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ANTICYBERSQUATTING CONSUMER PROTECTION ACT:

A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat. 1501A-545

Volume 1
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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 ii 2002

SUMMARY TABLE OF CONTENTS

Introduction
Legislative Chronology
Bibliography
Master Table of Documents

Part I – The Act
Part II – Reports on the Law
Part III – Hearing on the Law
Part IV – Congressional Record
Part V – Bill Versions
Part VI – Related Bill
Part VII – Related Hearings
Part VIII – Miscellaneous

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 iii 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 iv 2002

INTRODUCTION

The Anticybersquatting Consumer Protection Act was passed to deal with a new form of trademark abuse. As defined by a Senate report "cybersquatting" consists of "the deliberate, bad-faith, and abusive registration of domain names in violation of the rights of trademark owners." To deal with this problem, the Act created a new cause of action for trademark owners, distinct from those provided by the Lanham Act and the Federal Trademark Dilution Act (FTDA), which had proven insufficient to deal with this new development. The Lanham Act requires a showing of confusion or mistake, and only restricts commercial use of another's trademark. These requirements could not be met by trademark owners in any action against persons who only registered a domain name for the purpose of holding it for ransom against the rightful owner. Similarly, the FTDA requires that commercial use be made of the mark, and also requires that the mark in question be famous.

The new law amends the amends the Trademark Act of 1946 to make liable in a civil action by the owner of a trademark or service mark any person who, with a bad faith intent to profit from the mark, registers, traffics in, or uses a domain name which, at the time of its registration, is: identical or confusingly similar to a distinctive mark or is dilutive of a famous mark. Key provisions of the act include:

— Nine factors for courts to consider when determining whether there was bad faith;
— Limitation of liability for the actionable use of a domain name to the domain name registrant or the registrant's authorized licensee only;
— Authorization for a court to order the forfeiture or cancellation of the domain name or its transfer to the mark owner;
— Conditions for an in rem civil action, in addition to any other action, against a domain name by a mark owner and limitation of remedies in an in rem action to a court order for the forfeiture or cancellation of the domain name or its transfer to the mark owner;

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 v 2002

— Injunctive relief and statutory damages from at least $1,000 up to $100,000 per domain name. However, a court is required to remit statutory damages if an infringer reasonably believed that use of the domain name was fair or otherwise lawful;
— Specific ways in which domain name registrars may shield themselves from liability.

There has been some criticism of the Act, centering largely on concerns that it overly favors mark holders, and that it may adversely impact commercial and personal free speech by limiting the rights of parody and comparative advertising. These criticisms notwithstanding, there is general consensus that the Act provides needed and effective protection for trademark holders against the abusive registration of domain names.

William H. Manz
Jamaica, New York
December 2001

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 vi 2002

LEGISLATIVE CHRONOLOGY

S. 1255

June 21, 1999
Introduced by Sen. Abraham, read twice and referred to the Committee on Judiciary.

July 7, 1999
Hearings held (S. Hrg. 106-687).

July 29, 1999
Reported to Senate as amended without a written report.

August 5, 1999
Report filed by Senator Hatch from Committee on Judiciary (S. Rep. No. 106-40); passed Senate as amended by unanimous consent.

September 8, 1999
Received in the House.

October 5, 1999
Referred to the Subcommittee on Courts and Intellectual Property.

October 26, 1999
All provisions after the enacting clause struck and the provisions of a similar bill, H.R. 3028, inserted; passed by House.

H.R. 3028

October 6, 1999
Introduced by Rep. Rogan and referred to the Subcommittee on Courts and Intellectual Property.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 vii 2002

October 25, 1999
Reported as amended by the Committee on Judiciary (H.R. Rep. No. 106-412).

October 25, 1999
Passed as amended by voice vote.

October 26, 1999
Tabled.

S. 1948

November 17, 1999
Introduced by Sen. Lott and referred to the Committee on the Judiciary.

November 19, 1999
Incorporated by cross-reference in the Conference Report to H.R. 3194.

November 29, 1999
H.R. 3194 signed by the President.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 viii 2002

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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 ix 2002

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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 x 2002

TABLE OF DOCUMENTS

VOLUME 1

Part I – The Act

Doc. No. 1 Anticybersquatting Consumer Protection Act, Title III, Pub. L. 106-113 – Appendix I, 113 Stat. 1501A-545 (9p.)

Part II – Reports on the Law

Doc. No. 2 Trademark Cyberpiracy Prevention Act, H. Rep. No. 106-412 (1999) (21p.)

Doc. No. 3 The Anticybersquatting Consumer Protection Act, S. Rep. No. 106-140 (Aug. 5, 1999) (22p.)

Part III – Hearing on the Law

Doc. No. 4 *Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity,* hearing before the Senate Judiciary Committee, 106th Cong. (July 22, 1999) (79p.)

Part IV – Congressional Record

Doc. No. 5 Introduction and text of S. 1255, as introduced by Sen. Abraham, 145 Cong. Rec. S7334 (daily ed. June 21, 1999) (3p.)

Doc. No. 6 Remarks of Sen. Abraham, 145 Cong. Rec. S8693 (daily ed. July 5, 1999) (3p.)

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 xi 2002

Doc. No. 7 Introduction and text of S. 1461 by Sen. Hatch, 145 Cong. Rec. S9749 (daily ed. July 29, 1999) (7p.)

Doc. No. 8 Hatch and Leahy Amendment No. 1609 to the Anticybersquatting Consumer Protection Act, 145 Cong. Rec. S10506 (daily ed. Aug. 5, 1999) (1p.)

Doc. No. 9 Consideration and text of S. 1255, 145 Cong. Rec. S10513 (daily ed. Aug. 5, 1999) (8p.)

Doc. No. 10 Text of S. 1255 as passed by the Senate, 145 Cong. Rec. S10629 (daily ed. Sept. 8, 1999) (2p.)

Doc. No. 11 House consideration and passage of H.R. 3028, including bill text and section-by-section analysis, 145 Cong. Rec. H10823 (daily ed. Oct. 26, 1999) (9p.)

Doc. No. 12 Text of Anticybersquatting Consumer Protection Act, 145 Cong. Rec. S14713 (daily ed. Nov. 19, 1999) (3p.)

Part V – Bill Versions

Doc. No. 13 S. 1948, Title III, Trademark Cyberpiracy Prevention, Intellectual Property and Communications Omnibus Reform Act of 1999, as introduced in the Senate, 106th Cong. (Nov. 17, 1999) (19p.)

Doc. No. 14 S. 1255, Anticybersquatting Consumer Protection Act, as introduced in the Senate, 106th Cong. (June 21, 1999) (9p.)

Doc. No. 15 S. 1255, Anticybersquatting Consumer Protection Act, as reported in the Senate, 106th Cong. (July 29, 1999) (19p.)

Doc. No. 16 S. 1255, Anticybersquatting Consumer Protection Act, as passed by the Senate, 106th Cong. (Aug. 5, 1999) (13p.)

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 xii 2002

Doc. No. 17 S. 1255, Anticybersquatting Consumer Protection Act, as referred to the Committee on the Judiciary, 106th Cong. (Oct. 5, 1999) (12p.)

Doc. No. 18 S. 1255, House Amendments, 106th Cong. (Oct. 26, 1999) (16p.)

Doc. No. 19 H.R. 3028, Trademark Cyberpiracy Prevention Act, as introduced in the House, 106th Cong. (Oct. 6, 1999) (11p.)

Doc. No. 20 H.R. 3028, Trademark Cyberpiracy Prevention Act, as reported in the House, 106th Cong. (Oct. 25, 1999) (14p.)

Part VI – Related Bill

Doc. No. 21 Domain Name Piracy Prevention Act of 1999, as introduced in the Senate, 106th Cong. (July 29, 1999) (11p.)

Part VII – Related Hearings

Doc. No. 22 *Internet Domain Names*, Parts I and II, hearing before the House Committee on Science, 105th Cong. (Sept. 25, 30, 1997) (254p.)

VOLUME 2

Part VII – Related Hearings *(continued)*

Doc. No. 23 *Internet Domain Name Trademark Protection*: hearing before the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee, 105th Cong. (Nov. 5, 1997) (192p.)

Doc. No. 24 *Collections of Information Antipiracy Act; Vessel Hull Design Protection Act; Trade Dress Protection Act; and Internet Domain Name Trademark Protection*, hearing before the House Judiciary Committee, 105th Cong. (Oct. 23, 1997, Feb. 12, 1998) (52p.; only Domain Name section)

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 xiii 2002

Doc. No. 25 *Internet Domain Names and Intellectual Property Rights*: hearing before the Subcommittee on Courts and Intellectual Property of the House Judiciary Committee, 106th Cong. (July 28, 1999) (160p.)

Doc. No. 26 *Is ICANN's New Generation of Internet Domain Name Selection Process Thwarting Competition?* Hearing before the House Committee on Energy and Commerce, 107th Cong. (Feb. 8, 2001) (118p.)

Part VIII – Miscellaneous

Doc. No. 27 *Report to Congress: The Anticybersquatting Consumer Protection Act of 1999, Section 30006 Concerning the Abusive Registration of Domain Names* (18p.)

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 xiv 2002

Document No. 1

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

Public Law 106–113
106th Congress

An Act

Making consolidated appropriations for the fiscal year ending September 30, 2000, and for other purposes.

Nov. 29, 1999
[H.R. 3194]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the serveral departments, agencies, corporations and other organizational units of the Government for the fiscal year 2000, and for other purposes, namely:

DIVISION A

DISTRICT OF COLUMBIA APPROPRIATIONS

TITLE I—FISCAL YEAR 2000 APPROPRIATIONS

District of Columbia Appropriations Act, 1999.

FEDERAL FUNDS

FEDERAL PAYMENT FOR RESIDENT TUITION SUPPORT

For a Federal payment to the District of Columbia for a program to be administered by the Mayor for District of Columbia resident tuition support, subject to the enactment of authorizing legislation for such program by Congress, $17,000,000, to remain available until expended: *Provided,* That such funds may be used on behalf of eligible District of Columbia residents to pay an amount based upon the difference between in-State and out-of-State tuition at public institutions of higher education, usable at both public and private institutions of higher education: *Provided further,* That the awarding of such funds may be prioritized on the basis of a resident's academic merit and such other factors as may be authorized: *Provided further,* That if the authorized program is a nationwide program, the Mayor may expend up to $17,000,000: *Provided further,* That if the authorized program is for a limited number of States, the Mayor may expend up to $11,000,000: *Provided further,* That the District of Columbia may expend funds other than the funds provided under this heading, including local tax revenues and contributions, to support such program.

FEDERAL PAYMENT FOR INCENTIVES FOR ADOPTION OF CHILDREN

For a Federal payment to the District of Columbia to create incentives to promote the adoption of children in the District of Columbia foster care system, $5,000,000: *Provided,* That such funds shall remain available until September 30, 2001 and shall be used

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 544 2002

(a) to engage in partnerships, joint ventures, and similar operating arrangements for the purpose of carrying out subsection (a).

(2) HARMFUL INTERFERENCE.—The Commission shall ensure that no facility licensed or authorized under subsection (a) causes harmful interference to the primary users of that spectrum or to public safety spectrum use.

(3) LIMITATION ON COMMISSION.—Except as provided in paragraphs (1) and (2), the Commission may not restrict any entity granted a license or other authorization under subsection (a) from using any reasonable compression, reformatting, or other technology.

(c) REPORT.—Not later than January 1, 2001, the Commission shall report to the Agriculture, Appropriations, and the Judiciary Committees of the Senate and the House of Representatives, the Senate Committee on Commerce, Science, and Transportation, and the House of Representatives Committee on Commerce, on the extent to which licenses and other authorizations under subsection (a) have facilitated the delivery of local signals to satellite television subscribers in unserved and underserved local television markets. The report shall include—

(1) an analysis of the extent to which local signals are being provided by direct-to-home satellite television providers and by other multichannel video program distributors;

(2) an enumeration of the technical, economic, and other impediments each type of multichannel video programming distributor has encountered; and

(3) recommendations for specific measures to facilitate the provision of local signals to subscribers in unserved and underserved markets by direct-to-home satellite television providers and by other distributors of multichannel video programming service.

TITLE III—TRADEMARK CYBERPIRACY PREVENTION

SEC. 3001. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This title may be cited as the "Anticybersquatting Consumer Protection Act".

(b) REFERENCES TO THE TRADEMARK ACT OF 1946.—Any reference in this title to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 3002. CYBERPIRACY PREVENTION.

(a) IN GENERAL.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

"(d)(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

"(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 545 2002

"(ii) 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 that mark;

"(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

"(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.

"(B)(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

"(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

"(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

"(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

"(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

"(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

"(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

"(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

"(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

"(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43.

"(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

"(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 546 2002

the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

"(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

"(E) As used in this paragraph, the term 'traffics in' refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

"(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

"(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and

"(ii) the court finds that the owner—

"(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

"(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

"(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

"(bb) publishing notice of the action as the court may direct promptly after filing the action.

"(B) The actions under subparagraph (A)(ii) shall constitute service of process.

"(C) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which—

"(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

"(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

"(D)(i) The remedies in an in rem action under this paragraph shall be limited to 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. Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—

"(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

"(II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 547 2002

"(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

"(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.

"(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.".

(b) CYBERPIRACY PROTECTIONS FOR INDIVIDUALS.—

(1) IN GENERAL.—

(A) CIVIL LIABILITY.—Any person who registers a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party, shall be liable in a civil action by such person.

(B) EXCEPTION.—A person who in good faith registers a domain name consisting of the name of another living person, or a name substantially and confusingly similar thereto, shall not be liable under this paragraph if such name is used in, affiliated with, or related to a work of authorship protected under title 17, United States Code, including a work made for hire as defined in section 101 of title 17, United States Code, and if the person registering the domain name is the copyright owner or licensee of the work, the person intends to sell the domain name in conjunction with the lawful exploitation of the work, and such registration is not prohibited by a contract between the registrant and the named person. The exception under this subparagraph shall apply only to a civil action brought under paragraph (1) and shall in no manner limit the protections afforded under the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) or other provision of Federal or State law.

(2) REMEDIES.—In any civil action brought under paragraph (1), a court may award injunctive relief, including the forfeiture or cancellation of the domain name or the transfer of the domain name to the plaintiff. The court may also, in its discretion, award costs and attorneys fees to the prevailing party.

(3) DEFINITION.—In this subsection, the term "domain name" has the meaning given that term in section 45 of the Trademark Act of 1946 (15 U.S.C. 1127).

(4) EFFECTIVE DATE.—This subsection shall apply to domain names registered on or after the date of the enactment of this Act.

SEC. 3003. DAMAGES AND REMEDIES.

(a) REMEDIES IN CASES OF DOMAIN NAME PIRACY.—

(1) INJUNCTIONS.—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking "(a) or (c)" and inserting "(a), (c), or (d)".

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 548 2002

(2) DAMAGES.—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", (c), or (d)" after "section 43(a)".

(b) STATUTORY DAMAGES.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.

SEC. 3004. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43 (a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

"(D)(i)(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

"(II) A domain name registrar, domain name registry, or other domain name registration authority described in subclause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has—

"(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name;

"(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

"(cc) willfully failed to comply with any such court order.

"(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

"(I) in compliance with a court order under section 43(d); or

"(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

"(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 549 2002

bad faith intent to profit from such registration or maintenance of the domain name.

"(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

"(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.".

SEC. 3005. DEFINITIONS.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the undesignated paragraph defining the term "counterfeit" the following:

"The term 'domain name' means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

"The term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).".

SEC. 3006. STUDY ON ABUSIVE DOMAIN NAME REGISTRATIONS INVOLVING PERSONAL NAMES.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Commerce, in consultation with the Patent and Trademark Office and the Federal Election Commission, shall 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, including consideration of and recommendations for—

(1) protecting personal names from registration by another person as a second level domain name for purposes of selling or otherwise transferring such domain name to such other person or any third party for financial gain;

(2) protecting individuals from bad faith uses of their personal names as second level domain names by others with malicious intent to harm the reputation of the individual or the goodwill associated with that individual's name;

(3) protecting consumers from the registration and use of domain names that include personal names in the second level domain in manners which are intended or are likely to confuse or deceive the public as to the affiliation, connection, or association of the domain name registrant, or a site accessible

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 550 2002

under the domain name, with such other person, or as to the origin, sponsorship, or approval of the goods, services, or commercial activities of the domain name registrant;

(4) protecting the public from registration of domain names that include the personal names of government officials, official candidates, and potential official candidates for Federal, State, or local political office in the United States, and the use of such domain names in a manner that disrupts the electoral process or the public's ability to access accurate and reliable information regarding such individuals;

(5) existing remedies, whether under State law or otherwise, and the extent to which such remedies are sufficient to address the considerations described in paragraphs (1) through (4); and

(6) the guidelines, procedures, and policies of the Internet Corporation for Assigned Names and Numbers and the extent to which they address the considerations described in paragraphs (1) through (4).

(b) GUIDELINES AND PROCEDURES.—The Secretary of Commerce shall, under its Memorandum of Understanding with the Internet Corporation for Assigned Names and Numbers, collaborate to develop 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.

SEC. 3007. HISTORIC PRESERVATION.

Section 101(a)(1)(A) of the National Historic Preservation Act (16 U.S.C. 470a(a)(1)(A)) is amended by adding at the end the following: "Notwithstanding section 43(c) of the Act entitled 'An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes', approved July 5, 1946 (commonly known as the 'Trademark Act of 1946' (15 U.S.C. 1125(c))), buildings and structures on or eligible for inclusion on the National Register of Historic Places (either individually or as part of a historic district), or designated as an individual landmark or as a contributing building in a historic district by a unit of State or local government, may retain the name historically associated with the building or structure.".

SEC. 3008. SAVINGS CLAUSE.

Nothing in this title shall affect any defense available to a defendant under the Trademark Act of 1946 (including any defense under section 43(c)(4) of such Act or relating to fair use) or a person's right of free speech or expression under the first amendment of the United States Constitution.

SEC. 3009. TECHNICAL AND CONFORMING AMENDMENTS.

Chapter 85 of title 28, United States Code, is amended as follows:

(1) Section 1338 of title 28, United States Code, is amended—

(A) in the section heading by striking "**trade-marks**" and inserting "**trademarks**";

(B) in subsection (a) by striking "trade-marks" and inserting "trademarks"; and

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 551 2002

(C) in subsection (b) by striking "trade-mark" and inserting "trademark".

(2) The item relating to section 1338 in the table of sections for chapter 85 of title 28, United States Code, is amended by striking "trade-marks" and inserting "trademarks".

SEC. 3010. EFFECTIVE DATE.

Sections 3002(a), 3003, 3004, 3005, and 3008 of this title shall apply to all domain names registered before, on, or after the date of the enactment of this Act, except that damages under subsection (a) or (d) of section 35 of the Trademark Act of 1946 (15 U.S.C. 1117), as amended by section 3003 of this title, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of the enactment of this Act.

TITLE IV—INVENTOR PROTECTION

SEC. 4001. SHORT TITLE.

This title may be cited as the "American Inventors Protection Act of 1999".

Subtitle A—Inventors' Rights

SEC. 4101. SHORT TITLE.

This subtitle may be cited as the 'Inventors' Rights Act of 1999".

SEC. 4102. INTEGRITY IN INVENTION PROMOTION SERVICES.

(a) IN GENERAL.—Chapter 29 of title 35, United States Code, is amended by adding at the end the following new section:

"§ 297. Improper and deceptive invention promotion

"(a) IN GENERAL.—An invention promoter shall have a duty to disclose the following information to a customer in writing, prior to entering into a contract for invention promotion services—

"(1) the total number of inventions evaluated by the invention promoter for commercial potential in the past 5 years, as well as the number of those inventions that received positive evaluations, and the number of those inventions that received negative evaluations;

"(2) the total number of customers who have contracted with the invention promoter in the past 5 years, not including customers who have purchased trade show services, research, advertising, or other nonmarketing services from the invention promoter, or who have defaulted in their payment to the invention promoter;

"(3) the total number of customers known by the invention promoter to have received a net financial profit as a direct result of the invention promotion services provided by such invention promoter;

"(4) the total number of customers known by the invention promoter to have received license agreements for their inventions as a direct result of the invention promotion services provided by such invention promoter; and

"(5) the names and addresses of all previous invention promotion companies with which the invention promoter or

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 552 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 553 2002

Document No. 2

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

106TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { 106–412

TRADEMARK CYBERPIRACY PREVENTION ACT

OCTOBER 25, 1999.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COBLE, from the Committee on the Judiciary, submitted the following

R E P O R T

[To accompany H.R. 3028]

The Committee on the Judiciary, to whom was referred the bill (H.R. 3028) amending certain trademark laws to prevent the misappropriation of marks, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

TABLE OF CONTENTS

	Page
The Amendment	1
Purpose and Summary	5
Background and Need for the Legislation	5
Hearings	7
Committee Consideration	7
Committee on Government Reform Findings	7
New Budget Authority and Tax Expenditures	7
Congressional Budget Office Cost Estimate	7
Constitutional Authority Statement	9
Section-by-Section Analysis and Discussion	9
Changes in Existing Law Made by the Bill, as Reported	16

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "Trademark Cyberpiracy Prevention Act.".

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 1 2002

(b) REFERENCES TO THE TRADEMARK ACT OF 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 2. CYBERPIRACY PREVENTION.

(a) IN GENERAL.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

"(d)(1)(A) A person shall be liable in a civil action by the owner of a trademark or service mark if, without regard to the goods or services of the parties, that person—

"(i) has a bad faith intent to profit from that trademark or service mark; and

"(ii) registers, traffics in, or uses a domain name that—

"(I) in the case of a trademark or service mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to such mark;

"(II) in the case of a famous trademark or service mark that is famous at the time of registration of the domain name, is dilutive of such mark; or

"(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.

"(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

"(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

"(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

"(iii) the person's prior lawful use, if any, of the domain name in connection with the bona fide offering of any goods or services;

"(iv) the person's lawful noncommercial or fair use of the mark in a site accessible under the domain name;

"(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

"(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

"(vii) the person's provision of material and misleading false contact information when applying for the registration of the domain name or the person's intentional failure to maintain accurate contact information;

"(viii) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to trademarks or service marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous trademarks or service marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of such persons;

"(ix) the person's history of offering to transfer, sell, or otherwise assign domain names incorporating marks of others to the mark owners or any third party for consideration without having used, or having an intent to use, the domain names in the bona fide offering of any goods and services;

"(x) the person's history of providing material and misleading false contact information when applying for the registration of other domain names which incorporate marks, or the person's history of using aliases in the registration of domain names which incorporate marks of others; and

"(xi) the extent to which the trademark or service mark incorporated in the person's domain name registration is distinctive and famous within the meaning of subsection (c)(1) of section 43 of the Trademark Act of 1946 (15 U.S.C. 1125).

"(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 2 2002

"(D) A person shall be liable for using a domain name under subparagraph (A)(ii) only if that person is the domain name registrant or that registrant's authorized licensee.

"(E) As used in this paragraph, the term 'traffics in' refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

"(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which suit may be brought against the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name if—

"(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or subsection (a) or (c) of this section, or 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; and

"(ii) the court finds that—

"(I) the owner has demonstrated due diligence and was not able to find or was not able to serve a person who would have been a defendant in a civil action under paragraph (1); or

"(II) personal jurisdiction cannot be established over any person who would have been a defendant in a civil action under paragraph (1).

"(B) The remedies in an in rem action under this paragraph shall be limited to 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.

"(C) The in rem action established under this paragraph and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

"(3) The civil action established under paragraph (1) and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.".

SEC. 3. DAMAGES AND REMEDIES.

(a) REMEDIES IN CASES OF DOMAIN NAME PIRACY.—

(1) INJUNCTIONS.—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking "(a) or (c)" and inserting "(a), (c), or (d)".

(2) DAMAGES.—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", (c), or (d)" after "section 43(a)".

(b) STATUTORY DAMAGES.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court may remit statutory damages in any case in which the court finds that an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.".

SEC. 4. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43(a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

"(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

"(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

"(I) in compliance with a court order under section 43(d); or

"(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark registered on the Principal Register of the United States Patent and Trademark Office, or of a trademark, word, or name protected by reason of section 706

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 3 2002

of title 18, United States Code, or section 220506 of title 36, United States Code.

"(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

"(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark registered on the Principal Register of the United States Patent and Trademark Office, or 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, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

"(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.".

SEC. 5. DEFINITIONS.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the undesignated paragraph defining the term "counterfeit" the following:

"The term 'domain name' means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

"The term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).".

SEC. 6. SAVINGS CLAUSE.

Nothing in this Act shall affect any defense available to a defendant under the Trademark Act of 1946 (including any defense under section 43(c)(4) of such Act or relating to fair use) or a person's right of free speech or expression under the first amendment of the United States Constitution.

SEC. 7. EFFECTIVE DATE.

Sections 2 through 6 of this Act shall apply to all domain names registered before, on, or after the date of enactment of this Act, except that damages under subsection (a) or (d) of section 35 of the Trademark Act of 1946 (15 U.S.C. 1117), as amended by section 3 of this Act, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment of this Act.

SEC. 8. ADJUSTMENT OF CERTAIN TRADEMARK AND PATENT FEES.

(a) TRADEMARK FEES.—Notwithstanding the second sentence of section 31(a) of the Trademark Act of 1946 (15 U.S.C. 1113(a)), the Commissioner of Patents and Trademarks is authorized in fiscal year 2000 to adjust trademark fees without regard to fluctuations in the Consumer Price Index during the preceding 12 months.

(b) PATENT FEES.—

(1) ORIGINAL FILING FEE.—Section 41(a)(1)(A) of title 35, United States Code, relating to the fee for filing an original patent application, is amended by striking "$760" and inserting "$690".

(2) REISSUE FEE.—Section 41(a)(4)(A) of title 35, United States Code, relating to the fee for filing for a reissue of a patent, is amended by striking "$760" and inserting "$690".

(3) NATIONAL FEE FOR CERTAIN INTERNATIONAL APPLICATIONS.—Section 41(a)(10) of title 35, United States Code, relating to the national fee for certain international applications, is amended by striking "$760" and inserting "$690".

(4) MAINTENANCE FEES.—Section 41(b)(1) of title 35, United States Code, relating to certain maintenance fees, is amended by striking "$940" and inserting "$830".

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 4 2002

(c) EFFECTIVE DATE.—Subsection (a) shall take effect on the date of the enactment of this Act. The amendments made by subsection (b) shall take effect 30 days after the date of the enactment of this Act.

PURPOSE AND SUMMARY

Over the last two years, the Subcommittee on Courts and Intellectual Property held multiple hearings on domain names to access their impact on intellectual property rights, particularly the Lanham Act. Through this committee's oversight, it has become very aware of the problems faced by owners of famous marks when dealing with the issue of domain names. Much testimony has been gathered evidencing the practice of cybersquatters who register numerous domain names containing American trademarks or tradenames only to hold them ransom in exchange for money. Sometimes these pirates put pornographic materials on theses sites in an effort to increase the likelihood of collecting ransom by damaging the integrity of a mark. The time has come for this practice to stop.

The legal recourse provided for in this legislation, combined with the intellectual property alternative dispute resolution procedures being adopted by the domain name registrars, will give trademark owners important tools to protect their intellectual property. This is a measured and balanced response to a growing problem, and will clarify that trademark property rights are respected as the Internet continues to grow.

BACKGROUND AND NEED FOR THE LEGISLATION

A great deal of controversy surrounds trademark rights vis-a-vis domain names. In the early years of the Internet, when the primary users were academic institutions and government agencies, little concern existed over trademarks and domain names. As the Internet grew, however, the fastest growing number of requests for domain names were in the .com domain because of the explosion of businesses offering products and services on the Internet.

Because people use domain names to locate Web resources, companies doing business online now want domain names that are easy to remember and that relate to their products, trade names, and trademarks. Owners of famous trademarks typically register their trademarks as domain names (such as "microsoft.com"). This kind of identification can be highly important to a business that conducts commerce on the Internet. In fact, many consumers who do not know the domain name of a company will first try the principal trademark or trade name of that company to locate the company's Web site.

Since domain names are available from Network Solutions, Inc. (NSI), and now other registrars, on a first-come, first-served basis, some owners have discovered that the domain name containing their trademark has already been registered. The situation has been aggravated by some people, known as "cyberpirates," registering domain names in the hope that they might be able to sell them to companies that place a high value on these trademarks. These cyberpirates have no intention of using the domain name in commerce, and instead often attempt to exact money from a com-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 5 2002

pany in exchange for domain names that relate to that company's trademarks.

Disputes involving domain names and trademarks place registrars in the awkward position of being pressured to takes sides in trademark disputes, or to deny, grant, or suspend a domain name based on an allegation of infringement. NSI has maintained a domain name dispute policy since 1995, but it has been criticized by many intellectual property owners. Only owners of trademarks that are registered with the U.S. Trademark Office's Principal Register and are identical to the disputed domain name can invoke the dispute policy. This means that NSI will not act on complaints from parties that have Federal registrations on the Supplemental Register, have State trademark registrations, or have only common law trademark rights, or rights under Section 43(a) of the Lanham Act.

"Cyberpiracy" can involve individuals seeking extortionate profits by reserving Internet domain names that are similar or identical to trademarked names with no intention of using the names in commerce themselves. Such actions undermine consumer confidence, discourage consumer use of the Internet, and destroy the value of brand-names and trademarks of American businesses.

Cyberpiracy can hurt businesses in a number of ways. First, a cyberpirate's expropriation of a mark as part of a domain name prevents the trademark owner from using the mark as part of its domain name. As a result, consumers seeking a trademark owner's Web site are diverted elsewhere, which means lost business opportunities for the trademark owner. A cyberpirate's use may also blur the distinctive quality of a mark and, when linked to certain types of Internet activities such as pornography, may also tarnish the mark. Finally, businesses are required to police and enforce their trademark rights by preventing unauthorized use, or risk losing those rights entirely.

Currently, the legal remedies available to trademark owners to prevent cyberpiracy are both expensive and uncertain. Federal courts have generally found in favor of the owner of a trademark where a similar or identical domain name is actively used in connection with a cyberpirate's Web site.[1] The law is less settled, however, where a cyberpirate has either registered the domain name and done nothing more, or where the cyberpirate uses a significant variation on the trademark.[2] Regardless of the ultimate outcome of litigation, trademark owners must expend significant resources and endure the inevitable delay associated with bringing a civil action in order to validate their rights. Many companies simply choose to pay extortionate prices to cyberpirates in order to rid themselves of a potentially damaging headache with an uncertain outcome. For

[1] See, e.g., *Toeppen* v. *Panavision International L.P.*, 141 F.3d 1316 (9th Cir. 1998) (noting that the registration of the trademark "Panavision" as a domain name by a cyberpirate resulted in the dilution of that mark); *Cardservice International Inc.* v. *McGee* 950 F.Supp. 737 (E.D.Va. 1997), *aff'd without op.*, 129 F.3d 1258 (4th Cir. 1997) (ruling that the owner of the registered mark "Cardservice" is entitled to a permanent injunction against the use of the domain name "cardservice.com" by another party because it is likely to confuse customers).

[2] See, e.g., *Toys "R" Us Inc.* v. *Feinberg*, 26 F.Supp. 2d 639 (S.D.N.Y. 1998) (holding that the use of "gunsareus.com" as a domain name does not infringe or dilute the mark of "Toys 'R' Us" due to the dissimilarity of the terms).

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 6 2002

example, Gateway recently paid $100,000 to a cyberpirate who had placed pornographic images to the Web site "www.gateway20000."

HEARINGS

The committee's Subcommittee on Courts and Intellectual Property held a hearing on Wednesday, July 28, 1999, on *Internet Domain Names and Intellectual Property Rights*. The following witnesses appeared at the hearing: Andrew Pincus, General Counsel, United States Department of Commerce; Francis Gurry, Assistant Director General & Legal Counsel, World Intellectual Property Organization; Michael Roberts, Interim President and CEO, Internet Corporation for Assigned Names and Numbers (ICANN); Michael A. Daniels, Chairman of the Board, Network Solutions, Incorporated; Jonathan Cohen, President, Intellectual Property Constituency of the Domain Name Supporting Organization of ICANN; Ken Stubbs, Chairman of the Executive Committee, Internet Council of Registrars (CORE) ; Kathlene Karg, Director of Intellectual Property and Public Policy, Interactive Digital Software Association, for the Copyright Coalition on Domain Names; Mike Kirk, Executive Director, American Intellectual Property Law Association (AIPLA); and Anne Chasser, President, International Trademark Association (INTA).

COMMITTEE CONSIDERATION

On September 9,1999, the Subcommittee on Courts and Intellectual Property met in open session and ordered favorably reported the bill H.R. 3028, by voice vote, a quorum being present. On October 13, 1999, the committee met in open session and ordered favorably reported the bill H.R. 3028 as amended, by voice vote, a quorum being present.

COMMITTEE ON GOVERNMENT REFORM FINDINGS

No findings or recommendations of the Committee on Government Reform and Oversight were received as referred to in clause 3(c)(4) of rule XIII of the Rules of the House of Representatives.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of House Rule XIII is inapplicable because this legislation does not provide new budget authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

The Congressional Budget Office estimates the bill would not have a significant effect on the Federal budget nor would affect direct spending or receipts; therefore pay-as-you-go procedures would not likely apply.

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the committee sets forth, with respect to the bill, H.R. 3028, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act of 1974:

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 7 2002

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 22, 1999.

Hon. HENRY J. HYDE, *Chairman,*
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3028, the Trademark Cyberpiracy Prevention Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley (for Federal costs), who can be reached at 226–2860, Shelley Finlayson (for the State and local impact), who can be reached at 225–3220, and John Harris (for the private-sector impact), who can be reached at 226–6910.

Sincerely,

DAN L. CRIPPEN, *Director.*

H.R. 3028—Trademark Cyberpiracy Prevention Act.

Cyberpiracy (or cybersquatting) consists of registering, trafficking in, or using domain names (Internet addresses) that are identical or confusingly similar to trademarks with the bad-faith intent to profit from the goodwill of the trademarks. H.R. 3028 would allow trademark owners to sue anyone who engages in such conduct, and allow the courts to order the forfeiture, cancellation, or transfer of domain names in such instances. CBO estimates that implementing these provisions would not have a significant effect on the Federal budget.

In addition, the bill would reduce the amounts the Patent and Trademark Office (PTO) charges inventors to file patents and would authorize the PTO to adjust the amounts it charges to file trademarks. In reviewing the cost of each activity the PTO performs, the agency determined that applicants for trademarks paid less than the cost to process trade applications, and applicants for patents paid more than the cost to process patent applications. Based on that information, CBO expects that the agency would increase trademark fees by more than enough to offset the lower patent fees that the bill would require. Under current law, PTO adjusts charges to patent and trademark owners to reflect fluctuations in the Consumer Price Index.

All fees collected by the PTO are credited to its appropriation as an offset to discretionary spending. Thus, CBO estimates that implementing H.R. 3028 would reduce net appropriated spending by the PTO by an average of about $10 million a year over the 2000–2004 period, assuming appropriation of the necessary amounts. Because H.R. 3028 would not affect direct spending or receipts, pay-as-you-go procedures would not apply to the bill.

H.R. 3028 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and could benefit state, local, or tribal governments if they sue to recover damages from infringement or dilution of trademarks based on the provisions of the bill. Any such benefits are expected to be minimal. The changes in patent and trademark fees authorized in the bill also

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are expected to have only minimal effects on the budgets of state, local, and tribal governments.

H.R. 3028 would create a new private-sector mandate for trademark holders by granting the PTO the discretion to increase trademark fees. Trademark fee increases are private-sector mandates because the Federal Government controls the trademark system and no reasonable alternatives to the system exist. CBO estimates that the PTO would collect roughly $40 million a year, on average, in fee increase over the next five years. The costs of the mandate thus fall below the threshold established in UMRA ($100 million in 1996, adjusted annually for inflation).

The bill would benefit patent holders and applicants by reducing several patent fees, including filing, reissuance, and certain maintenance fees. CBO estimates that the fee reductions would save patent holders and applicants roughly $30 million a year, on average, over the next five years. Although some firms and individuals may hold both trademarks and patents, the patent fee reductions would not offset the trademark fee increases. Trademarks and patents serve separate and distinct purposes, and many trademark holders hold no patents.

On August 5, 1999, CBO transmitted an estimate of S. 1255, the Anticybersquatting Consumer Protection Act, as reported by the Senate Committee on the Judiciary on July 29, 1999. Because S.1255 would not affect the fees collected by the PTO, CBO estimated that it would not have a significant budgetary impact.

The CBO staff contacts are Mark Hadley (for Federal costs), who can be reached at 226–2860, Shelley Finlayson (for the state and local impact), who can be reached at 225–3220, and John Harris (for the private-sector impact), who can be reached at 226–6910. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of the rule XIII of the Rules of the House of Representatives, the committee finds the authority for this legislation in Article I, section 8, clause 3 of the Constitution, the authorizing provision for the underlying Lanham Act to which this Act is an amendment.

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

Section 1. Short title; references.

This section provides that the act may be cited as the "Trademark Cyberpiracy Prevention Act" and that any references within the bill to the Trademark Act of 1946 shall be a reference to the act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes," approved July 5, 1946 (15 U.S.C. §1051 et seq.), also commonly referred to as the Lanham Act.

Section 2. Cyberpiracy prevention

Subsection (a). In General. This subsection amends section the Trademark Act to provide an explicit trademark remedy for

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cyberpiracy under a new section 43(d). Under paragraph (1)(A) of the new section 43(d), actionable conduct would include the registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of the trademark or service mark of another, provided that the mark was distinctive (i.e., enjoyed trademark status) at the time the domain name was registered. The bill is carefully and narrowly tailored, however, to extend only to cases where the plaintiff can demonstrate that the defendant registered, trafficked in, or used the offending domain name with bad-faith intent to profit from the goodwill of a mark belonging to someone else. Thus, the bill does not extend to innocent domain name registrations by those who are unaware of another's use of the name, or even to someone who is aware of the trademark status of the name but registers a domain name containing the mark for any reason other than with bad faith intent to profit from the goodwill associated with that mark.

Paragraph (1)(B) of the new section 43(d) sets forth a number of nonexclusive, nonexhaustive factors to assist a court in determining whether the required bad-faith element exists in any given case. These factors are designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc. The bill suggests a total of eleven factors a court may wish to consider. The first four suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the others suggest circumstances that may tend to indicate that such bad-faith intent exists.

First, under paragraph (1)(B)(i), a court may consider whether the domain name registrant has trademark or any other intellectual property rights in the name. This factor recognizes, as does trademark law in general, that there may be concurring uses of the same name that are noninfringing, such as the use of the "Delta" mark for both air travel and sink faucets. Similarly, the registration of the domain name "deltaforce.com" by a movie studio would not tend to indicate a bad faith intent on the part of the registrant to trade on Delta Airlines or Delta Faucets' trademarks.

Second, under paragraph (1)(B)(ii), a court may consider the extent to which the domain name is the same as the registrant's own legal name or a nickname by which that person is commonly identified. This factor recognizes, again as does the concept of fair use in trademark law, that a person should be able to be identified by their own name, whether in their business or on a web site. Similarly, a person may bear a legitimate nickname that is identical or similar to a well-known trademark and registration of a domain name using that nickname would not tend to indicate bad faith. This factor is not intended to suggest that domain name registrants may evade the application of this act by merely adopting Exxon, Ford, Bugs Bunny or other well-known marks as their nicknames. It merely provides a court with the appropriate discretion to determine whether or not the fact that a person bears a nickname similar to a mark at issue is an indication of an absence of bad-faith on the part of the registrant.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 10 2002

Third, under paragraph (1)(B)(iii), a court may consider the domain name registrant's prior use, if any, of the domain name in connection with the bona fide offering of goods or services. Again, this factor recognizes that the legitimate use of the domain name in online commerce may be a good indicator of the intent of the person registering that name. Where the person has used the domain name in commerce without creating a likelihood of confusion as to the source or origin of the goods or services and has not otherwise attempted to use the name in order to profit from the goodwill of the trademark owner's name, a court may look to this as an indication of the absence of bad faith on the part of the registrant. A defendant should have the burden of introducing evidence of lawful use to assist the court in evaluating this factor.

Fourth, under paragraph (1)(B)(iv), a court may consider the person's legitimate noncommercial or fair use of the mark in a web site that is accessible under the domain name at issue. This factor is intended to balance the interests of trademark owners with the interests of those who would make lawful noncommercial or fair uses of others' marks online, such as in comparative advertising, comment, criticism, parody, news reporting, etc. Under the bill, the use of a domain name for purposes of comparative advertising, comment, criticism, parody, news reporting, etc., even where done for profit, would not alone satisfy the bad-faith intent requirement. The fact that a person may use a mark in a site in such a lawful manner may be an appropriate indication that the person's registration or use of the domain name lacked the required element of bad-faith. This factor is not intended to create a loophole that otherwise might swallow the bill, however, by allowing a domain name registrant to evade application of the Act by merely putting up a noninfringing site under an infringing domain name. For example, in the well know case of Panavision Int'l v. Toeppen, 141 F.3d 1316 (9th Cir. 1998), a well known cyberpirate had registered a host of domain names mirroring famous trademarks, including names for Panavision, Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and more than 100 other marks, and had attempted to sell them to the mark owners for amounts in the range of $10,000 to $15,000 each. His use of the "panavision.com" and "panaflex.com" domain names was seemingly more innocuous, however, as they served as addresses for sites that merely displayed pictures of Pana Illinois and the word "Hello" respectively. This act would not allow a person to evade the holding of that case—which found that Mr. Toeppen had made a commercial use of the Panavision marks and that such uses were, in fact, diluting under the Federal Trademark Dilution Act—merely by posting noninfringing uses of the trademark on a site accessible under the offending domain name, as Mr. Toeppen did. Similarly, the bill does not affect existing trademark law to the extent it has addressed the interplay between first amendment protections and the rights of trademark owners. Rather, the act gives courts the flexibility to weigh appropriate factors in determining whether the name was registered or used in bad faith, and it recognizes that one such factor may be the use the domain name registrant makes of the mark.

