyland.com" site is no longer active.

Similar instances of dilution have occurred on the web when adult content sites have borrowed well known characters for display on those sites. Such situations are relatively straight forward, but increasingly difficult to police as the web expands. The more difficult dilution questions, as is true outside of cyberspace, are those that do not involve sexually explicit or otherwise morally offensive content.

The recent case regarding the "gateway.com" domain involves such questions. Gateway 2000, a personal computer manufacturer founded in 1985, holds a federal trademark registration for GATEWAY 2000. Concerned that another company had registered the gateway.com domain, Gateway 2000 brought a dilution claim in federal court. *Gateway 2000, Inc. v. Gateway.com, Inc.*, 1997 U.S. Dist. LEXIS 2144 (E.D.N.C. 1997). The proprietor of "gateway.com" had used some form of the term "gateway" as part of its electronic address since 1988 and had registered the domain in 1990. Founded in 1985, Gateway 2000 could not prove to the court's satisfaction that its common law mark GATEWAY was already famous when the defendant registered its domain name. The court also found no evidence that the defendant chose the <gateway.com> domain name with intent to harm the plaintiff. Thus, on February 6, 1997, the court denied Gateway 2000's request for preliminary injunctive relief on its dilution theory. The <gateway.com> domain has, however, been suspended.

Similarly, the pending case involving alleged dilution of the well-known ZIPPO cigarette lighter trademark poses a fundamental question that is relevant on and off the net. Specifically, it asks just how broad is the reach of the internationally famous ZIPPO mark, which is associated with just one product: cigarette lighters. *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 1119 (W.D.Pa. 1996). The defendant has not only obtained the <zippo.com> domain, but has also applied to register several trademarks for its news service, including ZIPPO'S DIRECT READ NEWS, SUPER ZIPPO'S NEWS SERVICE and ZIPPO DOT COM. Zippo Manufacturing Co. ("Zippo") has alleged dilution and trademark infringement, and will attempt to persuade the court that Zippo Dot Com, Inc. intended to trade on Zippo's international fame and dilute the strength of its mark. The case may set a significant precedent if ultimately decided on the merits.

The *Zippo* case also exemplifies the dangers in terms of negative public relations that can arise when a trademark owner attempts a dilution claim. Lately, some challengers have found that the target may retaliate by splashing the cease and desist letter on its web page, by “spamming” the sender or the general public with copies of the letter or angry “flame” letters by e-mail, and/or by taking the more traditional route of contacting the press. Adopting this strategy, Zippo Dot Com, Inc. is not only fighting Zippo Manufacturing’s claims of dilution in the courtroom, but in the media. It has put relevant pleadings on its web site, and is keeping its web audience apprised of every procedural turn in the case.

Another recent example of this phenomenon involves Tandy Corporation’s efforts regarding the RADIO SHACK name and mark. Tandy has been surprised by the strong negative response to its efforts to force Bianca’s Smut Shack to remove “Shack” from its name. Unlike another web site owner who agreed to change the “Shack” in its name to “Shak” quietly, Bianca’s has waged a public relations campaign against Tandy, which has been reported in a number of online and traditional media. The defendants in the *Fry’s* case also used similar methods, albeit unsuccessfully. Holders of famous trademarks should be mindful of these tactics when taking on small companies, who prefer to fight electronically, rather than cease use of the offending mark.

In another dilution claim of note, the Bruderhof organization, a variation on the Anabaptist religious order, sent a cease and desist letter to the founders of the Usenet newsgroup <alt.support.bruderhof>. This newsgroup was created for the purpose of commenting on the Bruderhof organization. The cease and desist letter claimed that the name of the newsgroup constituted, among other transgressions, trademark dilution and infringement. These claims raise First Amendment and fair use concerns, which are likely to be aired in the media whether or not the case reaches the courts.

Finally, continuing the trend against anyone who can be characterized as a “cybersquatter,” a federal district court in the Central District of California recently relied on the federal anti-dilution statute in ordering a Vancouver, Canada-based e-mail service to sell two domain name registrations, <avery.net> and <dennison.net>, to the Avery Dennison company. *Avery Dennison Corporation v. Sumpton*, 1998 U.S. Dist. LEXIS 4373 (C.D. Cal. Mar. 16, 1998).

