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Legislation to Prevent Cybersquatting/Cyberpiracy

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Summary

The Anticybersquatting Consumer Protection Act is Title III of S. 1948, 106th Congress, the Intellectual Property and Communications Omnibus Reform Act of 1999, which was incorporated into H.R. 3194, 106th Congress, the Consolidated Appropriations Act for FY2000. S. 1948 was enacted as the final appendix to P.L. 106-113 (1999). The problem that this bill is intended to address is a "new form of piracy on the Internet caused by acts of 'cybersquatting,' which refers to the deliberate, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners."

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> Trademark owners are facing a new form of piracy on the Internet caused by acts of 'cybersquatting,' which refers to the deliberate, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners. For example, when Mobil and Exxon announced their proposed merger in December, 1998, a speculator registered every variation of the possible resulting domain name, i.e., mobil-exxon.com, exxon-mobil.com, mobilexxon.com, etc., ad infinitum. . . .
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> Cybersquatters target distinctive marks for a variety of reasons. Some register well-known brand names as Internet domain names in order to extract payment from the rightful owners of the marks, who find their trademarks 'locked up' and are forced to pay for the right to engage in electronic commerce under their own brand name. . . . In addition, cybersquatters often register well-known marks to prey on consumer confusion by misusing the domain name to divert customers from the mark owner's site to the cybersquatter's own site, many of which are pornography sites that derive advertising

> revenue based on the number of visits, or 'hits,' the site receives. For example, the Committee was informed of a parent whose child mistakenly typed in the domain name for 'dosney.com,' expecting to access the family-oriented content of the Walt Disney home page, only to end up staring at a screen of hardcore pornography because a cybersquatter had registered that domain name in anticipation that consumers would make that exact mistake. . . . Others attempt to divert unsuspecting consumers to their sites in order to engage in unfair competition. For example, the business operating under the domain name 'disneytransportation.com' greets online consumers at its site with a picture of Mickey Mouse and offers shuttle services in the Orlando area and reservations at Disney hotels, although the company is in no way affiliated with the Walt Disney Company and such fact is not clearly indicated on the site. . . .
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> Finally, and most importantly, cybersquatters target distinctive marks to defraud consumers, including to engage in counterfeiting activities. For example, the Committee heard testimony regarding a cybersquatter who registered the domain names 'attphonecard.com' and 'attcallingcard.com' and used those names to establish sites purporting to sell calling cards and soliciting personally identifying information, including credit card numbers. . . .[1]

S. 1948 would address these problems by amending the Trademark Act of 1946 (popularly known as the Lanham Act), 15 U.S.C. §§ 1051 *et seq.*, to allow "the owner of a mark, including a personal name which is protected as a mark under [15 U.S.C. § 1125]"[2] to sue any person who, with a "bad faith intent to profit from that mark" or personal name "registers, traffics in, or uses a domain name that --"

> (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to such mark;
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> (II) in the case of a famous mark that is famous at the time of registration of the domain name, is dilutive of such mark; or
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> (III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.[3]

S. 1948 lists nine factors that a court may consider in determining whether there was a bad-faith intent, but does not limit courts to these nine.[4] The nine factors (paraphrased) are (1) the domain name user's trademark rights in the domain name, (2) the extent to which the domain name is his legal name or commonly used name, (3) his prior use of the

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[1] S.Rept. 106-140, 106th Congress, 1st session (1999) 4-7.

[2] S. 1255 and H.R. 3028 (previous versions of the legislation) referred to "trademark or service mark" rather than "a mark, including a personal name which is protected as a mark under [15 U.S.C. § 1125]."

[3] 18 U.S.C. § 706 prohibits fraudulently wearing or displaying the sign of the Red Cross or any insignia colored in imitation of it. 36 U.S.C. § 220506 prohibits anyone but the U.S. Olympic Committee from using that committee's name, symbol, emblem, or various associated words.

[4] The Senate report claims that these factors "balance[ ] the property interests of trademark owners with Internet users who would make fair use of others' marks or otherwise engage in protected speech online." S.Rept. 106-140, *supra* note 1, at 9.

domain name in connection with the bona fide offering of goods and services, (4) his legitimate noncommercial or fair use of the mark in a site accessible under the domain name, (5) his intent to divert consumers from the mark owner's online location that could harm the goodwill represented by the mark, (6) his offer to sell the domain name to the mark owner or a third party for substantial consideration without having used it in the bona fide offering of any goods or services, (7) his provision of misleading false contact information when applying for the registration of the domain name, (8) his acquisition of multiple domain names that are confusingly similar to others, and (9) the extent to which the mark incorporated in his domain name registration is distinctive and famous within the meaning of 15 U.S.C. § 1125(c)(1), which lists eight factors for "determining whether a mark is distinctive and famous" for purposes of determining whether its owner is entitled to an injunction to prevent dilution.