Fifth, under paragraph (1)(B)(v), a court may consider whether, in registering or using the domain name, the registrant intended

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 11 2002

to divert consumers away from the trademark owner's website to a website that could harm the goodwill of the mark, either for purposes of commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site. This factor recognizes that one of the main reasons cyberpirates use other people's trademarks is to divert Internet users to their own sites by creating confusion as to the source, sponsorship, affiliation, or endorsement of the site. This factor recognizes that one of the main reasons cyberpirates use other people's trademarks is to divert Internet users to their own sites by creating confusion as to the source, sponsorship, affiliation, or enforcement of the site. This is done for a number of reasons, including to pass off inferior goods under the name of a well-known mark holder, to defraud consumers into providing personally identifiable information, such as credit card numbers, to attract eyeballs to sites that price online advertising according to the number of "hits" the site receives, or even just to harm the value of the mark. Under this provision, a court may give appropriate weight to evidence that a domain name registrant intended to confuse or deceive the public in this manner when making a determination of bad-faith intent.

Sixth, under paragraph (1)(B)(vi), a court may consider a domain name registrant's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain, where the registrant has not used, and did not have any intent to use, the domain name in the bona fide offering of any goods or services. This factor is consistent with the court cases, like the Panavision case mentioned above, where courts have found a defendant's offer to sell the domain name to the legitimate mark owner as being indicative of the defendant's intent to trade on the value of a trademark owner's marks by engaging in the business of registering those marks and selling them to the rightful trademark owners. It does not suggest that a court should consider the mere offer to sell a domain name to a mark owner or the failure to use a name in the bona fide offering of goods or services is sufficient to indicate bad faith. Indeed, there are cases in which a person registers a name in anticipation of a business venture that simply never pans out. And someone who has a legitimate registration of a domain name that mirrors someone else's domain name, such as a trademark owner that is a lawful concurrent user of that name with another trademark owner, may, in fact, wish to sell that name to the other trademark owner. This bill does not imply that these facts are an indication of bad-faith. It merely provides a court with the necessary discretion to recognize the evidence of bad-faith when it is present. In practice, the offer to sell domain names for exorbitant amounts to the rightful mark owner has been one of the most common threads in abusive domain name registrations. Finally, by using the financial gain standard, this allows a court to examine the motives of the seller.

Seventh, under paragraph (1)(B)(vii), a court may consider the registrant's provision of material and misleading false contact information in an application for the domain name registration. Falsification of contact information with the intent to evade identification and service of process by trademark owners is also a common

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 12 2002

thread in cases of cyberpiracy. This factor recognizes that fact, while still recognizing that there may be circumstances in which the provision of false information may be due to other factors, such as mistake or, as some have suggested in the case of political dissidents, for purposes of anonymity. This bill balances those factors by limiting consideration to the person's contact information, and even then requiring that the provision of false information be material and misleading. As with the other factors, this factor is nonexclusive and a court is called upon to make a determination based on the facts presented whether or not the provision of false information does, in fact, indicate bad-faith.

Eighth, under paragraph (1)(B)(viii), a court may consider the domain name registrant's acquisition of multiple domain names that are identical to, confusingly similar to, or dilutive of others' marks. This factor recognizes the increasingly common cyberpiracy practice known as "warehousing", in which a cyberpirate registers multiple domain names—sometimes hundreds, even thousands—that mirror the trademarks of others. By sitting on these marks and not making the first move to offer to sell them to the mark owner, these cyberpirates have been largely successful in evading the case law developed under the Federal Trademark Dilution Act. This act does not suggest that the mere registration of multiple domain names is an indication of bad faith, but allows a court to weigh the fact that a person has registered multiple domain names that infringe or dilute the trademarks of others as part of its consideration of whether the requisite bad-faith intent exists.

Ninth, under paragraph (1)(B)(ix), a court may consider the person's history of offering to transfer, sell, or otherwise assign domain name incorporating marks of others to the mark owners or other third party for consideration without having used, or having intent to use, the domain name. This factor should assist a court in distinguishing those circumstance more akin to warehousing versus those circumstances where the registrant has made a change is a business plan or course of action.

Tenth, under paragraph (1)(B)(x), a court may consider the person's history of providing material and misleading false contact information when applying for the registration of other domain names, or the person's history of using aliases in the registration of domain names which incorporate the marks of others. This factor recognizes that more often an applicant uses false or misleading contact information, the more likely it is that the applicant is engaging in speculative activity.

Lastly, under paragraph (1)(B)(xi), a court may consider the extent to which the mark incorporated in the person's domain name registration is distinctive and famous within the meaning of subsection (c)(1) of section 43 of the Trademark Act of 1946. The more distinctive or famous a mark has become, the more likely the owner of that mark is deserving of the relief available under this act.

Paragraph (1)(C) makes clear that in any civil action brought under the new section 43(d), a court may order the forfeiture, cancellation, or transfer of a domain name to the owner of the mark. Paragraph (1)(D) further clarifies that a use of a domain name shall be limited to a use of the domain name by the registrant or

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 13 2002

his or her authorized licensee. This provision limits the right to use the domain name as a means to infringe on another's other bona fide trademark rights.

Paragraph (2)(A) provides for in rem jurisdiction, which allows a mark owner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so. Such in rem jurisdiction is proper in two instances. First, where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so, or is unable to affect service. As indicated above, a significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner. The act alleviates this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information or is otherwise not to be found, provided that mark owner can show that the domain name itself violates substantive Federal trademark law (i.e., that the domain name violates the rights of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c) of the Trademark Act). Second, such in rem jurisdiction is also appropriate in instances where personal jurisdiction cannot be established over the domain name registrant. This situation occurs when a non-U.S. resident cybersquats on a domain name that infringes upon a U.S. trademark. This type of in rem jurisdiction still requires a nexus based upon a U.S. registry or registrar would not offend international comity. This jurisdiction would not extend to any domain name registries existing outside of the United States. Nor would this jurisdiction preclude the movement of any registries to outside of the United States. Instead, providing in rem jurisdiction based upon the lack of personal jurisdiction over the cybersquatter would provide protection both for trademark owners and perhaps, more importantly, consumers. Finally, this jurisdiction does not offend due process, since the property and only the property is the subject of the jurisdiction, not other substantive personal rights of any individual defendant.

Paragraph (2)(B) limits the relief available in such an in rem action to an injunction ordering the forfeiture, cancellation, or transfer of the domain name.

Paragraph (2)(C) states that the in rem remedies under this section shall be in addition to other remedies that are applicable.

Paragraph (3) makes clear that the creation of a new section 43(d) in the Trademark Act does not in any way limit the application of current provisions of trademark, unfair competition and false advertising, or dilution law, or other remedies under counterfeiting or other statutes, to cyberpiracy cases.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 14 2002

Section 3. Damages and Remedies

Section 3 applies traditional trademark remedies, including injunctive relief, recovery of defendant's profits, actual damages, and costs, to cyberpiracy cases under the new section 43(d) of the Trademark Act. The bill also amends section 35 of the Trademark Act to provide for statutory damages in cyberpiracy cases, in an amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The act requires the court to remit statutory damages in any case where the infringer believed and had reasonable grounds to believe that the use of the domain name was a fair or otherwise lawful use.

Section 4. Limitation on liability

This section amends section 32(2) of the Trademark Act to extend the Trademark Act's existing limitations on liability to the cyberpiracy context. This section also creates a new subparagraph (D) in section 32(2) to encourage domain name registrars and registries to work with trademark owners to prevent cyberpiracy through a limited exemption from liability for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cyberpiracy. The act anticipates a reasonable policy against cyberpiracy will apply only to marks registered on the Principal Register of the Patent and Trademark Office in order to promote objective criteria and predictability in the dispute resolution process.

This section also protects the rights of domain name registrants against overreaching trademark owners. Under a new section subparagraph (D)(iv) in section 32(2), a trademark owner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing shall be liable to the domain name registrant for damages resulting from the suspension, cancellation, or transfer of the domain name. In addition, the court may grant injunctive relief to the domain name registrant by ordering the reactivation of the domain name or the transfer of the domain name back to the domain name registrant. Finally, in creating a new subparagraph (D)(iii) of section 32(2), this section codifies current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name, absent bad-faith on the part of the registrar and registry.

Section 5. Definitions

This section amends the Trademark Act's definitions section (section 45) to add definitions for key terms used in this act. First, the term "Internet" is defined consistent with the meaning given that term in the Communications Act (47 U.S.C. § 230(f)(1)). Second, this section creates a narrow definition of "domain name" to target the specific bad-faith conduct sought to be addressed while excluding such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 15 2002

Section 6. Savings clause

This section provides an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights.

Section 7. Effective date

This section provides that new statutory damages provided for under this bill shall not apply to any registration, trafficking, or use of a domain name that took place prior to the enactment of this act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TRADEMARK ACT OF 1946

* * * * * * *

TITLE VI—REMEDIES

SEC. 32. (1) * * *

(2) Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act or to a person bringing an action [under section 43(a)] *under section 43(a) or (d)* shall be limited as follows:

(A) * * *

* * * * * * *

(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(I) in compliance with a court order under section 43(d); or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark registered on the Principal Register of the United States Patent and Trademark Office, or of 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.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 16 2002

damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark registered on the Principal Register of the United States Patent and Trademark Office, or 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, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

[(D)**]** *(E)* As used in this paragraph—

(i) the term "violator" means a person who violates section 43(a); and

(ii) the term "violating matter" means matter that is the subject of a violation under section 43(a).

* * * * * * *

SEC. 34. (a) The several courts vested with jurisdiction of civil actions arising under this Act shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection **[**(a) or (c)**]** *(a), (c), or (d)* of section 43. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 17 2002

granted, or by any other United States district court in whose jurisdiction the defendant may be found.

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SEC. 35. (a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 43(a), *(c), or (d)*, or a willful violation under section 43(c), shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only, defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

* * * * * * *

(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court may remit statutory damages in any case in which the court finds that an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.

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TITLE VIII—FALSE DESIGNATIONS OF ORIGIN, FALSE DESCRIPTIONS, AND DILUTION FORBIDDEN

SEC. 43. (a) * * *

* * * * * * *

(d)(1)(A) A person shall be liable in a civil action by the owner of a trademark or service mark if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that trademark or service mark; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a trademark or service mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to such mark;

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 18 2002

(II) in the case of a famous trademark or service mark that is famous at the time of registration of the domain name, is dilutive of such mark; or

(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.

(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(iii) the person's prior lawful use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(iv) the person's lawful noncommercial or fair use of the mark in a site accessible under the domain name;

(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

(vii) the person's provision of material and misleading false contact information when applying for the registration of the domain name or the person's intentional failure to maintain accurate contact information;

(viii) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to trademarks or service marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous trademarks or service marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of such persons;

(ix) the person's history of offering to transfer, sell, or otherwise assign domain names incorporating marks of others to the mark owners or any third party for consideration without having used, or having an intent to use, the domain names in the bona fide offering of any goods and services;

(x) the person's history of providing material and misleading false contact information when applying for the registration of other domain names which incorporate marks, or the person's history of using aliases in the registration of domain names which incorporate marks of others; and

(xi) the extent to which the trademark or service mark incorporated in the person's domain name registration is distinc-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 19 2002

tive and famous within the meaning of subsection (c)(1) of section 43 of the Trademark Act of 1946 (15 U.S.C. 1125).

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A)(ii) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term 'traffics in' refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which suit may be brought against the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name if—

(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or subsection (a) or (c) of this section, or 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; and

(ii) the court finds that—

(I) the owner has demonstrated due diligence and was not able to find or was not able to serve a person who would have been a defendant in a civil action under paragraph (1); or

(II) personal jurisdiction cannot be established over any person who would have been a defendant in a civil action under paragraph (1).

(B) The remedies in an in rem action under this paragraph shall be limited to 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.

(C) The in rem action established under this paragraph and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

(3) The civil action established under paragraph (1) and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

* * * * * * *

TITLE X—CONSTRUCTION AND DEFINITIONS

SEC. 45. In the construction of this Act, unless the contrary is plainly apparent from the context—

The United States includes and embraces all territory which is under its jurisdiction and control.

* * * * * * *

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 20 2002

The term "domain name" means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

The term "Internet" has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

* * * * * * *

SECTION 41 OF TITLE 35, UNITED STATES CODE

§ 41. Patent fees; patent and trademark search systems

(a) The Commissioner shall charge the following fees:

(1)(A) On filing each application for an original patent, except in design or plant cases, **[**$760**]** *$690.*

* * * * * * *

(4)(A) On filing each application for the reissue of a patent, **[**$760**]** *$690.*

* * * * * * *

(10) Basic national fee for an international application where the Patent and Trademark Office was the International Searching Authority but not the International Preliminary Examining Authority, **[**$760**]** *$690.*

* * * * * * *

(b) The Commissioner shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

(1) 3 years and 6 months after grant, **[**$940**]** *$830.*

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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 21 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 22 2002

Document No. 3

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

Calendar No. 240

106TH CONGRESS
1st Session

SENATE

REPORT
106–140

THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT

AUGUST 5, 1999.—Ordered to be printed

Mr. HATCH, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany S. 1255]

The Committee on the Judiciary, to which was referred the bill (S. 1255) to protect consumers and promote electronic commerce by amending certain trademark infringement, dilution, and counterfeiting laws, and for other purposes, having considered the same, reports favorably thereon, with an amendment in the nature of a substitute, and recommends that the bill, as amended, do pass.

CONTENTS

		Page
I.	Purpose	4
II.	Legislative history	4
III.	Discussion	4
IV.	Vote of the Committee	12
V.	Section-by-section analysis	12
VI.	Cost estimate	18
VII.	Regulatory impact statement	18
VIII.	Changes in existing law	19

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "Anticybersquatting Consumer Protection Act.".

(b) REFERENCES TO THE TRADEMARK ACT OF 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1501 et seq.).

SEC. 2. FINDINGS.

Congress finds the following:

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 1 2002

(1) The registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of a trademark or service mark of another that is distinctive at the time of registration of the domain name, without regard to the goods or services of the parties, with the bad-faith intent to profit from the goodwill of another's mark (commonly referred to as "cyberpiracy" and "cybersquatting")—

(A) results in consumer fraud and public confusion as to the true source or sponsorship of goods and services;

(B) impairs electronic commerce, which is important to interstate commerce and the United States economy;

(C) deprives legitimate trademark owners of substantial revenues and consumer goodwill; and

(D) places unreasonable, intolerable, and overwhelming burdens on trademark owners in protecting their valuable trademarks.

(2) Amendments to the Trademark Act of 1946 would clarify the rights of a trademark owner to provide for adequate remedies and to deter cyberpiracy and cybersquatting.

SEC. 3. CYBERPIRACY PREVENTION.

(a) IN GENERAL.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

"(d)(1)(A) Any person who, with bad-faith intent to profit from the goodwill of a trademark or service mark of another, registers, traffics in, or uses a domain name that is identical to, confusingly similar to, or dilutive of such trademark or service work, without regard to the goods or services of the parties, shall be liable in a civil action by the owner of the mark, if the mark is distinctive at the time of the registration of the domain name.

"(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

"(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

"(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

"(iii) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

"(iv) the person's legitimate noncommercial or fair use of the mark in a site accessible under the domain name;

"(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

"(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for substantial consideration without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

"(vii) the person's intentional provision of material and misleading false contact information when applying for the registration of the domain name; and

"(viii) the person's registration or acquisition of multiple domain names which are identical to, confusingly similar to, or dilutive of trademarks or service marks of others that are distinctive at the time of registration of such domain names, without regard to the goods or services of such persons.

"(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

"(2)(A) The owner of a mark may file an in rem civil action against a domain name if—

"(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c); and

"(ii) the court finds that the owner has demonstrated due diligence and was not able to find a person who would have been a defendant in a civil action under paragraph (1).

"(B) The remedies of an in rem action under this paragraph shall be limited to 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.".

(b) ADDITIONAL CIVIL ACTION AND REMEDY.—The civil action established under section 43(d)(1) of the Trademark Act of 1946 (as added by this section) and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 2 2002

SEC. 4. DAMAGES AND REMEDIES.

(1) INJUNCTIONS.—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking "section 43(a)" and inserting "section 43 (a), (c), or (d)".

(2) DAMAGES.—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", (c), or (d)" after "section 43 (a)".

(b) STATUTORY DAMAGES.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court shall remit statutory damages in any case in which an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.".

SEC. 5. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43 (a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

"(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

"(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

"(I) in compliance with a court order under section 43(d); or

"(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark registered on the Principal Register of the United States Patent and Trademark Office.

"(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

"(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any person that a domain name is identical to, confusingly similar to, or dilutive of a mark registered on the Principal Register of the United States Patent and Trademark Office, such person shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.".

SEC. 6. DEFINITIONS.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the undesignated paragraph defining the term "counterfeit" the following:

"The term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

"The term 'domain name' means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.".

SEC. 7. SAVINGS CLAUSE.

Nothing in this Act shall affect any defense available to a defendant under the Trademark Act of 1946 (including any defense under section 43(c)(4) of such Act or relating to fair use) or a person's right of free speech or expression under the first amendment of the United States Constitution.

SEC. 8. SEVERABILITY.

If any provision of this Act, an amendment made by this Act, or the application of such provision or amendment to any person or circumstances is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 3 2002

application of the provisions of such to any person or circumstance shall not be affected thereby.

SEC. 9. EFFECTIVE DATE.

This Act shall apply to all domain names registered before, on, or after the date of enactment of this Act, except that statutory damages under section 35(d) of the Trademark Act of 1946 (15 U.S.C. 1117), as added by section 4 of this Act, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment of this Act.

I. PURPOSE

The purpose of the bill is to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as "cybersquatting."

II. LEGISLATIVE HISTORY

On June 21, 1999, Senator Abraham introduced S. 1255 as the "Anticybersquatting Consumer Protection Act." The bill was cosponsored by Senators Torricelli, Hatch, McCain, and Breaux. A hearing was held by the Judiciary Committee on July 22, 1999. The Committee heard testimony from Anne H. Chasser, president of International Trademark Association; Gregory D. Phillips, a trademark practitioner with Howard, Phillips & Anderson in Salt Lake City, UT; and Christopher D. Young, president and chief operating officer of Cyveillance, Inc.

On July 29, 1999 the Judiciary Committee met in executive session to consider the bill. The Chairman, Senator Hatch, and Ranking Member, Senator Leahy, offered an amendment in the nature of a substitute, which was cosponsored by Senators Abraham, Torricelli, DeWine, Kohl, and Schumer, and which reflected the text of S. 1462, which was introduced the same day by the Chairman and the Ranking Member, with the same Senators listed as cosponsors. The substitute amendment was considered and agreed to by unanimous consent. The bill, as amended, was then ordered favorably reported to the Senate by unanimous consent.

III. DISCUSSION

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. In another example of bad-faith abuses of the domain name registration system, Network Solutions—the domain name registry that administers the Internet's ".com," ".net," ".org," and ".edu" top level domains—pulled on a London computer club in May, 1999, that had registered over

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 4 2002

75,000 domain names using an automated computer program.[1] Their aim was to lock up all available four letter domains by systematically reserving every possible combination of letters, starting with aaaa.com, then aaab.com, aaac.com, up to zzzz.com, until every available combination had been reserved.

The practice of cybersquatting harms consumers, electronic commerce, and the goodwill equity of valuable U.S. brand names, upon which consumers increasingly rely to locate the true source of genuine goods and services on the Internet. Online consumers have a difficult time distinguishing a genuine site from a pirate site, given that often the only indications of source and authenticity of the site, or the goods and services made available thereon, are the graphical interface on the site itself and the Internet address at which it resides. As a result, consumers have come to rely heavily on familiar brand names when engaging in online commerce. But if someone is operating a web site under another brand owner's trademark, such as a site called "cocacola.com" or "levis.com," consumers bear a significant risk of being deceived and defrauded, or at a minimum, confused. The costs associated with these risks are increasingly burdensome as more people begin selling pharmaceuticals, financial services, and even groceries over the Internet. Regardless of what is being sold, the result of online brand name abuse, as with other forms of trademark violations, is the erosion of consumer confidence in brand name identifiers and in electronic commerce generally.

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. For example, several years ago a small Canadian company with a single shareholder and a couple of dozen domain names demanded that Umbro International, Inc., which markets and distributes soccer equipment, pay $50,000 to its sole shareholder, $50,000 to an Internet charity, and provide a free lifetime supply of soccer equipment in order for it to relinquish the "umbro.com" name.[2] The Committee also heard testimony that Warner Bros. was reportedly asked to pay $350,000 for the rights to the names "warner-records.com", "warner-bros-records.com", "warner-pictures.com", "warner-bros-pictures", and "warnerpictures.com".[3]

Others register well-known marks as domain names and warehouse those marks with the hope of selling them to the highest bidder, whether it be the trademark owner or someone else. For example, the Committee heard testimony regarding an Australian company operating on the Internet under the name "The Best Domains," which was offering such domain names as "911porsche.com," at asking prices of up to $60,911, with a caption

[1] Run on Domain Names Foiled, Wired News, May 27, 1999, available at http://www.wired.com/news/news/business/story/19913.html (last visited Aug. 2, 1999).

[2] *See Umbro International, Inc.* v. *3263851 Canada, Inc.*, 1999 WL 117760 (Va. Cir. Ct., Feb. 3, 1999).

[3] Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity, 1999: Hearings Before the Senate Comm. on the Judiciary, 106th Cong., 1st Sess. (1999) (Statement of Anne Chasser, President, International Trademark Association).

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 5 2002

that reads "PORSCHE: DO I NEED TO SAY ANYTHING?"[4] The Committee also heard testimony regarding a similarly enterprising cybersquatter whose partial inventory of domain names—the listing of which was limited by the fact that Network Solutions will only display the first 50 records of a given registrant—includes names such as Coca-Cola, Pepsi, Burger King, KFC, McDonalds, Subway, Taco Bell, Wendy's, BMW, Chrysler, Dodge, General Motors, Honda, Hyundai, Jaguar, Mazda, Mercedes, Nissan, Porsche, Rolls-Royce, Saab, Saturn, Toyota, and Volvo, all of which are available to the highest bidder through an online offer sheet.[5]

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. Other instances of diverting unsuspecting consumers to pornographic web sites involve malicious attempts to tarnish a trademark owner's mark or to extort money from the trademark owner, such as the case where a cybersquatter placed pornographic images of celebrities on a site under the name "pentium3.com" and announced that it would sell the domain name to the highest bidder.[6] 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. Similarly, the domain name address "wwwcarpoint.com," without a period following "www", was used by a cybersquatter to offer a competing service to Microsoft's popular Carpoint car buying service.

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.[7] We also heard the account of a cybersquatter purporting to sell Dell Computer products under the name "dellspares.com", when in fact Dell does not authorize online resellers to market its products, and

[4] Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity, 1999: Hearings Before the Senate Comm. on the Judiciary, 106th Cong., 1st Sess. (1999) (Statement of Gregory D. Phillips, trademark practitioner and outside trademark counsel for Porsche Cars North America, Inc.).

[5] Id.

[6] See Statement of Anne Chasser, supra note 3.

[7] See id.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 6 2002

a similar account of someone using the name "levis501warehouse.com" to sell Levis jeans despite the fact that Levis is the only authorized online reseller of its jeans.[8] Of even greater concern was the example of an online drug store selling pharmaceuticals under the name "propeciasales.com" without any way for online consumers to tell whether what they are buying is a legitimate product, a placebo, or a dangerous counterfeit.[9]

The need for legislation banning cybersquatting

Current law does not expressly prohibit the act of cybersquatting. The World Intellectual Property Organization (WIPO) has identified cybersquatting as a global problem and recognized in its report on the domain name process that, "[f]amous and well-known marks have been the special target of a variety of predatory and parasitical practices on the Internet."[10] Trademark holders are battling thousands of cases of cybersquatting each year, the vast majority of which cannot be resolved through the dispute resolution policy set up by Internet domain name registries.

Instances of cybersquatting continue to grow each year because there is no clear deterrent and little incentive for cybersquatters to discontinue their abusive practices. While the Federal Trademark Dilution Act has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability. For example, many cybersquatters are now careful to no longer offer the domain name for sale in any manner that could implicate liability under existing trademark dilution case law. And, in cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law's application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.

In cases where a trademark owner can sue, the sheer number of domain name infringements, the costs associated with hundreds of litigation matters, and the difficulty of obtaining damages in standard trademark infringement and dilution actions are significant obstacles for legitimate trademark holders. Frequently, these obstacles lead trademark owners to simply "pay off" cybersquatters, in exchange for the domain name registration, rather than seek to enforce their rights in court.

Legislation is needed to address these problems and to protect consumers, promote the continued growth of electronic commerce, and protect the goodwill of American businesses. Specifically, legislation is needed to clarify the rights of trademark owners with respect to bad faith, abusive domain name registration practices, to provide clear deterrence to prevent bad faith and abusive conduct,

[8] Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity, 1999: Hearings Before the Senate Comm. on the Judiciary, 106th Cong., 1st Sess. (1999) (Statement of Christopher D. Young, President and Co-founder, Cyveillance, Inc.).

[9] See id.

[10] World Intellectual Property Organization, Management of Internet Names and Addresses: Intellectual Proerty Issues 8 (1999).

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 7 2002

and to provide adequate remedies for trademark owners in those cases where it does occur.

The Committee substitute amendment

The Internet remains a relatively new and exciting medium for communication, electronic commerce, education, entertainment, and countless other yet-to-be-determined uses. It is a global medium whose potential is only just beginning to be understood. Abusive conduct, like cybersquatting, threatens the continued growth and vitality of the Internet as a platform for all these uses. But in seeking to curb such abuses, Congress must not cast its net too broadly or impede the growth of technology, and it must be careful to balance the legitimate interests of Internet users with the other interests sought to be protected.

Prior to Committee consideration of the bill, the Chairman and Ranking Member, in cooperation with the sponsors of the bill, engaged in many hours of discussions with Senators and affected parties on all sides to refine the bill and to clarify its application with respect to noninfringing trademark uses. The result is a balanced Committee substitute amendment to the bill that protects the rights of Internet users and the interests of all Americans in free speech and protected uses of trademarked names for such things as parody, comment, criticism, comparative advertising, news reporting, etc. * * * At the same time, the amendment is true to the aim of the underlying bill by providing clarity in the law for trademark owners and much needed protections for American consumers online.

Balancing cybersquatting deterrence with protected trademark uses online

Like the underlying bill, the Committee substitute allows trademark owners to recover statutory damages in cybersquatting cases, both to deter wrongful conduct and to provide adequate remedies for trademark owners who seek to enforce their rights in court. The substitute goes beyond simply stating the remedy, however, and sets forth a substantive cause of action, based in trademark law, to define the wrongful conduct sought to be deterred and to fill in the gaps and uncertainties of current trademark law with respect to cybersquatting. Under the bill, as amended, the abusive conduct that is made actionable is appropriately limited just to bad-faith registrations and uses of others' marks by persons who seek to profit unfairly from the goodwill associated therewith. Specifically, the bill prohibits "the registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of" a mark that is distinctive (i.e., had attained trademark status) at the time the domain name is registered, "with bad-faith intent to profit from the goodwill" associated with that mark.

The Committee intends the prohibited "use" of a domain name to describe the use of a domain name by the domain name registrant, with the bad-faith intent to profit from the goodwill of the mark of another. The concept of "use" does not extend to uses of the domain name made by those other than the domain name registrant, such as the person who includes the domain name as a

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 8 2002

hypertext link on a web page or as part of a directory of Internet addresses.

In addition, the bill, as amended, balances the property interests of trademark owners with the interests of Internet users who would make fair use of others' marks or otherwise engage in protected speech online. First, the bill sets forth a number of balancing factors that a court may wish to consider in deciding whether the requisite bad-faith intent is present in any given case:

(i) The trademark rights of the domain name registrant in the domain name;

(ii) Whether the domain name is the legal or nickname of the registrant;

(iii) The prior use by the registrant of the domain name in connection with the bona fide offering of any goods or services;

(iv) The registrant's legitimate noncommercial or fair use of the mark at the site under the domain name;

(v) The registrant's intent to divert consumers from the mark's owner's online location in a manner that could harm the mark's goodwill, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of the site;

(vi) The registrant's offer to sell the domain name for substantial consideration without having or having an intent to use the domain name in the bona fide offering of goods or services;

(vii) The registrant's intentional provision of material false and misleading contact information when applying for the registration of the domain name; and

(viii) The registrant's registration of multiple domain names that are identical or similar to or dilutive of another's trademark.

Each of these factors reflect indicators that, in practice, commonly suggest bad-faith intent or a lack thereof in cybersquatting cases. The Committee understands that the presence or absence of any of these factors may not be determinative. For example, while noncommercial uses of a mark, such as for comment, criticism, parody, news reporting, etc. * * *, are beyond the scope of the bill's prohibitions, the fact that a person uses the domain name at issue in connection with a site that makes a noncommercial or fair use of the mark does not necessarily mean that the domain name registrant lacked bad faith. To recognize such an exemption would eviscerate the protections of the bill by suggesting a blueprint for cybersquatters who would simply create criticism sites in order to immunize themselves from liability despite their bad-faith intentions. By the same token, the fact that a defendant provided erroneous information in applying for a domain name registration or registered multiple domain names that were identical to, confusingly similar to, or dilutive of distinctive marks does not necessarily show bad-faith. The Committee recognizes that such false information may be provided without a bad-faith intent to trade on the goodwill of another's mark, and that there are likely to be instances in which multiple domain name registrations are consistent with honest business practices. Similar caveats can be made for

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 9 2002

each of the eight balancing factors, which is why the list of factors is nonexclusive and nonexhaustive. Courts must ultimately weigh the facts of each case and make a determination based on those facts whether or not the defendant registered, trafficked in, or used the domain name with bad-faith intent to profit from the goodwill of the mark of another.

Second, the amended bill underscores the bad-faith requirement by requiring a court to remit statutory damages in any case where a defendant believed, and the court finds that the defendant had reasonable grounds to believe, that the registration or use of the domain name was a fair or otherwise lawful use. In addition, the bill makes clear that the newly created statutory damages shall apply only with respect to bad-faith conduct occurring on or after the date of enactment of the bill.

Definition of "domain name"

The bill, as amended, provides a narrow definition of the term "domain name" in order to tailor the bill's reach narrowly to the problem sought to be addressed. Thus, the term "domain name" describes any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet. This definition essentially covers the second-level domain names assigned by domain name registration authorities (i.e., the name located immediately to the left of the ".com," ".net", ".edu," and ".org" generic top level domains), but is technology neutral enough to accommodate names other than second-level domains that are actually registered with domain name registration authorities, as may be the case should Internet domain name registrars begin to issue third or fourth level domains. The limited nature of the definition is important in that it excludes such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry, which have little to do with cybersquatting in practice.

In rem jurisdiction

As amended, the bill provides for in rem jurisdiction, which allows a mark owner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, provided the domain name itself violates substantive Federal trademark law, where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so. A significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner. The bill, as amended, will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 10 2002

Additionally, some have suggested that dissidents and others who are online incognito for legitimate reasons might give false information to protect themselves and have suggested the need to preserve a degree of anonymity on the Internet particularly for this reason. Allowing a trademark owner to proceed against the domain names themselves, provided they are, in fact, infringing or diluting under the Trademark Act, decreases the need for trademark owners to join the hunt to chase down and root out these dissidents or others seeking anonymity on the Net. The approach in the amended bill is a good compromise, which provides meaningful protection to trademark owners while balancing the interests of privacy and anonymity on the Internet.

Encouraging cooperation and fairness in the effort to combat cybersquatting

Like the underlying bill, the substitute amendment encourages domain name registrars and registries to work with trademark owners to prevent cybersquatting by providing a limited exemption from monetary damages for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting the registration of infringing domain names. The amended bill goes further, however, in order to protect the rights of domain name registrants against overreaching trademark owners. Under the amended bill, a trademark owner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing is liable to the domain name registrant for damages, including costs and attorneys' fees, resulting from the suspension, cancellation, or transfer of the domain name. In addition, the court may award injunctive relief to the domain name registrant by ordering the reactivation of the domain name or the transfer of the domain name back to the domain name registrant. The bill, as amended, also promotes the continued ease and efficiency users of the current registration system enjoy by codifying current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name.[11]

Preservation of first amendment rights and trademark defenses

Finally, the substitute amendment includes an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights, and it ensures that any new remedies created by the bill will apply prospectively only.

In summary, the legislation is a balanced approach to protecting the legitimate interests of businesses, Internet users, e-commerce, and consumers.

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[11] See *Panavision Int'l* v. *Toeppen*, 141 F.3d 1316, 1319 (9th Cir. 1998) (holding that NSI is not responsible for making "a determination about registrant's right to use a domain name."); *Lockheed Martin Corporation* v. *Networks Solutions, Inc.*, 985 F.Supp. 949 (C.D. Ca. 1997) (holding registrar not liable); *Academy of Motion Picture Arts and Science* v. *Network Solutions, Inc.*, 989 F.Supp. 1276, (C.D.Ca. 1997)(holding that holder of registered trademarks could not obtain a preliminary injunction against domain name registrar).

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 11 2002

IV. VOTE OF THE COMMITTEE

The Senate Committee on the Judiciary, with a quorum present, met on Thursday, July 29, 1999, at 2:30 p.m., to consider the "Anticybersquatting Consumer Protection Act." The Committee considered and accepted by unanimous consent an amendment in the nature of a substitute offered by the Chairman (for himself, Mr. Leahy, Mr. Abraham, Mr. Torricelli, Mr. DeWine, Mr. Kohl, and Mr. Schumer). The Committee then ordered the "Anticybersquatting Consumer Protection Act" reported favorably to the Senate, as amended, by unanimous consent, with a recommendation that the bill do pass.

V. SECTION-BY-SECTION ANALYSIS

Section 1. Short title; references

This section provides that the act may be cited as the "Anticybersquatting Consumer Protection Act" and that any references within the bill to the Trademark Act of 1946 shall be a reference to the act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes," approved July 5, 1946 (15 U.S.C. 1051 et seq.), also commonly referred to as the Lanham Act.

Section 2. Findings

This section sets forth Congress' findings that cybersquatting and cyberpiracy—defined as the registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of a distinctive trademark or service mark of another with the bad faith intent to profit from the goodwill of that mark—harms the public by causing consumer fraud and public confusion as to the true source or sponsorship of goods or services, by impairing electronic commerce, by depriving trademark owners of substantial revenues and consumer goodwill, and by placing unreasonable, intolerable, and overwhelming burdens on trademark owners in protecting their own marks. Amendments to the Trademark Act would clarify the rights of trademark owners to provide for adequate remedies for the abusive and bad faith registration of their marks as Internet domain names and to deter cyberpiracy and cybersquatting.

Section 3. Cyberpiracy prevention

Subsection (a). In General. This subsection amends section the Trademark Act to provide an explicit trademark remedy for cybersquatting under a new section 43(d). Under paragraph (1)(A) of the new section 43(d), actionable conduct would include the registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of the trademark or service mark of another, provided that the mark was distinctive (i.e., enjoyed trademark status) at the time the domain name was registered. The bill is carefully and narrowly tailored, however, to extend only to cases where the plaintiff can demonstrate that the defendant registered, trafficked in, or used the offending domain name with bad-faith intent to profit from the goodwill of a mark

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 12 2002

belonging to someone else. Thus, the bill does not extent to innocent domain name registrations by those who are unaware of another's use of the name, or even to someone who is aware of the trademark status of the name but registers a domain name containing the mark for any reason other than with bad faith intent to profit from the goodwill associated with that mark.

Paragraph (1)(B) of the new section 43(d) sets forth a number of nonexclusive, nonexhaustive factors to assist a court in determining whether the required bad-faith element exists in any given case. These factors are designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc. The bill suggests a total of eight factors a court may wish to consider. The first four suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the last four suggest circumstances that may tend to indicate that such bad-faith intent exists.

First, under paragraph (1)(B)(i), a court may consider whether the domain name registrant has trademark or any other intellectual property rights in the name. This factor recognizes, as does trademark law in general, that there may be concurring uses of the same name that are noninfringing, such as the use of the "Delta" mark for both air travel and sink faucets. Similarly, the registration of the domain name "deltaforce.com" by a movie studio would not tend to indicate a bad faith intent on the part of the registrant to trade on Delta Airlines or Delta Faucets' trademarks.

Second, under paragraph (1)(B)(ii), a court may consider the extent to which the domain name is the same as the registrant's own legal name or a nickname by which that person is commonly identified. This factor recognizes, again as does the concept of fair use in trademark law, that a person should be able to be identified by their own name, whether in their business or on a web site. Similarly, a person may bear a legitimate nickname that is identical or similar to a well-known trademark, such as in the well-publicized case of the parents who registered the domain name "pokey.org" for their young son who goes by that name, and these individuals should not be deterred by this bill from using their name online. This factor is not intended to suggest that domain name registrants may evade the application of this act by merely adopting Exxon, Ford, or other well-known marks as their nicknames. It merely provides a court with the appropriate discretion to determine whether or not the fact that a person bears a nickname similar to a mark at issue is an indication of an absence of bad-faith on the part of the registrant.

Third, under paragraph (1)(B)(iii), a court may consider the domain name registrant's prior use, if any, of the domain name in connection with the bona fide offering of goods or services. Again, this factor recognizes that the legitimate use of the domain name in online commerce may be a good indicator of the intent of the person registering that name. Where the person has used the domain name in commerce without creating a likelihood of confusion as to the source or origin of the goods or services and has not oth-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 13 2002

erwise attempted to use the name in order to profit from the goodwill of the trademark owner's name, a court may look to this as an indication of the absence of bad faith on the part of the registrant.

Fourth, under paragraph (1)(B)(iv), a court may consider the person's legitimate noncommercial or fair use of the mark in a web site that is accessible under the domain name at issue. This factor is intended to balance the interests of trademark owners with the interests of those who would make lawful noncommercial or fair uses of others' marks online, such as in comparative advertising, comment, criticism, parody, news reporting, etc. Under the bill, the use of a domain name for purposes of comparative advertising, comment, criticism, parody, news reporting, etc., even where done for profit, would not alone satisfy the bad-faith intent requirement. The fact that a person may use a mark in a site in such a lawful manner may be an appropriate indication that the person's registration or use of the domain name lacked the required element of bad-faith. This factor is not intended to create a loophole that otherwise might swallow the bill, however, by allowing a domain name registrant to evade application of the Act by merely putting up a noninfringing site under an infringing domain name. For example, in the well know case of *Panavision Int'l* v. *Toeppen,* 141 F.3d 1316 (9th Cir. 1998), a well known cybersquatter had registered a host of domain names mirroring famous trademarks, including names for Panavision, Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and more than 100 other marks, and had attempted to sell them to the mark owners for amounts in the range of $10,000 to $15,000 each. His use of the "panavision.com" and "panaflex.com" domain names was seemingly more innocuous, however, as they served as addresses for sites that merely displayed pictures of Pana Illinois and the word "Hello" respectively. This bill would not allow a person to evade the holding of that case—which found that Mr. Toeppen had made a commercial use of the Panavision marks and that such uses were, in fact, diluting under the Federal Trademark Dilution Act—merely by posting noninfringing uses of the trademark on a site accessible under the offending domain name, as Mr. Toeppen did. Similarly, the bill does not affect existing trademark law to the extent it has addressed the interplay between first amendment protections and the rights of trademark owners. Rather, the bill gives courts the flexibility to weigh appropriate factors in determining whether the name was registered or used in bad faith, and it recognizes that one such factor may be the use the domain name registrant makes of the mark.

Fifth, under paragraph (1)(B)(v), a court may consider whether, in registering or using the domain name, the registrant intended to divert consumers away from the trademark owner's website to a website that could harm the goodwill of the mark, either for purposes of commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site. This factor recognizes that one of the main reasons cybersquatters use other people's trademarks is to divert Internet users to their own sites by creating confusion as to the source, sponsorship, affiliation, or endorsement of the site. This is done for a number of reasons, including to pass off inferior goods under the name of a well-known

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 14 2002

markholder, to defraud consumers into providing personally identifiable information, such as credit card numbers, to attract eyeballs to sites that price online advertising according to the number of "hits" the site receives, or even just to harm the value of the mark. Under this provision, a court may give appropriate weight to evidence that a domain name registrant intended to confuse or deceive the public in this manner when making a determination of bad-faith intent.

Sixth, under paragraph (1)(B)(vi), a court may consider a domain name registrant's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for substantial consideration, where the registrant has not used, and did not have any intent to use, the domain name in the bona fide offering of any goods or services. This factor is consistent with the court cases, like the *Panavision* case mentioned above, where courts have found a defendant's offer to sell the domain name to the legitimate mark owner as being indicative of the defendant's intent to trade on the value of a trademark owner's marks by engaging in the business of registering those marks and selling them to the rightful trademark owners. It does not suggest that a court should consider the mere offer to sell a domain name to a mark owner or the failure to use a name in the bona fide offering of goods or services is sufficient to indicate bad faith. Indeed, there are cases in which a person registers a name in anticipation of a business venture that simply never pans out. And someone who has a legitimate registration of a domain name that mirrors someone else's domain name, such as a trademark owner that is a lawful concurrent user of that name with another trademark owner, may, in fact, wish to sell that name to the other trademark owner. This bill does not imply that these facts are an indication of bad-faith. It merely provides a court with the necessary discretion to recognize the evidence of bad-faith when it is present. In practice, the offer to sell domain names for exorbitant amounts to the rightful mark owner has been one of the most common threads in abusive domain name registrations.