Defendants’ enterprise had registered 12,000 surnames with .net suffixes, with the apparent intention of allowing customers to share surname-based domain names in order to create such e-mail addresses as <bob@smith.net> and <nancy@smith.net>. Avery Dennison already owned the domain names <avery.com> and <averydennison.com>, so [unlike the *Panavision* case discussed above] defendant’s registrations would not preclude the company’s customers from finding Avery Dennison at the most familiar .com address. Defendants argued that they merely sought to allow multiples uses of the same domain name, and to spread the cost of maintaining such registrations among various users. Skeptical of defendants’ true intent, however, the court held that, notwithstanding these arguments and notwithstanding that plaintiff already owned the domain names in the more popular .com space, the plaintiff’s marks were diluted by defendants’ registration of the .net domain names and intended licensing of the domain names to others. The court required defendants to transfer the two domain names to the plaintiff for $300 each.[49]

Licensing

Not surprisingly, given that virtually all traditional trademark issues have found their way into cyberspace, the Net now has its first trademark license litigation. The case involves the popular Internet search engine ALTAVISTA, owned by Digital Equipment Corp. ("DEC"). DEC took a license to the ALTAVISTA mark from its owner, AltaVista Technology, Inc. ("AltaVista"). As the ALTAVISTA search engine, <www.altavista.digital.com>, grew in popularity many searchers made the common mistake of going to AltaVista's site instead, <www.altavista.com>. Despite restrictions in the licensing agreement, AltaVista chose to capitalize on the situation and began posting advertising and making its site look more and more like a search engine. Digital sued charging violation of the licensing agreement, trademark infringement, unfair competition, and trademark dilution, and the court granted DEC's request for a preliminary injunction. *Digital Equipment Corp. v. AltaVista Technology, Inc.*, 960 F.Supp. 456 (D. Mass. 1997). While the ALTAVISTA case includes a unique fact pattern, more licensing disputes can be expected on the Net in the future.

Trademark Searching/Policing

Just as the web challenges traditional notions of trademark use, territoriality and infringement and offers new opportunities for testing principles like dilution, it also raises new challenges to clearing trademarks for availability and identifying and investigating potential infringements.

Traditionally, companies have cleared trademarks for use by relying on a search provided by a commercial vendor, such as Corsearch or Thomson & Thomson. Most such search vendors have added to their U.S. searches a domain name section identifying potentially conflicting domains registered through NSI. To date, none of these vendors has developed or is offering a web search beyond domains or a search of domains registered by entities other than NSI.

The problem for the company looking for a name is obvious: the trademark search, including domains, may not identify a trademark that actually is in use on the web. As noted above, in this country, trademark rights arise as a result of use; trademark registration is not a precondition to establishing rights. While that reality has always made it impossible to guarantee that a trademark search has picked up every preexisting use of a potential mark, that uncertainty is magnified in spades on the web.

49 Other recent decisions discussing causes of action for dilution involving the Internet are Lozano Enterprises v. La Opinion Publishing Co., 44 USPQ2d (BNA) 1764, 1997 U.S. Dist. LEXIS 20372 (C.D. Cal. 1997); Teletech Customer Care Management, Inc. v. Tele-Tech Company, Inc., 977 F.Supp. 1407 (C.D. Cal. 1997); and Toys "R" Us, Inc. v. Akkaoui, 40 USPQ2d (BNA) 1836, 1996 U.S. Dist. LEXIS 17090 (N.D. Cal. filed Oct. 26, 1996).

A similar problem arises with regard to trademark policing. Obtaining trademark searches at regular intervals from a search service, or employing a watch service, two traditional tools for policing unauthorized use of similar marks, likely will not tell the whole story. To fill this gap, several companies now offer services that monitor the web for potential infringers of a particular trademark. The first service of this kind was MarkWatch, now owned and operated by Datalytics, Inc., <www.markwatch.com>. which, for an annual $900 fee, will monitor the web, usenet postings, the NSI domain registry, and on-line newswires. Similar monitoring services are now also offered by: Net Searchers, a London-based firm. <www.netsearchers.co.uk> and The Trademark Checker service offered by MicroPatent, <www.marksearch.com>. While no service can guarantee that it will locate every single Internet reference to a mark, they cover quite a bit of ground. Ultimately, the value of these services, and their adequacy in addressing the challenges facing trademark holders, will be proven as the Internet and its impact on trademark law continues to evolve.

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