S. 1948 would authorize various forms of relief, including, in particular situations, "a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark," injunctions, damages, and statutory damages of not less than $1,000 and not more than $100,000 per domain name. S. 1948 would also prescribe situations in which a "domain name registrar, domain name registry, or other domain name registration authority" would and would not be liable.

S. 1948 contains two sections that were not in previous versions of the legislation. Section 3006 would require "the Secretary of Commerce, in consultation with the Patent and Trademark Office and the Federal Election Commission, to conduct a study and report to Congress with recommendations on guidelines and procedures for resolving disputes involving the registration or use by a person of a domain name that includes the personal name of another person, in whole or in part, or a name confusingly similar thereto . . . ." Section 3007 would add to the National Historic Preservation Act, 16 U.S.C. § 470a(a)(1)(A), a sentence providing that, notwithstanding the Trademark Act of 1946, "buildings and structures on or eligible for inclusion on the National Register of Historic Places . . . or designated as an individual landmark or as a contributing building in a historic district by a unit of State of local government, may retain the name historically associated with the building or structure."

The First Amendment

S. 1948 also includes a "Savings Clause," which provides:

> Nothing in this Act shall affect any defense available to a defendant under the Trademark Act of 1946 . . . or a person's right of free speech or expression under the first amendment of the United States Constitution.

The reference to the First Amendment is unnecessary, as, even in the absence of such a savings clause, no federal statute may be enforced in a manner that violates the Constitution. In *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, the Supreme Court held that a trademark protection statute did not violate the First Amendment.[5] The statute was § 110 of the Amateur Sports Act of 1978, 36 U.S.C. § 380, which prohibits the use of the word "Olympic," by anyone other than the United

[5] 483 U.S. 522 (1987).

States Olympic Committee (USOC), "to induce the sale of any goods or services, or to promote any theatrical exhibition, athletic performance, or competition." The Supreme Court found that, although the statute restricts expressive speech, it does so merely incidentally "to the primary congressional purpose of encouraging and rewarding the USOC's activities. The appropriate inquiry is thus whether the incidental restrictions on First Amendment freedoms are greater than necessary to further a substantial governmental interest."[6]

As this suggests, the Supreme Court uses a looser standard to determine the constitutionality of incidental restrictions on speech than it does to determine the constitutionality of laws that restrict speech on the basis of its content. In fact, subsequent to *San Francisco Arts & Athletics, Inc.*, the Court made clear that, though it had said that an incidental restriction must not be "greater than necessary" to further a substantial governmental interest, such a restriction actually "need not be the least restrictive or least intrusive means of furthering a governmental interest." Rather, the restriction must be "narrowly tailored," and "the requirement of narrow tailoring is satisfied 'so long as the . . . regulation promotes a substantial governmental interest that would be achieved less effectively absent the regulation.'"[7]

The Senate committee report quoted above, as well as the congressional findings set forth in § 2 of S. 1255 (the House bill does not include findings), indicate that the legislation is designed in part, like the statute the Supreme Court upheld in *San Francisco Arts & Athletics, Inc.*, to protect trademarks, not to restrict speech on the basis of its content. S. 1255's other stated purposes, such as preventing consumer fraud, also indicate that the legislation, if challenged on free speech grounds, would apparently be subject only to the looser standard that the Supreme Court uses to determine the constitutionality of incidental restrictions on speech. As such, there seems little doubt that the bills, on their face, would not be found to abridge the First Amendment.[8]

This is not to say that the bills, if enacted, could never be applied unconstitutionally. For example, with respect to dilution of a trademark by tarnishment (linking it to shoddy products of another), a commentator states:

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[6] *Id.* at 536-537.

[7] Ward v. Rock Against Racism, 491 U.S. 781, 798-799 (1989).

[8] A trade name itself "is a form of commercial speech and nothing more." Friedman v. Rogers, 440 U.S. 1, 11 (1979). As such, the constitutionality of a governmental restriction on trade names is also subject to a less-strict test than is applied to content-based restrictions. *See*, Central Hudson Gas & Electric Corp. v. Public Service Commission of New York, 447 U.S. 557, 566 (1980). A domain name need not be commercial speech, however, as not all web sites propose a commercial transaction, which is the test that defines whether speech is commercial. *See*, Board of Trustees of the State University of New York v. Fox, 492 U.S. 469, 482 (1989). But this has no great significance, as the test to determine the constitutionality of restrictions on commercial speech and the test to determine the constitutionality of incidental restrictions on non-commercial speech are similar. *See*, San Francisco Arts & Athletics, Inc., *supra* note 5, 483 U.S., at 537, n.16.

> Tarnishment caused merely by an editorial or artistic parody which satirizes plaintiff's product or its image is not actionable under an anti-dilution statute because of the free speech protections of the First Amendment.[9]

It seems possible that a domain name could constitute an editorial or artistic parody of a trademark to which it was similar and thereby be protected by the First Amendment from suit under the legislation.

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[9] J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition, § 24-105.