Seventh, under paragraph (1)(B)(vii), a court may consider the registrant's intentional provision of material and misleading false contact information in an application for the domain name registration. Falsification of contact information with the intent to evade identification and service of process by trademark owners is also a common thread in cases of cybersquatting. This factor recognizes that fact, while still recognizing that there may be circumstances in which the provision of false information may be due to other factors, such as mistake or, as some have suggested in the case of political dissidents, for purposes of anonymity. This bill balances those factors by limiting consideration to the person's contact information, and even then requiring that the provision of false information be material and misleading. As with the other factors, this factor is nonexclusive and a court is called upon to make a determination based on the facts presented whether or not the provision of false information does, in fact, indicate bad-faith.

Eighth, under paragraph (1)(B)(viii), a court may consider the domain name registrant's acquisition of multiple domain names that are identical to, confusingly similar to, or dilutive of others' marks. This factor recognizes the increasingly common cybersquatting

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 15 2002

practice known as "warehousing", in which a cybersquatter registers multiple domain names—sometimes hundreds, even thousands—that mirror the trademarks of others. By sitting on these marks and not making the first move to offer to sell them to the mark owner, these cybersquatters have been largely successful in evading the case law developed under the Federal Trademark Dilution Act. This bill does not suggest that the mere registration of multiple domain names is an indication of bad faith, but allows a court to weigh the fact that a person has registered multiple domain names that infringe or dilute the trademarks of others as part of its consideration of whether the requisite bad-faith intent exists.

Paragraph (1)(C) makes clear that in any civil action brought under the new section 43(d), a court may order the forfeiture, cancellation, or transfer of a domain name to the owner of the mark.

Paragraph (2)(A) provides for in rem jurisdiction, which allows a markowner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, where the markowner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so. As indicated above, a significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the markowner. This bill will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a markowner to seek an injunction against the infringing property in those cases where, after due diligence, a markowner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found, provided the markowner can show that the domain name itself violates substantive Federal trademark law (i.e., that the domain name violates the rights of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c) of the Trademark Act). Paragraph (2)(B) limits the relief available in such an in rem action to an injunction ordering the forfeiture, cancellation, or transfer of the domain name.

Subsection (b). Additional civil action and remedy. This subsection makes clear that the creation of a new section 43(d) in the Trademark Act does not in any way limit the application of current provisions of trademark, unfair competition and false advertising, or dilution law, or other remedies under counterfeiting or other statutes, to cybersquatting cases.

Section 4. Damages and remedies

This section applies traditional trademark remedies, including injunctive relief, recovery of defendant's profits, actual damages, and costs, to cybersquatting cases under the new section 43(d) of the Trademark Act. The bill also amends section 35 of the Trademark Act to provide for statutory damages in cybersquatting cases, in an amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The bill requires the court to remit statutory damages in any case where the infringer

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 16 2002

believed and had reasonable grounds to believe that the use of the domain name was a fair or otherwise lawful use.

Section 5. Limitation on liability

This section amends section 32(2) of the Trademark Act to extend the Trademark Act's existing limitations on liability to the cybersquatting context. This section also creates a new subparagraph (D) in section 32(2) to encourage domain name registrars and registries to work with trademark owners to prevent cybersquatting through a limited exemption from liability for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cybersquatting. The bill anticipates a reasonable policy against cybersquatting will apply only to marks registered on the Principal Register of the Patent and Trademark Office in order to promote objective criteria and predictability in the dispute resolution process.

This section also protects the rights of domain name registrants against overreaching trademark owners. Under a new section subparagraph (D)(iv) in section 32(2), a trademarkowner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing shall be liable to the domain name registrant for damages resulting from the suspension, cancellation, or transfer of the domain name. In addition, the court may grant injunctive relief to the domain name registrant by ordering the reactivation of the domain name or the transfer of the domain name back to the domain name registrant. Finally, in creating a new subparagraph (D)(iii) of section 32(2), this section codifies current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name, absent bad-faith on the part of the registrar and registry.

Section 6. Definitions

This section amends the Trademark Act's definitions section (section 45) to add definitions for key terms used in this act. First, the term "Internet" is defined consistent with the meaning given that term in the Communications Act (47 U.S.C. 230(f)(1)). Second, this section creates a narrow definition of "domain name" to target the specific bad-faith conduct sought to be addressed while excluding such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry.

Section 7. Savings clause

This section provides an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights.

Section 8. Severability

This section provides a severability clause making clear Congress' intent that if any provision of this act, an amendment made by the act, or the application of such provision or amendment to any person or circumstances is held to be unconstitutional, the remainder of the Act, the amendments made by the act, and the ap-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 17 2002

plication of the provisions of such to any person or circumstance shall not be affected by such determination.

Section 9. Effective date

This section provides that new statutory damages provided for under this bill shall not apply to any registration, trafficking, or use of a domain name that took place prior to the enactment of this act.

VI. Cost Estimate

U.S. Congress,
Congressional Budget Office,
Washington, DC, August 5, 1999.

Hon. Orrin G. Hatch, Chairman,
Committee on the Judiciary, U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1255, the Anticybersquatting Consumer Protection Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley (for Federal costs) and Shelley Finlayson (for the State and local impact).

Sincerely,

Barry B. Anderson
(For Dan L. Crippen, Director).

VII. Regulatory Impact Statement

In compliance with paragraph 11(b)(1), rule XXVI of the Standing Rules of the Senate, the Committee, after due consideration, concludes that S. 1255 will not have significant regulatory impact.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

S. 1255—Anticybersquatting Consumer Protection Act

Cybersquatting (or cyberpiracy) consists of registering, trafficking in, or using domain names (Internet addresses) that are identical or confusingly similar to trademarks with the bad-faith intent to profit from the goodwill of the trademarks. S. 1255 would allow trademark owners to sue anyone who engages in such conduct for the higher of actual damages or statutory damages of $1,000 to $100,000 for each domain name. The bill also would allow the courts to order the forfeiture, cancellation, or transfer of domain names in such instances.

Because S. 1255 would not significantly affect the workload of the Patent and Trademark Office or the court system, CBO estimates that implementing the bill would not have a significant effect on the Federal budget. S. 1255 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

S. 1255 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and could benefit State, local, or tribal governments to the extent that these governments would be able to sue and recover damages from infringement or dilution of trademarks based on the provisions of the

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 18 2002

bill. Any such benefits are expected to be minimal based on the potential damage awards and the costs of litigating such suits.

The CBO staff contacts are Mark Hadley (for Federal costs) and Shelley Finlayson (for the State and local impact). This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

VIII. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by S. 1255, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

THE TRADEMARK ACT OF 1946

* * * * * * *

REMEDIES

SECTION 32. [15 U.S.C. § 1114](1) Any person who shall, without the consent of the registrant—

(a) use in * * *

* * * * * * *

(2) Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act or to a person bringing an action [under section 43(a)] *under section 43 (a) or (d)* [15 U.S.C. § 1125(a)] shall be limited as follows:

* * * * * * *

(A) Where * * *

* * * * * * *

(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(I) in compliance with a court order under section 43(d); or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark registered on the Principal Register of the United States Patent and Trademark Office.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 19 2002

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any person that a domain name is identical to, confusingly similar to, or dilutive of a mark registered on the Principal Register of the United States Patent and Trademark Office, such person shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

[(D)**]**(*E*) As used in this paragraph—

* * * * * * *

SECTION 34. [15 U.S.C. § 1116] (a) The several courts vested with jurisdiction of civil actions arising under this act shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under **[**section 43(a)**]** *section 43(a), (c), or (d)* [15 U.S.C. § 1125(a)]. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

* * * * * * *

SECTION 35. [15 U.S.C. § 1117] (a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 43 (a)*, (c), or (d)* [15 U.S.C. § 1125(a)], shall have been established in any civil action arising under this act, the plaintiff shal be entitled, subject to the provisions of sections 29 [15 U.S.C. § 1111] and 32 [15 U.S.C. § 1114], and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any such sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 20 2002

either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

* * * * * * *

(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court shall remit statutory damages in any case in which an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.

* * * * * * *

FALSE DESIGNATIONS OF ORIGIN AND FALSE DESCRIPTIONS, AND DILUTION FORBIDDEN

SECTION 43. [15 U.S.C. § 1125] (a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

* * * * * * *

(c)(1) The owner * * *

* * * * * * *

(d)(1)(A) Any person who, with bad-faith intent to profit from the goodwill of a trademark or service mark of another, registers, traffics in, or uses a domain name that is identical to, confusingly similar to, or dilutive of such trademark or service mark, without regard to the goods or services of the parties, shall be liable in a civil action by the owner of the mark, if the mark is distinctive at the time of the registration of the domain name.

(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(iii) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(iv) the person's legitimate noncommercial or fair use of the mark in a site accessible under the domain name;

(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 21 2002

(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for substantial consideration without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

(vii) the person's intentional provision of material and misleading false contact information when applying for the registration of the domain name; and

(viii) the person's registration or acquisition of multiple domain names which are identical to, confusingly similar to, or dilutive of trademarks or service marks of others that are distinctive at the time of registration of such domain names, without regard to the goods or services of such persons.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(2)(A) The owner of a mark may file an in rem civil action against a domain name if—

(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c); and

(ii) the court finds that the owner has demonstrated due diligence and was not able to find a person who would have been a defendant in a civil action under paragraph (1).

(B) The remedies of an in rem action under this paragraph shall be limited to 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.

* * * * * * *

CONSTRUCTION AND DEFINITIONS; INTENT OF CHAPTER

SECTION 45. [15 U.S.C. §1127] In the construction of this Act, unless the contrary is plainly apparent from the context—

* * * * * * *

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

The term "Internet" has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

The term "domain name" means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

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Document No. 4

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

S. HRG. 106–687

CYBERSQUATTING AND CONSUMER PROTECTION: ENSURING DOMAIN NAME INTEGRITY

HEARING

BEFORE THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON

S. 1255

A BILL TO PROTECT CONSUMERS AND PROMOTE ELECTRONIC COMMERCE BY AMENDING CERTAIN TRADEMARK INFRINGEMENT, DILUTION, AND COUNTERFEITING LAWS, AND FOR OTHER PURPOSES

JULY 22, 1999

Serial No. J–106–39

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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 i 2002

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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 ii 2002

CONTENTS

STATEMENTS OF COMMITTEE MEMBERS

Abraham, Hon. Spencer, U.S. Senator from the State of Michigan 1
Hatch, Hon. Orrin G., U.S. Senator from the State of Utah 3
Leahy, Hon. Patrick J., U.S. Senator from the State of Vermont 41

CHRONOLOGICAL LIST OF WITNESSES

Statement of Anne H. Chasser, president, International Trademark Association, Washington, DC; Gregory D. Phillips, Howard, Phillips & Andersen, Salt Lake City, UT; and Christopher D. Young, president and co-founder, Cyveillance Inc., Arlington, VA 5

ALPHABETICAL LIST AND MATERIALS SUBMITTED

Chasser, Anne H.:
Testimony 5
Prepared statement 6
Phillips, Gregory D.:
Testimony 10
Prepared statement 12
Young, Christopher D.:
Testimony 44
Prepared statement 46

APPENDIX

QUESTIONS AND ANSWERS

Responses of Anne H. Chasser to questions from Senators:
Hatch 59
Leahy 60
Abraham 61
Responses of Gregory D. Phillips to questions from Senators:
Hatch 62
Leahy 67
Abraham 70
Responses of Christopher D. Young to questions from Senators:
Hatch 71
Leahy 72
Abraham 72

ADDITIONAL SUBMISSIONS FOR THE RECORD

Prepared statement of Jessica Litman, professor of law, Wayne State University 73
Letter to Senator Hatch from A. Michael Froomkin, University of Miami, school of law, dated July 22, 1999 77

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 iii 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 iv 2002

CYBERSQUATTING AND CONSUMER PROTECTION: ENSURING DOMAIN NAME INTEGRITY

THURSDAY, JULY 22, 1999

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The committee met, pursuant to notice, at 2:07 p.m., in room SD–628, Dirksen Senate Office Building, Hon. Spencer Abraham presiding.

Also present: Senators DeWine and Leahy.

OPENING STATEMENT OF HON. SPENCER ABRAHAM, A U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator ABRAHAM. We will come to order, and we welcome everybody and thank our panel that I will introduce in just a moment or so. Senator DeWine, we appreciate his being here, too.

This is a hearing on Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity. I would like to just make a few opening statements here, and then if any other members join us, we will offer the minority an opportunity to respond. Senator DeWine, if you have an opening statement, we will allow you as well.

We are here today to hear evidence on a new form of high-tech fraud that is causing confusion and inconvenience for consumers, increasing costs for people doing business on the Internet, and posting substantial threat to a century of pre-Internet American business efforts. The fraud is commonly called "cybersquatting," a practice whereby individuals, in bad faith, reserve Internet domain names or other identifiers of online locations that are similar to or identical to trademarked names. Once a trademark is registered as an online identifier or domain name, the cybersquatter can engage in a variety of nefarious activities—from the relatively benign parody of a business or individual, to the obscene prank of redirecting an unsuspecting consumer to pornographic content, to the destructive worldwide slander of a centuries-old brand name. This behavior undermines consumer confidence, discourages Internet use, and destroys the value of established brand names and trademarks.

Our economy, and its ability to provide high-paying jobs for American workers, is increasingly dependent upon technology. Electronic or e-commerce, in particular, has been an engine of great economic growth for the United States. Between businesses, e-commerce has grown to an estimated $64.8 billion for 1999 alone. Ten million customers shopped for some product using the Internet in 1998. International Data Corporation estimates that $31 billion in

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 1 2002

products will be sold over the Internet in 1999. And 5.3 million households will have access to financial transactions like banking and stock trading by the end of this year. If we want to maintain our edge in this emerging marketplace, then we must address the problems which endanger the continued growth of electronic commerce.

Cybersquatting has already caused significant damage in this area. Even computer-savvy companies buy domain names from cybersquatters at extortionate rates to rid themselves of a headache with no certain outcome.

For example, Gateway computers recently paid $100,000 to a cybersquatter who had placed pornographic images on the website www.gateway20,000. But rather than simply give up, several companies, including Paine Webber, have instead sought protection of their brands through the legal system. However, as with much of the pre-Internet law that is applied to this post-Internet world, precedent is still developing, and at this point one cannot predict with certainty which party to a dispute will win and on what grounds. In fact, one of our panelists will provide us with a first-hand account of this shortly.

Whether perpetrated to defraud the public or to extort the trademark owner, squatting on Internet addresses using trademarked names is wrong. Trademark law is based on the recognition that companies and individuals build a property right in brand names because of the reasonable expectations they raise among consumers. If you order a Compaq or Apple computer, that should mean that you get a computer made by Compaq or Apple, not one built by a fly-by-night company pirating the name. The same goes for trademarks on the Internet.

To protect Internet growth and job production, Senators Torricelli, Hatch, McCain, and I recently introduced an anticybersquatting bill which has received strong public support. A number of suggestions have convinced me of the need for substitute legislation which addresses the issue of in rem jurisdiction and which eliminate provisions dealing with criminal penalties, and I have been pleased to work with Senator Leahy and Senator Hatch to that effect.

As it now stands, the substitute legislation would establish uniform Federal rules for dealing with this attack on interstate electronic commerce, supplementing existing rights under trademark law. It establishes a civil action for registering, trafficking in, or using a domain name identifier that is identical to, confusingly similar to, or dilutive of another person's trademark or service mark, if that mark is inherently distinctive or has acquired distinctiveness.

The substitute will incorporate substantial protections for innocent parties, keying liability on the bad faith of a party. Civil liability would attach only if a person had no intellectual property rights in the domain name identifier; the domain name identifier was not the person's legal first name or surname; and the person registered, acquired, or used the domain name identified with the bad-faith intent to benefit from the goodwill of another's trademark or service mark.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 2 2002

And just to be clear of our intent here, this substitute legislation specifies the evidence which may be used to establish the bad faith of an individual.

Under this legislation, the owner of a mark could bring an in rem action against the domain name identifier itself. This will allow a court to order the forfeiture or cancellation of the domain name identifier or the transfer of the domain name identifier to the owner of the mark. It also reinforces the central characteristics of this legislation—its intention to protect property rights. The in rem provision will eliminate the problem most recently and prominently experienced by the auto maker Porsche, which had an action against several infringing domain name identifiers dismissed for lack of personal jurisdiction over the cybersquatting defendant.

Finally, this legislation provides for statutory civil damages of at least $1,000, but not more than $100,000 per domain name identifier. The plaintiff may elect these damages in lieu of actual damages or profits at any time before final judgment.

The growth of the Internet has provided businesses and individuals with unprecedented access to a worldwide source of information, commerce, and community. Unfortunately, those bad actors seeking to cause harm to businesses and individuals have seen their opportunities increase as well. In my opinion, online extortion in this form is unacceptable, it is outrageous, and it is dangerous to both business and consumers. I believe that these provisions will discourage anyone from squatting on addresses in cyberspace to which they are not entitled.

With that, I welcome each member of our panel and look forward to hearing their testimony, and to working with, really, any and all members of this committee as we move forward to try to advance this legislation.

At this point I would like to enter into the record the statement of Senator Hatch, Chairman of the full Committee on the Judiciary.

[The prepared statement of Senator Hatch follows:]

PREPARED STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM THE STATE OF UTAH

Let me begin by welcoming everyone here today. As is apparent the title of our hearing, we are here to discuss an issue that has a great impact on American consumers and the brand names they rely on as indications of source, quality, and authenticity. For the Net-savy, what we are talking about is "cybersquatting," of the deliberation, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners. For the average consumer, what we are talking about is basically fraud, deception, and the bad-faith trading on the goodwill of others.

The problem of brand-name abuse and consumer confusion is particularly acute in the online environment. While trademarks serve as the primary means of ensuring the quality and authenticity of goods and services, consumers in the real world may also look to other indicators. For example, when one walks in to the local consumer electronics retailer, they are fairly certain who they are dealing with and they can tell by looking at the products and even the storefront itself whether or not they are dealing with a reputable establishment. these protections are largely absent in the electronic world, where anyone with Internet access and minimal computer knowledge can set up a storefront online. In many cases what the consumer sees on the site is their only indication of source and authenticity, and the Internet domain name that takes them there may be the primary source indicator. Cybersquatting makes a potentially dangerous situation worse by fostering con-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 3 2002

sumer confusion and deteriorating consumer confidence in brand name identifiers and electronic commerce generally.

There are many other examples of how cybersquatting harms consumers. Take, for example, the child who in a "hunt-and-peck" manner mistakenly types in the domain for "dosney. com", looking for the rich and family-friendly content of Disney's home page, only to wind up staring at a page hard-core pornography because someone snatched up the "dosney" domain in anticipation that just such a mistake would be made. Or imagine logging on to what you is your favorite online retailer only to find out later that the site was not that retailer at all, but rather a facade for an unscrupulous individual who is collecting your credit card and other personal information for unknown and possibly nefarious purposes.

In addition to the consumer harm, we must also look at the harm caused to American businesses by cybersquatters. In each case of consumer confusion there is a case of brand-name misappropriation and an erosion of goodwill. Even absent consumer confusion, there are many many cases of cybersquatters who appropriate a brand name with the sole intent of extorting money from the lawful mark owner, precluding evenhanded competition, or harming the goodwill of the mark. It is time for Congress to take a closer look at these abuses and to respond with appropriate legislation.

I look forward to hearing from our witnesses today as they relay their experiences relating to domain name abuses and help us to understand better the problems of online consumer confusion that are perpetuated by brand-name misappropriation in cyberspace.

Senator ABRAHAM. I will ask Senator DeWine if he has any comments.

Senator DEWINE. Mr. Chairman, I do not have an opening statement. I just want to thank you for holding this hearing. I think it is a very important topic, and I look forward to hearing the testimony of the witnesses.

Senator ABRAHAM. I thank you for being here, Senator.

At this point we will turn to our panel. First we will hear from Ms. Anne Chasser, who is president of the International Trademark Association, INTA. Ms. Chasser is a recognized expert in trademark law and is well published in the field. Her association represents trademark owners worldwide and has been an active participant in the WIPO and the I-CANN processes relating to domain names and Internet administration.

Our next witness is Mr. Gregory Phillips of Howard, Phillips & Andersen, who is a trademark practitioner on the front lines of the battle against cybersquatting. Mr. Phillips has represented a number of clients who have had problems with cybersquatters, most notably Porsche automobiles and Chanel and Calloway Golf.

Our final witness is Mr. Christopher Young, who is president and CEO of Cyveillance—did I get that right?

Mr. YOUNG. That is close.

Senator ABRAHAM. OK; we will let you do it the right way in a second here. It is a private company that helps trademark owners police their marks online. Mr. Young has been featured as an expert on e-commerce issues on CNNfn and several notable magazines, newspapers, and journals.

We appreciate all three of you being here to help us to clarify this a little bit more. We will turn to you, Ms. Chasser, and we appreciate your participation.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 4 2002

STATEMENTS OF ANNE H. CHASSER, PRESIDENT, INTERNATIONAL TRADEMARK ASSOCIATION, WASHINGTON, DC; GREGORY D. PHILLIPS, HOWARD, PHILLIPS & ANDERSEN, SALT LAKE CITY, UT; AND CHRISTOPHER D. YOUNG, PRESIDENT AND CO-FOUNDER, CYVEILLANCE, INC., ARLINGTON, VA

STATEMENT OF ANNE H. CHASSER

Ms. CHASSER. Thank you. Good afternoon, Mr. Chairman. On behalf of the 3,600 members of the International Trademark Association, I want to thank you for the opportunity to appear before you today to support the legislation designed to curb cybersquatting. We appreciate your efforts, as well as the efforts of Senator Hatch and Senator Leahy, to bring this issue to the attention of the Congress. I want to especially thank my fellow Buckeye, Senator DeWine, for also attending. Thank you.

Cybersquatting can be referred to generally as the registration and trafficking in Internet domain names with bad-faith intent to benefit from another's trademark. It is an activity that has emerged with the growth of the Internet and, in particular, the use of the Internet as a vehicle for commercial activity.

There has been a lot said about the impact of e-commerce on the global marketplace. There is no doubt that business on the Internet is here and it is here to stay. We can, therefore, not ignore the fact that consumers who use the Internet to purchase goods or learn about a particular product look for some type of clarity, something that tells them that they have reached their intended destination in cyberspace. That something, Mr. Chairman, is trademark. Trademarks are the link in the commercial chain.

A trademark is a basic mode of communication, a means for a company to convey a message of quality, consistency, safety, and predictability to the consumer in an easy-to-understand form. It is usually one of the most significant property assets of a company. Cybersquatters seek to capitalize on this familiarity and value by registering or trafficking in domain names that are worded exactly like a trademark or a variation of a trademark. They do this with little or no investment of their own and with something significantly less than good intentions.

Some cybersquatters, Mr. Chairman, try to extract payment from the rightful owner of the mark, essentially holding the mark as ransom. For example, Warner Brothers reports that cybersquatters offered to sell them such domain names as bugsbunny.net and daffyduck.net for over $350,000.

Others offer domain names for sale publicly to third parties. The University of California at Los Angeles, UCLA, was surprised at one point to learn that ucla.com was on the auction block. Still other cybersquatters use marks, particularly those famous or well-known, as addresses for pornographic sites. Mobil Corporation reported to INTA that their MOBIL 1 trademark was used to direct people to a site containing adult material.

Finally, there are those cybersquatters who use the domain name to engage in commercial fraud. AT&T reports that a cybersquatter registered attphonecard.com and then solicited credit card information for those visiting the site.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 5 2002

Cybersquatting is on the rise. Moreover, remedies under traditional trademark law cannot deal adequately with the number of instances of cybersquatting. For example, existing law does not deal with cases where cybersquatters are warehousing domain names, essentially holding an inventory of trademarks that he won't use but intends to sell to the rightful owner at extortionate prices. There are also recent cases where there is no one to initiate legal action against because cybersquatters have given false or misleading contact information to the registration authority.

For anticybersquatting legislation to be effective and even-handed, Mr. Chairman, it must accomplish, at a minimum, four objectives. First, it must explicitly prohibit cybersquatting in all of its forms, in particular the registration or trafficking of Internet domain names with bad-faith intent to benefit from another's trademark.

Second, there must be clear remedies for trademark holders, including the availability of injunctive relief and the ability to recover actual or statutory damages. Third, there must be a protection of the public interest, including the legitimate use of domain names that meet fair use and freedom of expression standards, thereby protecting the first amendment.

Finally, it should provide clear guidance in order to determine whether an alleged case of cybersquatting is indeed a case of bad-faith activity or one with good-faith and honest intentions. This balance approach, we believe, will ultimately prove satisfactory. It is one that we hope will be adopted in the end, and we look forward to working with you and others, Mr. Chairman, to make this happen.

Senator ABRAHAM. Thank you very much.

[The prepared statement of Ms. Chasser follows:]

PREPARED STATEMENT OF ANNE H. CHASSER

INTRODUCTION

Good afternoon, Mr. Chairman. My name is Anne Chasser. I am the President and Chairperson of the Board of the International Trademark Association ("INTA").

INTA appreciates the opportunity to appear before the Committee to offer support for effective, yet even-handed legislation designed to curb "cybersquatting."[1] We thank you, Mr. Chairman, as well as Senator Leahy and Senator Abraham, for helping to bring this issue to the attention of the Congress.

Cybersquatting is an activity that has emerged with the growth of the Internet, and while there is no formal or established definition for the term, it can be referred to generally as the registration and trafficking in Internet domain names with the bad-faith intent to benefit from another's trademark. Cybersquatters seek to capitalize on the investment made by trademark owners and the goodwill associated with the trademark. In the words of Francis Gurry, Assistant Director General for the World Intellectual Property Organization ("WIPO"), cybersquatting is "an abusive practice" that undermines "consumer confidence."[2]

The testimony I present here today will explain the nature of cybersquatting and offer suggestions as to what types of provisions anti-cybersquatting legislation should contain. In addition, I will refer to real life examples of "cybersquatting," many of which involve trademarks readily familiar to the average American consumer. By the end of my presentation, I am confident that you will conclude that there is nothing entrepreneurial, enterprising, or noteworthy about being a

[1] *See, Intermatic, Inc.* v. *Toeppen*, 947 F. Supp. 1227 (N.D. Ill. 1996) (referring to the defendant as a "cybersquatter").

[2] Courtney Macavinta, "Domain Restrictions Target Cybersquatters," *CNET News.com*, (May 3, 1999) http://*www.news.com/news/Item/0,4,35983,00.html.*

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 6 2002

cybersquatter, and that something must be done to ensure that trademark owners and consumers receive adequate protection from these bad-faith actors.

THE NATURE OF "CYBERSQUATTING"

> If the Internet is about getting rich quick, they don't come any faster than 'cybersquatters."[3]

That is what cybersquatting is all about—getting rich quick off of the hard work and investment of trademark owners, and in the words of one intellectual property attorney, the practice is "just exploding."[4] Piracy of trademarks in cyberspace has been on the rise since 1996, when e-commerce itself began to evolve as a factor in the overall global economy. Early cases include *Intermatic, Inc.* v. *Toeppen,*[5] in which the term "cybersquatter" was coined. In that particular case, the defendant registered *intermatic.com* based on the plaintiff's registered trademark for INTERMATIC. The defendant, in addition to this domain registration, also had registered approximately 240 other domain names, many based on trademarks of well-known businesses, including *deltaairlines.com, eddiebauer.com* and *neiman-marcus.com.*

Today, a growing number of trademarks, famous or not, are still subject to cybersquatting. However, it is particularly the famous marks which have been prime targets of cybersquatters, who are fast becoming the "pirates" of the new millennium. WIPO, in addition to identifying cybersquatting as a global problem, recognized in its interim report on the domain name process that, indeed, "[f]amous and well-known marks have been the special target of a variety of predatory and parasitical practices on the Internet."[6]

Why do cybersquatters conduct themselves in this manner? Based on research, as well as first-hand reports from our members, INTA has found that "cybersquatting" takes place for a number of reasons, including the following:

(1) To extract payment from the rightful owner of the mark. These are the most prevalent cases, since it takes only $70 to register a domain name with Network Solutions, Inc. (the registration authority for *.com, .net,* and *.org*), and the potential financial windfall (should a trademark owner opt to purchase the domain) is much greater.

- *Warner Bros.* was offered *warner-records.com; warner-bros-records.com; warner-pictures.com; warner-bros-pictures;* and *warnerpictures.com* for the selling price of $350,000. Another cybersquatter offered to sell to Warner Bros. 15 domain names, including *bugsbunny.net* and *daffyduck.net.*
- *Glaxo Wellcome* reports that it has been contacted by various individuals concerning registrations for domain names such as *zovirax.com.*
- The *Mobil Oil Corporation* reports that when the merger between Mobil and Exxon was announced on December 1, 1998, it was contacted by a cybersquatter who offered to sell the combined Exxon Mobil the domain names *exxonmobil.com* and *exxon-mobil.com.*
- Although not a trademark issue per se, Baltimore Orioles superstar *Cal Ripken* was asked to pay $100,000 for *calripken.com.*[7]

(2) To offer the domain name for sale publicly to third parties.

- *Omega Protein Corp.* took action against persons who registered hundreds of trademarks as domain names for the purpose of reselling them.[8]
- In documents filed in the United States District Court for the Eastern District of Virginia, *Porsche* stated that *www.porschgparts.com* had been put up for sale by the party who had registered it as a domain name.[9]

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[3] "High Stakes in Name Game," *On the Spot—Domain Name News http://www.onthespot.com/squatters.htm* (quoting the *Financial Times* March 10, 1999).

[4] Andrew Zajac, " Domain Names @Hoard.Com: Cybersquatters Buy Up Internet Addresses for Profit," *Chicago Tribune,* June 27, 1999, at C1 (quoting Keith Medansky).

[5] 947 F. Supp. 1227 (N.D. Ill. 1996).

[6] World Intellectual Property Organization, *The Management of Internet Names and Addresses: Intellectual Property Issues,* December 23, 1998.

[7] See, Laura Lorek, "Beware of Cybersquatters," *Ft. Lauderdale Sun Sentinel,* May 25, 1997, at 1E *http://www.sun-sentinel.com/money/09080008.htm.*

[8] *Omega Protein Corp.* v. *Flom,* No. H–98–3114 (S.D. Tex. filed September 18, 1998).

[9] *Porsche Cars North America, Inc. and Dr. Ing. H.C.F. Porsche A.G.* v. *Porsch.com. et. al.,* complaint filed by Porsche Cars North America, Inc. before the Eastern District Court for the Eastern District of Virginia, January 6,1999, *http://www.mama-tech-com/pc.html. The magnitude of the problem for trademark owners is reflected in the district court's opinion dismissing*

Continued

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 7 2002

- The University of California at Los Angeles (commonly referred to as "UCLA"), took action against a cybersquatter who registered *www.ucla.com* and then put up a "for sale" sign with a number to call. Shortly after counsel for UCLA sent a letter to the cybersquatter, it became a pornographic site. The party operating the pornographic site was found to have several addresses and phone numbers, none of which were legitimate.
- Right now, you can log-on and find *marypoppins.com* on sale for $500 and *thegodfather.com* for $1,500.[10]

(3) To use famous and well-known marks as domain names for pornographic sites or otherwise capitalizes on customer confusion.

- One of the best examples was given by Senator Abraham in his introductory remarks for S. 1255, a case where *Gateway* recently paid $100,000 to a cybersquatter who had placed pornographic images on the Web site *www.gateway20000.com.*[11]
- The *Mobil Oil Corporation* reports that its trademark, MOBIL 1, was used in a domain name to direct Web surfers to a pornographic site. The domain name was *mobil1.com.*
- On September 23, 1998, as part of the WIPO study on trademarks and domain names, a representative of *Intel Corporation* reported that a cybersquatter had registered *www.pentium3.com,* placed nude photos of celebrities on the page, and stated that he was willing to sell the domain name to the highest bidder. At the time Intel's representative testified, the highest bid was $9,350.[12]

(4) To engage in consumer fraud, including counterfeiting activities.

- *AT&T* reports that a cybersquatter registered the domain names *attphonecard.com* and *attcallingcard.com* and established a Web site soliciting credit card information from consumers. AT&T was concerned because its brand name was being used to lure consumers to a Web site that might be used fraudulently to obtain financial information from unsuspecting consumers.

The problem of cybersquatting has expanded beyond the generic top level domains ("gTLDs"), such as *.com,* to the country code top level domains ("ccTLDs"). For example, Bell Atlantic reports that another party registered and offered telecommunications services to the public using *www.bellatlantic.uk* (*.uk* is the country code for the United Kingdom). Some of the lesser known ccTLDs have actually become piracy havens in which the local agent offers to sell domain names to the highest bidder, without any consideration of trademark rights. Other ccTLD registration authorities "reserve" names of famous marks and offer to sell them back to the rightful trademark owner.

Despite the problems it presents to trademark owners and consumers, cybersquatting, is not illegal *per se.* In other words, there are no laws in any jurisdiction, national or otherwise, that explicitly prohibit the practice. Courts, particularly those in the United States where cybersquatting is an especially pressing issue, have typically utilized traditional concepts in trademark law to provide some trademark owners with remedies for harm caused by piracy on the Internet. For example, in one case, the court ruled that the defendant's attempt to sell a domain name to the owner of a famous trademark was akin to a "use in commerce" and was therefore covered by the Lanham Act's dilution provision.[13]

Unfortunately, some cybersquatters have read these cases carefully and have taken the necessary precautions to insulate themselves from liability. Cybersquatters register famous trademarks in bulk, but in most cases, do not post an active Web site. This activity is traditionally referred to as "warehousing." In ad-

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the action on procedural grounds. See, Memorandum Opinion of the court delivered on June 8, 1999. Decision can be found at *http://www.mama-tech.com/pc.html#mo* and can be cited as 1999 WL 378360 (E.D. Va..).

[10] *See generally, http://www.GetYourOwnName.com.*

[11] 145 *Congressional Record,* S. 7334 (daily ed. June 21, 1999) (statement of Senator Spencer Abraham on the introduction of S. 1255, 106th Congress (1999)).

[12] Anne Gundelfinger, "Testimony before the WIPO Panel of Experts" (September 23, 1998) *http://wipo2.wipo.int/process/eng/sf-transcript5.html.*

[13] *See, Panavision Int'l, L.P.* v. *Toeppen,* 945 F. Supp. 1296 (C.D. Cal. 1996) (Defendant's attempt to arbitrage the *panavision.com* domain name constitutes commercial use under the Lanham Act).

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 8 2002

dition, cybersquatters are now careful not to offer the domain name for sale in any manner that could result in liability under current case law.[14]

Finally, some cybersquatters provide false and misleading contact information, making it impossible for the trademark owner to initiate legal action. We know, for example, Mr. Chairman, that Chanel, Inc. has written to you about the *www.chanelparis.com* domain name. For the benefit of all Senators, in that instance, a fictitious name and street address in Cairo, Egypt were given to the registrar. As a consequence of false information being given to the registration authority, many courts have been unable to provide assistance to trademark owners.[15]

For many trademark owners, the lack of clear anti-cybersquatting mechanisms have left them without adequate and effective judicial remedies. Even though cybersquatters are trafficking in domain names, trademark owners in many cases cannot sue without proof of use or an offer of sale or because *in rem* actions against domain names are not permitted. Consequently, trademark owners are forced to engage in a continual monitoring program—waiting to see if the cybersquatter begins to use their domain name, offers it for sale to the public, provides legitimate contact information to the registration authority, or fails to renew the registration with the registration authority.

It is also important to keep in mind that even in cases where a trademark owner can sue, costs associated with litigation, and the difficulty of receiving damages in standard trademark infringement and dilution actions have a chilling financial effect. Frequently, trademark owners weigh the costs and choose to pay off a cybersquatter in exchange for the domain name registration. Instances of cybersquatting continue to grow each year because there is little risk for cybersquatters who continue their abusive practices.

ANTI-CYBERSQUATTING LEGISLATION

According to Commerce Secretary William Daley, "electronic commerce will be the engine for the economic growth in the next century."[16] Recently released numbers suggest that the future cited by Secretary Daley may already be upon us. A study by the University of Texas' Center for Research in Electronic Commerce, which was sponsored by Cisco Systems and cited by the Department of Commerce in its report entitled *The Emerging Digital Economy II,* indicates that 1998 total e-commerce was $102 billion.[17]

INTA believes that the progress made thus far, as well as that which is anticipated, will not be truly realized unless there is a legal mechanism in place that specifically addresses cybersquatting. The objectives of this mechanism should be the limitation of consumer confusion in cyberspace, the protection of the investment made by trademark owners, and the maintenance of goodwill associated with the trademark. If adequately protected, Mr. Chairman, trademarks can serve as road maps for the "information superhighway," helping to build a sound global marketplace for the 21st Century.

Prior to receiving your invitation to testify, INTA had begun to consider the question of an anti-cybersquatting statute. In a resolution adopted May 26, 1999, the Association's Board of Directors indicated that anti-cybersquatting mechanisms, including national legislation, should, at a minimum, include the following:

1. Provisions that explicitly prohibit cybersquatting, specifically, the registration and trafficking of an Internet domain name with the bad-faith intent to benefit from another's trademark.

2. Clear remedies for trademark holders, including the availability of injunctive relief and the ability to recover actual or statutory damages.

3. Protection of the public interest, including allowing for legitimate uses of domain names that meet fair use/freedom of expression standards.

The legislation should focus on trafficking in or registration of even a single domain name with the bad-faith intent to benefit from another's trademark, and the remedies included therein should be available to all trademark owners, whether

[14] *See, Juno Online Services* v. *Juno Lighting, Inc.,* 979 F. Supp. 684 (N.D. Ill. 1997) (mere registration of a domain name is not trademark infringement or misuse even if the use of another's trademark is deliberate).

[15] *See, Porsche Cars North America, Inc. and Dr. Ing. H.C.F. Porsche A.G.* v. *Porsch.com. et. al.* (the court said that the Trademark Dilution Act cannot be read to permit *in rem* actions).

[16] United States Department of Commerce, *The Emerging Digital Economy II, http://www.ecommerce.gov/ede/secretary.html.*

[17] *See,* Anitesh Barua, Jay Shutter, & Andrew Whinston, "The Internet Economy Indicators,", Initial report results issued June 10, 1999 *(http://www.internetindicators.com); see also, The Emerging Digital Economy II, supra* note 17.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 9 2002

they be large or small. In addition, there must also be carefully crafted language that helps to guide a court in making a determination as to who is a bad-faith cybersquatter and who adopts a domain name in good faith. This will help to ensure that the new law is fair and equitable.

CONCLUSION

Thank you again, Mr. Chairman, for the opportunity to appear today to talk about an issue which is so vitally important to both the trademark community and consumers who use trademarks as a means for identifying products in an increasingly crowded marketplace. This marketplace, incidentally, as we have shown here today, now exists both in the real world, as well as in cyberspace. We look forward to working with you, Senator Leahy, and others both in the Congress and in the private sector, on effective, yet even-handed anti-cybersquatting legislation.

THE INTERNATIONAL TRADEMARK ASSOCIATION

INTA is a not-for-profit membership organization, which just recently celebrated its 121st anniversary at its annual meeting in Seattle, Washington. Since the Association's founding in 1878, membership has grown from 17 New York-based manufacturers to approximately 3,600 members from the United States and 119 additional countries.

Membership in INTA is open to trademark owners and those who serve trademark owners. Its members are corporations, advertising agencies, professional and trade associations, and law firms practicing trademark law. INTA's membership is diverse, crossing all industry lines and spanning a broad range of manufacturing, retail and service operations. All of INTA's members, regardless of their size or international scope, share a common interest in trademarks and a recognition of the importance of trademarks to their owners, to the general public, and to the economy of both the United States and the global marketplace.

Senator ABRAHAM. Mr. Phillips.

STATEMENT OF GREGORY D. PHILLIPS

Mr. PHILLIPS. Thank you, Mr. Chairman. Porsche Cars appreciates the opportunity of providing testimony to this committee. My other clients support this as well.

Porsche is a member of the Private Sector Working Group, which is a diverse group of famous trademark holders who are concerned about consumer fraud, counterfeiting, and other confusion on the Internet. Members in the Private Sector Working Group include Bell Atlantic, AT&T, Disney, Microsoft, Viacom, America Online, and Dell Computer, and they all support this legislation.

WIPO recently concluded in its report that existing mechanisms for resolving conflicts between trademark owners and domain name holders are often viewed as expensive, cumbersome and ineffective. The sheer number of instances precludes many trademark owners from filing multiple suits in one or more national courts.

I will focus my remarks on the plight of Porsche, but I want this committee to know that Porsche's situation is not unique; it is illustrative and typical of what other people are facing on the Internet. I think the best description of the reason for what I call cyberpiracy and the need to capitalize on the goodwill and reputation of famous trademarks recently appeared in a front-page article in the "Wall Street Journal" on April 13, 1999.

The article wrote,

> With the rapid explosion of Web sites hawking everything from pornography to bibles, competition for the world's estimated 147 million Web users is fierce. Site creators spare no strategy to get noticed, and trading on fa-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 10 2002

mous names which are queried relentlessly by Web surfers is a key one.

I think more powerful than anything I could say is some exhibits that I have attached to my testimony that I think demonstrate this problem very graphically. First of all, Exhibit 1 is a list of over 300 domain names that have been registered that use Porsche or a variation of Porsche. We had 128 on January 6 of this year when we filed our lawsuit. Every week, we get between 5 and 25 new domain names. Porsche is a very unique and famous name. People seem to want it out there.

Exhibit 2, which I understand has been censored, is the Web site that appears at porschecar.com. It is a pornographic Web site. We have had many of our customers complain about that Web site and wonder why Porsche isn't doing something about it. And I will explain that we haven't been able to find the registrar of that domain name.

Exhibit 3 to my testimony is a Web site from bestdomains.com in Australia, where they sell domain names. It starts out, "What's in a name? Ask Coca-Cola." The first domain name that is listed is 911porsche.com. "Porsche. Do I need to say anything more?" $60,911—that is what they are selling it for, almost as much as the price of a new Porsche.

If you look at Exhibit 4, you will see the "who is" page for a company that operated a porn site, porsch.com, without the "e." The registrant there was so brazen that he registered the domain name under "Domain 4 sale & company." He also provided a fictitious address when he registered that domain name so that we could not find him to effect service of process in trying to get that domain name back.

Exhibit 5 is a three-page list of domain names that were recently up for auction that we received from one of our dealers, including domain names from Acura through Volkswagen or Volvo, offering them for thousands of dollars.

Exhibit 6 is a good example of a warehouser. This is a gentleman down in Texas, and we were only able to print out 50 domain names because the "who is" stops at 50. But as you can see by looking at that, he has got everything from Pepsi Bottler, McDonald's Restaurant, Mercedes Benz USA, McDonald's Corp. And if you look at the next page, Exhibit 7, that is where you go to his Internet Web site and you make an offer to purchase these domain names. The list goes on and on.

I think, Mr. Chairman, you hit the nail on the head when you talked about the need for in rem and statutory provisions. Cyberpirates are sophisticated. They know how to insulate themselves from legal process. They register domain names using fictitious information. The cyberpirate who had porsch.com used an address for a Federal office building up in New York. Companies use offshore companies. They transfer these to people in Iran, to Belarus. Malaysia is now a favorite address of cyberpirates.

In conclusion, Mr. Chairman, the cost of cybersquatting and cyberpiracy is enormous. Companies like Porsche, Chanel and Pfizer have much better things to do with their resources than to chase cyberpirates. They can make better cars, better perfume, and they can make better drugs.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 11 2002

The Internet is no longer the domain of the academics, the tekkies; it is becoming a major player in the commercial world. It needs to be subject to the rules of the commercial world. The same way that Congress recently amended the copyright laws to protect against new forms of digital infringement provides a good example of what Congress needs to do. It needs to amend the trademark laws to outlaw cyberpiracy.

Senator ABRAHAM. Mr. Phillips, thank you very much.

[The prepared statement of Mr. Phillips follows:]

PREPARED STATEMENT OF GREGORY D. PHILLIPS

INTRODUCTION

Good afternoon, Mr. Chairman and distinguished members of this Committee. My name is Gregory D. Phillips. I am outside trademark counsel for Porsche Cars North America, Inc.

In my testimony, I will be focusing on the intolerable and unbearable problems faced by Porsche Cars and its consumers with cybersquatting, cyberpiracy, and cyberabuse. Porsche Cars' problems, however, are not unique, and are similar to problems faced by other famous trademark holders and their consumers. Porsche Cars is a member of the Private Sector Working Group on Trademarks and Domain Names. The Private Sector Working Group consists of a diverse group of leading companies and associations representing famous trademark holders from a broad cross section of the world's economy. Companies like Porsche, Bell Atlantic, AT&T, Disney, Viacom, Chanel, Warner Lambert, American Express, Ford, Microsoft, AOL, and many others. Our consumers rely on the Internet to find the genuine brands they are seeking and to communicate and engage in electronic commerce. The unprecedented formation of the Private Sector Working Group occurred because we cannot permit United States consumers, our clients, to continue to be subject to the fraud and confusion from the ever increasing problems caused by cyberpiracy.

Porsche and other members of the Private Sector Working Group are currently battling many thousands of infringement matters in which their famous trademarks have been misappropriated by pirates who seek to defraud the public in hopes of exploiting trademarks on the Internet.

Cyberpiracy damages brand equity, increases consumer fraud, causes customer confusion and is linked to other serious problems such as counterfeiting and pornography. Consumers of these companies are being confused and defrauded as they attempt to purchase genuine products from brand-name companies, or as they are diverted away to pornographic and other unrelated web sites.

Not only are consumers and society being harmed by consumer fraud and confusion resulting from cyberpiracy, but consumers and society are also being harmed because companies such as Porsche are being forced to devote a dramatically increasing share of their resources to battle cyberabuse. Companies such as Porsche are now spending more of their legal budgets on dealing with cyberabuse than all other legal expenses combined. Rather than devoting their resources to making better cars, perfume, or drugs that will benefit society, companies such as Porsche, Chanel, and Pfizer are needlessly wasting resources in fighting fraud, monitoring the Internet, and in litigation.

THE REASON FOR CYBERPIRACY

As the Internet has grown in commercial importance, the theft of Internet domain names diluting world famous trademarks such as Porsche® has increased dramatically. The *Wall Street Journal* recently described the reason for this phenomenon:

> With the rapid explosion of Web sites hawking everything from pornography to Bibles, competition for the attention of the world's estimated 147 million web users is fierce. Site creators spare no strategy to get noticed—and trading on famous names, which are queried relentlessly by Web surfers, is a key one.

Wall Street Journal, "Net of Fame," p. 1, April 13, 1999.

Recently, the World Intellectual Property Organization ("WIPO"), an entity organized under the auspices of the United Nations to protect intellectual property, noted that "[f]amous and well-known marks have been the special subject of predatory and parasitical practices by a minority of domain name registrants acting in

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 12 2002

bad faith." WIPO Interim Report on the Internet, December 23, 1998, at p. iii .[1] "These practices include the deliberate, bad faith registration as domain names of well-known and other trademarks in the hope of being able to sell the domain names to the owners of those marks, or *simply to take unfair advantage of the reputation attached to those marks." Id.* at p. 6 (emphasis added).

The trademark Porsche® is a perfect example of the types of trademarks that are misappropriated by cyberpirates. Because Porsches is one of the most famous and unique trademarks in the world, countless registrants have included Porsche® in their Internet domain names. Attached hereto as Exhibit 1 is a partial list of the over 300 Internet domain names that have been registered without Porsche's permission or consent. As you can quickly see from the list, the sheer number of domain names misappropriating the trademark Porsches is overwhelming.

Porsche has determined that registrants misappropriate Internet domain names that include Porsche® for a variety of purposes, including, but not limited to,

(1) To Use Such Names For Pornographic Sites. For example, the Internet domain name PORSCHECAR.COM is presently being used as a pornographic web site. The home page of this pornographic web site depicts a naked woman and a snake in the "Sex Zoo," advertises the infamous Pamela Anderson-Tommy Lee Honeymoon video, and also depicts a woman copulating with an ape. A copy of the home page of the web site is attached as Exhibit 2.

(2) To Extract Payment From Porsche. For example, the registrant of PORSCHESALES.COM recently offered to sell this domain name to Porsche for $25,000. The registrant of PORSCHECREDIT.COM and PORSCHECREDITCORP.COM recently called the President of Porsche Cars North America, Inc. and attempted to extort a substantial sum from Porsche for transferring the names to Porsche.

(3) To Offer The Domain Name For Sale to Third Parties. For example, several domain names using Porsche® were recently being sold by The Best Domains, an Australian company. The domain name 911PORSCHE.COM was being offered for sale for $60,911, the domain name 996PORSCHE.COM was being offered for sale for $15,500, and the domain name PORSCHEAUTOPARTS.COM was being offered for sale for $20,500. The Best Domains Web Site states:

> What's in a Name? ASK COCA-COLA. A domain-name is your own Internet address. This address, [sic] should say it all. When advertising it should be catchy and easily recognizable like all your other advertising. There are 10,000 NEW addresses registered every day. When those addresses listed below are gone THEY'RE GONE it [sic] will be even harder. REMEMBER your Internet address IS a business asset and has value. All these addresses listed below WILL go up in value." *Id.* (emphasis in original).

A copy of the print out of this home page is attached hereto as Exhibit 3.

Some of the cyberpirates are so blatant that they actually register the name with a for sale sign in their domain name registration with Network Solutions. For example, the domain name PORSCH.COM, another hardcore pornographic site was registered under the fictitious name "Domain 4 sale & company." A copy of the Network Solutions Whois listing for the registrant of this domain name is attached as Exhibit 4. As discussed more fully below, the address listed for this registrant is fictitious. Also attached as Exhibit 5 is a copy of a domain name auction sheet that Porsche recently received offering for sale numerous Internet domain names involving famous and well known automobile companies, including Porsche.

Instances of cyberabuse are not limited to car companies. Recently, Porsche discovered that one Beswick Adams had registered the Internet domain name DRINGHCFPORSCHE.COM, the correct name of Porsche AG. In addition to this domain name, Mr. Adams had registered numerous other famous trademarks as domain names ranging from MCDONALDSRESTAURANT.COM to COCA-COLACORPORATION.COM. A partial list of Mr. Adams' Whois listing is attached hereto as Exhibit 6. The list is only partial because Network Solutions' Whois listing only lists the first 50 registered domain names for any particular registrant. Mr. Adams sells these domain names at WWW.BESWICKADAMS.COM where one can make an offer to purchase these

[1] WIPO's Final Report was recently issued and is available at <http://wipo2.wipo.int>. The WIPO Final Report's explication of the problems faced by famous trademark holders is virtually identical to that set forth in the WIPO Interim Report.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 13 2002

Internet domain names. A copy of Mr. Adams' offer sheet is attached hereto as Exhibit 7.

(4) To Divert Traffic to The Registrant's Internet Web Site Selling Products Unrelated to Porsche Products by Capitalizing on Consumer Confusion. For example, the domain name PORSCHE-CARRERA.COM directs Internet traffic to the web page for Marv-Stev Sales & Promotions Inc. where Power Rangers, Beetleborgs, Tamagotchi, and Mystic Knights toys are being sold. A copy of the web site at PORSCHE-CARRERA.COM is attached hereto as Exhibit 8.

(5) To Divert Internet Traffic to Unauthorized Web Sites Selling Porsche Related Products. The domain name EVERYTHINGPORSCHE.COM, for example, diverts Internet users to an unauthorized web site that sells parts for Porsche automobiles. The operator of the web site is not an authorized Porsche Dealer and sells both genuine and non-genuine Porsche 5 parts. The web site uses a counterfeit of the world famous Porsche Crest® in the wallpaper of the web site. The wallpaper is not visible from the printed hard copy. A copy of this web site is attached hereto as Exhibit 9.

(6) To Engage in Consumer Fraud, Including the Sale of Counterfeit Porsche Products. For example, the domain name BOXSTER.NET, another famous Porsche trademark, directs Internet users to a web site that advertises and sells shirts and coffee mugs that bear counterfeits of Porsche's trademarks and trade dress. A copy of this web site is attached hereto as Exhibit 10. This type of site associated with counterfeiting activities defrauds consumers, harms electronic commerce and deprives trademarks owners like Porsche of substantial revenues that should be associated with genuine goods and services.

THE NEED FOR CYBERABUSE LEGISLATION THAT INCLUDES IN REM JURISDICTIONAL PROVISIONS

In many ways, Porsche feels like Sysyphus, the ancient King of Corinth, condemned to roll a heavy rock up a hill in Hades only to have it roll down again. Porsche will successfully halt the misappropriation of the trademark Porsche® in one situation, only to have several new misappropriations surface. Legislation that will deter cyberpirates is absolutely essential to lessen the intolerable and unnecessary burden on society caused by cyberabuse. Legislation that allows famous trademark holders to have an effective remedy is also essential. One necessary component of any effective legislation is an *in rem* jurisdictional provision where a trademark holder can file a lawsuit against the domain name itself, rather than the registrant.

Not surprisingly, cyberpirates and cybersquatters often provide false and fictitious information as to their identity when they register a new domain name diluting or infringing a famous trademark. Cyberpirates do so in order to insulate themselves from liability and to make it impossible for trademark holders to effect service of process. As WIPO recently recognized, such registration practices and the "absence of reliable and accurate contact details leads to a situation in which the intellectual property rights can be infringed with impunity, on a highly visible public medium." WIPO Interim Report at 14–15.

As a result of the exponentially escalating problem of cyberpiracy, and the practice of false and fictitious registration of domain names, WIPO has concluded that:

> existing mechanisms for resolving conflicts between trademark owners and domain name holders are often viewed as expensive, cumbersome and ineffective. The sheer number of instances precludes many trademark owners from filing multiple suits in one or more national courts.

Id. at 33.

Porsche's difficulties in locating cyberpirates is illustrative of how easy it is for cyberpirates to use the anonymity of the Internet to harm Porsche and insulate themselves from liability for their actions. With electronic registration of a domain name just a push of the button away, and with the registration process being completely automated, cyberpirates are able to register domain names with false and fictitious contact information making service of process on such cyberpirates impossible. The cyberpirate who registered PORSCHE.COM is a perfect example. In 1996, Porsche discovered that PORSCHE.COM and several similar domain names had been registered by Heinz Porsche Langeneckert Consulting of New York, a subsidiary of The Zone One Group Ltd. This corporate name was completely fictitious, and the mailing address and telephone number for this entity were also fictitious. Indeed, the mailing address was for some federal offices in New York City. Porsche was contacted by one Lee X. Chen who informed Porsche that he would transfer

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 14 2002

PORSCHE.COM to Porsche for a substantial payment plus an ongoing monthly payment of $2,400.

Porsche attempted to send several letters to Mr. Chen and/or Heinz Porsche Langeneckert Consulting of New York at the address on the Network Solutions, Inc. application. These letters were all returned. Porsche then filed suit against Mr. Chen, Heinz Porsche Langeneckert Consulting, and Network Solutions, Inc. in the United States District Court for the Eastern District of Virginia. Of course, Porsche was unable to serve Mr. Chen with legal process because the information that he had provided to Network Solutions, Inc. was false.

Finally, Porsche and another company whose trademark had been pirated by Mr. Chen, NUSKIN, located in Provo, Utah, hired a private investigator to locate Mr. Chen and these fictitious entities. Service of process was finally effected upon Mr. Chen's father. After Porsche had spent several thousand dollars in unsuccessfully locating Mr. Chen, the District Court finally determined that notice of the lawsuit sent to Mr. Chen's false address provided to Network Solutions, Inc., to Mr. Chen's E-mail address provided to Network Solutions, Inc., to the facsimile number provided to Network Solutions, Inc., and service of process on Mr. Chen's father was sufficient for the Court to enter both a preliminary and permanent injunction.

Other examples that Porsche has encountered further illustrate the problem. Some registrants create offshore corporations which then register the domain names. For example, several of the domain names using the trademark "PORSCHE" (e.g., "PORSCHE944.COM," "PORSCHE993.COM" "PORSCHE996.COM")[2] were originally registered by a law firm in Seattle for an offshore company, Holler Enterprises, Inc., Apartado Postal 4818, San Pedro Sula, Honduras, and then sold to third-parties. Other registrants located in the United States have transferred their registrations to entities located in countries such as Iran (e.g., PORSCHEDEALERS.COM).

The registrants of pornographic Web Sites (e.g., PORSCH.COM and PORSCHECAR.COM) use fictitious addresses (e.g., a non-existent suite number) to insulate the registrants from service of process. Several of the Domain Names used false or incorrect information when the Domain Names were registered with Network Solutions, Inc. including FORUMULAPORSCHE.COM, PORSCHEDIRECT.NET, PORSCHESALES.COM, PORSCHEMAIL.COM, PORSCHECARSALES.COM, PORSCHELYNN.COM, PORSCHE944.COM, and PORSCHEPHILES.ORG.

Porsche respectfully submits that the only effective way to deal with problems such as false and fictitious information is through legislation that makes the act of cybersquatting illegal, provides for statutory damages, and, importantly, recognizes the concept of *in rem* jurisdiction whereby Porsche can sue the Internet domain names themselves, rather than file suit against the registrants personally.

Porsche recently filed such an *in rem* lawsuit in the Eastern District of Virginia against 128 Internet domain names on the theory that Porsche is entitled to cancellation and forfeiture of domain names that dilute Porsche's world famous trademarks in violation of the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c). By proceeding *in rem,* Porsche voluntarily limited itself to claims to the *res* itself, and agreed to forego any claims for damages and attorneys' fees against the cyberpirates who registered the domain names.

Unfortunately, the court dismissed Porsche's lawsuit because the court could find no specific *in rem* jurisdictional provision in the Lanham Act allowing such a lawsuit. *Porsche Cars North America, Inc. et al.* v. *PORSCH.COM,*—F.Supp.—, 1999 WL 378360 (E.D.Va. 1999). Although the court recognized the "dilemma" Porsche faced in battling cyberpiracy and acknowledged that "the mere act of registration [of unauthorized domain names] creates an immediate injury by preventing Porsche from utilizing those domain names itself in order to channel consumers to its own web site," the court in effect held that the Lanham Act would need to be amended by Congress to allow for such *in rem* jurisdiction. Porsche has appealed the ruling to the Fourth Circuit Court of Appeals.

CONGRESS MUST PROVIDE WORLD-WIDE LEADERSHIP IN PROTECTING CONSUMERS FROM CYBERABUSE

Some critics assert that Congress has no business enacting legislation to protect commerce on the Internet, a world-wide resource. Companies such as Porsche AG and Chanel, who have United States affiliates, employ thousands of United States Citizens, and whose largest market is the United States, but who do business throughout the world, are looking for the United States Congress to provide leader-

[2] 944, 993, and 996 refer to specific Porsche model numbers.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 15 2002

ship in providing protection on the Internet. Moreover, the Internet was created in the United States by citizens of the United States. Network Solutions, Inc., the registrar of Internet domain names and the entity that maintains and controls the master computer that contains all Internet domain names is located in the United States. In a very real sense, the Internet is a United States resource over which the United States has jurisdiction.

United States consumers, United States companies and foreign companies doing business in the United States, and electronic commerce as a whole must be protected from malicious and willful acts of cyberpiracy that occur over this valuable world-wide resource. This problem demands that the United States Congress provide guidance and leadership in high tech, cutting edge, intellectual property matters throughout the world. As the Internet increases in commercial importance, the United States must ensure that commerce can be safely and appropriately be conducted on the Internet throughout the world.

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1800PORSCHE.COM
1999PORSCHE.COM
1PORSCHE.COM
4-PORSCHE.COM
911PARTSFORPORSCHE.COM
928PORSCHE.COM
996PORSCHE.COM
ACCESSORIES4PORSCHE.COM
ALLPARTSFORPORSCHE.COM
ALLPORSCHE.COM
ARIZONAPORSCHE.COM
BESTPORSCHE.COM
BESTPORSCHE.NET
BEVERLYHILLSPORSCHE.COM
BUY-PORSCHE.COM
BUYAPORSCHE.COM
BUYMYPORSCHE.COM
BUYPORSCHE.COM
BUYSELLPORSCHE.COM
CALPORSCHE.COM
CANADAPORSCHE.COM
CASINOPORSCHE.COM
CONTEMPORARYPORSCHE.COM
CYBERPORSCHE.COM
DOVERPORSCHE.COM
DOWNTOWNPORSCHE.COM

DRINGPORSCHEAG.COM
E-PORCHE.COM
E-PORSCHE.COM
EPORSCHE.COM
EPORSCHEPARTS.COM
EVERYTHINGPORSCHE.COM
EXTREMEPORSCHE.COM
FINDPORSCHE.COM
FORDPORSCHE.COM
FORDPORSCHE.NET
FORDPORSCHE.ORG
FORMULAPORSCHE.COM
FREEDOMPORSCHE.COM
GMPORSCHE.COM
GO-PORSCHE.COM
IANPORSCHE.COM
IDOPORSCHE.COM
ILOVEPORSCHE.COM
INTERNETPORSCHE.COM
INTRO2PORSCHE.COM
ISELLPORSCHE.COM
JUSTPORSCHE.COM
LAPORSCHE.COM
LEASE-PORSCHE.COM
LEASEPORSCHE.COM
LYNCHPORSCHE.COM

1

EXHIBIT

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MICHAELPORSCHE.COM
MYBOXSTER.COM
MYPORSCHE.COM
NEWPORSCHE.COM
NEWPORTBEACHPORSCHE.COM
OGNERPORSCHE.COM
OPRSCHE.COM
OWNAPORSCHE.COM
OWNAPORSCHE.NET
P-O-R-S-C-H-E.COM
PARTS4PORSCHE.COM
PARTSFORPORSCHE.COM
PASSION-PORSCHE.COM
PLANETPORSCHE.NET
PORACHE.COM
PORCHE.NET
PORS.NET
PORSCE.COM
PORSCEH.COM
PORSCH.COM
PORSCHAGIRLS.COM
PORSCHE.COM
PORSCHE.NET
PORSCHE.ORG
PORSCHE-2000.COM
PORSCHE-911.COM

PORSCHE-911.NET
PORSCHE-944.COM
PORSCHE-ACCESSORIES.COM
PORSCHE-AFFARI.COM
PORSCHE-AUTOS.COM
PORSCHE-BOOKS.COM
PORSCHE-CARRERA.COM
PORSCHE-CARS.COM
PORSCHE-CITY.COM
PORSCHE-CLASSIC.COM
PORSCHE-CONNECTION.COM
PORSCHE-DEALERS.COM
PORSCHE-EXCHANGE.COM
PORSCHE-LEASE.COM
PORSCHE-LEASING.COM
PORSCHE-LYNN.COM
PORSCHE-MODELLCLUB.COM
PORSCHE-MUNICH.COM
PORSCHE-NET.COM
PORSCHE-NL.COM
PORSCHE-ONLINE.COM
PORSCHE-OWNERS.COM
PORSCHE-RS.COM
PORSCHE-SALES.COM
PORSCHE-SERVICE.COM
PORSCHE-SUPERCUP.COM

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PORSCHE-UK.NET
PORSCHE-US.COM
PORSCHE-USA.NET
PORSCHE-WEB.COM
PORSCHE1.COM
PORSCHE356.COM
PORSCHE356.NET
PORSCHE356.ORG
PORSCHE4ME.COM
PORSCHE4SALE.COM
PORSCHE4U.COM
PORSCHE911.COM
PORSCHE911.NET
PORSCHE911.ORG
PORSCHE911PARTS.COM
PORSCHE911PORSCHE.COM
PORSCHE911TURBO.COM
PORSCHE911TURBO.NET
PORSCHE911TURBO.ORG
PORSCHE914.COM
PORSCHE924.COM
PORSCHE944.COM
PORSCHE986.COM
PORSCHE993.COM
PORSCHE996.COM
PORSCHEACCESSORIES.NET

PORSCHEACCESSORIES.COM
PORSCHEAG.COM
PORSCHEATERFORSALEJARE.COM
PORSCHEAUCTION.COM
PORSCHEAUDIPARTS.COM
PORSCHEAUTOPARTS.COM
PORSCHEBARGAINS.COM
PORSCHEBIL.COM
PORSCHEBILAR.COM
PORSCHEBOOKS.COM
PORSCHEBOXSTER.COM
PORSCHEBOXTERCUP.COM
PORSCHEBYTEL.COM
PORSCHECANADA.COM
PORSCHECAR.COM
PORSCHECARRERA.COM
PORSCHECARRERACUP.COM
PORSCHECARRINGTON.COM
PORSCHECARSALES.COM
PORSCHECARSFORSALE.COM
PORSCHECASINO.COM
PORSCHECHAT.COM
PORSCHECITY.COM
PORSCHECLASSIFIED.COM
PORSCHECLUB.NET
PORSCHECLUB.ORG

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 19 2002

PORSCHECOMPANY.COM
PORSCHECONNECTION.COM
PORSCHEDEALER.COM
PORSCHEDEALER.NET
PORSCHEDEALERS.COM
PORSCHEDEALERS.NET
PORSCHEDEALS.COM
PORSCHEDESIGNS.COM
PORSCHEDIRECT.COM
PORSCHEDIRECT.NET
PORSCHEDOCTOR.COM
PORSCHEDOT.COM
PORSCHEEXCHANGE.COM
PORSCHEEXCHANGE.NET
PORSCHEF1.COM
PORSCHEFACTORYPARTS.COM
PORSCHEFAN.COM
PORSCHEFANS.COM
PORSCHEFLEET.COM
PORSCHEFORFREE.COM
PORSCHEFORFREE.NET
PORSCHEFORMULA.COM
PORSCHEFORMULA1.COM
PORSCHEFX.COM
PORSCHEGT.COM
PORSCHEHAUS.COM

PORSCHEHEAVEN.NET
PORSCHELEASE.COM
PORSCHELEASING.COM
PORSCHELINE.COM
PORSCHELIST.COM
PORSCHELIST.ORG
PORSCHELOAN.COM
PORSCHELOANS.COM
PORSCHELYNN.COM
PORSCHEMAIL.COM
PORSCHEMALL.COM
PORSCHEMINDER.COM
PORSCHEMOTORSPORTS.COM
PORSCHENAUT.COM
PORSCHENETT.COM
PORSCHENETWORK.COM
PORSCHENEWCARS.COM
PORSCHENOW.COM
PORSCHENUT.COM
PORSCHEOFNEWPORTBEACH.COM
PORSCHEONLINE.COM
PORSCHEOWNER.COM
PORSCHEOWNERS.COM
PORSCHEOWNERSCLUB.COM
PORSCHEPARADE.COM
PORSCHEPARTS.COM

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 20 2002

PORSCHEPARTS.NET
PORSCHEPARTSSTORE.COM
PORSCHEPARTTRADERS.COM
PORSCHEPHILE.COM
PORSCHEPHILES.ORG
PORSCHEPRODUCTS.COM
PORSCHERACING.COM
PORSCHERESOURCE.COM
PORSCHERIMS.COM
PORSCHES.COM
PORSCHES-4-SALE COM
PORSCHES-USA.COM
PORSCHES4LESS.COM
PORSCHES4SALE.COM
PORSCHESALES.COM
PORSCHESALESCENTER.COM
PORSCHESALESTODAY.COM
PORSCHESALVAGE.COM
PORSCHESCAPE.COM
PORSCHESCENE.COM
PORSCHESCOTTSDALE.COM
PORSCHESDIRECT.COM
PORSCHESERVICE.COM
PORSCHESERVICE.NET
PORSCHESERVICEINFO.COM
PORSCHESEX.COM

PORSCHESFORSALE.COM
PORSCHESHOWROOM.COM
PORSCHESITE.COM
PORSCHESONLINE.COM
PORSCHESPARES.COM
PORSCHESPECIALS.COM
PORSCHESPLAYHOUSE.COM
PORSCHESPOKENHERE.COM
PORSCHESTORE.COM
PORSCHESTORE.NET
PORSCHESTUFF.COM
PORSCHESUCKS.COM
PORSCHESUCKS.NET
PORSCHESUCKS.ORG
PORSCHESUK.COM
PORSCHESUPERCUP.COM
PORSCHESUPERSTORE.COM
PORSCHESWAP.COM
PORSCHETALK.COM
PORSCHETECHNICAN.COM
PORSCHETODAY.COM
PORSCHETOYS.COM
PORSCHETRADE.COM
PORSCHETRADER.COM
PORSCHEUS.COM
PORSCHEUSA.COM

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 21 2002

PORSCHEUSEDCARS.COM
PORSCHEVEHICLES.COM
PORSCHEVIDEO.COM
PORSCHEWEB.COM
PORSCHEWORLD.COM
PORSCHEWORLD.NET
PORSCHEZENTRUM.COM
PORSCHEZENTRUM.NET
PORSCHEZONE.COM
PORSHCE.COM
PORSHEN.COM
PORSHEN.NET
PORSHEN.ORG
POSCHE.COM
POSRCHE.COM
PREOWNEDPORSCHE.COM
PRISTINEPORSCHE.COM
PROSCHE.COM
PRSCHE.COM
PURCHASEPORSCHE.COM
PURCHASEUSEDPORSCHE.COM
QUICKPORSCHE.COM
ROADSPORTPORSCHE.COM
SEEPORSCHE.COM
STEVENSCREEKPORSCHE.COM
THINKPORSCHE.COM

TURBOPARTSFORPORSCHE.COM
ULTIMATEPORSCHE.COM
USEDPARTSFORPORSCHE.COM
USEDPORSCHE.COM
USEDPORSCHES.COM
VWPORSCHE.COM
VWPORSCHE.NET
VWPORSCHE.ORG
WALTERSPORSCHE.COM
WINAPORSCHE.COM
WINPORSCHE.COM
WWWPORSCHE.COM
YOURPORSCHE.COM
1-800-PORSCHE.COM
PORSCHE-PARTS.NET
PORSCHE2000.COM
PORSCHEAUTOPARTS.COM
PORSCHEPARTSNETWORK.COM
PORSHCHA.COM
PORSHE.NET
PORSHE.ORG
E-PORCHE.ORG
E-PORCHE.NET
PORSCHECREDITCORP.COM

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The Best Domains

A domain-name is your own Internet address.This address. should say it all.When advertising it should be catchy and easily recognisable like all your other advertising. There are 10,000 NEW addresses registered every day.When those addresses listed below are gone THEY'RE GONE it will be even harder. REMEMBER your Internet address IS a business asset and has value..All these addresses listed below WILL go up in value.You should be able to deduct these costs of purchase from your tax.

..all these Domain names can have SUB-DOMAINS ie: with 911porsche.com you can add a sub-topic in front of this ie: **www.parts.911porsche.com** or **www.sales.911porsche.com**, this can be done to all of these Domain names and dramatically increases their use and value!

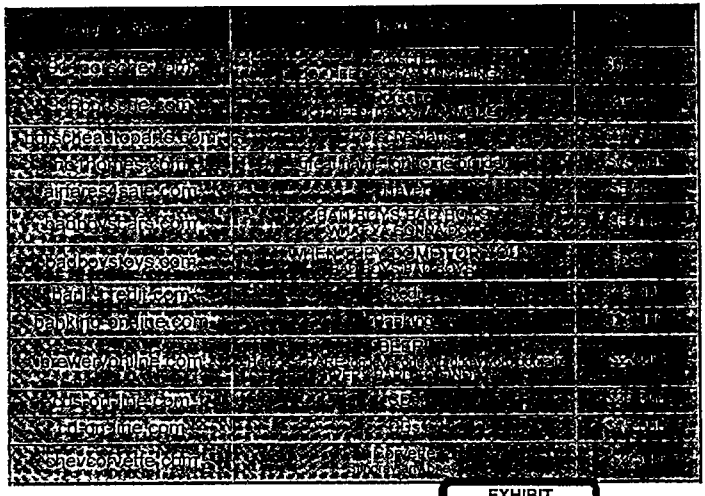
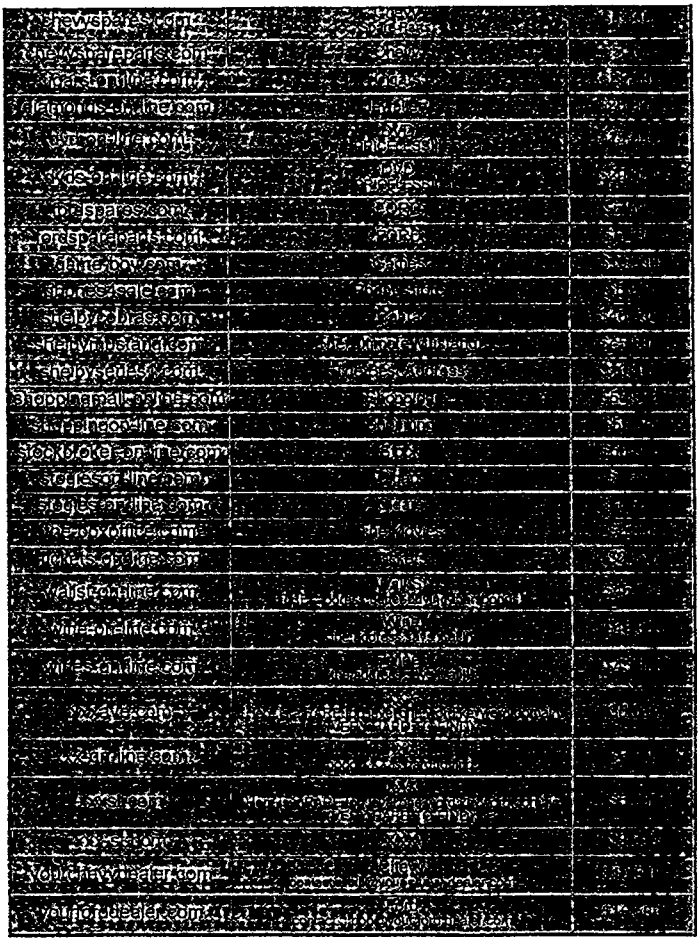


EXHIBIT 3

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We can help if you are selling a Domain!
E-mail Us here!

Interested in purchasing any of the domains above? just E-MAIL us. We are the owners&sellers and will send you a response as soon as possible. Please include full name and email address where we can reach you.

1133
BESEEN.COM

4 sale @ thebestdomains.com

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Web Interface to Whois

Brand every e-mail you send. NETWORK SOLUTIONS

```
Registrant:
domain 4 sale & company (PORSCH3-DOM)
   15445 ventura bl # 318
   sherman oaks, CA 91403

   Domain Name: PORSCH.COM

   Administrative Contact:
      YOMTOBIAN, SAEID  (ZM2672)  domainsale@AOL.COM
      818-599-9141 (FAX) 0000000
   Technical Contact, Zone Contact:
      support  (SUPT3-ORG)  dns@VIA.NET
      650 969-2203
Fax- 650 969-2124
   Billing Contact:
      YOMTOBIAN, SAEID  (ZM2672)  domainsale@AOL.COM
      818-599-9141 (FAX) 0000000

   Record last updated on 12-Jan-99.
   Record created on 23-Dec-97.
   Database last updated on 23-Jun-99 08:35:41 EDT.

   Domain servers in listed order:

   NS.VIA.NET                    209.81.9.1
   NS2.VIA.NET                   165.35.45.2

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Questions? help@networksolutions.com

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EXHIBIT 4

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05/04/99 TUE 09:39 FAX 909 689 0531 WALTERS AUTO SALES 001

DOMAIN NAME	PRICE
Acura	
Acura-Lease.com	$695
Acura-Leasing.com	$695
Acura-Sales.com	$1,295
atAcura.com	$1,295
DriveAcura.com	$695
go-Acura.com	$695
HotAcuraBuys.com	$1,295
Lease-Acura.com	$695
LeaseAcura.com	$695
Audi	
atAudi.com	$1,295
Audi-Lease.com	$695
Buy-Audi.com	$695
DriveAudi.com	$695
go-Audi.com	$695
HotAudiBuys.com	$695
LeaseAudi.com	$695
BMW	
atBMW.com	$1,295
BMW-Lease.com	$695
BMW-Leasing.com	$695
BMW-Service.com	$1,295
DriveBMW.com	$695
go-BMW.com	$695
Lease-BMW.com	$695
Buick	
atBuick.com	$1,295
Buick-Dealer.com	$1,295
Buick-Leasing.com	$695
Buick-Sales.com	$1,295
BuickLeasing.com	$695
go-Buick.com	$695
Cadillac	
atCadillac.com	$1,295
Cadillac-Dealer.com	$1,295
Cadillac-Leasing.com	$695
Cadillac-Sales.com	$1,295
CadillacLease.com	$695
go-Cadillac.com	$695
LeaseCadillac.com	$695
Chevrolet	
atChevrolet.com	$1,295
Chevrolet-Dealer.com	$1,295
Chevrolet-Leasing.com	$695
Chevy-Sales.com	$1,295
ChevyTruck-Sales.com	$695
go-Chevrolet.com	$695
go-Chevy.com	$695
HotChevyBuys.com	$695
Chrysler	
atChrysler.com	$1,295
Chrysler-Dealer.com	$1,295
Chrysler-Leasing.com	$695
Chrysler-Sales.com	$1,295
ChryslerPlymouthSales.com	$695
go-Chrysler.com	$695
goChryslerPlymouth.com	$695
Dodge	
atDodge.com	$1,295
Dodge-Dealer.com	$1,295
DodgeTruck-Sales.com	$695
DriveDodge.com	
go-Dodge.com	$695
goDodgeTrucks.com	$1,295
Ferrari	
Ferrari-Leasing.com	$695
NyFerrari.com	$1,295
Ford	
atFord.com	$1,295
DriveFord.com	$695
Ford-Leasing.com	$695
FordToughTrucks.com	$695
FordTruck-Sales.com	$695
go-Ford.com	$695
goFordTrucks.com	$1,295
HotFordBuys.com	$695
Geo	
Geo-Dealer.com	$1,295
Geo-Sales.com	$1,295
GeoLeasing.com	$695
go-Geo.com	$695
HotGeoBuys.com	$695
GMC	
at-GMC.com	$695
GMC-Dealer.com	$1,295
GMTruckSales.com	$695
go-GMC.com	$695
goGMC.com	$695
Honda	
atHonda.com	$1,295
go-Honda.com	$695
Honda-Dealer.com	$1,295
Honda-Leasing.com	$695
HotHondaBuys.com	$1,295
Lease-Honda.com	$695
LeaseHonda.com	$695
HOT SALES	
BestCarSavings.com	$1,295
Car-guy.com	$695
CarBuyersMart.com	$1,295
HotAutoBuys.com	$1,295
HotCarBuys.com	$1,295
HotTruckBuys.com	$1,295
PurchaseCar.com	$695
The-Car-Guys.com	$695
TonsOfCars.com	$695
Hummer	
atHummer.com	$1,295
go-Hummer.com	$695
Hummer-Dealer.com	$1,295
Hummer-Sales.com	$1,295
HummerLeasing.com	$695
Infiniti	
atInfiniti.com	$1,295
DriveInfiniti.com	$695
goInfiniti.com	$1,295
Infiniti-Deals.com	$695
Infiniti-Lease.com	$695
Infiniti-Leasing.com	$695
LeaseInfiniti.com	$695
Isuzu	
atIsuzu.com	$1,295
go-Isuzu.com	$695
goIsuzu.com	$695
Isuzu-Dealer.com	$695
Isuzu-Deals.com	$695
Isuzu-Sales.com	$695
IsuzuLeasing.com	$695
Jaguar	
atJaguar.com	$1,295
go-Jaguar.com	$695
Jaguar-Leasing.com	$695
JaguarLease.com	$695
LeaseJaguar.com	$695
Jeep	
atJeep.com	$1,295
go-Jeep.com	$695
goJeepEagle.com	
Jeep-Dealer.com	
JeepEagleDealer.c	
JeepEagleLease.co	
JeepEagleSales.co	

EXHIBIT 5

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DOMAIN NAME	PRICE
JeepLeasing.com	$695
Kia	
atKia.com	$1,295
go-Kia.com	$695
HotKiaBuys.com	$695
Kia-Dealer.com	$1,295
Kia-Sales.com	$1,295
KiaLeasing.com	$695
LandRover	
LandRover-Sales.com	$1,295
LandRoverBuys.com	$695
Lexus	
atLexus.com	$1,295
DriveLexus.com	$695
go-Lexus.com	$695
goLexus.com	$1,295
HotLexusBuys.com	$1,295
Lease-Lexus.com	$695
LeaseLexus.com	$695
Lexus-Lease.com	$695
Lexus-Leasing.com	$695
Lincoln	
atLincoln.com	$1,295
go-Lincoln.com	$695
Lincoln-Dealer.com	$695
Lincoln-Leasing.com	$695
Lincoln-Sales.com	$695
Mazda	
atMazda.com	$1,295
go-Mazda.com	$695
HotMazdaBuys.com	$695
Mazda-Leasing.com	$695
Mercedes-Benz	
atMercedes.com	$1,295
go-Mercedes.com	$695
goMercedesBenz.com	$1,295
Lease-Mercedes.com	$695
Mercedes-Lease.com	$695
Mercedes-Leasing.com	$695
Mercedes-Service.com	$1,295
MercedesBenzLease.com	$695
Mercury	
atMercury.com	$1,295
DriveMercury.com	$695
Mercury-Dealer.com	$695
Mercury-Lease.com	$695
Mercury-Sales.com	$1,295

DOMAIN NAME	PRICE
Mitsubishi	
atMitsubishi.com	$1,295
go-Mitsubishi.com	$695
goMitsubishi.com	$695
Mitsubishi-Dealer.com	$695
Mitsubishi-Sales.com	$1,295
MitsubishiLease.com	$695
Nissan	
atNissan.com	$1,295
go-Nissan.com	$695
HotNissanBuys.com	$695
Nissan-Lease.com	$695
Nissan-Trucks.com	$1,295
Oldsmobile	
atOldsmobile.com	$1,295
Oldsmobile-Leasing.com	$695
Oldsmobile-Sales.com	$1,295
Peugeot	
atPeugeot.com	$1,295
BuyPeugeot.com	$1,295
GoPeugeot.com	$695
Peugeot-Dealer.com	$695
PeugeotLeasing.com	$695
Pontiac	
atPontiac.com	$1,295
go-Pontiac.com	$695
Pontiac-Dealer.com	$695
Pontiac-Sales.com	$695
PontiacLeasing.com	$695
Porsche	
atPorsche.com	$1,295
go-Porsche.com	$695
Lease-Porsche.com	$695
LeasePorsche.com	$695
Porsche-Lease.com	$695
Porsche-Leasing.com	$695
RangeRover	
atRangeRover.com	$1,295
goRangeRover.com	$695
RangeRover.net	$1,295
RangeRover-Sales.com	$1,295
RangeRoverDealer.com	$1,295
RangeRoverLease.com	$695
Saab	
atSaab.com	$1,295
go-Saab.com	$695
LeaseSaab.com	$695

DOMAIN NAME	PRICE
Saab-Dealer.com	$1,295
Saab-Lease.com	$695
Saab-Leasing.com	$695
Saturn	
atSaturn.com	$1,295
go-Saturn.com	$695
goSaturn.com	$695
HotSaturnBuys.com	$695
Saturn-Lease.com	$695
Saturn-Leasing.com	$695
Subaru	
go-Subaru.com	$695
HotSubaruBuys.com	$695
Subaru-Dealer.com	$695
Subaru-Deals.com	$695
Subaru-Leasing.com	$695
Suzuki	
atSuzuki.com	$1,295
Suzuki-Dealer.com	$1,295
Suzuki-Sales.com	$1,295
Toyota	
atToyota.com	$1,295
BuyToyotaTrucks.com	$1,295
go-Toyota.com	$695
goToyotaTrucks.com	$1,295
HotToyotaBuys.com	$1,295
Lease-Toyota.com	$695
LeaseToyota.com	$695
Toyota-Dealer.com	$1,295
Toyota-Lease.com	$695
Toyota-Leasing.com	$695
ToyotaTruckSales.com	$1,295
Volkswagen	
atVolkswagen.com	$1,295
BuyVolkswagen.com	$1,295
go-Volkswagen.com	$695
go-VW.com	$695
goVolkswagen.com	$695
goVW.com	$1,295
HotBugs.com	$695
HotVWBugs.com	$695
VW-Sales.com	$1,295
Volvo	
atVolvo.com	$1,295
go-Volvo.com	$695
LeaseVolvo.com	$695
Volvo-Dealer.com	$1,295
Volvo-Leasing.com	$695

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NETWORK SOLUTIONS

Aborting search 50 records found .....

Beswick Adams	(PEPSIBOTTLER-DOM)	PEPSIBOTTLER.
Beswick Adams	(MCDONALDSRESTAURANT-DOM)	MCDONALDSRESTAURANT.
Beswick Adams	(ROLLS-ROYCEPLC-DOM)	ROLLS-ROYCEPLC.
Beswick Adams	(SUBWAYSUCKS3-DOM)	SUBWAYSUCKS.
Beswick Adams	(COCA-COLACORP-DOM)	COCA-COLACORP.
Beswick Adams	(BURGERKINGWHOPPER-DOM)	BURGERKINGWHOPPER.
Beswick Adams	(JAGUARCARSLIMITED-DOM)	JAGUARCARSLIMITED.
Beswick Adams	(DRINGHOFPORSCHEAG-DOM)	DRINGHOFPORSCHEAG.
Beswick Adams	(WENDYS6-DOM)	WENDYS.
Beswick Adams	(COCA-COLABOTTLER-DOM)	COCA-COLABOTTLER.
Beswick Adams	(BURGERKINGCORPORATION-DOM)	BURGERKINGCORPORATION.
Beswick Adams	(TACOBELLCORP-DOM)	TACOBELLCORP.
Beswick Adams	(MAZDAMOTORCORPORATION-DOM)	MAZDAMOTORCORPORATION.
Beswick Adams	(KFCRESTAURANT-DOM)	KFCRESTAURANT.
Beswick Adams	(WENDYSRESTAURANT-DOM)	WENDYSRESTAURANT.
Beswick Adams	(THESATURNGROUP-DOM)	THESATURNGROUP.
Beswick Adams	(TOYOTAMOTORCORPORATION-DOM)	TOYOTAMOTORCORPORATION.
Beswick Adams	(SUBWAYRESTAURANTS-DOM)	SUBWAYRESTAURANTS.
Beswick Adams	(BURGERKINGRESTAURANT-DOM)	BURGERKINGRESTAURANT.
Beswick Adams	(WENDYSSUCKS-DOM)	WENDYSSUCKS.
Beswick Adams	(KFCRESTAURANTS-DOM)	KFCRESTAURANTS.
Beswick Adams	(THEDODGECORPORATION-DOM)	THEDODGECORPORATION.
Beswick Adams	(NISSANMOTORCORPORATION-DOM)	NISSANMOTORCORPORATION.
Beswick Adams	(VIRGINCORP-DOM)	VIRGINCORP.
Beswick Adams	(MERCEDES-BENZUSA-DOM)	MERCEDES-BENZUSA.
Beswick Adams	(MCDONALDSCORP-DOM)	MCDONALDSCORP.
Beswick Adams	(SUBWAYSANDWICHES-DOM)	SUBWAYSANDWICHES.
Beswick Adams	(BMW-AG-DOM)	BMW-AG.
Beswick Adams	(HYUNDAIMOTORCOMPANY-DOM)	HYUNDAIMOTORCOMPANY.
Beswick Adams	(PEPSICORPORATION-DOM)	PEPSICORPORATION.
Beswick Adams	(VOLVOGROUP-DOM)	VOLVOGROUP.
Beswick Adams	(COCA-COLACORPORATION-DOM)	COCA-COLACORPORATION.
Beswick Adams	(SAABAUTOMOBILE-DOM)	SAABAUTOMOBILE.
Beswick Adams	(MCDONALDSCORPORATION-DOM)	MCDONALDSCORPORATION.
Beswick Adams	(MCDONALDSBIGMAC-DOM)	MCDONALDSBIGMAC.
Beswick Adams	(TACOBELLCORPORATION-DOM)	TACOBELLCORPORATION.
Beswick Adams	(BURGERKINGRESTAURANTS-DOM)	BURGERKINGRESTAURANTS.
Beswick Adams	(VIRGINCORPORATION-DOM)	VIRGINCORPORATION.
Beswick Adams	(PEPSICORP-DOM)	PEPSICORP.
Beswick Adams	(LOTUSCARSUSA2-DOM)	LOTUSCARSUSA.
Beswick Adams	(AMERICANHONDAMOTORCO-DOM)	AMERICANHONDAMOTORCO.
Beswick Adams	(BESWICKADAMS-DOM)	BESWICKADAMS.
Beswick Adams	(SUBWAYRESTAURANT2-DOM)	SUBWAYRESTAURANT.
Beswick Adams	(WENDYSINTLINC-DOM)	WENDYSINTLINC.
Beswick Adams	(CHRYSLERCORPORATION2-DOM)	CHRYSLERCORPORATION.
Beswick Adams	(GENERALMOTORSOFCANADA-DOM)	GENERALMOTORSOFCANADA.
Beswick Adams	(PEPSI-BOTTLER-DOM)	PEPSI-BOTTLER.
Beswick Adams	(BURGERKINGCORP-DOM)	BURGERKINGCORP.
Beswick Adams	(COKE-BOTTLING-DOM)	COKE-BOTTLING.
Beswick Adams	(PEPSI-COLABOTTLER-DOM)	PEPSI-COLABOTTLER.

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6

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OFFER FORM

Please complete and submit the following form to make an offer for one of Beswick Adam's domain names. Be certain that your contact information is correct. Also, please be certain that your chosen domain name is spelled correctly because once submitted, THIS FORM CONSTITUTES A LEGALLY BINDING OFFER TO PURCHASE THE DOMAIN YOU HAVE LISTED FROM BESWICK ADAMS CORPORATION. If you have any questions regarding this form or process, please e-mail them to jcschem@beswickadams.com or surf to Contact Us in the navagation bar for further Beswick Adams contact information.

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Title:		Email:	
Company:		Address:	
City:		State / Province:	
Postal Code:		Country:	
Telephone:		Facsimile:	
Domain Name:			
Offer: (in US dollars)			

Please note: Although it is most unlikely that you will experience any problems responding to this form, certain non-standard browsers will not respond properly. If you experience any difficulties, (or if you are not using a forms-capable browser) you may email your response to this form to: jcschem@beswickadams.com.

Submit Offer | Abort Offer

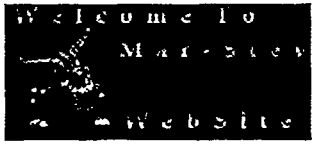
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MYSTIC KNIGHTS of TIR NA NOG

7833 MYSTIC KNIGHTS BATTLE FURY DEFENDERS ** $11.25

The Mystic Knights gain even more wizardry and fighting ability, thus creating the Mystic Knights Battle fury Defenders! Fully poseable, each figure comes with projectile weapons and additional armor. Assortment includes Lugad, the Evil Warrior of Temra! For Ages 4 and up.

7850 JOUSTING MYSTIC KNIGHTS ** $18.12

The undaunted Mystic Knights take on the Evil Sentinels in some real jousting action. Each set comes with one Mystic Knight, an Evil Sentinel, and their respective jousting handles. Who wins? You decide! For ages 4 and up.

7900 BATTLE BIKES AND BATLLE SIDE CARS ** $13.75

Muscular looking bikes with fearsome details. The Battle Bikes fire projectiles while the Battle Side Cars drills through evil terror. Each Battle Bike and Battle Side Car comes with poseable Mystic Knight figure. Garrett's Battle Bike, Deirdre's Battle Side Car, Rohan's Battle Bike, Ivar's Battle Side Car and Angus's Battle Bike For ages 4 and up.

7855 DELUXE ATTACK MACHINES ** $27.50

The Deluxe Attack Machines are power packed with cool weapons for fight against evil. Clear the way with the flip-out spike blades, or fire giant flame missiles. Each Deluxe Attack Machine comes with its own poseable figure. For ages 4 and up.

7770 MYSTIC DEFENDERS ACTION FIGURES ** $9.40

This Spring we add the Baby Dragon. The Drageen featuring amazing detail and decoration! The Drageen can flap his wings and apply his jaw crunching chomp. For ages 4 and up

7880 DELUXE MICRO PLAYSETS ** $13.60

The world of Mystic Knights comes alive with these incredibly detailed playsets. Each set comes with working features, hidden areas & miniature figures! Open and discover the mystical secrets inside! Not pictured, but coming soon is Rohan's, Mystic Knight of Fire Helmet Playset. For ages 4 and up.

7910 MOBILE ARMOR ELIMINATOR ** $20.00

Mobile Armor Eliminators aid the Mystic Knights in their battles against Lugad, the Warrior of Temra. Comes complete with two action features like firing projectiles, slashing swords, or pinching claws. Bonus Mystic Knight poseable figure included. Not pictured, but coming soon are Angus's and Ivar's Mobile Armor Eliminators. For ages 4 and up.

7800 8" DELUXE ARMOR DEFENDERS ** $15.00

POWER RANGERS LOST GALAXY

4265 ASTRO CYCLES **$15.00

These cycles are the first vehicles of the Lost Galaxy season, and come in Red, Green, Blue and Black, for the Stealth Defender. Each custom cycle resembles each Power Ranger's Zord and is packaged with a 5" articulated Power Ranger. Special pieces can be removed from the cycle and snapped onto the Power Ranger to create an armored look. Assortment of 4. Ages 4 and up.

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 # 4290 DELUXE GALAXY MEGAZORD ** $54.37

Battle evil with this imposing Megazord, comprised of five individual Zords. Each articulated Zord can be played with individually or combined to create the Deluxe Galaxy Megazord. The Condor Galactazord can either be stored on the back of the Megazord or used as bow-and-arrow weapon, with head, tail and wing movements action. Ages 4 and up.

 # 4291 DELUXE DEFENDER TOROZORD ** $41.25

The Stealth Defender has summoned his Zord to battle the Evil Space Aliens. This second Megazord includes a Stealth defender articulated figure which fits inside the Deluxe Defender Torozord. The Stealth Defender can also ride on the back of the Torozord. Two weapons included. Ages 4 and up.

 # 4295 DELUXE MICRO PLAYSETS ** $13.64

This new playset assortment is comprised of a Galaxy Power Ranger and a Galaxy Megazord head. Each playset is complete with two 1" Power Rangers and two Evil Space Aliens, and feature their own unique actions and traps to foil the Evil Space aliens. For storage, place the figure inside, close the front and the toy is instantly portable. Assortment of 2. Ages 4 and up.

 # 4280 WEAPON ASSORTMENT ** $20.00

The Quasar Saber is used by all the Power Rangers to defend Earth from Evil Space Aliens. The saber features lights and sound and comes with five amber medallions that snap on to match your favorite Zord. This assortment also includes the Galaxy Blaster, a two piece weapon featuring lights and sound Assortment of 2. Ages 4 and up.

 # 4275 MORPHER ASSORTMENT ** $13.75

Now kids can become their favorite Power Ranger by strapping the Transmorpher on their wrist to summon their very own Zord. The morpher has lights and sounds. By rotating the dial to match the five Power Ranger colors, kids can press the silver button and hear each zord's battle cry. Also included in the assortment is the Stealth Defender Morpher, a two piece morpher with lights and sound. Assortment of 2. Ages 4 and up

 # 4283 TRANSDAGGER ** $13.75

This role play item is extremely versatile and can change into five different modes, one mode for each Power Ranger Bonus Power Ranger badge included. Ages 4 and up.

 # 4240 5" GALAXY POWER RANGERS ** $8.75

Each Power Ranger speaks a unique phrase at the touch of a button. These fully articulated action figures come with special weapons and accessories. This assortment includes the 5 Power Rangers and the special Stealth Defender. Two Evil Space Aliens complete the mix and have unique weapons and action features. Assortment of 8. Ages 4 and up.

 # 4255 5" ACTION ZORDS ** $8.75

These exciting new action Zords each have their own signature action feature and accessories. The assortment includes the Galaxy Megazord, Defender Torozord and the Mega Defender (not included). Assortment of 3. Ages 4 and up.

 # 4285 INTERMEDIATE ZORD ASSORTMENT ** $20.00

The Galaxy Megazord comes with a sword and condor weapon. Pull the bird's tail back and the head snaps forward just like a real bow-and-arrow! Each zord stands a full 12" tall Also included in the assortment is the Mega Defender Zord, the Stealth Defender in the Zord mode. Assortment of 2. Ages 4 and up

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 33 2002

 # 3200 DIGIZORD ** $13.75

This season's Digizord is in the form of the Galaxy Megazord, complete with condor bow-and-arrow. This electronic game can be played on its own or hooked up to a friend's Digizord for battle. The more you train your Digizord, the stronger it becomes. Assortment of 3. Ages 4 and up.

 # 4300 5" CONQUERING POWER RANGERS ** $11.25

These awesome 5" figures have removable translucent armor and a bonus space beast weapon. The beast can be dismantled and snapped onto figure for animal armor look! Assortment of 4. Ages 4 and up.

-

FLUFFY'S

#75000ASSORTMENT ** $4.27

#75100FLUFFY'S FAMILIES ** $7.04

-

YOYO

#3434ASSORTED ** $6.91

#3435MACHINE HYPER SPINNER ** $8.62

POCKET DRAGON

#60000COLLECTABLE ** $5.99

#60010BEANIES ** $7.65

#60002PRINCESS ** $16.99

#60011CARRY CASE ** $10.20

#60001CASTLE PLAY SET ** $29.99

#60003KEYCHAINS ** $2.56

#60004SINGLE FIGURE ** $2.13

W.W.F. - NEW

PLASTIC DRINKWARE

[illegible]

[illegible]

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 34 2002

#23200 3D Straw Mugger [illegible] $2.50

#23201 3D Straw mugger-Undertaker $2.50

#23275 Frosty Mug w/Logo Asst. - 5 Styles $7.99

#23150 WWF

#23251 [illegible]

#23252 Stone Cold [illegible]

#23253 Degeneration

#23254 [illegible]

#23305 22 oz Super [illegible] $5.99

#23304 22 oz Foam [illegible]

Steve Austin

Degeneration X

Undertaker

#23310 32 oz Hardi-Squeeze [illegible]

Steve Austin

Degeneration X

#23311 32 oz Squeeze [illegible]

Steve Austin

Degeneration X

#23312 32 oz Sports [illegible]

Steve Austin

Degeneration X

CERAMIC ITEM

#25007 10" Rocks Glass $10.99

#25001 [illegible]

#25002 Stone Austin

#25003 Degeneration X

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 35 2002

#26010 Undertaker

#26020 Austin

#26021 Degeneration X

#26022 Undertaker

#26025 Steve Austin

#26026 Degeneration X

#26027 Undertaker

NOVELTY ITEMS

#24000 Austin

#24001 Degeneration X

#24002 Undertaker

Austin

Degeneration X

Undertaker

Austin

Undertaker

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 36 2002

KITCHENWARE

#25000 Small Cup, Plate & Bowl [illegible] $3.25

#25000 Austin 2.5x5x5.5"

#25001 [illegible]

#25005 Large Cup, Plate & Bowl [illegible]

#25005 [illegible]

#25006 [illegible]

BARWARE

#90008 [illegible] $2.75

#27002 [illegible]

#27003 [illegible]

#27010 [illegible]

#90007 2 ½ oz Shooter [illegible] $3.25

#27004 Austin

#27010 [illegible]

#27011 [illegible]

#90010 [illegible]

#27005 [illegible]

#27007 [illegible]

#27008 [illegible]

#90011 [illegible] $2.75

Austin

Degeneration X

STAINLESS STEEL

29009 14 oz Stainless Steel [illegible] $4.50

Austin

Degeneration X

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 37 2002

TAMAGOTCHI

#1810 TAMAGOTCHI ANGEL $17.80

#1850 DIGIMON, THE ORIGINAL BATTLING DIGITAL MONSTER $18.59

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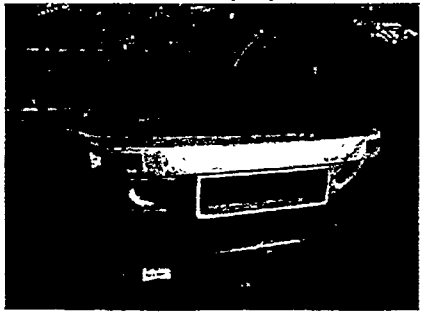


EXHIBIT 9

Exhibit D

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Stuff to Wear



Stuff to Read

Porsche Pete's Boxster Board is proud to present an initial library of books for you to purchase through this web site. In conjunction with Amazon.com Books, we will strive to offer the best available Boxster / Porsche-related books. A portion of every book you purchase from this site will help support the Boxster Board. When you see a book that you're interested in, just click on the purchase link of that book and you will be automatically sent to Amazon's site to process your order. All with the safety and security of a name you can trust. Be sure to return to this area of this site to find just the right books. The library is just beginning, hoping to grow, so come back often, and remember, every purchase helps the Board. If you have a favorite Porsche / Boxster book to recommend for listing here, email Porsche Pete.







Follow the sweeping curves of the stunning new Porsche Boxster from its conception through design, testing, and development in this dynamic collection of lavish color photographs and archival images. Included are early design drawings and photographs of prototype models and testing. Includes and exceptional see-through color diagram.

Paperback - 128 pages (September 1998)
Mbi Publishing; ASIN: 0760305196



Assembled with the cooperation of Porsche, this fantastic volume contains specially-commissioned color photographs, plus a unique selection of archival black and white images. Filled cover-to-cover with the entire history of the cars, the men, and the Porsche company. Includes coverage of James Dean and the Porsche he was driving when he suffered his fatal crash in the 1950's. Fifty full years of Porsche history awaits you in this dynamic volume!

Hardcover - 208 pages (Available September 1998)
Motorbooks International; ASIN: 0760306419



This title is out of print. Kind of like the diminished Boxster colors, options, and now maybe even the car you thought you were getting this summer. Although it is no

EXHIBIT
10

4/28/99 7:29 AM

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Senator ABRAHAM. Before we turn to you, Mr. Young, we have been joined by our committee's ranking member, Senator Leahy, and I will turn to him for an opening statement. I also just would indicate, by, I gather, prior agreement, that we will leave the record open for any other members who couldn't be here today to submit any opening statements or comments they want.

And we would also request if anybody wishes to submit questions for the witnesses who couldn't be here today that they do so by the close of business tomorrow so that you all would have a chance to respond. We are hoping to get the responses done by the close of business Tuesday.

So with that said, I will turn to our committee ranking member, Senator Leahy, of Vermont.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator LEAHY. Thank you very much, Mr. Chairman. Like you and the rest of us, we have about four hearings going on at the same time, but this is an important issue and one I have thought a lot about.

We know that trademarks are an important tool of commerce. In fact, the exclusive right to the use of a unique mark helps companies compete in the marketplace. It can distinguish their goods and services from their competitors. It helps consumers identify the source of a product and they can link it with a particular company.

The use of trademarks by companies and the reliance on trademarks by consumers is just going to become that much more important as the global marketplace becomes bigger, and it is becoming bigger and more accessible with electronic commerce. The reason is obviously simple. When you have a trademarked name, if it is used as a company's address in cyberspace, well then a customer, whether they are in Michigan or Vermont or Sri Lanka, will know where to go online to conduct business with that company.

The growth of electronic commerce is having a positive effect on small rural States like mine. A Vermont Internet Commerce report I commissioned earlier this year found that Vermont gained over 1,000 new jobs as a result of Internet commerce, with the potential that there would be another 24,000 jobs over the next 2 years. Mr. Chairman, for a State the size of Michigan, that may not seem like a large number, but for a State of only 600,000 people, 24,000 new jobs just from this one source in 2 years is an enormous difference for us.

But along with that good news, the same report identified a number of obstacles. One obstacle is that, "Merchants are anxious about not being able to control where their names and brands are being displayed." The report also says, consumer confidence in shopping online has to be bolstered.

Both merchant and consumer confidence is undermined by cybersquatters or cyberpirates who abuse the rights of trademark holders by purposefully and maliciously registering as a domain name the trademark name of another company. It diverts and confuses customers. It denies the company the ability to establish an easy-to-find online address.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 41 2002

Enforcing trademark law in cyberspace can help. I have long been concerned about this. In fact, when the Congress passed the Federal Trademark Dilution Act of 1995, I said, 'Although no one else has yet considered this application, it is my hope that this antidilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others." Last year, I authored an amendment that was part of the Next Generation Internet Research Act on this same issue.

These are serious matters. Both the Internet Corporation for Assigned Names and Numbers, I-CANN, and WIPO are also making recommendations. The Federal Trademark Dilution Act has been used as I predicted to stop misleading uses of names, but we have a long way to go. Cybersquatting is an important issue both for trademark holders and for the future of electronic commerce on the Internet.

But we also have to tread very carefully to ensure that any remedies do not impede or stifle the free flow of information on the Net. Because the United States has been the incubator in many ways of the World Wide Web, the world is going to watch very carefully what we do.

So I am hopeful, Mr. Chairman, that you and I and Chairman Hatch, Senator Torricelli and all can work together on this. I will put my whole statement in the record, but I think that we will find on this issue especially the rest of the world is going to watch very carefully what we do, so we want to make sure we do it right.

Thank you very much.

[The prepared statement of Senator Leahy follows:]

PREPARED STATEMENT OF PATRICK J. LEAHY, A U.S. SENATOR FROM THE STATE OF VERMONT

Trademarks are important tools of commerce. The exclusive right to the use of a unique mark helps companies compete in the marketplace by distinguishing their goods and services from those of their competitors, and helps consumers identify the source of a product by linking it with a particular company. The use of trademarks by companies, and reliance on trademarks by consumers, will only become more important as the global marketplace becomes larger and more accessible with electronic commerce. The reason is simple: when a trademarked name is used as a company's address in cyberspace, customers know where to go online to conduct business with that company.

The growth of electronic commerce is having a positive effect on the economies of small rural states like mine. A Vermont Internet Commerce report I commissioned earlier this year found that Vermont gained more than 1,000 new jobs as a result of Internet commerce, with the potential that Vermont could add more than 24,000 jobs over the next two years. For a small state like ours, this is very good news.

Along with the good news, this report identified a number of obstacles that stand in the way of Vermont reaching the full potential promised by Internet commerce. One obstacle is that "merchants are anxious about not being able to control where their names and brands are being displayed." Another is the need to bolster consumers' confidence in online shopping.

Both merchant and consumer confidence in conducting business online are undermined by so-called "cybersquatters" or "cyberpirates," who abuse the rights of trademark holders by purposely and maliciously registering as a domain name the trademarked name of another company to divert and confuse customers or to deny the company the ability to establish an easy-to-find online location. A recent report by the World Intellectual Property Organization (WIPO) on the Internet domain name process has characterized cybersquatting as "predatory and parasitical practices by a minority of domain registrants acting in bad faith" to register famous or

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 42 2002

well-known marks of others—which can lead to consumer confusion or downright fraud.

Enforcing trademark law in cyberspace can help bring consumer confidence to this new frontier. That is why I have long been concerned with protecting registered trademarks online. Indeed, when the Congress passed the Federal Trademark Dilution Act of 1995, I noted that:

> [A]lthough no one else has yet considered this application, it is my hope that this antidilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others.

(Congressional Record, Dec. 29, 1995, page S19312)

In addition, last year I authored an amendment that was enacted as part of the Next Generation Internet Research Act authorizing the National Research Council of the National Academy of Sciences to study the effects on trademark holders of adding new top-level domain names and requesting recommendations on inexpensive and expeditious procedures for resolving trademark disputes over the assignment of domain names. Both the Internet Corporation for Assigned Names and Numbers (I–CANN) and WIPO are also making recommendations on these procedures. We should make sure that any anti-cybersquatting legislation we pass does not frustrate these efforts.

The Federal Trademark Dilution Act of 1995 has been used as I predicted to help stop misleading uses of trademarks as domain names. One court has described this exercise by saying that "attempting to apply established trademark law in the fast-developing world of the Internet is somewhat like trying to board a moving bus * * *" [*Bensusan Restaurant Corp.* v. *King,* 126 F.3d 25 (2d Cir. 1997)] Nevertheless, the courts appear to be handling "cybersquatting" cases well. As Professor Michael Froomkin notes in his written testimony, "[i]n every case involving a person who registered large numbers of domains for resale, the cybersquatter has lost."

For example, courts have had little trouble dealing with a notorious "cybersquatter," Dennis Toeppen from Illinois, who registered more than 100 trademarks—including "yankeestadium.com," "deltaairlines.com," and "neimanmarcus.com"—as domain names for the purpose of eventually selling the names back to the companies owning the trademarks. The courts reviewing his activities have unanimously determined that he violated the Federal Trademark Dilution Act.

Enforcing or even modifying our trademark laws will be only part of the solution to cybersquatting. Up to now, people have been able to register any number of domain names in the popular ".com" domain with no money down and no money due for 60 days. Network Solutions Inc. (NSI), the dominant Internet registrar, announced yesterday that it was changing this policy, and requiring payment of the registration fee up front. In doing so, the NSI admitted that it was making this change to curb cybersquatting.

In light of the developing case law, the ongoing efforts within WIPO and I–CANN to build a consensus global mechanism for resolving online trademark disputes, and the implementation of domain name registration practices designed to discourage cybersquatting, we should be precise about the problems we need to address before we legislate in this area.

I am concerned that the S. 1255, the "Anticybersquatting Consumer Protection Act," introduced by Senators Abraham, Torricelli, Hatch and McCain, would have a number of unintended consequences that could hurt rather than promote electronic commerce. This bill would make it illegal to register or use any "Internet domain name or identifier of an online location" that could be confused with the trademark of another person or cause dilution of a "famous trademark."

- *The definition is overbroad.* The bill covers the use or registration of any "identifier," which could cover not just second level domain names, but also e-mail addresses, screen names used in chat rooms, and even files accessible and readable on the Internet. As Professor Froomkin points out, "the definitions will make every fan a criminal." How? A file document about Batman, for example, which uses the trademark "Batman" in its name, which also identifies its online location, could land the writer in court under this bill. This bill is simply overbroad; cybersquatting is not about file names.
- *The bill threatens hypertext linking.* The Web operates on hypertext linking, to facilitate jumping from one site to another. S. 1255 could disrupt this practice by imposing liability on operators of sites with links to other sites with trademark names in the address. One could imagine a trademark owner not wanting to be associated with or linked with certain sites, and threatening suit under

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 43 2002

this proposal unless the link were eliminated or payments were made for allowing the linking.

- *The bill would criminalize dissent and protest sites.* A number of Web sites collect complaints about trademarked products or services, and use the trademarked names to identify themselves. For example, there are protest sites named "boycott-cbs.com" and "www.PepsiBloodbath.com." While the speech contained on those sites is clearly constitutionally protected, S. 1255 would criminalize the use of the trademarked name to reach the site and make them difficult to search for and find online.

The bill would stifle legitimate warehousing of domain names. The bill would change current law and make liable persons who register domain names similar to other trademarked names, whether or not they actually set up a site and use the name. The courts have recognized that companies may have legitimate reason for registering domain names without using them and have declined to find trademark violations for mere registration of a trademarked name. For example, a company planning to acquire another company might register a domain name containing the target company's name in anticipation of the deal. This bill would make that company liable for trademark infringement.

Cybersquatting is an important issue both for trademark holders and for the future of electronic commerce on the Internet. Yet the Congress should tread carefully to ensure that any remedies do not impede or stifle the free flow of information on the Internet. In many ways, the United States has been the incubator of the World Wide Web, and the world closely watches whenever we venture into laws, customs or standards that affect the Internet. We must only do so with great care and caution. Fair use principles are just as critical in cyberspace as in any other intellectual property arena. I am hopeful that Chairman Hatch and I, along with Senators Abraham and Torricelli, will be able to work together to find a legislative solution that works.

Senator ABRAHAM. Senator Leahy, I want to just thank you, and we have enjoyed working with you and your staff, as we do on a lot of projects, to move the legislation from its initial form to the substitute we are working, and look forward to continue doing that through the committee and hopefully onto the floor and beyond.

We stopped with Mr. Young and so I will return to you, and appreciate your patience as we address the always challenging scheduling dilemmas of members here as they come and go from the committee. Thank you for your patience and we will turn to you.

STATEMENT OF CHRISTOPHER D. YOUNG

Mr. YOUNG. Thank you, Mr. Chairman, Senator Leahy, for the opportunity to give this committee a perspective on cybersquatting from the front lines of the Internet.

Cyveillance is in support of legislation to prevent cybersquatting on the Internet. In fact, for nearly 2.5 years, which is a long time in Internet years, Cyveillance has been scouring the Internet on behalf of our clients, who represent market leaders across several industries. Some of our clients include the likes of Bell Atlantic, Levi Strauss, Dell Computer, Chanel, companies like that. And we have confirmed through many of our investigations that cybersquatting and other types of fraud are rapidly growing on the Internet.

During the course of our work, we have encountered countless cybersquatters who are preying on the public and leveraging the goodwill of major brands that consumers know and trust. The very fact that Cyveillance is a growing company exemplifies how prevalent cybersquatting and other Web-related issues have become. Cyveillance has helped market leaders in telecommunications, computers, apparel, pharmaceuticals, among other industries, deal with cybersquatting and other Internet issues that impact their e-businesses.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 44 2002

The act of cybersquatting, as it is commonly know, began its ascent as early as 1993, when a host of major corporations including Coca-Cola, Hertz Rentals, Delta Airlines, among others, learned that third parties had already registered their domains and would gladly sell them back to the rightful owners for a substantial fee.

Today, the Web is still the wild, wild west, with few rules or guidelines. "Cybersquatting" was coined as an analogy to the situation in the mid- to late 1800's when people attempted to lay a claim to land on which they were living or on which they squatted. On the Internet, which is today's new frontier, cybersquatters are trying to stake their claim on domain names that do not belong to them for their own personal or financial gain.

Cybersquatters essentially do this for two main reasons. The first is they want to sell it back to the original owner for a profit. The second reason they do it is to drive traffic, meaning users, to their Web sites to sell them goods or services, whether those services be counterfeit, unauthorized, or even pornographic in nature.

Many of you may be familiar with an infamous called www.whitehouse.com. It is a pornographic site that uses a popular name to attract unsuspecting consumers trying to reach whitehouse.gov, which is the legitimate White House Web site.

Businesses are affected by all these different objectives. Consumers are the real victims, however, of cybersquatters who aim to do business on the Internet. Cybersquatters really intentionally use popular brand names or slight misspellings of these names to capture site traffic from confused Internet users.

What I would like to do today is I actually brought some examples from the Internet itself so that I could illustrate some of the things that are taking place out there on the Internet. The first example that I have for you is an example of a popular male baldness drug. It is called Propecia.

If you look in the upper left-hand corner of the monitor, you will see that the domain name is www.propeciasales.com. That address has been registered by a company called KwikMed, which is not the manufacturer nor the owner of the trade name Propecia, and they are doing so to sell that drug.

The second example that I have is www.dellspares.com. Now, this site is intentionally put up to confuse consumers that are searching for products that are manufactured by Dell Computer Corporation. And based on feedback that we have gotten from our client, Dell, this particular site is not an authorized reseller of Dell Computer products. Another example that I have got is another Dell example, dellbackup.com, a second example of a site that is not an authorized reseller of Dell products or peripherals.

The fourth example that I have is www.bellatlantics.com, and this site is selling Internet domain name hosting services, et cetera. It is put up there to compete with Bell Atlantic's Internet-hosting services. And as you can see, and as Bell Atlantic will tell you, this is not an affiliate or reseller of Bell Atlantic products or services.

These are just a few examples of the kinds of cybersquatting that takes place on the Internet that could be used to draw unsuspecting consumers who are seeking to purchase the products or services of legitimate branded companies.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 45 2002

In conclusion, Cyveillance supports legislation that allows consumers and corporations to conduct e-business safely on the Web. My only caution is that in adopting such legislation, we do so in a manner that doesn't stifle the growth of the Internet.

Thank you very much.

[The prepared statement of Mr. Young follows:]

PREPARED STATEMENT OF CHRISTOPHER D. YOUNG

MR. CHAIRMAN, My name is Christopher Young, and I'm the president and co-founder of *Cyveillance*™, the leading provider of e-Business intelligence. We provide critical market feedback that Internet-savvy companies need to survive in today's competitive e-Business world. We use our proprietary technology called NetSapien™ to look deep within sites across the Internet and extract key business information for our customers. Our NetSapien technology is operational around the clock, downloading and analyzing over one million pages of data from the Internet each day, seven days a week, to provide comprehensive coverage of Internet activity to our clients. For nearly two and a half years, Cyveillance has been scouring the Internet on behalf of our clients, who represent the market leaders across several industries, and we have confirmed through our many investigations that cybersquatting and other types of fraud are proliferating on the Internet.

I appreciate very much the opportunity to appear before this Committee and to voice our support for the Hatch-Leahy substitute bill. With more than 800 million pages of data, the World Wide Web is a priceless resource for nearly 70 million Americans. According to a study released this month by Navidec, 53 percent of U.S. Internet consumers have made an online purchase this year. This figure is up from 26 percent in 1997. Last year's holiday season was infused with stories on the record numbers of consumers turning to the Web for their shopping needs, and the forecasts are even more optimistic for the upcoming online holiday shopping season.

Consumers are clearly taking full advantage of the instant access to goods, services and other resources afforded by the Internet. But during the course of our work, we have encountered countless cybersquatters who are preying on the public by leveraging the goodwill of major brands that consumers know and trust. The very fact that *Cyveillance* is a growing company exemplifies how prevalent cybersquatting and other Web-related issues have become. *Cyveillance* has helped market leaders in telecommunications, computers and apparel manufacturing, among other industries, deal with cybersquatting and other Internet issues that impact their e-Businesses.

The act of cybersquatting, as it is commonly known, began its ascent as early as 1994, when a host of major corporations, including Coke, Hertz, MTV and many others learned that third parties had already registered their domains and would gladly sell them back to the rightful owner for a substantial fee. Today, the Web is still the "wild West" with few rules or guidelines. Cybersquatting was coined as an analogy to the situation in the mid- to late- 1800s when people attempted to lay claim to land on the new frontier by "squatting" on the land. On the Internet, today's new frontier, cybersquatters are trying to stake their claim on domain names that do not belong to them, for their own personal/financial gain. Typically, the most sought-after domains are well-known brands that companies have spent decades and billions to build and establish. Additionally, because the Internet is the great equalizer, an individual or a small, no-name company can look as big on the Internet as any market leader. For these very reasons consumers are at risk and must always be on guard when using the Internet. Cybersquatters have been working quickly—and effectively—to buy addresses and put up sites to ultimately confuse the consumer.

Cybersquatters essentially hijack a well-known company's name so they can

(1) sell it for a profit;

(2) drive traffic to sell goods or services [counterfeit, unauthorized, ancillary or unrelated sales and pornography] or

(3) voice an opinion.

Businesses are affected by all three of these objectives, but consumers are the real victims of the cybersquatters who aim to do business on the Internet. Cybersquatters intentionally use popular brand names or slight misspellings of these names in an attempt to capture site traffic from confused Internet users.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 46 2002

To better illustrate these points, please permit me to show a few examples of cybersquatting. These examples, which *Cyveillance* has uncovered using our NetSapien technology, show blatant abuse of household brand names.

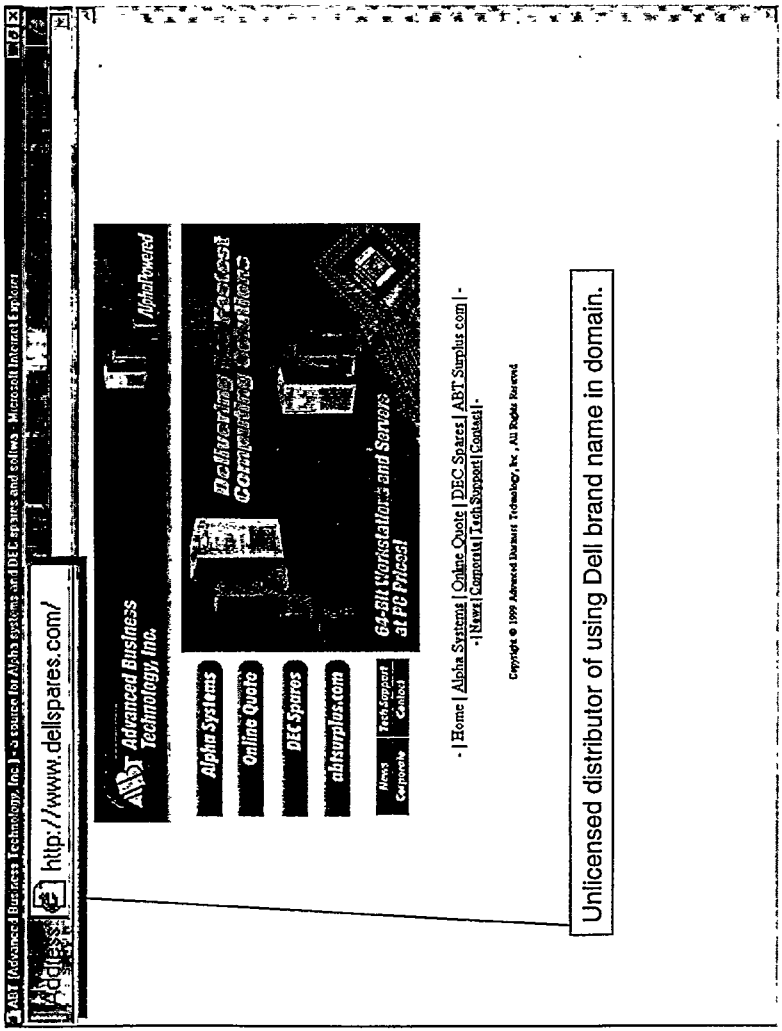
The examples I will shown are just a small sample of what is on the Web today. The Web is a constantly changing medium with hundreds of thousands of pages being added and deleted every day. Consumers, who are embracing the Web in record numbers, deserve adequate protection against cybersquatters who are trying to swindle them and create confusion by associating brand names with undesirable or illegal activity. *Cyveillance* estimates that more than 80 percent of *Fortune 1000* companies suffer from some type of brand abuse. Moreover, in a recent *Cyveillance* study on counterfeiting, we found that between 10 percent and 20 percent of Web sites selling luxury goods are peddling counterfeit wares. With odds like these, it is the consumer who will ultimately suffer.

Cyveillance supports legislation that allows consumers and corporations to conduct e-Business safely on the Web. Thank you gentleman for your time and consideration on this issue.

[See exhibits.]

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 47 2002

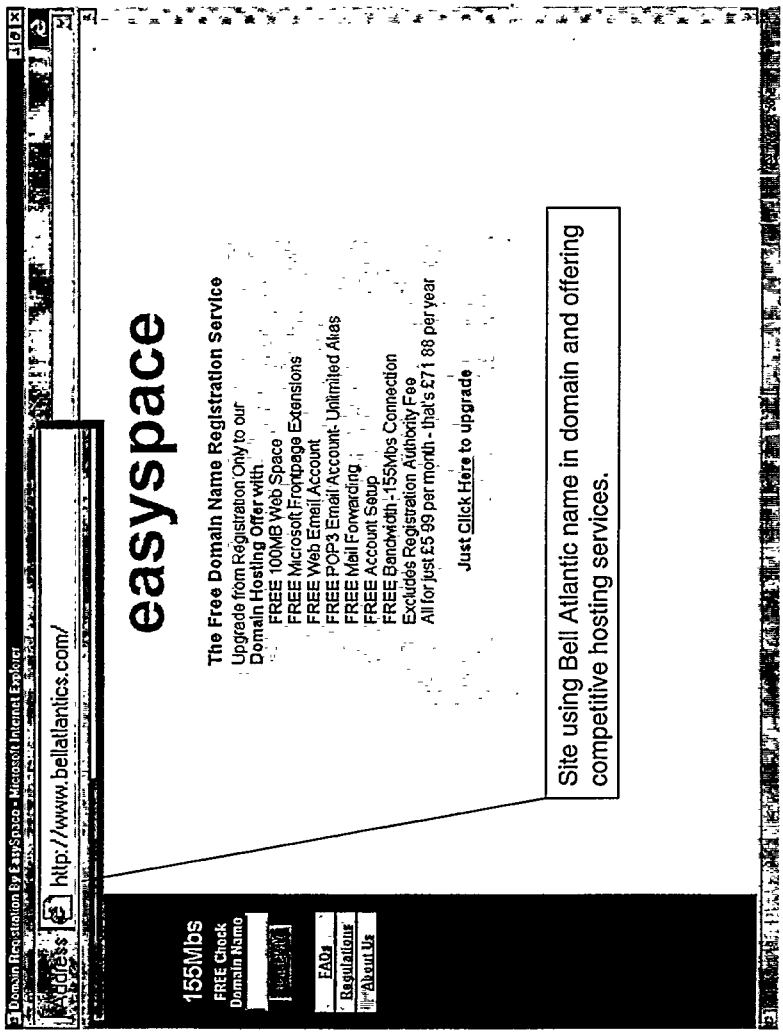
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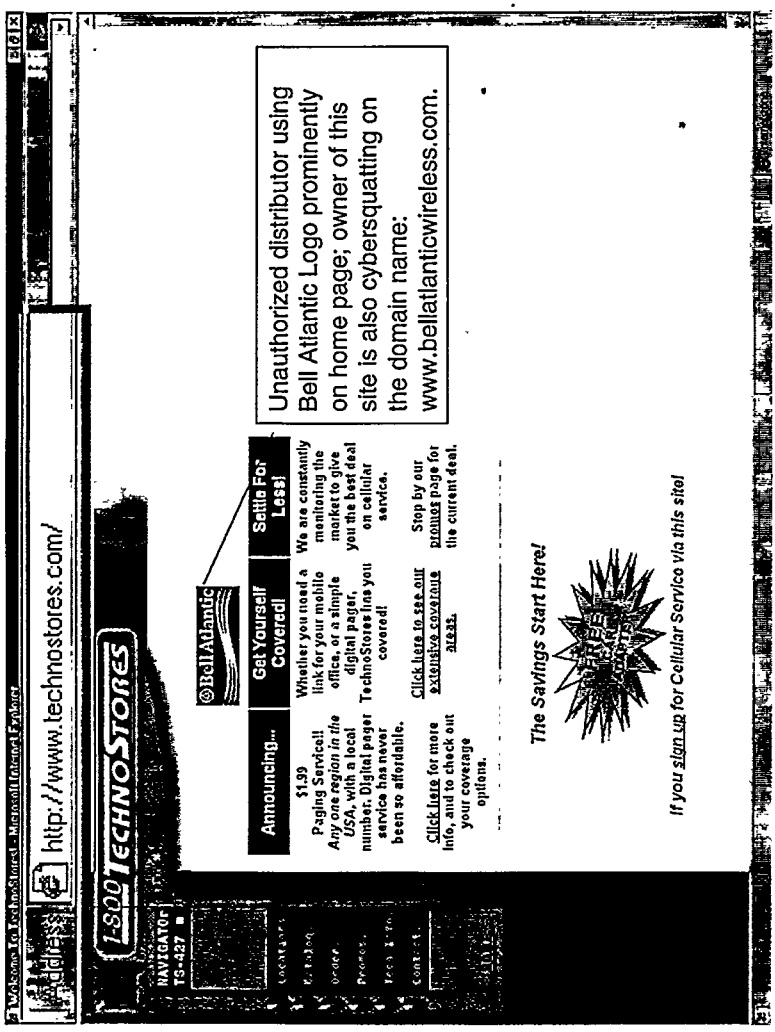
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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 50 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 51 2002



HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 52 2002



HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 53 2002

Senator ABRAHAM. I thank all three panelists. Let me just try to maybe give each of you a chance to elaborate perhaps on this. One of the things that probably members would want to know is the extent to which this is happening. Can any of you really comment on that in terms of a sense of whether the cybersquatting crime, if you would—if people are increasing the frequency of this behavior? Is this something that is mushrooming or is it something where a few people kind of did this and are now kind of being chased around by your organizations or companies, or is this something that is a growing problem?

Mr. Young.

Mr. YOUNG. Our perspective is that the issue is increasing tremendously. What you used to see was that someone would register just the correct spelling of a popular company's name. Now, what you are seeing is that individuals or groups will seek to register every possible combination of a name, whether there be misspellings or spaces between words, et cetera, so that they can stake claim to some of these names. I think Greg can give you some great examples from Porsche and the numerous different combinations that take place.

Mr. PHILLIPS. Back in 1997, it was frequent, but infrequent. In 1998, it started growing, maybe 2 to 5 a week. In January of this year, we had 128. Now, we are up over 300, and I think it is just growing exponentially. People out there realize that they can make a lot of money by cyberpiracy and cybersquatting and it is very easy money for them, and there is no deterrent out there so they are doing it in droves.

Ms. CHASSER. And we are seeing also an increase, but we are also seeing a greater sophistication among the cybersquatters that they are identifying ways to insulate themselves from liability and getting around the safeguards that have been established.

Senator ABRAHAM. Is the principal profit just the idea that you kind of sell back these names or you can extort money out of the person whose domain you really have invaded?

Ms. CHASSER. I think "ransom" or "extortion" is a good term for that, yes.

Mr. PHILLIPS. And porn operators love famous trademarks because they are easy to remember. They divert a lot of traffic to those sites. A lot of these sites, you find counterfeit products. On porschecarrera.com, they settle Beetle Borgs, Power Rangers, and what not. But they know people will want to go to porschecarrera.com and that is an easy name to remember. So a lot of it is extortion, but there are all kinds of other consumer fraud out there that people are able to benefit from.

Mr. YOUNG. The extortion piece doesn't really hurt consumers as much because if I don't put a site there and I just want to sell that address back to a large company, that doesn't hurt the consumer. But what hurts the consumer is if you look at an example like the one I showed, which was the Bell Atlantic example, I mean this site is actually seeking to sell a service to consumers, but it is not a Bell Atlantic service.

We don't know whether this company is even a legitimate company. In fact, if I look at the language on the site, the money is in British pounds, so therefore the site is not even located in the

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 54 2002

United States. So, that is a problem for consumers and that is what is really going to hurt them when these sites leverage these popular names to drive traffic there and ultimately get consumers to purchase something from that site.

Senator ABRAHAM. Is it your experience that most of them are cleverly enough put together to prevent consumers from being able to distinguish the difference between them? In mean, in other words, are most of them well-masked?

Mr. YOUNG. I will give you a great example. About 2 months ago, there was an individual at a company called Pairgain Technologies who went to a Yahoo message board and posted a rumor that said Pairgain was going to be purchased by an Israeli-based company. That individual subsequently on that message board put the address of a site that he had constructed that looked exactly like the Bloomberg financial markets Web site.

Investors went to that site, saw that the rumor was legitimized by Bloomberg, which is a reputable financial information and news provider, and the next day the stock was bid up 31 percent because of that rumor and because that site legitimized what was happening on the Internet.

Senator ABRAHAM. That example seems to me to be perhaps the most telling in the sense that when we started this discussion one thought in terms of specific sites. Somebody thinks they are getting A and they get B, and maybe they make an incorrect choice of some type. But here you are talking about utilizing multiple sites, in a sense, to really sort of confuse and benefit.

Mr. YOUNG. That is absolutely right. They have really figured out a number of different ways. Greg used pornographic sites. Pornographic sites are at the forefront of the ability to confuse consumers and drive traffic to their own Web sites. They do everything they can possibly do in terms of registering different combinations of domain names; medi-tagging, which is a whole different issue that I am sure we don't even want to get into today—medi-tagging popular brand names all in an attempt to drive unsuspecting consumers to their Web sites.

Senator ABRAHAM. Back to you, Ms. Chasser, in terms of the Trademark Association, how many members—you said about 3,600?

Ms. CHASSER. We have 3,600 members, yes. We represent most of the major trademark owners.

Senator ABRAHAM. Any feel for the percentage of them that are now engaging Cyveillance-types of firms, or maybe doing it internally? Are they all engaged in some form of this?

Ms. CHASSER. If I may ask my colleagues behind me, they probably have that answer. I don't have that answer.

Senator ABRAHAM. Sure.

Ms. CHASSER. The short answer is there are a significant number.

Senator ABRAHAM. Well, that is a significant answer, then. Thank you.

Ms. CHASSER. It is a significant number and it is growing very quickly. When you actually look at the amount of e-commerce being conducted, it was quoted last year, in 1998, that there was over $102 billion of business conducted through e-commerce, and that is

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 55 2002

being led primarily by the business on e-commerce, but also the major trademark owners are represented in that business.

Senator ABRAHAM. Well, in terms of your Association, this is, I assume, therefore, probably the thing you are hearing the most about.

Ms. CHASSER. Well, actually one of our priorities this year is Internet issues, and the amount of committee work that we have involved in the Internet, not only legislative issues but other issues involved in the Internet, is significant. So it is one of our major thrusts.

Senator ABRAHAM. Mr. Phillips, I noticed there were countless Porsche references here. How many different problems has the company got to deal with out here? I mean, I just am looking at all these.

Mr. PHILLIPS. Too many for the legal budget is the short answer to that. It grows tremendously, and the thing that we are finding is that cyberpirates are becoming more sophisticated. I just had a case for Calloway Golf where the cyberpirate understands commercial use aspects of the Dilution Act, so what he was going to do was put a picture of himself with a Calloway golf club on his Web site saying Calloway has lowered my handicap by 10, and wait for Calloway to come and try to get that domain name from him and make the argument, I am not engaged in commercial use, I am just telling my friends and family how wonderful Calloway is. Why are you beating up on me?

That is how sophisticated they are getting now. They know what the rules are. They know how to engage in false and fictitious registration so that we in many cases can't even find them, and that is why the in rem provision that you talked about is so important.

Senator ABRAHAM. So the person doing that is basically trying to sell the site back, essentially?

Mr. PHILLIPS. They know eventually the trademark holders will come and ask for the site, and some of them now say, well, we would sure like to resolve this amicably. And we say, OK, we will send you the domain name transfer agreement, please sign that. And they say, well, there is something else. And they won't even go so much as to ask for money because they know the minute they ask for money, you have got a commercial use. So they are getting more sophisticated all the time, trying to get around the trademark laws as they exist now.

Senator ABRAHAM. In putting together this hearing, we offered members of the committee the opportunity to find witnesses who might speak in opposition to perspective legislation. We really didn't find much of that out there. I assume that there isn't a lobbying organization that is trying to protect cybersquatting.

But I just wonder, without getting into all the details, have those people who are engaging in these practices—you imply there is a sophistication. Is there a network of sorts that has developed, or some other type of defensive maneuvering going on that the committee should be aware of among those who are engaged in these practices?

Mr. PHILLIPS. I think there is an underground network, and I think sometimes they use some other organizations to legitimize what they are doing under the umbrella of free speech or some-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 56 2002

thing else. But when you ask the leaders of those organizations who their members are or who they represent, they can never tell you.

Senator ABRAHAM. Well, as I said, I am sure other members of the committee would like to participate, can't be here today, but will want to submit questions. And we may have a few additional ones ourselves, but we did want to make sure we got the hearing moving here because our goal is to try to expedite the passage of the legislation to the extent we possibly can here in the Senate. So let me just thank all of our panelists and our audience for their participation. To the groups and organizations who have helped us put together today's hearing, I also say thanks. If we get questions, those submitted by the end of the day will be submitted to the panel for your response and we would appreciate it if you could get them back to us by Tuesday just so that we can be in a position, we hope, next to perhaps bring this legislation to the committee for consideration.

With that, the hearing is adjourned.

[Whereupon, at 2:48 p.m., the committee was adjourned.]

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 57 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 58 2002

APPENDIX

QUESTIONS AND ANSWERS

RESPONSES OF ANNE H. CHASSER TO QUESTIONS FROM SENATOR HATCH

Question 1. If a bad actor is using a famous name, an online consumer is at serious risk of being defrauded, are they not?

Answer 1. Yes, absolutely. Trademarks have been an integral part of e-commerce. With the "World Wide Web" becoming ever so tangled, consumers, researchers, and typical "Net surfers," need some type of assurance that they have reached their intended destination in cyberspace. That assurance, that sign, Mr. Chairman, is a trademark. Trademarks, in the form of domain names (i.e. www.oreo.com) are the street and house signs on the "information superhighway" and the awning of the "cyber-shop" as well. Ultimately, for the benefit of the consumer, trademarks must be safeguarded in cyberspace.

Question 2. How big of a problem is warehousing? Could you comment on whether the registration of a single domain name might ever be so harmful as to merit a remedy?

Answer 2. Instances of warehousing are on the rise. Cybersquatters are getting smarter. Bad faith warehousers know that if they do not "use" the mark in commerce, courts will not allow trademark owners to bring an infringement action against them. However, this in turn is preventing the legitimate mark owner from using the mark on what has undoubtedly become a new form of media.

We find that even one action of cybersquatting should incur liability, and that a bill should not be limited to patterns of cybersquatting. Our findings are based on the following:

- A cybersquatter may be sitting on a single domain name that is a "gold mine" (imagine exxon.com);
- A mark owner may not be aware that the cybersquatter has engaged in a "pattern" of misbehavior and thus never know that the remedies of the bill are available; and
- A cybersquatter may initially register multiple domain names, then sell individual names to other cybersquatters to diffuse the ownership.

Question 3. We were to prohibit multiple registrations, but exempt single instances, and not require truthful information to be provided when registering a domain name, wouldn't this provide a blueprint for avoiding liability by encouraging people to register each domain name under a different alias.

Answer 3. Mr. Chairman, I can answer this question very simply by stating that a "false information" provision is essential if we are to move forward with an anticybersquatting bill. These days, in order to avoid liability, cybersquatters provide false and misleading information to registration authorities. Congress should send a message that if false information is provided, it can be used as a factor by the court in determining whether cybersquatting has taken place.

Question 4. Do you read the *Porsche* case as an invitation to Congress to provide this sort of remedy [in rem] for these cases? Can you also comment on the need for this type of remedy and how this will help trademark owners better police their marks on the Internet? Can you also share with the Committee your thoughts with respect to the court's discussion of due process issues related to *in rem* proceedings and whether the Hatch-Leahy draft adequately addresses the concerns expressed in the Porsche case?

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 59 2002

Answer 4. I can tell you, Mr. Chairman, that since the *Porsche* decision there have been trademark owners calling for some type of "fix" to the problem. As for how an *in rem* provision will help trademark owners, I can say that it will help trademark owners take action against the nameless and faceless cybersquatters (particularly those who provide false and misleading information to the registration authorities). We are comfortable with the in rem provision in the June 28 Hatch-Leahy draft.

Question 5. Can you give us an example, if there is one, of a case where the registration of a trademark as a domain name is done for noncommercial purposes yet should be actionable under cybersquatting?

Answer 5. There have been cases where the cybersquatter wanted to use the trademark to direct traffic to a Web site that contains pornography. Such an action works towards the destruction of the goodwill associated with the trademark. For a specific example, I direct your attention to the case of the MOBIL 1 trademark which was identified in my written statement.

Question 6. Can you comment on the suggestion that service providers and registrars and registries should similarly be immune from liability to the trademark owner for the registration of the offending domain name in the first instance, absent some sort of bad faith?

Answer 6. I can comment only to the extent that we are aware of the desires of select ISPs to incorporate such a provision into the anti-cybersquatting bill. We are working with them on acceptable language and look forward to an equitable and sensible resolution.

RESPONSES OF ANNE H. CHASSER TO QUESTIONS FROM SENATOR LEAHY

Question 1. NSI has changed its policy, which used to allow people to register domain names without paying for up to 60 days. What effect, if any, do you think this policy change will have on the cybersquatting problem?

Answer 1. NSI's move is one which we have been advocating for some time. We support it. Paying up front will help in some cases of cybersquatting. However, there are still a great number of cybersquatters for whom $70 is not a lot of money, especially when they may try and ransom it off to a trademark owner for even larger sums.

Question 2. WIPO and other experts have defined the cybersquatting problem as the abusive registration of another person's trademark as a second level domain.

a. Should legislation intended to address the problem of cybersquatting limit itself to dealing with the registration of second level domain names and, if not, why not?

Answer 2. The definition should not be limited to second-level domains. We must account first for changes in technology that could make a restrictive definition of "domain name identifier" obsolete. Second, cybersquatters are nothing if they are not clever. Once they realize that the statute only covers the second level, they will begin moving beyond, more to the left, in order to confuse the public and extort money from legitimate trademark owners.

b. Please identify any other way in which a domain name may be used that could infringe a trademark and lead to consumer confusion?

Answer b. The Hatch/Leahy bill is not designed to address the problem of *"use"* of another's trademark or service mark over the Internet. If someone "uses" another's mark in electronic commerce, the current statute provides a remedy under both Sections 32(1), trademark infringement, in the case of registered marks and 43(a), unfair competition, in the case of unregistered marks. The Hatch-Leahy bill addresses the situation where a third party registers another's mark as a domain name and holds it for ransom or simply blocks the rightful owner from using the mark. If this third party does not actually "use" the mark in commerce, under current law, the mark owner has no remedy.

Question 3. Should we make sure that First Amendment free speech rights are fully protected and that we in no way chill the right of Internet users to both post and access so-called "protest sites" that are set up to protest or complain about a particular company's products, services or business practices?

Answer 3. INTA believes that protection of the public interest, including allowing for legitimate uses of domain names that meet fair use/freedom of expression standards, should be included in an anti-cybersquatting bill.

Question 4. Do you support S. 1255, the Anti-cybersquatting and Consumer Protection Act, as introduced or would you recommend that changes be made to this bill? If so, what changes would you suggest?

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 60 2002

Answer 4. INTA supports the overall intent of S. 1255, which is to help stem the tide of cybersquatters and to protect consumers who "surf" the Internet. However, we find that we cannot support a number of its provisions, especially the call for criminal sanctions.

We find that a bill targeted towards the *bad-faith* registration and trafficking of domain names is the better way to go. The bill should provide a list of factors by which a court can determine whether the activity was done in *bad-faith* or with good faith intentions. There should also be means for trademark owners to recover the costs of prosecuting a cybersquatter. The bill should permit actual, as well as statutory damages. As noted in our answer to Question 3, there should also be protection for legitimate uses of domain names that meet fair use/freedom of expression standards.

Senator Abraham noted that S. 1255 will be amended to account for these recommendations.

Question 5. Professor Froomkin states in his written testimony that, "In every case involving a person who registered large numbers of domains for resale, has lost." Do you dispute that statement?

Answer 5. While there have in fact been a number of cases where litigation has stopped a cybersquatter, instances of cybersquatting are clearly on the rise. Trademark owners are forced to spend a great deal of time and effort chasing them. Cybersquatters are clever; they know how much litigation costs, and often set offering prices for their pirated domain names at levels low enough to make litigation unattractive. It is cheaper to pay the ransom to these thieves than it is to litigate. The Hatch/Leahy legislation is designed to "chill" the practice of cybersquatting and to short circuit litigation. Claimants now must somehow demonstrate that the cybersquatter is somehow "using" the mark, and after some examination, most courts are able to find "use." This new provision would allow courts to dispense with that time-consuming and sometimes expensive procedure. The mere act of registering another's mark as a domain name in bad faith would incur liability.

Question 6a. Do you support a change in the law that would make the mere registration of a domain name that is another's trademark, without more, illegal?

b. There are situations where a company plans to purchase another company and, in contemplation of the deal, registers a domain name with both companies' names. This name is warehoused until the deal is completed. Would a law that makes the mere registration of a domain name, which is also another's trademark, illegal and also make legitimate business practices such as the one I described illegal?

Answer 6 a and b. Senator, I think I can answer both parts of your question at once. INTA believes that anti-cybersquatting legislation should cover only instances of *bad-faith* registration or trafficking in domain names. So, is it the "mere registration" that should be illegal? We say "No". It is *bad-faith* registration that should be prohibited. Should the example you provided in sub. "b" be prohibited? Again, we would say "No," because it appear that the registration was done in good faith as part of a legitimate business activity.

RESPONSES OF ANNE H. CHASSER TO QUESTIONS FROM SENATOR ABRAHAM

Question 1. If a bad actor is using a "famous name" as a domain name, how would an online consumer determine whether or not the Web site is authentic? What problems do you foresee for consumers if famous marks are not protected from infringement of domain names?

Answer 1. It may be difficult for the online consumer to determine whether the site is genuine, since once the cybersquatter has the domain name and has set up a site, he or she can do anything they want with it. This includes placing on the site whatever material they so desire.

Famous marks have helped to generate the significant numbers we see in e-commerce today. To leave them vulnerable to cybersquatters will result in consumer confusion and damage to the online economy.

Question 2. Would you highlight for us how big a problem warehousing is, and explain the harm to trademark owners caused by someone registering a mark and then simply letting it sit?

Answer 2. Warehousing is becoming more prevalent as cybersquatters figure out ways to circumvent existing forms of trademark law. It harms trademark owners by preventing them from using the trademark to help sell their product or to provide services on the World Wide Web.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 61 2002

Question 3. In your view, could the registration of a single domain name ever be so harmful so as to merit a remedy? Would you please comment on whether you think the prohibition only of "multiple registrations" would be workable in practice?

Answer 3. If the Senator will permit me, I refer you to the answer I provided to Chairman Hatch on a similar question. It is as follows:

> We find that even one action of cybersquatting should incur liability, and that a bill should not be limited to patterns of cybersquatting. Our findings are based on the following:

- A cybersquatter may be sitting on a single domain name that is a "gold mine" (imagine exxon.com);
- A mark owner may not be aware that the cybersquatter has engaged in a "pattern" of misbehavior and thus never know that the remedies of the bill are available; and
- A cybersquatter may initially register multiple domain names, then sell individual names to other cybersquatters to diffuse the ownership.

Question 4. Would you please comment on the positives and negatives of a false information provisions, and explain the impact such a provision would have on cybersquatting?

Answer 4. Senator, as I indicated to Chairman Hatch, "a 'false information' provision is essential if we are to move forward with an anti-cybersquatting bill." To avoid prosecution by trademark owners, cybersquatters provided false and misleading information to registrars. This is a loophole which must be closed. Congress should permit courts to consider the provision of false information when determining whether cybersquatting has taken place. In our opinion, there are no negatives to such a provision.

HOWARD, PHILLIPS & ANDERSEN,
Salt Lake City, UT, July 27, 1999.

Re: "Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity"

The Honorable ORRIN G. HATCH,
Chairman, Committee on the Judiciary,

The Honorable PATRICK LEAHY,
Ranking Member,

The Honorable SPENCER ABRAHAM,
U.S. Senator, Dirksen Senate Office Building, Washington, DC.

DEAR SENATORS HATCH, LEAHY, AND ABRAHAM: Thank you for allowing me to testify on behalf of Porsche Cars North America, Inc. at the July 22, 1999 hearing.[1] Thank you also for submitting additional questions, which I have answered:

RESPONSES OF GREGORY D. PHILLIPS TO QUESTIONS FROM SENATOR HATCH

Question 1. Trademarks help consumers discern quality goods from inferior ones and to ensure the source and authenticity of those goods through brand-name association. In a brick and mortar environment, these brand names are supplemented by additional protections, like the fact that the storefront serves as a strong indication of legitimacy. On the Internet, however, these additional protections disappear. In cyberspace, the only indication of source or authenticity a consumer has is what they see on the website when they log on, and legitimate and illegitimate sites may be indistinguishable in cyberspace. In fact, a famous mark in a domain name may be the primary source indicator for the online consumer. So if a bad actor is using that famous name, an online consumer is at serious risk of being defrauded, are they not?

Answer 1. Absolutely. When consumers walk into a typical store or business, consumers can often tell by the storefront and by looking at the tangible products whether they are dealing with a reputable business. This is not so on the Internet

[1] In my written testimony of July 22, 1999 I stated that the registrant of PORSCHESALES.COM offered to sell that domain name to Porsche for $25,000. I need to correct that testimony. I inadvertently left the hyphen out of PORSCHE-SALES.COM and Bill Hodges the registrant of PORSCHESALES.COM has received several inquiries regarding this testimony. Bill Hodges currently has our permission to use the domain name PORSCHESALES.COM. The registrant of PORSCHE-SALES.COM is not authorized to use that domain name. Porsche and I apologize to Mr. Hodges and to this committee about the inadvertent omission of the hyphen.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 62 2002

where any huckster with Internet access and a little knowledge about computers can set up a storefront online and sell counterfeit products.

Many cyberpirates set up storefronts like PORSCHECAR.COM and then sell hardcore pornography when consumers enter. For example, there is a website that uses a variation of the trademark Disney®. This website is especially pernicious because it lures unsuspecting children who may misspell Disney and then be trapped. Some porn sites employ technology, which refuses to allow Internet users to exit once they unknowingly enter the site until the user turns off the computer.

Domain names are much like storefront signs or even company names. Recent court decisions have begun to recognize that an Internet domain name is the functional equivalent of a company name. For example, the Eastern District of Virginia recently held: "Thus, a domain name is more than a mere Internet address. It also identifies the Internet site to those who reach it, much like * * * a company's name identifies a specific company." *Cardservice International, Inc.* v. *McGee,* 960 F.Supp. 737, 741 (E.D.Va. 1997), aff'd, 129 F.3d 1258 (41 Cir. 1997). The law is well settled that the misappropriation of a trademark, or a variation of a trademark, in a business name dilutes and infringes trademarks. *See, e.g., Porsche Cars North America, Inc.* v. *Manny's Porshop, Inc.,* 972 F.Supp. 1128 (N.D.Ill. 1997) (enjoining use of the name "Manny's Porshop" because it diluted and infringed the world famous trademark Porshe®); *Cardservice,* 950 F.Supp. at 741 (minor differences in a domain name between the registered mark and the unauthorized use of the mark do not preclude liability under the Lanham Act).

Even if a consumer goes to a web site and then is able to determine that the web site is not affiliated with the trademark holder, the consumer is still defrauded. A good example is a consumer traveling along the Interstate. The consumer sees a huge sign for a Chevron gas station at the next exit and takes the exit to fill up his or her car with his or her Chevron credit card. When the consumer takes the exit and goes over to the sign, the consumer is surprised to learn that there is no Chevron gas station, but rather finds Joe Schmoe's Gas & Repair. The consumer is still defrauded, inconvenienced, and harmed, even though the consumer quickly figures out that it is not a real Chevron gas station. Joe Schmoe has taken advantage of both the consumer and Chevron. This is exactly what cyberpirates do on information superhighway.

Moreover, the trademark laws strongly condemn the practice of "initial consumer confusion," where infringers use famous trademarks to attract the consumers' attention to their business, even if the consumer ultimately determines that the infringer's business is not sponsored by or affiliated with the trademark holder. The law is well settled that the use of a trademark or trade dress as an "attention getting symbol" or device is not fair use. *E.g., Sands, Taylor & Wood Co.* v. *Quaker Oats Co.,* 978 F.2d 947, 954 (7th Cir. 1992), cert. denied 507 U.S. 1042 (1993) (quoting McCarthy § 11:46, at p. 11–82). As Judge Barry recently held in *Liquid Glass Enterprises* v. *Dr. Ing. h.c.F. Porsche AG,* 8 F.Supp.2d 398, fn 4 (D.N.J. 1998):

> Analysis of consumer confusion may be based upon initial confusion, not necessarily whether, after closer examination, the consumer would likely figure out that [the infringer] is a separate company. *See Ferrari S.p.A Fabriche Automobili E Corse* v. *Roberts,* 944 F2d 1235, 1245 (6th Cir. 1991) (Lanham Act intended to do more than protect consumers at the point of sale), *cert. denied,* 505 U.S. 1219 (1992); *Mobil Oil Corp* v. *Pegasus Petroleum Corp.,* 818 F.2d 254, 260 (2d Cir. 1987) (likelihood that "potential purchasers would be misled into an initial interest" justifies finding of infringement); *Clinique Laboratories, Inc.* v. *Dep Corp.,* 945 F.Supp. 547, 551 (S.D.N.Y. 1996) (a "court may find infringement has occurred based on confusion that creates initial customer interest, even if no final sale is completed as a result").

Question 2. Each of the witnesses raised the issue of warehousing of domain names. Can you highlight for us how big a problem warehousing is and exactly what the harm to trade mark owners is from someone registering a mark and then simply sitting on it? Second, could you also comment on whether the registration of a single domain name might ever be so harmful as to merit a remedy?

Answer 2. Warehousing of domain names is an enormous problem. Cybersquatters warehouse hundreds, and sometimes thousands of Internet domain names. Warehousing causes several problems to trademark holders even though the cyberpirate may not have an operational web site. First, warehousing domain names prevents the trademark holder from using that domain name. The cyberpirate who registered PORSCHECLUB.NET claims that Porsche is not being harmed by his "mere registration" of the domain name. Porsche, however, cannot use PORSCHECLUB.NET in connection with the many authorized Porsche Clubs

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 63 2002

around the world who want to use this particular domain name. The cyberpirate who misappropriated CALLAWAYGOLFBALL.COM at one time had over 20,000 names. If Callaway Golf wants to launch a new line of products such as Callaway Golf Balls, Callaway Golf will be precluded from using this domain name even though the cybersquatter is just sitting on the name.

Recently, William Finkelstein, General Counsel of Pepsico, Inc. reported to me the following experience. Pepsi was going to launch a new star wars theme and wanted to keep the name of one of the characters that Pepsi intended to use on a website confidential. Thus, he registered the Internet domain name by using his own name, his home address, and his home telephone number. Within hours of Pepsi announcing the theme and character, he received a telephone call from a cyberpirate at home who told him that Pepsi had just launched an advertising campaign using that exact domain name, that the cyberpirate had attempted to register the domain name and discovered that Mr. Finkelstein had already registered the domain name, and would Mr. Finkelstein like to join with the cyberpirate in extorting money out of Pepsi. If that domain name had not been registered and Pepsi had gone to register the domain name later, Pepsi would have been precluded from using the domain name for its Star War campaign even though the cyberpirate may not have put an operational website at the domain name.

Second, warehousing causes intolerable monitoring problems. Famous trademark holders must constantly monitor such warehoused domain names to make certain that they are not being used for an improper purpose. It takes only the stroke of a key on a computer to activate a domain name with an operational web site. I actually received a phone call from a cyberpirate who told me to type in a domain name that included Porsche®. When I typed the domain name in, the screen was blank. He asked what I could see and I said the screen was blank. He then said, watch this, and instantaneously put up a porn site. He then said, watch this, and took it down. He then put it up again and asked how much Porsche was willing to pay to stop him from using the domain name. Within seconds, a cyberpirate can turn a warehoused domain name into a website that can irreparably harm a famous trademark holder throughout the world.

Third, many savvy Internet consumers use databases such as Whois, Saegis, and others to look up and locate companies and organizations through reverse searches. Thus, if an Internet user wanted to find information about a Porsche Club and used Whois database to try to contact the Porsche Club who had registered PORSCHECLUB.NET, the user would discover not a Porsche Club, but the fictitious address of a cyberpirate.

Finally, the registration of even a single domain name could be very harmful. If the cyberpirate of PORSCHE.COM had only registered PORSCHE.COM and not the many other domain names that he had registered including the NEWYORKYANKEES.COM, Porsche would have been irreparably harmed because Porsche could not use this web site for itself. One particular cyberpirate registered one domain name—BELLATLANTICMOBILE.COM and refused to transfer ownership back to Bell Atlantic. Bell Atlantic was forced to file suit and currently, the registration of this one domain name has prevented Bell Atlantic Mobile from doing business under its rightful name. If a cybersquatting law applied only to infringers who registered multiple domain names, these sophisticated criminals would simply use a different name and address for each domain name they register to avoid liability.

Question 3. One of the issues that has been discussed in the context of cybersquatting legislation is the provision of false information by domain name registrants when registering domain names and what weight, if any, should be given to such conduct in determining whether the registrant should be liable to the trademark owner as a cybersquatter. Some would suggest that the provision of false information is a strong indicator of bad faith and should be explicitly stated as such in the legislation. Others express concern that to do so might unintentionally extend the penalties of the bill to those who provide such false information mistakenly or for reasons unrelated to cybersquatting. Following up on the previous question, then, if we were to prohibit multiple registrations, but exempt single instances, and not require truthful information to be provided when registering a domain name, wouldn't this provide a blue print for avoiding liability by encouraging people to register each domain name under a different alias?

Answer 3. Absolutely. As set forth in the previous answer, cyberpirates are sophisticated and will simply use a different name and address for each domain name. Because cyberpirates can pay for domain names with credit cards, real names and street addresses are not necessary for registering domain names. For example, the cyberpirate who registered PORSCHEDESIGN.COM uses the following fictitious address:

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 64 2002

netcross.com.
P.O.BOX 1178
SANDAKAN, SABAH 90713
MY

This cyberpirate could change the name to Dr. David Porsche and change the address to the UK for the next domain name and so on.

With regard to the unintentional error such as the innocent transposition of numbers in a telephone number, we must remember that a court will be applying the statute on a case-by-case basis. I find it hard to believe that a court would impose liability based upon an innocent transposition of a telephone number by an innocent registrant. If the court, however, concluded that the cybersquatter inserted materially false information in the application, the court could then correctly conclude that the cybersquatter provided fictitious information and was acting in bad faith. This factor would also be considered along with others, including the possibility that the cybersquatter had inserted false information in other domain name applications for trademarks belonging to third parties.

Question 4. Mr. Phillips mentioned the recent *Porsche* case, in which the court failed to find authorization for *in rem* jurisdiction under the Lanham Act for trademark dilution cases. Do you read the *Porsche* case as an invitation to Congress to provide this sort of remedy for these cases? Can you also comment on the need for this type of remedy and how this will help trademark owners better police their marks on the Internet? Can you also share with the Committee your thoughts with respect to the court's discussion of due process issues related to *in rem* proceedings and whether the Hatch-Leahy draft adequately addresses the concerns expressed in the *Porsche* case?

Answer 4. The *Porsche* case invites Congress to provide for *in rem* Jurisdiction. The Eastern District of Virginia recognized the "dilemma" that Porsche was facing with cybersquatting, and held that "the mere act of registration [of domain names using the trademark Porsche®] creates an immediate injury by preventing Porsche from utilizing those domain names itself in order to channel consumers to its own web site. Customers might try to contact Porsche through 'PORSCHE.NET,' for example, only to find that they have reached a 'dead end' on the Web and then to conclude that the strength of Porsche's brand name is not as great as they first thought." *Porsche Cars North America, Inc. et al.* v. *PORSCH.COM, et al.*, — F.Supp.2d—, 1999 WL 378360 (E.D.Va. 1999).

The court, however, ruled that because the Lanham Act does not have a specific *in rem* provision, Porsche could not proceed *in rem*. In other words, the court held that until Congress enacted an *in rem* provision in the Lanham Act, the court could not allow such jurisdiction.

In rem jurisdiction is absolutely essential to battling cyberpiracy. As cyberpirates continue to use fictitious information in registering domain names, register domain names through offshore companies, transfer domain names to persons or entities in Libya, Iran, Belarus, or register domain names using addresses in such locations, famous trademark holders are left without a remedy. In its Interim Report, WIPO noted: "such registration practices and the "absence of reliable and accurate contact details leads to a situation in which the intellectual property rights can be infringed with impunity on a highly visible public medium." WIPO Interim Report at 14–15.

In addition, the sheer number of instances of cyberpiracy prevents famous trademark holders from filing hundreds of *in personam* lawsuits. In this regard, WIPO recently concluded:

> existing mechanisms for resolving conflicts between trademark owners and domain name holders are often viewed as expensive, cumbersome and ineffective. *The sheer number of instances precludes many trademark owners from filing multiple suits in one or more national courts.*

WIPO Interim Report at 33 (emphasis added).

Porsche is a perfect example. Porsche simply does not have the resources to file 300 *in personam* lawsuits throughout the world against the 300 cyberpirates who have misappropriated the trademark Porsche® in domain names. Nor would such suits be successful in many cases because the defendants cannot be found. By proceeding against the infringing domain names directly, Porsche hoped to avoid the intractable problems associated with pursuing in *personam* actions against hundreds of defendants who would be difficult, if not impossible, to identify and locate. Indeed, Porsche submits that if Porsche were confined to the traditional mechanism of filing hundreds of *in personam* lawsuits throughout the world, its federally pro-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 65 2002

tected rights against dilution would be thwarted and it would be left without a remedy.

In rem jurisdiction would also benefit the judicial system. Rather than clog the court system with hundreds of *in personam.* lawsuits throughout the country, famous trademark holders could file a single *in rem* lawsuit against hundreds of domain names at a time and resolve the issues in a single proceeding.

Finally, the court's purported due process concerns were illusory and simply a half-hearted attempt to justify the court's decision. In an *in rem* lawsuit, the plaintiff's claims are necessarily limited to only the property. Thus, in the *Porsche* lawsuit, Porsche did not, and could not, assert claims for damages or attorneys' fees against the registrant. Porsche's claims were strictly limited to cancellation and/or transfer of the domain names. Nothing more was, nor could be, at stake.

Specifically, the court asserted that "courts generally cannot exercise *in rem* jurisdiction to adjudicate the status of property unless the Due Process Clause would have permitted *in personam* jurisdiction over those who have an interest in the *res.*" *Id.* at 11–12 (citing *Shaffe,* 433 U.S. at 207). Despite this initial premise, the court stopped short of actually concluding that accepting jurisdiction under these circumstances would violate due process, preferring instead to warn that it "might" do so.

On closer analysis, the constitutional concern raised by the district court is a windmill of its own making for several reasons. First, the district court's constitutional doubt is resolved in the very opinion that the court cites for its concern. Thus, while the Court in *Shaffer* v. *Heitner,* 433 U.S. 186 (1977), generally suggested that the "minimum contacts" test applicable in *in personam* proceedings would also apply in some proceedings *quasi-in rem,* the Court went on to identify several "circumstances in which the presence of property alone might support * * * jurisdiction consistently with the requirements of due process." James Wm. Moore, 16 *Moore's Federal Practice* § 108.80[2] [a], at 108–109–108–110. *Shaffer* expressly held that such circumstances include cases like this one where "claims to the property itself are the source of the underlying controversy between the plaintiff and the defendant." 433 U.S. at 207–08. In such true *in rem* actions, *Shaffer* clearly indicated that due process would be satisfied. *Id.*

Consistent with this clarification in *Shaffer,* the Fourth Circuit and other courts consistently have held that due process is satisfied in true *in rem* proceedings designed to resolve the parties' competing claims to property within the district. In *R.M.S. Titanic, Inc.* v. *Haver,* 171 F.3d 943, 957–58 (4th Cir. 1999), for example, the Fourth Circuit sustained the district court's "constructive" *in rem* jurisdiction "to adjudicate salvage rights" with respect to the R.M.S. Titanic wreck site. In so doing, the Fourth Circuit indicated that "personal jurisdiction need not be exercised in a pure *in rem* proceeding because, in the simplest of terms, a piece of property and not a person serves as the defendant." *Id.* at 957. The *R.M.S. Titanic* court further explained that " [i]n rem actions only require that a party seeking an interest in a res bring the res into the custody of the court and provide reasonable, public notice of its intention to enable others to appear in the action to claim an interest in the res." *Id.*

The district court reached a similar conclusion in *Chapman* v. *Vande Bunte,* 604 F. Supp. 714, 716–17 (E.D. N.C. 1985). Plaintiff in *Chapman* had entered into a contract with defendant (while both parties resided in Michigan) under which each party would acquire "a one-half undivided interest in artifacts theretofore and thereafter removed by Treasure Salvors, Inc. * * * from the shipwreck believed to be the Santa Margarita." *Id.* at 715. After plaintiff subsequently moved to North Carolina and took with her property removed from the shipwreck, she filed an *in rem* action in North Carolina "seeking sale of personal property * * * belong[ing] equally to the parties and the division of the proceeds thereof." *Id.* at 714. In rejecting defendant's argument that the court "should not be allowed to inconvenience him and cause him attendant expense absent any contact by him with the North Carolina forum," the district court clearly indicated that true *in rem* actions are consistent with due process:

> North Carolina has a legitimate governmental interest in the title to any chattel brought within its borders. Each state has the constitutional authority to make its own laws with respect to persons and events within its own borders, [citation omitted], and any dealing with the artifacts in question in North Carolina is an event within said state. The presence of this governmental interest in the context of an *in rem* proceeding insures compliance with the Due Process Clause. * * * *In rem* jurisdiction must exist, at times, without regard to the contact of individuals to the jurisdictional forum. In a true *in rem* proceeding, in order to subject property to a judg-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 66 2002

ment *in* due process requires only that the property itself have certain minimum contacts with the territory of the forum. * * *

Id. at 716; *accord* James Wm. Moore, 16 *Moore's Federal Practice* § 108.80[2][a], at 108–109–108–110 ("Presence of property within the forum state, by itself, generally will be a sufficient basis for jurisdiction in actions to determine interests in that property."); Wright & Miller, 4 Federal Practice and Procedure § 1072, at 440–41 (noting that the presence of property within a state is itself a sufficient contact to satisfy due process "when the property within the state is itself the subject matter of a dispute," and that "the Shaffer opinion suggests that the Court had no intention to disturb the assertion of jurisdiction in in rem or quasi-in-rem. actions of this type").

Question 5. I think we can all agree that abusive domain name registrations, when done for commercial gain, should clearly be actionable. Can you give us an example, if there is one, of a case where the registration of a trademark as a domain name is done for noncommercial purposes yet should be actionable under a cybersquatting statute?

Answer 5. As I explained above, cyberpirates are becoming more sophisticated, read the case law and then figure ways around it. Cyberpirates attempt to dress up their cyberpiracy in the cloak of noncommercial use. For example, the cyberpirate who had registered CALLAWAYGOLFCLUBS.COM told me that he had intended to put up a web page showing a picture of him with his Callaway Golf Clubs and letting his family and friends know how much his Callaway Golf Clubs had lowered his handicap. He would then wait for Callaway Golf to approach him to get the domain name. If Callaway Golf sued him before offering to buy the domain name, he would then argue that he was not engaged in any commercial activity, and that this was simply a "fan site" for Callaway Golf.

Many times, cybersquatters simply put an "under construction" web site at the domain name, and will argue that there is no commercial activity on the site, the site is going to be a "fan site," or other noncommercial speech site and the Lanham Act is not triggered.

Even though the Eastern District of Virginia dismissed Porsche's *in rem* lawsuit, the court did hold that "the mere act of registration [of domain names using the trademark Porsche®] creates an immediate injury by preventing Porsche from utilizing those domain names itself in order to channel consumers to its own web site." *Porsche Cars North America, Inc. et al.* v. *PORSCH.COM, et al.,—F.Supp.2d—, 1999 WL 378360 (E.D.Va. 1999).*

Question 6. i think we can also agree that an Internet service provider or a domain name registrar or registry that cancels or freezes a domain name pursuant to a court order or a reasonable policy prohibiting abusive domain name registrations should not be liable to the domain name holder for such actions. Some have suggested that service providers and registrars and registries should similarly be immune from liability to the trademark owner for the registration of the offending domain name in the first instance, absent some sort of bad faith. Can you comment on this suggestion?

Answer 6. A registrar should not be required to monitor the registration of domain names. As a general matter, unless the registrar is engaged in bad faith or actively participates in the infringing conduct, the registrar should not be liable. As the number of registrars increases, there are certain to be some bad actors. Already, certain registrars for cyberpiracy havens such as Tonga encourage the registration of domain names using famous trademarks in country codes such as .TO or .CC. If registrars engage in such conduct, such registrars should be liable.

The law, however, must preserve the incentives for Registrars to cooperate with trademark holders by creating and enforcing a policy designed to prohibit the act of cybersquatting. For example, when I contacted Network Solutions about the porn site at PORSCHECAR.COM, Network Solutions refused to cancel the domain name because it feared a lawsuit by the registrant, and even though Network Solutions acknowledged that the Porn site was damaging Porsche. If the registrar were required to adopt a policy prohibiting cybersquatting and was at the same time immune from claims by the registrant or trademark holder, Network Solutions could then cancel the domain name without risking of liability.

RESPONSES OF GREGORY D. PHILLIPS TO QUESTIONS FROM SENATOR LEAHY

Question 1. Network Solutions Inc. announced this week that it is changing its policy, which has been in place for over five years, allowing people to register domain names without paying for up to 60 days. Many have suggested that this policy

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 67 2002

encouraged cybersquatting because people could register for dozens of domain names without any investment or payment of any money. What effect, if any, do you think this policy change will have on the cybersquatting problem?

Answer 1. Prepayment is certainly a step in the right direction but it will not have any appreciable impact on cybersquatting. Cybersquatters are well funded and usually pay for the domain names up-front. The low fee of $70, which will likely continue to decrease as competition is introduced, ensures that it is still highly profitable for cybersquatters to misappropriate well known trademarks. Although the new policy, will knock out some of the cybersquatters, without appropriate legislation, the practice will continue. There is just too much money to be made in cybersquatting to risk having a domain name canceled because of non-payment. Moreover, most cybersquatters recognize that they will be holding on to the domain names for longer than 60 days. It simply takes longer than 60 days to obtain a return on the investment of cybersquatting.

Question 2. The World Intellectual Property Organization (WIPO) and other experts have defined the cybersquatting problem as the abusive registration of another person's trademark as a second level domain name.

a. Should legislation intended to address the problem of cybersquatting limit itself to dealing with the registration of second level domain names and, if not, why not?

T3b. Please identify any other way in which a domain name may be used that could infringe a trademark and lead to consumer confusion.

Answer 2a. The legislation should not be limited strictly to second-level domain names, but should include an appropriate definition of the term "domain name identifier." If cybersquatting is limited only to second level domain names, cyberpiracy will just move to the left of the dot. The narrow definition could imply that all other forms of creative misappropriation are permissible. Cybersquatters will then use this loophole to find creative ways to continue confusing the public and extorting trademark owners.

Answer b. For example, if a cybersquatter was selling counterfeit Porsche parts to U.S. consumers at Porsche.co.il (the country code for Israel), this use would not technically qualify as a second level domain. All Israeli Internet addresses are structured in this manner. It would not be sensible to prohibit the use of getchanel.com, yet permit get.chanel.com. Cyberpirates will also start registering domain name identifies such as PORSCHE@GEOCITIES.COM etc as sites in which to freely perpetrate cybercrimes.

Question 3. As we consider legislation to address the cybersquatting problem, should we make sure that First Amendment free speech rights are fully protected and that we in no way chill the right of Internet users to both post and access so-called "protest sites" that are set up to protest or complain about a particular company's products, services or business practices?

Answer 3. The First Amendment is a vital concern and must absolutely be considered. To engage in protected speech or even anonymous speech, the Chinese dissident, however, need not use a famous trademark such as Porsche® to make his or her point. In fact, a Chinese dissident could register, even after the proposed legislation with a false information provision is enacted, the domain name CHINESEDISSIDENT.COM using fictitious information. That domain name does not infringe on any trademark and no trademark holder would ever any reason to attempt to pursue the Chinese dissident. The Chinese dissident can also register an anonymous e-mail address through any service provider such as AOL and send anonymous messages. Such an e-mail account in no way involves the use of a trademark in a domain name.

Many times, cyberpirates use the First Amendment to shield their cyberpiracy. Porsche recently encountered a porn site at PORSCHESUCKS.NET. The cyberpirate said that the First Amendment protected his right to put hardcore pornography at the website. The cyberpirate further argued that his use of PORSCHESUCKS.NET was protected by the "fair use" doctrine. He asserted that the domain name was simply descriptive of the activity that took place at the porn site which purportedly featured the exploits of the porn star Lynn Porsche.

Famous trademark holders can have no objection to parody, satire, editorial, criticism and other forms of expression. If a person wants to criticize or make fun of a company such as Porsche at his own web site HOLMGREEN.COM, Porsche cannot object.

The law, however, is well settled that one cannot use a trademark to identify the source of the criticism. Planned Parenthood, 1997 WL 133313, *11 ("'When another's trademark * * * is used without permission for the purpose of source identification, the trademark law generally prevails over First Amendment. Free speech rights do not extend to labelling [sic] or advertising products in a manner that conflicts with

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 68 2002

the trademark rights of others.'") (quoting *Yankee Publishing, Inc.* v. *News America Publishing, Inc.*, 809 F.Supp. 267 (S.D.N.Y. 1992)). In short, registrants may disparage and criticize famous trademark holders, but they do not have the right to use the famous trademarks to identify their potential web sites. *See Dallas Cowboy Cheerleaders, Inc.* v. *Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979) (the right to convey a message does not entitle defendant to appropriate plaintiff's trademark in conveying that message); *Walt Disney Prod.* v. *The Air Pirates*, 581 F.2d 751, 758 (9th Cir. 1978) ("Because the defendants here could have expressed their theme without copying Disney's protected expression, Sid & Marty Krofft requires that their First Amendment challenge be dismissed."); *San Francisco Arts & Athletics* v. *United States Olympic Committee*, 483 U.S. 522 (1987) (the First Amendment does not give defendant the right to appropriate plaintiff's statutorily granted "Olympic" designation in the name "Gay Olympics" for an event not sponsored by plaintiff).

"[T]he cry of 'parody!' does not magically fend off otherwise legitimate claims of trademark infringement or dilution." *Dr. Seuss Enterprises, L.P.* v. *Penguin Books USA, Inc.* 109 F.3d 1394, 1405 (9th Cir. 1997). "A defendant's claim of parody will be disregarded where the purpose of the similarity is to capitalize on a famous mark's popularity for the defendant's own commercial use." *Grey* v. *Campbell Soup Co.*, 650 F. Supp. 1166, 1175 (C.D.Cal.1986), aff'd, 830 F.2d 197 (9th Cir. 1987). Moreover, one cannot use the trademark of another in the context of parody or disparagement. *Mutual of Omaha Ins. Co.* v. *Novak*, 648 F. Supp. 905, 910 (D.Neb. 1986), aff'd, 836 F.2d 397 (8th Cir. 1987), cert. denied, 488 U.S. 933, 109 S. Ct. 326, 102 L.Ed.2d 344 (1988) (enjoining "Mutant of Omaha" as violation of the "Mutual of Omaha" mark); *Coca-Cola Co.* v. *Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972) ("Enjoy Cocaine" held to violate COCA COLA trademark when used in same style as COCA COLA logo); *American Exp. Co.* v. *Vibra Approved Laboratories Corp.*, 1989 WL 39679, 10 U.S.P.Q.2d 2006 (S.D.N.Y., Apr. 19, 1989) (image of American Express card and phrase "don't leave home without it" on condoms held to dilute distinctiveness of AMERICAN EXPRESS marks).

Question 4. Do you support S. 1255, the Anti-cybersquatting and Consumer Protection Act, as introduced or would you recommend that changes be made to this bill? If so, what changes would you suggest?

Answer 4. I understand from the hearing that changes will soon be made to S. 1255. I would support a number of changes to the bill, including the inclusion of explicit recognition for the in rem cause of action and further clarification on the types of factors a court can consider to determine bad faith.

Question 5. I am interested in your views about how well the courts have been handling the cybersquatting problem under current trademark law. Professor Froomkin states in his written testimony that, "In every case involving a person who registered large numbers of domains for resale, the cybersquatter has lost." Do you dispute that statement?

Answer 5. While courts have recognized in several cases that cybersquatting violates the trademark laws, the issue is not at all settled. In many cases, the courts have had to stretch existing concepts such as "commercial use" to address the problems associated with cybersquatting. Professor McCarthy has described this stretching as follows:

> When a company reserves its competitor's trademark as a domain name, a court *may overlook the legal niceties* and enjoin use of the domain name even though defendant has as yet no web site identified by the domain name. The thinking apparently is that it is only a matter of time until such a defendant opens a web site under the domain name and that web site will inevitably be deceptive.

McCarthy on Trademarks § 25:76 (emphasis added)

Of significant importance is the *Porsche* lawsuit. In that lawsuit, the Eastern District of Virginia ruled that even though Porsche was being harmed by the mere registration of domain names using the world famous trademark Porsche®, and even though Porsche could not find many of the registrants of the domain names to effect service of process, Porsche was not entitled to proceed *in rem* because the Lanham did not allow such *in rem* jurisdiction. The court invited Congress to amend the Lanham Act to provide for such *in rem* jurisdiction. Even if a trademark owner can prevail after spending tens of thousands of dollars in each case against a cybersquatter, it has been extremely rare for the trademark holder to recover damages or even its costs. This problem combined with the hundreds of infringement matters that well known trademark owners face each year has discouraged the use of litigation as an effective remedy. The legislation will help provide an important

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 69 2002

deterrent to the act of cybersquatting and will enable the trademark holder to recover losses associated with the damage to the goodwill of its valuable trademarks.

Question 6. S. 1255 would make the registration of a domain name that is the trademark, or similar to the trademark, of another person illegal *per se.* This could make the warehousing of domain names illegal in many instances, and would make a significant change in current law.

(a). Do you support a change in law that would make the mere registration of a domain name that is another's trademark, without more, illegal?

(b). There are situations where a company plans to purchase another company and, in contemplation of the deal, registers a domain name with both companies' names. This name is warehoused until the deal is completed. Would a law that makes the mere registration of a domain name, which is also another's trademark, illegal and also make legitimate business practices such as the one I described illegal?

Answer 6 (a). As set forth above in answer to Senator Hatch's question 2, mere registration of an Internet domain name *in bad faith* causes irreparable harm to the trademark holder and should be illegal. First, such bad faith registration prevents the trademark holder from using the domain name itself or to link to its official website. Second, such registration requires the trademark holder to constantly monitor the domain name. As set forth above, the cyberpirate who was displaying hardcore pornography at an inoperable website using Porsche® could turn the website on and off with the stroke of a key. Finally, mere registration causes consumer confusion and dilution as Internet users use the various databases to locate trademark holders through reverse searches.

Answer 6 (b) No. A trademark holder would not object to the registration of a domain name for a proper business purpose. Thus, in the example that you mention, both companies would most likely encourage the registration of such a domain name, particularly with the realization that if one of the two companies did not immediately register the domain name, a cyberpirate would beat them to it.[2] If the company that was being purchased objected to the registration of the domain name and filed a lawsuit, which it most likely would not, the purchasing company would have a good "fair use" defense: We registered this domain name in anticipation of the acquisition and to prevent a cyberpirate from beating us to the punch.

RESPONSES OF GREGORY D. PHILLIPS TO QUESTIONS FROM SENATOR ABRAHAM

Question 1. If a bad actor is using a "famous name" as a domain name, how would an online consumer determine whether or not a website is authentic? What problems do you foresee for consumers if famous marks are not protected from infringement in domain names?

Answer 1. As set forth above in Porsche's answer to Senator Hatch's Question No. 1, it sometimes is impossible for a consumer to determine whether a website is authentic. Some porn sites that use famous trademarks make it virtually impossible to even exit the website attempting to lure in and keep unsuspecting Internet users, particularly children.

Moreover, as set forth above in the Chevron example in my answer to Senator Hatch's Question No. 1, even if the consumer eventually determines that the website is counterfeit, the consumer has been deceived, has wasted his or her time, and the trademark holder has been damaged. The trademark laws strongly condemn the practice of "initial consumer confusion."

Question 2. Would you highlight for us how big a problem warehousing is, and explain the harm to trademark owners caused by someone registering a domain name and then simply letting it sit idle?

Answer 2. As set forth above in Porsche's Answer to Senator Hatch's Question No. 2, warehousing is an overwhelming problem and trademark holders are harmed by the mere registration of domain names. Warehousing prevents trademark holders from using the domain names to direct traffic to their sites. Warehousing forces trademark holders to constantly monitor the domain names because a website can be put up and broadcast throughout the world in a matter of seconds. Finally, Internet users use databases such as Whois to conduct reverse searches to locate companies.

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[2] Dan Noonan, in-house counsel for Dell Computers, reports that on July 19, 1999, Dell Computers announced the commencement of DELLAUCTIONS.COM. Within hours, cyberpirates had registered several variations of this domain name including DELL- AUCTIONS.COM and DELLAUTIONS.COM.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 70 2002

As the Eastern District of Virginia recently held: "the mere act of registration [of domain names using the trademark Porsche® creates an immediate injury by preventing Porsche from utilizing those domain names itself in order to channel consumers to its own web site. Customers might try to contact Porsche through 'PORSCHE.NET,' for example, only to find that they have reached a 'dead end' on the Web and then to conclude that the strength of Porsche's brand name is not as great as they first thought." *Porsche Cars North America, Inc. et al.* v. *PORSCH.COM, et al.*,—F.Supp.2d—, 1999 WL 378360 (E.D.Va. 1999).

Question 3. Some have suggested that Congress should prohibit multiple registrations of another's trademark, but exempt single instance, allowing a cybersquatter "one free bite at the apple." In your view, could the registration of a single domain name ever be so harmful so as to merit a remedy? Would you please comment on whether you think a prohibition only of "multiple registrations" would be workable in practice?

Answer 3. See Answer to Question 2 of Senator Hatch. If a cyberpirate registered a single name such as COCACOLA.COM, PEPSI.COM, IBM.COM, DELLCOMPUTER.COM, AOL.COM etc., such registration would cause tremendous harm to these companies because these companies would be prevented from using these domain names themselves. A remedy would certainly be warranted in such a situation.

Giving one free bite at the apple and only prohibiting multiple registrations will simply cause cyberpirates to register one domain name per fictitious name and address to avoid liability. Cyberpirates are sophisticated and will figure out ways to beat the system.

Question 4. The substitute draft does not require that a domain name registrant provide accurate identification information. Would you please comment on the positives and negatives of such a provision, and explain the impact such a provision would have on cybersquatting?

Answer 4. Accurate identification information is absolutely essential, for both trademark holders and also in the area of copyright piracy. Copyright holders, for example, need to be able to locate immediately who is operating websites where Internet users can download pirated copies of computer software, music, movies, and other counterfeit products.

Moreover, as set forth above in Answers to Senator Hatch's Questions 3 & 4, cyberpirates use fictitious identification information to insulate themselves from legal recourse. As WIPO recently noted: "such registration practices and the "absence of reliable and accurate contact details leads to a situation in which the intellectual property rights can be infringed with impunity on a highly visible public medium." WIPO Interim Report at 14–15.

CONCLUSION

As technology advances, and intellectual property rights in such technology develop, the law protecting and governing such technology and property rights must also advance and develop. The United States Senate must provide guidance and leadership in high tech, cutting edge, intellectual property matters throughout the world. As the Internet increases in commercial importance, the United States must ensure that commerce can be safely and appropriately conducted on the Internet throughout the world.

Again, thank you for allowing Porsche to bring these important matters to your attention. We sincerely hope that the information provided in this letter assists you in enacting legislation that protects the invaluable rights of famous trademark holders such as Porsche Cars. Please let me know if we can provide any additional information.

Sincerely yours,

GREGORY D. PHILLIPS.

RESPONSES OF CHRISTOPHER D. YOUNG TO QUESTIONS FROM SENATOR HATCH

Answer 1. Yes. If a so-called "bad actor" is using a famous name, consumers are bound to be confused. You need only to refer to the examples in my testimony to see how easily this could happen.

Answer 2. Warehousing is a major issue on the Internet. My fellow witness from INTA is better equipped to answer the legal questions regarding harm to the trademark owners and remedies needed.

Answer 3. Again, I defer to the witness from INTA to answer this question.

Answer 4. NA (Question is directed specifically to Mr. Phillips)

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 71 2002

Answer 5. Cyveillance encounters many forms of abuses on the Internet, however our clients are most concerned with abuses that are connected to commercial uses. Because we typically focus almost totally on commercial uses, at the request of our clients, I am not equipped to discuss examples of a domain name being used for noncommercial purposes.

Answer 6. Our clients have found service providers to be very cooperative. I cannot comment specifically on whom the liability should fall. This is being debated by my counterparts within INTA and throughout the industry.

RESPONSES OF CHRISTOPHER D. YOUNG TO QUESTIONS FROM SENATOR LEAHY

Answer 1. This is a positive change and may serve to dissuade some would-be cybersquatters.

Answer 2(a). This is a legal question that I am not qualified to answer.

Answer 2(b). As per my testimony, cybersquatters will essentially hijack a well-known company's name so they can:

(1) sell it for a profit;
(2) drive traffic to sell goods or services [counterfeit, unauthorized, ancillary or unrelated sales and pornographic] or
(3) voice an opinion.

Answer 3. It is important that freedom of speech not be hindered on the Internet.

Answer 4. I am in support of S. 1255 and the Hatch-Leahy substitute bill.

Answer 5. Since I am not an attorney, I defer this question to the other two witnesses.

Answer 6 (a) and (b). Since I am not an expert in trademark, law, I wish to defer this question to the two other witnesses.

RESPONSES OF CHRISTOPHER D. YOUNG TO QUESTIONS FROM SENATOR ABRAHAM

Answer 1 . As technology improves and people become more proficient at Web site development, it becomes more and more difficult to tell whether a site is authentic or not. Unlike a street corner in any major city where you might see a person selling watches from a card table, on the Internet, any small retailer or "bad actor" can look as professional and legitimate as known companies. They can also disguise themselves so that they actually *appear* to be a company the consumer knows and trusts. Additionally, these "bad actors" are using tools like metatags, hidden text and other techniques (coupled with cybersquatting) to lure consumers surfing the Web for well-known brands. Our advice to online consumers is to stick to names they know. If famous marks are not protected from infringement in domain names, the abuses will only proliferate and might ultimately undermine consumer trust and hinder the growth of e-Commerce. At the same time, we need to be certain that any legislation enacted is done so in a manner that does not in and of itself hinder e-Commerce growth.

Answer 2. Warehousing is a major issue on the Internet. My fellow witness from INTA is better equipped to answer the legal questions regarding harm to the trademark owners.

Answer 3. Again, I defer to the witness from INTA to answer this question, with regard to the legal ramifications of multiple versus single registrations.

Answer 4. It is my view that requiring a domain registrant to provide accurate information would be a benefit to trademark holders who are trying to take action against cybersquatters.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 72 2002

ADDITIONAL SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF JESSICA LITMAN

Thank you for the invitation to submit written testimony on *"Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity."* My name is Jessica Litmam I am a professor of law at Wayne State University. I have been teaching trademark and unfair competition law since 1988 and Internet law since 1996. I am a co-author of the second edition of JANE C. GINSBURG, JESSICA LITMAN, DAVID GOLDBERG AND ARTHUR J. GREENBAUM, TRADEMARK AND UNFAIR COMPETITION LAW: CASES AND MATERIALS (1996 & ANNUAL Supplement). This testimony reflects my personal views, as a scholar and teacher of trademark and Internet law, and in no way represents the views of Wayne State University.

I would like to express deep reservations about S. 1255, the *AntiCybersquatting Consumer Protection Act.* S. 1255 seeks to address the problems created by what the courts have come to term "cybersquatting"—the bad faith registration of multiple domain names with the intention of selling them to businesses who failed to register them, often at inflated prices. The practice is especially troubling when the domain names include trademarks owned by businesses that want to operate Internet domains or websites. Although only a small minority of cases have actually caused consumer deception,[1] cybersquatters have been a major annoyance to trademark owners and to at least some individuals browsing the World Wide Web. Cybersquatting has in fact been, so troubling that it has attracted a significant number of efforts to solve it, not all of which have been consistent with each other. It is important to realize that the problem is well on its way to resolution without any legislative intervention. Even if It were not, however, the measures included in S. 1255 would not be very useful.

When most cybersquatters accumulated their warehouses full of domain names, doing so wasn't criminal. Indeed, it wasn't even believed to be actionable. During the early years of the World Wide Web, many businesses had not yet considered doing business on the Internet, and had not investigated registering domain names corresponding to their trademarks, so amassing a large number of trademark domain names was easy. See Joshua Quittner, *Billions Registered,* Wired 2.10, October 1994, at 50. Business speculators registered a bunch of potentially valuable domain names as a simple business proposition. Many of the speculators did not view their activities as extortion; rather, they saw themselves as investors in commodities that they believed would turn into valuable business assets.

The problem of domain name speculators' bad faith registrations of domain names incorporating other businesses' trademarks, however, has been substantially reduced as a result of efforts by the Internet community and the World Intellectual Property Organization to make domain name speculation unprofitable. Network Solutions, the entity that registers.com domains, has adopted a trademark dispute policy under which it will suspend a domain name identical to a registered trademark upon complaint from the trademark owner, and has recently adopted a policy requiring domain name registrations to pay the registration fee in advance, thus discouraging speculative registration. The U.S. Department of Commerce has insisted repeatedly that the redesigned Internet Domain Name System must incorporate a dispute resolution process that gives trademark owners effective remedies against cybersquatters.[2] At the request of the United States Government, the World Intellectual Property Organization has put together the contours of a dispute resolution policy that will permit expeditious administrative resolution of disputes between trademark owners and cybersquatters. *See* FINAL REPORT OF THE WIPO INTERNET DOMAIN NAME PROCESS ON THE MANAGEMENT OF INTERNET NAMES AND ADDRESSES: INTELLECTUAL PROPERTY ISSUES (April 30,1999).

[1] One notable exception was Internic Technology's site at <www.internic.com>, which apparently defrauded a significant number of domain name registrants. The Federal Trade Commission launched a consumer fraud investigation, which resulted in the Australian Competition and Consumer Commission's charging Internic Technology with deceptive conduct. Internic Technology agreed to surrender the domain name and pay monetary reparation to its customers for any deception.

[2] *See* Memorandum of Understanding Between the U.S. Department of Commerce and the Internet Corporation for Assigned Names and Numbers, Nov. 25, 1998, URL: <http://www.ntia.doc.gov/ntiahome/domainname/icann-memorandum.htm>; United States Department of Commerce, Management of Internet Names and Addresses, June 5, 1998, URL: <http://www.ntia.doc.gov/ntiahome/domainname/6—5—98dns.htm>.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 73 2002

The details of the WIPO plan have been controversial. While representatives of trademark owners have been generally enthusiastic,[3] others have criticized the WIPO recommendations for being unfairly slanted in favor of owners of registered trademarks.[4] There seems to be little doubt, however, that the WIPO plan or one much like it will be implemented in all generic top level domains within a matter of months.

Many of the problematic domain name registrations have been the subject of litigation. The courts have been merciless to defendants perceived as cybersquatters, finding trademark infringement and trademark dilution even in cases where, but for the domain name conflict, no reasonable court would be likely to find a violation of the Lanham Act. *See, e.g., Panavision International* v. *Toeppen,* 141 F.3d 1316 (9th Cir. 1998); *Intermatic Inc.* v. *Toeppen,* 40 U.S.P.Q.2d 1412 (N.D. Ill. 1996). Anyone who feels held up by a cybersquatter can file suit, secure in the knowledge that the cybersquatter will lose. Further, courts have been quick to impose liability for bad faith registrations of domain names on individuals who, rather than warehousing domain names, have used them in competition with trademark owners or in the hope of diverting web traffic from a trademark owner's site. *See, e.g., Cardservice International, Inc.* v. *McGee,* 950 F. Supp. 737 (E.D. Va. 1997). Finally, some businesses have registered domain names that are confusingly similar to trademarks or personal names in order to use them for pornographic web sites. Those businesses have without exception lost suits brought against them. *See, e.g., Hasbro, Inc.* v. *Internet Entertainment Group,* 40 U.S.P.Q.2d 1479 (W.D. Wash. 1996). Thus, people who have not already invested in domain names that may be valuable precisely because of their similarity to other businesses' trademarks have little incentive to do so now, and trademark owners aggrieved by the bad faith registration of their trademarks as domain names have reliable remedies under the trademark law.

The courts have imposed civil liability for bad faith registration even in some cases in which defendants used the domains to engage in expressive conduct motivated by sincere political convictions. In *Planned Parenthood* v. *Bucci,* 42 U.S.P.Q.2d (BNA) 1430 (S.D.N.Y. 1997), *aff'd mem.,* 152 F.3d 920 (2d Cir. 1998), for example, Richard Bucci, a Catholic anti-abortion activist, had registered plannedparenthood.com and operated a website at www.plannedparenthood.com. The page opened with the greeting "Welcome to the Planned Parenthood Home page", but otherwise contained anti-abortion material. In a preliminary injunction decision, the court held that these acts constituted trademark infringement, trademark dilution and false designation of origin. In *ews for Jesus* v. *Brodsky,* 993 F. Supp. 282 (D.N.J. 1998), *aff'd mem.,* 159 F.3d 1351 (3d Cir. 1998), Brodsky registered jewsforjesus.org and jews-for-jesus.com. He put up a website that he hoped would attract websurfers seeking the Jews for Jesus organization, in order to protest that organization's activities, and to lead potential strays back into the fold of traditional Jewish organizations. The Jews for Jesus organization successfully brought suit for trademark infringement and trademark dilution.

Most of the actual disputes over trademarks and domain names don't involve bad faith registration of multiple domain names. Instead, there are two parties, both of whom want a particular domain name. One of them registered the domain name in good faith, and has either been using it or intends to do so. The other one is, typically, someone who has a trademark registration for a different business. *See. e.g., Interstellar Starship Services Ltd.* v. Epix, Inc., 1999 U.S. App. LEXIS 16536 (9th Cir. 1999); *Brookfield Communications* v. *West Coast Entertainment.* 50 U.S.P.Q.2d 1545 (9th Cir. 1999); *Gateway 2000* v. *Gateway.com,* 1997 U.S. Dist. LEMS 2144 (W.D.N.C. 1997). Such situations we common, in part because U.S. trademark law permits multiple businesses to register the same trademark for different classes of products. Although courts have been quick to impose liability for bad faith registration, they have been far more cautious in disputes involving a domain name registrant who has a legitimate claim to use a domain name and registered it in good faith. *See. e.g., Data Concepts. Inc.,* v. *Digital Consulting, lnc.,* 150 F.3d 620 (3d Cir. 1998). In a number of cases, courts have refused to impose liability where there is no significant likelihood that anyone will be misled, even if there is

[3] *See, e.g.* American Intellectual Property Law Association et. al., Response to WIPO Report (May 20, 1999), URL: <http://www.icann.org/comments-mail/comment-ip/msg00046.html>.

[4] *See, e.g.,* Diana Cabell, Comment on WIPO Final Report (May 10, 1999), URL: <http://www.icann.org/comments-mail/comment-ip/mag00019.html>; A. Michael Froomkin, A commentary on WIPO's The Management of Internet Names and Address: Intellectual Property Issues (May 19, 1999), URL: <http://www.law.miami.edu/amf/commentary.htm>; Carl Oppedahl, Comments on WIPO Report (May 7, 1999), URL: <http://www.icann.org/comments-mail/comment-ip/mag00006.html>.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 74 2002

a significant possibility of trademark dilution. *See, e.g.. Gateway 2000* v. *Gateway.com,* 1997 U.S. Dist. LEXIS 2144 (W.D.N.C. 1997); *Toys "R" Us* v. *Feinberg,* 26 F. Supp.2d 639(S.D.N.Y. 1998).

S. 1255 takes the approach of assimilating cybersquatting to trademark counterfeiting, amending the criminal trademark counterfeiting law to make anyone who knowingly and in bad faith registers or uses a domain name or other identifier that is identical to, confusingly similar to or likely to dilute someones trademark guilty of a misdemeanor. Subsequent offenses are felonies.

S. 1255 treats bad faith registration and use as a species of counterfeiting. Yet, bad faith registration of a domain name, however annoying, is not trademark counterfeiting. Bad faith registration and use of a domain name have nothing to do with trademark counterfeiting as that offense is commonly understood. The essence of counterfeiting is using spurious trademarks to defraud consumers into believing that defendant's products are the genuine article marketed by the trademark owner. Bad faith registration and use of domain names typically does not involve that sort of deception. Many people have speculated in domain names to sell them to businesses likely to want them, but those people would have no reason to use the domain names to fraudulently traffic in counterfeit products or products bearing counterfeit trademarks. Others have speculated in domain names in order to put pornographic material on the web at sites likely to be discovered by casual browsers. Those businesses would also have no reason to sell counterfeit products, or to represent even by implication that their adult material is affiliated with or approved by any legitimate business—they are just trying to get eyeballs by any possible means. They be bad people, but they are not trademark counterfeiters, and S. 1255 does not require that they do anything that the courts have recognized before now as trademark counterfeiting; instead, it imposes criminal liability for the bad faith registration *or* use of any domain name or identifier of an online location that is confusingly similar to or likely to dilute a trademark.

S. 1255 does not draw a workable line between cybersquatting and other activities. The bill would impose criminal penalties for the knowing or bad faith registration of a domain name or other "identifier" that is identical to, confusingly similar to or likely to dilute a registered trademark. That liability would fall on both conventional cybersquatters and other bad faith registrants. It would also fall on people like Richard Bucci and Steven Brodskey. Both gentlemen may have engaged in unwise protests, but I know of nobody who argues that their behavior should be treated as criminal. In Addition, the term "identifier" is defined, so broadly that it could be read to cover file names and email addresses as well as domain names. Thus, even if Richard Bucci were to relocate his abortion protest site to <http://www.bucci.com/-plannedparenthood/protest.htm>, the bill as it is currently drafted would apply to his activity: he would be guilty of knowing and bad faith use of "an identifier of an online location." Anthony Bartolo's disparagement of the GoPed® brand scooter at <http://www.idiosync.com/goped/> was held by the court to be a premissible non-trademark use, in significant part because Bartolo's use of the mark "GoPed" was as a file name rather than a domain name. *See Patmont Motor Werks* v. *Gateway Marine,* 1997 U.S. Dist. LEXIS 20877 (N.D. CA). S. 1255 does not distinguish between them, thus potentially subjecting expressive activity like Anthony Bartolo's to liability.

Although section 4(a)(D)(ii)(III) attempts to exclude some good faith registrants from criminal liability, the exclusions are so narrow as to be of little use. For example, if the Dell Computer Corporation, which operates a website at <http://www.dell.com>, were accused of bad faith registration of a domain name that was the trademark of Bantam-Doubleday-Dell, it could not avail itself of the exception in 4(a)(D)(ii)(III). Dell Computer owns a registered trademark, but its first use of that mark in commerce was in 1988. Bantam-Doubleday-Dell's registration of the Dell mark (for paperback books) issued in 1959 based on a use-in-commerce date of 1943.

The international efforts to devise an administrative dispute resolution process have struggled to draw an appropriate line between cybersquatting, which involves multiple bad faith registrations, and honest trademark disputes where the domain name has been registered and is being used in good faith. It is a difficult line to draw, and the WIPO domain dispute resolution process went through multiple iterations of a standard in an attempt to devise an appropriate definition for abusive domain name registration.[5] An appropriate standard must exclude businesses with legitimate competing rights to use a domain name, registrants of coincidentially similar domain names, and individuals who, without any intent to confuse or de-

[5] *See generally* WIPO Internet Domain Name Process, URL: <http://wipo2.int/process/eng/processhome.html>.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 75 2002

ceive, operate fan sites or sites intended to criticize trademark owners or their products. WIPO's ultimate product remains controversial, but the United States government has worked hard to assure that the recommended dispute resolution process is adopted by all generic top level domain registrars. Because the standard reflected in S. 1255 is very different from the one adopted as a result of the WIPO process, there is a significant risk that the enactment of this bill will destabilize that effort just as it is beginning to bear fruit. The worldwide adoption of a uniform trademark domain name dispute resolution policy would be of more benefit to US trademark owners in the long run than this bill.

In addition to treating bad faith domain name registrants as trademark counterfeiters, the bill would impose enhanced, arguably punitive, civil penalties in many cases on good faith domain name registrants with legitimate claims to their registered domains. Section 3 of the bill permits a plaintiff to elect substantial statutory damages and attorneys fees in lieu of actual damages for any trademark infringement or dilution involving the registration of a domain name or other identifier that is either identical to a trademark or likely to cause confusion or dilution, even if the registration and operation of the domain was undertaken in good faith. (Statutory damages have until now been available in trademark actions only for trademark counterfeiting.) The attorney fee awards is available only to plaintiffs at plaintiffs' election. Unlike the attorney fee provision in the copyright law, *see* 17 U.S.C. §505; *Fantasy* v. *Fogerty,* 510 U.S. 517 (1994), a prevailing defendant in a domain name trademark case is given no opportunity to recover attorney's fees. The combination of substantial civil damages requiring no proof of actual harm with the attorney fee provision threatens to greatly exacerbate the increasingly significant problem of "reverse domain name hijacking."

Reverse domain name hijacking involves an attempt by a trademark owner to take a domain name from a legitimate good faith user, typically by threatening legal action. The well-publicized cases of two-year-old Veronica Sam's "little Veronica" website at <http://www.veronica.org> and 12 year-old Chris "Pokey" Van Allen's web page at <http://www.pokey.org> pitted trademark owners against children whose parents had registered their children's names in the .org domain. the registration and operation of the web sites was unquestionably innocent, and there was no plausible likelihood that consumers would be misled. Nonetheless, in both cases, the trademark owners demanded that the children's web sites be taken down.[6] A flood of negative publicity persuaded the trademark owners in both cases to back down. Every week, though, I hear of a different domain name owner who just has received a cease and desist letter from a trademark owner that he's never heard of. Many of them abandon their domains rather than risk litigation, even when no court would be likely to hold them liable. If the trademark statute is amended to expose them, at plaintiff's election, to substantial statutory damages even where plaintiff suffers no harm, and to a one-way award of attorneys fees, few responsible attorneys would advise even those domain name holders whose legitimate claim to their domains seems inarguable to take that risk.

Section 5 of S. 1255 would amend section 39 of the Lanham Act to provide a liability shield for any Internet service provider, domain name registrar or domain name registry who removes a domain from service in response to a complaint from a trademark owner or transfers control of that domain to the trademark owner, whether or not the domain registrant is ultimately found liable for infringement or dilution. Section 5 does not, however, codify the holdings of recent cases that domain name registrars can not be held liable for registering domain names that are infringing or dulitive. *See, e.g., Lockheed* v. *Network Solutions,* 985 F. Supp. 949 (C.D. Cal. 1997). The provision in S. 1255 would give service providers, registrars and registries an irresistible incentive to do anything a trademark owner asks them to do, whether the trademark owner's claim has merit or not, since that is the surest way to avoid being liable to anyone. In addition, the provision would leave the wrongfully ousted domain name registrant without any legal remedy. The result would be to further exacerbate the reverse domain name hijacking problem.

This bill would in many ways be bad for electronic commerce, by making it hazardous to do business on the Internet without first retaining trademark counsel. The bill imposes draconian penalties on any business that is found to have registered a domain name, or used any "Internet identifier," in bad faith. Faced with that risk, many start-up businesses may choose to abandon their goodwill and move to another Internet location, or even to fold, rather than risk liability. The bill would

[6] Archie® Comics operated a web site at www.archiecomics.com and owned the veronica.com domain. Prema toys, maker of Gumby®, did not and still does not operate a website devoted to the Gumby® line of toys and licensed merchandise. Neither company, thus, wanted the website for itself; instead, they were concerned about the risk of trademark dilution.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 76 2002

also impede the U.S. Commerce Department's efforts to encourage the worldwide adoption of a uniform trademark domain name dispute resolution policy, which would be of more benefit to US trademark owners in the long run.

I thank you again for this opportunity to submit written testimony. I would be happy to respond by mail or by email to any questions that you might have.

UNIVERSITY OF MIAMI,
SCHOOL OF LAW,
Coral Gables, FL, July 22, 1999.

Hon. ORRIN G. HATCH,
Chairman, Senate Judiciary Committee, Dirksen Office Building, Washington, DC.

DEAR SENATORS HATCH AND LEAHY: I regret that family commitments make it impossible for me to come testify in person regarding S. 1255. I would like to request that the following comments be submitted as testimony for the hearing on S. 1255 today:

I am a Professor law at the University of Miami. I have been specializing in Internet Law for the last seven years. I teach courses in Internet Law, E-commerce, and Intellectual Property in the Digital Era. During the past year I have been intimately involved in cybersquatting policy debates, serving as the sole "public interest representative" to the World Intellectual Property Organization Panel of Experts on domain name issues.

I believe S. 1255, while well-intentional, is very badly flawed in its current form and will do far more harm than good.

- It attempts to "solve" a problem that is very temporary. To a large extent it is already being solved by the courts, and domain name pre-payment and mandatory arbitration will take care of the rest.
- The bill purposes a solution that will cause harm to large numbers of innocent people.
- The definitions are badly drafted—it will criminalize *file names* (they are "identifiers"). It will also criminalize third and fourth level domain names which cannot, by any commonly held definition (or logic), be part of cybersquatting.
- The penalties are vastly in excess of the harms in most cases.
- As a result, the main consequence of this bill were it to become law, is that it will provide a new tool for the unscrupulous to use to intimidate the blameless.

CYBERSQUATTING IS A TEMPORARY PHENOMENON

Cybersquatting is generally understood to have these elements:

(1) registration [and sometimes use]

(2) for speculative purposes, and without another legitimate purpose or claim of right, of

(3) a *second-level* domain name which

(4) is identical to a trademark held by another.

there is no hand data on the extent of the cybersquatting problem. Testimony of hearings held by the World Intellectual Property Organization suggested that even accepting the complainants' definition of the problem, far fewer than 1 percent of all domains were alleged to involve cybersquatting. Other data from NSI, the .com registrar, suggest that the original burst of cybersquatting has peaked and its declining—probably because the courts have made cybersquatting unattractive.

To the extent that the cybersquatting problem is not solved by requiring pre-payment or an on going relationship, it will be eliminated by the proposed WIPO rules on mandatory arbitration which are almost certain to become the standard for all global registrars and registries.

EVERY CYBERSQUATTER WHO HAS GONE TO COURT HAS LOST

There is now an impressive and growing body of case law in the US and other nations regarding speculative registrations of domains corresponding to other people's trademarks. In every case involving a person who registered large numbers of domains for resale, the cybersquatters has lost.

On the other hand, the courts have rightly taken a more careful approach than S. 1255, as they are also conscious of the danger of "reverse domain name hijacking"—cases where the plaintiff seeks to take a domain name held by a legitimate user. Several courts have correctly refused to find for plaintiffs where the defendant

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 77 2002

was making legitimate use of a domain name for purposes which in no way infringed on the claimant's trademark.

THE BILL TO TAKE ACCOUNT OF "REVERSE DOMAIN NAME HIJACKING"

One of the major effects of enacting statutory damages of $100,000 is that the fear of this large number will be used to intimidate honest people who happen to have an attractive domain name. Students in my Internet Law class have received demand letters from lawyers representing trademark holders whose claims for their domain names, insofar as I was able to work out the facts, were worthless. Nevertheless, the letters were threatening and frightening, and I am sure that many non-lawyer, or non-law students would be intimidated. This bill will make that intimidation worse.

THE BILL FAILS TO TAKE ACCOUNT OF MANY LEGITIMATE NON-TM INTERESTS IN A NAME

Not all of the threats will be baseless. The bill fails to protect a large number of perfectly legitimate uses of domain names. Among the groups left out are holders of common law trademarks, "doing business as" names, middle names, stage names, pen names, names of pets. The bill also fails to make provisions for first amendment uses of names—e.g. critics of a corporation whose purpose may be to attract attention associated with the company, but whose aims are political rather than unfair competition. Unfair competition, incidentally, is actionable, and there is no exception for unfair competition carried out with a misleading domain name.

It is important that the committee understand that these concerns are far from fanciful. Consider the following example. Suppose I had been clever enough to register "cars.com". Cars is a generic term for automobiles, but it is trademarked in many other context. Suppose a person having a trademark on hypothetical cars brand umbrellas wants the domain name. They would have a trademark, I would not, and they would have a good arguable case for confusion, or even (given the very broad interpretation of the Anti-Dilution Act) for dilution. My lawyer would be hard pressed to promise me I would win a case, and if I were running a small company or a startup, I might need to give in rather than fight.

THE DEFINITIONS WILL MAKE EVERY FAN A CRIMINAL

The definition of an identifier in this bill is vastly over-broad. I will concentrate on two issues: file names, and portions of the domain name itself.

File names

The bill appears crafted to reach the name of every file readable on the Internet. The "identifiers" to which sec. 3(a) applies is not defined. Section (3)(a)(2)(A) refers to "the registration or use of an identifier described in subparagraph (B)". In turn, sub-paragraph (B) does not provide much of a definition at all.

We do find a definition in section 4, subpara C, which speaks of "an Internet domain name or other identifier of an online location," a definition which sweeps far too broadly. Thus, for example, http://www.mydomain.net/froomkin/thingsIlove/NYYankees or http://www.mydomain.net/froomkin/thingsIlove/StarTrek would both involve "an Internet domain name or other identifier of an online location" which is arguably dilutive.

Cybersquatting is not about file names. At most that is a standard Lanham Act issue, and a rather unlikely one in most cases. Cybersquatting is about domain names and only second (or first and second) level ones. The legitimate interests worth being protected here are (1) consumers' interest in not being misled; and (2) goodwill in the mark. There is simply no evidence whatsoever that either of these interests is affected by third, fourth or fifth level domain names. Would anyone think that stimpy.ir.miami.edu has anything to do with the cartoon character of that name? Is there any potential for confusion there? Or even dilution? I rather doubt it, and there is certainly no evidence of this, anywhere.

Nth-Level domain names

To understand why third, fourth, and Nth level domain names are not cybersquatting, one needs to understand how domain registrations work. It is impossible for anyone to register "trademark.yahoo.com" in the DNS. The "registrations" are limited to second level domains. Yahoo has yahoo.com. It thus has full control over what third level domains it wishes to create in the yahoo.com hierarchy. It may be that yahoo contracts with someone else to allow them to use trademark.yahoo.com, but that's between them and yahoo, and isn't a DNS issue at all. The registry and registrar are not involved. The use of "trademark.yahoo.com" *is not cybersquatting by yahoo against the owner of "trademark"* and is at most garden va-

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 78 2002

riety trademark infringement covered by the Lanham Act. The decision by the owner of yahoo.com to run a machine with the name trademark.yahoo.com does not in any way obstruct the owner of the trademark from having and enjoying trademark.com. The use of trademark.yahoo.com thus lacks an essential element of cybersquatting blocking the legitimate use of the trademark holder.

This is a key point: not every intellectual property violation on the Internet is cybersquatting. Cybersquatting is the (repeated) registration of other people's trademarks in a manner designed to block them from having the second level domain that corresponds to their trademark, done for the purpose of holding it for ransom. That is not what is happening in "trademark.yahoo.com"—although the Lanham Act on the Anti-Dilution Act may well have something to say to the owners of yahoo.com if they tried this.

CONCLUSION

This bill is too much, too late. The courts have taken a big bite out of the real cybersquatting on their own, and pre-payment and soon-to be-adopted mandatory arbitration rules will do the rest.

Yours sincerely,

A. MICHAEL FROOMKIN.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 79 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 80 2002

Document No. 5

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

management, and scientific research that benefits the long-term conservation of coral reefs and coral reef ecosystems.

(b) FINANCIAL ASSISTANCE.—The Secretary may enter into joint projects with any Federal, State, territorial, or local authority, or provide financial assistance to any person for projects consistent with subsection (a), including projects that—

(1) support, promote, and coordinate the assessment of, scientific research on, monitoring of, or restoration of coral reefs and coral reef ecosystems of the United States;

(2) cooperate with global programs that conserve, manage, protect, and study coral reefs and coral reef ecosystems; or

(3) enhance public awareness, understanding, and appreciation of coral reefs and coral reef ecosystems.

SEC. 8. DOCUMENTATION OF CERTAIN VESSELS.

Section 12102 of title 46, United States Code, is amended by adding at the end thereof the following:

"(c) A vessel otherwise eligible to be documented under this section may not be documented as a vessel of the United States if—

"(1) the owner of the vessel has abandoned any vessel on a coral reef located in waters subject to the jurisdiction of the United States; and

"(2) the abandoned vessel remains on the coral reef or was removed from the coral reef under section 5 or 6 of the Coral Reef Protection Act of 1999 (or any other provision of law in pari materia enacted after 1998),

unless the owner of the vessel has reimbursed the United States for environmental damage caused by the vessel and the funds expended to remove it.".

SEC. 9. CERTAIN GROUNDED VESSELS.

(a) IN GENERAL.—The vessels described in subsection (b), and the reefs upon which such vessels may be found, are hereby designated for purposes of section 104 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9604) as a site at which there is a substantial threat of release of a hazardous substance into the environment. For purposes of that Act, the site shall not be considered to have resulted from an act of God.

(b) DESCRIPTION OF SITE.—The vessels to which subsection (a) applies are 9 fishing vessels driven by Typhoon Val in 1991 onto coral reefs inside Pago Pago harbor near the villages of Leloaloa and Aua.

SEC. 10. REGULATIONS; CORAL REEF CONSERVATION FUND.

(a) REGULATIONS.—Within 90 days after the date of enactment of this Act, the Secretary shall promulgate necessary regulations for implementing this section. In developing those regulations, the Secretary shall consult with regional and local entities, including States and territories, involved in setting priorities for conservation of coral reefs.

(b) FUND.—The Secretary may enter into an agreement with a foundation authorizing the foundation to receive, hold, and administer funds received by the foundation pursuant to this section. The foundation shall invest, reinvest, and otherwise administer the funds and maintain such funds and any interest or revenues earned in a separate interest bearing account, hereafter referred to as the Fund, established by the foundation solely to support partnerships between the public and private sectors that further the purposes of this Act.

(c) AUTHORIZATION TO SOLICIT DONATIONS.—Consistent with section 3703 of title 16, United States Code, and pursuant to the agreement entered into under subsection (b) of this section, a foundation may accept, receive, solicit, hold, administer, and use any gift or donation to further the purposes of this Act. Such funds shall be deposited and maintained in the Fund established by a foundation under subsection (b) of this section.

(d) REVIEW OF PERFORMANCE.—The Secretary shall conduct a continuing review of the grant program administered by a foundation under this section. Each review shall include a written assessment concerning the extent to which that foundation has implemented the goals and requirements of this section.

(e) ADMINISTRATION.—Under the agreement entered into pursuant to subsection (b) of this section, the Secretary may transfer funds appropriated under section 11(b)(1) to a foundation. Amounts received by a foundation under this subsection may be used for matching, in whole or in part, contributions (whether in currency, services, or property) made to the foundation by private persons and State and local government agencies.

SEC. 11. AUTHORIZATION OF APPROPRIATIONS.

(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary $20,000,000 for each of fiscal years 2000, 2001, 2002, 2003, and 2004 to carry out this Act, which may remain available until expended.

(b) USE OF AMOUNTS APPROPRIATED.—

(1) RESTORATION AND CONSERVATION PROJECTS.—Not more than $15,000,000 of the amounts appropriated under subsection (a) shall be used by the Secretary to support coral reef restoration and conservation projects under section 6(a), of which not more than 20 percent shall be used for technical assistance provided by the Secretary.

(2) NATIONAL PROGRAM.—Not more than $5,000,000 of the amounts appropriated under subsection (a) shall be used by the Secretary to support coral reef conservation projects under section 7.

(3) ADMINISTRATION.—Not more than 1 percent of the amounts appropriated under paragraph 1 may be used by the Secretary for administration of this Act.

By Mr. ABRAHAM (for himself, Mr. TORRICELLI, Mr. HATCH, and Mr. MCCAIN):

S. 1255. A bill to protect consumers and promote electronic commerce by amending certain trademark infringement, dilution, and counterfeiting laws, and for other purposes; to the Committee on the Judiciary.

ANTICYBERSQUATTING CONSUMER PROTECTION ACT

Mr. ABRAHAM. Mr. President, I rise today to introduce the Anticybersquatting Consumer Protection Act on behalf of myself, Senator TORRICELLI, Senator HATCH, and Senator MCCAIN. This legislation will combat a new form of high-tech fraud that is causing confusion and inconvenience for consumers, increasing costs for people doing business on the internet, and posing an enormous threat to a century of pre-Internet American business efforts. The fraud is commonly called "cybersquatting," a practice whereby individuals reserve internet domain names or other identifiers of online locations that are similar or identical to trademarked names. The easiest prey for cybersquatters has turned out to be computer-unsavvy trademark-owners in the non-internet world. Once a "brick and mortar" trademark is registered as an on-line identifier or domain name, the "cybersquatter" can engage in a variety of nefarious activities—from the relatively-benign parody of a business or individual, to the obscene prank of redirecting an unsuspecting consumer to pornographic content, to the destructive worldwide slander of a centuries-old brand name. For the enterprising cybersquatter, holding out a domain name for extortionate compensation is a tried-and-true business practice, and the net effect of this behavior is to undermine consumer confidence, discourage consumer use of the internet, and destroy the value of brand-names and trademarks of this nation's businesses.

Many companies simply pay extortionate prices to cybersquatters in order to rid themselves of a headache with no certain outcome. For example, Gateway recently paid $100,000 to a cybersquatter who had placed pornographic images to the website "www.gateway2000". Rather than simply give up, several companies already have instead sought protection from cybersquatters through the legal system. For example, the investment firm Paine Webber was forced to sue an internet Web site, wwwpainewebber.com" and its creator. The domain name at issue took advantage of a typographical error—the missing "." (dot) between "www" and "painewebber"—in order to direct consumers desiring to do business with Paine Webber to a website containing pornographic images. As with much of the pre-internet law that is applied to this post-internet world, precedent is still developing, and at this point, one cannot predict with certainty which party to a dispute will win, and on what grounds, in the future.

Mr. President, some Americans continue to do a thriving, if unethical, business collecting and selling internet addresses containing trademarked names. Whether perpetrated to defraud the public or to extort the trademark owner, squatting on internet addresses using trademarked names is wrong. It must be stopped for the sake of consumers, for the sake of trademark owners and for the sake of the vast, growing electronic commerce that is doing so much to spur economic growth and innovation in this country.

Mr. President, the Anticybersquatting Consumer Protection Act will help to establish uniform rules for dealing with this attack on interstate commerce. This legislation would establish penalties for criminal use of a counterfeit trademark as a domain name. Using a company's trademark or its variant as the address of an internet site would constitute criminal use of a counterfeit trademark if the defendant registered the address either knowingly and fraudulently or in bad faith. Among the evidence establishing bad faith would be registry of a domain name with (1) intent to cause confusion or mistake or deception, to dilute the distinctive quality of a famous trademark, or intent to divert consumers from the trademark owner's domain to

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S7334 2002

one's own; and (2) providing false information on the application to register the identifier, or offering to transfer the registration to a rightful owner for consideration for any thing of value. Bad faith could not be shown where the identifier is the defendant's legal first name or surname or where the defendant used the identifier in legitimate commerce before the earlier of either the first use of the registered trademark or the effective date of its registration. Violation of this prohibition would constitute a Class B misdemeanor for the first offense; subsequent offenses would be classified as Class E felonies.

In addition, Mr. President, the Anticybersquatting Consumer Protection Act provides for statutory civil damages in trademark cases of at least $1,000, but not more than $100,000 ($300,000 if the registration or use of the trademark was willful) per trademark per identifier. The plaintiff may elect these damages in lieu of actual damages or profits at any time before final judgment.

These provisions will discourage anyone from "squatting" on addresses in cyberspace to which they are not entitled. In the process it will protect consumers from fraud, protect the value of countless trademarks, and encourage continued growth in our electronic commerce industry.

Mr President, the growth of the Internet has provided businesses and individuals with unprecedented access to a worldwide source of information, commerce, and community. Unfortunately, those bad actors seeking to cause harm to businesses and individuals have seen their opportunities increase as well. In my opinion, on-line extortion in this form is unacceptable and outrageous. Whether it's people extorting companies by registering company names, misdirecting Internet users to inappropriate sites, or otherwise attempting to damage a trademark that a business has spent decades building into a recognizable brand, persons engaging in cybersquatting activity should be held accountable for their actions.

I urge my colleagues to support this important legislation, and I ask unanimous consent that the full text of the bill, a section by section analysis and additional materials be printed in the RECORD.

There being no objection, the materials were ordered to be printed in the RECORD, as follows:

S. 1255

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Anticybersquatting Consumer Protection Act".

SEC. 2. FINDINGS.

Congress finds that the unauthorized registration or use of trademarks as Internet domain names or other identifiers of online locations (commonly known as "cybersquatting")—

(1) results in consumer fraud and public confusion as to the true source or sponsorship of products and services;

(2) impairs electronic commerce, which is important to the economy of the United States; and

(3) deprives owners of trademarks of substantial revenues and consumer goodwill.

SEC. 3. TRADEMARK REMEDIES.

(a) RECOVERY FOR VIOLATION OF RIGHTS.—Section 35 of the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946, (commonly referred to as the "Trademark Act of 1946") (15 U.S.C. 1117) is amended by adding at the end the following:

"(d)(1) In this subsection, the term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

"(2)(A) In a case involving the registration or use of an identifier described in subparagraph (B), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a)—

"(i) an award of statutory damages in the amount of—

"(I) not less than $1,000 or more than $100,000 per trademark per identifier, as the court considers just; or

"(II) if the court finds that the registration or use of the registered trademark as an identifier was willful, not less than $3,000 or more than $300,000 per trademark per identifier, as the court considers just; and

"(ii) full costs and reasonable attorney's fees.

"(B) An identifier referred to in subparagraph (A) is an Internet domain name or other identifier of an online location that is—

"(i) the trademark of a person or entity other than the person or entity registering or using the identifier; or

"(ii) sufficiently similar to a trademark of a person or entity other than the person or entity registering or using the identifier as to be likely to—

"(I) cause confusion or mistake;

"(II) deceive; or

"(III) cause dilution of the distinctive quality of a famous trademark.".

(b) REMEDIES FOR DILUTION OF FAMOUS MARKS.—Section 43(c)(2) of the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946, (commonly referred to as the "Trademark Act of 1946") (15 U.S.C. 1125(c)(2)) is amended by striking "35(a)" and inserting "35 (a) and (d)".

SEC. 4. CRIMINAL USE OF COUNTERFEIT TRADEMARK.

(a) IN GENERAL.—Section 2320(a) of title 18, United States Code, is amended—

(1) by inserting "(1)" after "(a)";

(2) by striking "section that occurs" and inserting "paragraph that occurs"; and

(3) by adding at the end the following:

"(2)(A) In this paragraph, the term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

"(B)(i) Except as provided in clause (ii), whoever knowingly and fraudulently or in bad faith registers or uses an identifier described in subparagraph (C) shall be guilty of a Class B misdemeanor.

"(ii) in the case of an offense by a person under this paragraph that occurs after that person is convicted of another offense under this section, that person shall be guilty of a Class E felony.

"(C) An identifier referred to in subparagraph (B) is an Internet domain name or other identifier of an online location that is—

"(i) the trademark of a person or entity other than the person or entity registering or using the identifier; or

"(ii) sufficiently similar to a trademark of a person or entity other than the person or entity registering or using the identifier as to be likely to—

"(I) cause confusion or mistake;

"(II) deceive; or

"(III) cause dilution of the distinctive quality of a famous trademark.

"(D)(i) For the purposes of a prosecution under this paragraph, if all of the conditions described in clause (ii) apply to the registration or use of an identifier described in subparagraph (C) by a defendant, those conditions shall constitute prima facie evidence that the registration or use was fraudulent or in bad faith.

"(ii) The conditions referred to in clause (i) are as follows:

"(I) The defendant registered or used an identifier described in subparagraph (C)—

"(aa) with intent to cause confusion or mistake, deceive, or cause dilution of the distinctive quality of a famous trademark; or

"(bb) with the intention of diverting consumers from the domain or other online location of the person or entity who is the owner of a trademark described in subparagraph (C) to the domain or other online location of the defendant.

"(II) The defendant—

"(aa) provided false information in the defendant's application to register the identifier; or

"(bb) offered to transfer the registration of the identifier to the trademark owner or another person or entity in consideration for any thing of value.

"(III) The identifier is not—

"(aa) the defendant's legal first name or surname; or

"(bb) a trademark of the defendant used in legitimate commerce before the earlier of the first use of the registered trademark referred to in subparagraph (C) or the effective date of the registration of that trademark.

"(iii) The application of this subparagraph shall not be exclusive. Nothing in this subparagraph may be construed to limit the applicability of subparagraph (B).".

(b) SENTENCING GUIDELINES.—

(1) IN GENERAL.—Pursuant to the authority granted to the United States Sentencing Commission under section 994(p) of title 28, United States Code, the United States Sentencing Commission shall—

(A) review the Federal sentencing guidelines for crimes against intellectual property (including offenses under section 2320 of title 18, United States Code); and

(B) promulgate such amendments to the Federal Sentencing Guidelines as are necessary to ensure that the applicable sentence for a defendant convicted of a crime against intellectual property is sufficiently stringent to deter such a crime.

(2) FACTORS FOR CONSIDERATION.—In carrying out this subsection, the United States Sentencing Commission shall—

(A) take into account the findings under section 2; and

(B) ensure that the amendments promulgated under paragraph (1)(B) adequately provide for sentencing for crimes described in paragraph (2) of section 2320(a) of title 18, United States Code, as added by subsection (a).

SEC. 5. LIMITATION OF LIABILITY.

Section 39 of the Act entitled "An Act to provide for the registration and protection of

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S7335 2002

trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946, (commonly referred to as the "Trademark Act of 1946") (15 U.S.C. 1121) is amended by adding at the end the following:

"(c)(1) In this subsection, the term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

"(2)(A) An Internet service provider, domain name registrar, or registry described in subparagraph (B) shall not be liable for monetary relief to any person for a removal or transfer described in that subparagraph, without regard to whether the domain name or other identifier is ultimately determined to be infringing or dilutive.

"(B) An Internet service provider, domain name registrar, or registry referred to in subparagraph (A) is a provider, registrar, or registry that, upon receipt of a written notice from the owner of a trademark registered in the Patent and Trademark Office, removes from domain name service (DNS) service or registration, or transfers to the trademark owner, an Internet domain name or other identifier of an online location alleged to be infringing or dilutive, in compliance with—

"(i) a court order; or

"(ii) the reasonable implementation of a policy prohibiting the unauthorized registration or use of another's registered trademark as an Internet domain name or other identifier of an online location.".

THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT—SECTION-BY-SECTION ANALYSIS

A bill to protect consumers and promote electronic commerce by amending certain trademark infringement, dilution, and counterfeiting laws, and for other purposes.

SECTION 1: SHORT TITLE

This Act may be cited as the "Anticybersquatting Consumer Protection Act."

SECTION 2: FINDINGS

This section sets out Congressional findings concerning the effect of "unauthorized registration or use of trademarks as Internet domain names or other identifiers of online locations" ("cybersquatting"). Cyber- squatting (1) results in consumer fraud, (2) impairs electronic interstate commerce, and (3) deprives trademark owners of revenue and consumer goodwill.

SECTION 3: TRADEMARK REMEDIES

(a) Recovery for violation of rights

The Trademark Act of 1946 (15 U.S.C. 1117) shall incorporate the definition of "Internet" used in the Communications Act of 1934 (47 U.S.C. 230 (f) (1)).

An "identifier" refers to an Internet domain name or another identifier of an online location that is (i) the plaintiff's trademark, or (ii) so sufficiently similar to the plaintiff's trademark as to be likely to "cause confusion or mistake," "deceive," or "cause dilution of the distinctive quality of a famous trademark."

This section expands civil penalties for cybersquatting by providing that before final judgment in a case involving the registration or use of an identifier, a plaintiff may—instead of seeking actual damages or profits—elect to recover statutory damages of at least $1,000, but not more than $100,000 (at least $3,000, but not more than $300,000 if court finds that the registration or use of the trademark was willful) per trademark per identifier, as the court considers just. Furthermore, the plaintiff may recover full costs and reasonable attorney's fees.

(b) Remedies for dilution of famous marks

This section amends the Trademark Act of 1946 (15 U.S.C. 1125 (c) (2)) by making the remedies set forth in section 3 (a) also available for the willful dilution of famous marks or trade on the owner's reputation.

SECTION 4: CRIMINAL USE OF COUNTERFEIT TRADEMARK

(a) In general

This section amends 18 U.S.C. 2320 (a) ("Trafficking in Counterfeit Goods or Services") by adding criminal penalties for the use of a counterfeit trademark on the Internet. Like section 3 (a), this section incorporates the definition of Internet used in the Communications Act of 1934 (47 U.S.C. 230 (f) (1)). It also incorporates the same definition of "identifier" found in section 3 (a).

Under this section, whoever knowingly and fraudulently or in bad faith registers or uses the trademark of another would be guilty of a Class B misdemeanor. Repeat offenders would be guilty of Class E felony.

Prima facie evidence that a registration or use was fraudulent or in bad faith would require satisfaction of the following elements: (1) the defendant registered or used an identifier with intent to (a) cause confusion or mistake, deceive, or cause dilution of the distinctive quality of a famous trademark, or (b) with intention of diverting consumers from the trademark owner to the defendant; and

(2) the defendant provided false information in its application to register the identifier or offered to transfer the identifier's registration to the trademark owner or other person or entity for something of value; and

(3) the identifier is not the defendant's legal first name or surname or the defendant had not used the identifier in legitimate commerce before the earlier of either the first use of the registered trademark or the effective date of its registration.

(b) Sentencing guidelines

(1) In general

The United States Sentencing Commission shall provide for penalties for the criminal use of counterfeit trademarks by amending the sentencing guidelines in accordance with the guidelines for crimes against intellectual property (18 U.S.C. 2320).

(2) Factors for consideration

The United States Sentencing Commission shall take into account the Findings promulgated in Section 2 and ensure that the amendments to the sentencing guidelines adequately provide penalties for the crimes described in this Act.

SECTION 5: LIMITATION OF LIABILITY

An Internet service provider (ISP) or domain name registrar shall not be liable for monetary damages to any person if it removes an infringing identifier from domain name server (DNS) service or from registration, or transfers it to the trademark owner: (1) upon written notice from the trademark owner and (2) in compliance with either a court order or the reasonable implementation of a policy prohibiting the unauthorized registration or use of another's registered trademark.

This limitation shall apply without regard to whether the domain name or other identifier is ultimately determined to be infringing or dilutive.

INFORMATION TECHNOLOGY INDUSTRY COUNCIL,
Washington, DC, June 21, 1999.

Hon. SPENCER ABRAHAM,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR ABRAHAM: On behalf of ITI's member companies, I am writing to thank you, Senator Hatch and Senator Torricelli for your leadership in introducing the Anti-Cybersquatting Consumer Protection Act today.

ITI is the association of leading U.S. providers of information technology products and services. It advocates growing the economy through innovation and supports free-market policies. ITI members had worldwide revenue of more than $440 billion in 1998 and employ more than 1.2 million people in the United States.

Over the past several years, trademark holders have found it difficult and expensive to prevent infringement and dilution of their marks online, especially as "cybersquatters" have made a cottage industry out of intentionally registering others' trademarks as domain names and seeking to sell the domain name back to the rightful owners. Such activity damages electronic commerce by sowing confusion among consumers and other internet users.

While some ITI members have concerns about the bill's criminal provisions, we believe the importance of federal legislation to stop cybersquatting should not be underestimated and we look forward to working with you as this legislation is considered by the Senate.

Best regards,

PHILLIP BOND,
Senior Vice President, Government Relations.

ADDITIONAL COSPONSORS

S. 25

At the request of Ms. LANDRIEU, the name of the Senator from Virginia (Mr. ROBB) was added as a cosponsor of S. 25, a bill to provide Coastal Impact Assistance to State and local governments, to amend the Outer Continental Shelf Lands Act Amendments of 1978, the Land and Water Conservation Fund Act of 1965, the Urban Park and Recreation Recovery Act, and the Federal Aid in Wildlife Restoration Act (commonly referred to as the Pittman-Robertson Act) to establish a fund to meet the outdoor conservation and recreation needs of the American people, and for other purposes.

S. 37

At the request of Mr. GRASSLEY, the names of the Senator from Minnesota (Mr. GRAMS) and the Senator from North Carolina (Mr. HELMS) were added as cosponsors of S. 37, a bill to amend title XVIII of the Social Security Act to repeal the restriction on payment for certain hospital discharges to post-acute care imposed by section 4407 of the Balanced Budget Act of 1997.

S. 57

At the request of Ms. MIKULSKI, the name of the Senator from Nevada (Mr. REID) was added as a cosponsor of S. 57, a bill to amend title 5, United States Code, to provide for the establishment of a program under which long-term care insurance is made available to Federal employees and annuitants, and for other purposes.

S. 61

At the request of Mr. DEWINE, the name of the Senator from Illinois (Mr. FITZGERALD) was added as a cosponsor of S. 61, a bill to amend the Tariff Act of 1930 to eliminate disincentives to fair trade conditions.

S. 71

At the request of Ms. SNOWE, the name of the Senator from Arkansas

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S7336 2002

Document No. 6

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

hearing on "Official Dollarization in Latin America."

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

THE HIGH-TECH AGENDA

• Mr. ABRAHAM. Mr. President, I rise to address the importance of the high-tech industry for working families in America, and in my state in particular, and to set out what I believe should be the high-tech agenda for this body in the coming months.

Employment in our high-technology sector is vast and growing. According to the American Electronics Association, about 4,825,000 Americans were employed in the high-tech sector during 1998. That reflects a net increase of 852,000 jobs since 1990. And these jobs pay very well. The average high-tech worker in 1997 made over $53,000 per year—a 19% increase over the levels of 1990.

My state of Michigan is playing an important part in the expansion of high-tech industry in America. Ann Arbor has among the largest concentrations of high-technology firms and employees in the nation. The University of Michigan is a leader in this field, and we have integrated cutting edge technology throughout our manufacturing and services sectors.

As of 1997, 96,000 Michiganians were employed in high-tech jobs. The total payroll for these Michigan workers reaches $4.5 billion annually, and the average employee makes an impressive $46,761 per year.

High-tech is of critical importance to my state. In addition to those who are directly employed in this sector, thousands of others depend on the health of our high-tech industry for their livelihood. Just as an example, 21 percent of Michigan's total exports consist of high-tech goods. Clearly, whether in international trade, automobile manufacturing, mining, financial services, or communications, Michigan's workers depend on a healthy high-tech industry in our state.

And the same goes for America, Mr. President. The internet is transforming the way we do business. Electronic or "E" commerce between businesses has grown to an estimated $64.8 billion for 1999. 10 million customers shopped for some product using the internet in 1998 alone. International Data Corporation estimates that $31 billion in products will be sold over the Internet in 1999. And 5.3 million households will have access to financial transactions like banking and stock trading by the end of 1999.

All this means that our economy, and its ability to provide high paying jobs for American workers, is increasingly wrapped up in high-tech. Indeed, our nation's competitive edge in the global marketplace rests squarely on our expertise in the high-tech sector. We must maintain a healthy high-tech sector if we are to maintain a healthy, growing economy.

This is not special pleading for one industry, Mr. President. It is a simple recognition of the fact that computer technology is an integral part of numerous industries important to the workers of this country. That being the case, it is in my view critical that we secure the health and vitality of the high-tech sector through policies that encourage investment and competition. In my view it also is critical that we empower more Americans to take part in the economic improvements made possible by high-tech through proper training and education.

Entrepreneurs and workers have made our high-tech sector a success already. That means that Washington's first duty is to do no harm. The federal government must maintain a hands-off policy, refusing to lay extra taxes and regulations on the people creating jobs and wealth through technology.

But in one area in particular decisive action is required. We have all heard, Mr. President, about the impending year 2000 or "Y2K" computer problem. Because most computers have been programmed to recognize only the last two digits of a given year, for example assuming the number 69 to refer to 1969, the year 2000 will bring with it many potential problems. Computers that have not been re-programmed to register the new century may assume, come next January 1, that we have entered the year 1900. The results may be minor, or they may include computer malfunctions affecting manufacturing, transportation, water supplies and even medical care.

Clearly such a result would be in no one's interest. Whether large or small, and whether producers or users of computer systems, all businesses have a stake in making the computer transition to the 21st century as smooth as possible. But, as in so many other areas of our lives, progress in dealing with the Y2K problem is being slowed because companies are afraid that acting at this time will simply expose them to big-budget lawsuits. After all, why get involved in a situation that might expose you to expensive litigation?

It was to help prevent these problems that I joined a number of my colleagues to sponsor legislation providing incentives for solving technical issues before failures occur, and by encouraging effective resolution of Y2K problems when they do occur.

This legislation, which the administration has finally signed into law, contains several provisions that would encourage parties to avoid litigation in dealing with the Y2K problem. In addition, Mr. President, this legislation contains provisions to prevent unwarranted, profit-seeking lawsuits from exacerbating any Y2K problem, provisions making sure that only real damages are compensated and only truly responsible parties are made defendants in any Y2K lawsuit.

Quick action is needed, in my view, to prevent the Y2K problem from becoming a disaster. It is a matter of simple common sense that we establish rational legal rules to encourage cooperation and repair rather than conflict and lawsuits in dealing with Y2K. Indeed, for my part, Mr. President, I have made no secret of my desire to apply common sense rules, encouraging cooperation rather than conflict, to our legal system as a whole. I would view our response to the Y2K problem as really an extension of the idea of common sense legal reform to the high-tech arena.

High-technology related commerce, and commerce over the internet in particular, is subject to the same dangers as other forms of commerce. And that means government must make certain that the basic protections needed to make commerce possible are applied to the high-tech sector. In particular, we should keep in mind that commerce is possible only if all parties can be assured that their property will be respected and protected from theft.

I have introduced the Anticybersquatting Consumer Protection Act to combat a new form of fraud that is increasing dangers and costs for people doing business on the internet. The culprit is "cybersquatting," a practice whereby individuals reserve internet domain names similar or identical to companies' trademark names. Some of these sites broadcast pornographic images. Others advertise merchandise and services unrelated to the trademarked name. Still others have been purchased solely for the purpose of forcing the trademark owners to purchase them at highly inflated prices. All of them pollute the internet, undermine consumer confidence and dilute the value of valid trademarks.

Trademark law is based on the recognition that companies and individuals build a property right in brand names because of the reasonable expectations they raise among consumers. If you order a Compaq or a DEC computer, that should mean that you get a computer made by Compaq or DEC, not one built by a fly-by-night company pirating the name. The same goes for trademarks on the Internet. And if it doesn't, if anyone can just come along and take over a brand name, then commerce will suffer. If anyone who wants to steal your product can do so with impunity, then you won't be in business for long. If anyone who wants to steal company trademarks for use on the internet can do so with impunity, then the internet itself will lose its value as a marketplace and people will stop using it for e-commerce. It's really as simple as that.

We must, in my view, extend the basic property rights protections so central to the purpose of government, to the realm of e-commerce.

I have argued, Mr. President, that we must extend the basic, structural rules and protections of commerce to the high-tech arena. To be successful this

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effort requires recognition of the need for reasoned innovation. If they are to continue fulfilling their vital function of protecting commerce, pre-existing rules must be modified at times to meet the challenges of new technologies. Nowhere is this more true than in the instance of electronic signatures.

Secure electronic authentication methods, or electronic signatures," can allow organizations to enter into contracts without having to drive across town or fly thousands of miles for personal meetings—or wait for papers to make several trips through the mail. They can allow individuals to positively identify the person with whom they are transacting business and to ensure that shared information has not been tampered with.

Electronic signatures are highly controlled and are far more secure than manual signatures. They cannot be forged in the same, relatively easy way as manual signatures. Electronic signatures are verifiable and become invalid if any of the data in the electronic document is altered or deleted. They can make e-commerce the safest as well as the most convenient commerce available.

We made great strides in this Congress toward expanding the use of electronic signatures with the Abraham Government Paperwork Elimination Act. That legislation requires federal agencies to make versions of their forms available online and to allow people to submit those forms with electronic signatures instead of handwritten ones. It also set up a process by which commercially developed electronic signatures can be used in submitting forms to the government, and federal documents could be stored electronically.

By providing individuals and companies with the option of electronic filing and storage, this legislation will reduce the paperwork burden imposed by government on the American people and the American economy. It also will spur electronic innovation. But more must be done, particularly in the area of electronic signatures, to establish a uniform framework within which innovation can be pursued.

More than 40 states have adopted rules governing the use of electronic signatures. But no two states have adopted the same approach. This means that, at present, the greatest barrier to the use of electronic signatures is the lack of a consistent and predictable national framework of rules. Individuals and organizations are not willing to rely on electronic signatures when they cannot be sure that they will be held valid.

I have joined with my colleagues, Senators MCCAIN and WYDEN, to author the Millennium Digital Commerce Act. This legislation, which was recently passed out of the Senate Commerce Committee, will ensure that individuals and organizations in different states are held to their agreements and obligations even if their respective states have different rules concerning electronically signed documents. It provides that electronic records produced in executing a digital contract shall not be denied legal effect solely because they were entered into over the Internet or any other computer network. This will provide uniform treatment of electronic signatures in all the states until such time as they enact uniform legislation on their own.

Our bill also lets the parties who enter into a contract determine, through that contract, what technologies and business methods they will use to execute it. This will give those involved in the transaction the power to decide for themselves how to allocate liability and fees as well as registration and certification requirements. In essence, this legislation empowers individuals and companies involved in e-commerce to decide for themselves whether and how to use the new technology of electronic signatures. It will encourage further growth in this area by extending the power of the contracting parties to define the terms of their own agreements.

And another piece of legislation, the Electronic Securities Transaction Act will remove a specific barrier in the law that is slowing the growth of online commerce in the area of securities trading. As the law now stands, Mr. President, anyone wishing to do business with an online trading company must request or download application materials and physically sign them, then wait for some form of surface mail system to deliver the forms before conducting any trading. Such rules cause unneeded delays and will be eliminated by this legislation.

Control over their agreements is crucial to allowing companies and individuals to conduct commerce in and through the means of high-technology. But we must do more to ensure the continued growth of high-tech commerce. Perhaps most important, we must make certain that companies involved in high-tech can find properly trained people to work for them.

During the last session of Congress I sponsored the American Competitiveness Act. This legislation, since signed into law, provides for a limited increase in the number of highly skilled foreign-born workers who can come to this country on temporary worker visas. It also provides for scholarships to students who elect to study in areas important for the high-tech industry, including computers, math and science.

In my view we should build on the American Competitiveness Act by extending training and educational assistance to the millions of elementary and secondary school children who can and should become the high-tech workers of tomorrow.

It is projected that 60 percent of all jobs will require high-tech computer skills by the year 2000. But 32 percent of our public schools have only one classroom with access to the Internet. The Educational Testing Service reports that, on average, in 1997 there was only one multi-media computer for every 24 students in America. That makes the line to use a school computer five times longer than the Education Department says it should be.

Not only do our classrooms have too few computers, the few computers they do have are so old and outdated that they cannot run the most basic of today's software programs and cannot even access the Internet. One of the more common computers in our schools today is the Apple IIc, a model so archaic it is now on display at the Smithsonian.

The federal government recently attempted to rectify this situation, with little success. The 21st Century Classrooms Act of 1997 allows businesses to take a deduction for donating computer technology, equipment and software. Unfortunately, that deduction was small and businesses had difficulty qualifying for it. Thus the Detwiler Foundation, a leading clearinghouse for computer-to-school donations, reports that they have not witnessed the anticipated increase in donation activity" since its enactment.

I strongly believe that we must change that. That is why I have joined with Senator RON WYDEN (D-Ore.) to offer the New Millennium Classrooms Act. This legislation will increase the amount of computer technology donated to schools, helping our kids prepare for the high-tech jobs of the future.

The earlier tax deduction failed to produce donations because it was too narrowly drawn. It allowed only a limited deduction (one half the fair market value of the computer). It also applied this deduction only to computers less than two years old. And only the original user of the computer could donate it to the school.

Under the New Millennium Classrooms Act, however, businesses will be able to choose either the old deduction or a tax credit of up to 30 percent of the computer's fair market value, whichever reduces their taxes most. Businesses donating computers to schools located in empowerment zones, enterprise communities and Indian reservations would be eligible for a 50 percent tax credit because they are bringing computers to those who need them most.

In addition, the New Millennium Classrooms Act would eliminate the two year age limit. After all, many computers more than two years old today have Pentium-chip technology and can run programs advanced enough to be extremely useful in the classroom. Finally, the new legislation would let companies that lease computers to other users donate those computers once they are handed in.

These provisions will expand the availability of useful computers to our schools. They will allow our classrooms to become real places of high-tech learning, preparing our children for the

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challenges of the future and providing our economy with the skilled workers we need to keep us prosperous and moving ahead. They are an important part of an overall high-tech agenda that emphasizes expanding opportunities for all Americans.

Of course we must do more. We must extend the Research and Development tax credit so important to high-tech innovation. We must extend the 3 year moratorium on any taxing of the internet. We must update our encryption laws so that American companies can compete overseas and provide consumers with state-of-the-art protection for their e-commerce. We must increase high-speed internet access. I will work to support each and every one of these reforms.

Mr. President, these are some of the legislative initiatives a number of my colleagues and I are working on to ensure the future of high-tech growth in this country. It is an important agenda because high-tech is an important sector of our economy. I hope members of both houses of Congress and the Administration will recognize the need to support this agenda so that American workers can continue to prosper.•

TRIBUTE TO COACH GLENN DANIEL

• Mr. SHELBY. Mr. President, I rise today to pay tribute to Coach Glenn Daniel, a dedicated man and an inspirational leader to the many football teams which he has led. The state of Alabama has been blessed with a very rich football heritage. The thought of the sport conjures images of Bear Bryant leading his famed University of Alabama teams to glory on the gridiron. Between interstate colleges and high school rivalries, there is no argument that the State's roots are firmly entrenched in the game of football.

It is from these roots that I pay tribute to the most successful coach in the history of Alabama high school football, Coach Glenn Daniel. With a lifetime record of 302 wins, 167 loses and 16 ties, Coach Daniel has stood the test of time and climbed countless obstacles in his relentless assault on the record books. Coach Daniel's 50-year career, spanning six decades, serves as a inspiration to the young people he coaches and as an example of the internal fortitude and a strength of character which few possess. He is truly the standard bearer for a high school coaching legend and the definition of a man dedicated to the sport of football.

Born on December 2, 1925, in Montgomery, Coach Daniel attended Albert G. Parrish High School in rustic Selma, Alabama. He earned a Bachelor's Degree in Education at Livingston University (now the University of West Alabama) and a Master's Degree from the University of Alabama in 1956. It was in 1947 that Glenn Daniel began his coaching career at the rural Alabama school of Pine Hill High. He was able to successfully resuscitate a football program which had been discontinued for several years due to World War II. Within 5 years of beginning his tenure at Pine Hill, he had established a perennial football powerhouse at the school. During this time, Coach Daniel lead his team to an undefeated season, while outscoring opponents 232-32 and receiving a Birmingham News regional championship.

Following his tenure at Pine Hill, Coach Daniel moved on to coach at Luverne High School in Luverne, Alabama. While coaching at the school for 38 years, Coach Daniel's teams finished with an astonishing 34 winning seasons. In 11 of his last 12 years, his team earned a spot in the state playoffs, including three semi-finals appearances. His remarkable 1951 team reached the ultimate promise land, winning the state 3A championship, the first in Luverne High School's history. Coach Daniel retired in 1993 and did not coach during the 1993 and 1994 seasons. However, he returned as an assistant coach for the 1995 season as Defensive Coordinator and helped his team earn a state championship in 1997.

Coach Daniel was named Alabama's Coach of the Year in 1981, 1987, and 1991 by various major newspapers in the state. In a coach's poll conducted in 1985, he was ranked by his peers as one of the ten best coaches in the state. In addition to these accolades, Coach Daniel served as head coach of the Alabama team in the annual Alabama/Mississippi All-Star Football Classic in 1992, and was named as Alumni Coach of the Year in 1992 by the University of West Alabama. In a fitting honor to cap his distinguished career, Coach Daniel was chosen as a member of the inaugural class of inductees into the Alabama High School Sports Hall of Fame in 1991. Mr. President, if a coaching career has ever proven deserving of these many distinctions, it is Coach Glenn Daniel.•

EXECUTIVE SESSION

EXECUTIVE CALENDAR

Mr. JEFFORDS. Mr. President, I ask unanimous consent that the Senate immediately proceed to executive session to consider Executive Calendar No. 164 on today's Executive Calendar.

I further ask unanimous consent the nomination be confirmed, the motion to reconsider be laid upon the table, any statements relating to the nomination appear in the RECORD, the President be immediately notified of the Senate's action, and the Senate then return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

The nomination considered and confirmed is as follows:

DEPARTMENT OF COMMERCE

Johnnie E. Frazier, of Maryland, to be Inspector General, Department of Commerce.

LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will resume legislative session.

FEDERAL FINANCIAL ASSISTANCE MANAGEMENT IMPROVEMENT ACT OF 1999

Mr. JEFFORDS. I ask unanimous consent the Senate now proceed to the consideration of Calendar No. 199, S. 468.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

A bill (S. 468) to improve the effectiveness and performance of Federal financial assistance programs, simplify Federal financial assistance application and reporting requirements, and improve the delivery of services to the public.

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Governmental Affairs, with amendments; as follows:

(The parts of the bill intended to be stricken are shown in boldface brackets and the parts of the bill intended to be inserted are shown in italic.)

S. 468

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Federal Financial Assistance Management Improvement Act of 1999".

SEC. 2. FINDINGS.

[The] Congress finds that—

(1) there are over 600 different Federal financial assistance programs to implement domestic policy;

(2) while the assistance described in paragraph (1) has been directed at critical problems, some Federal administrative requirements may be duplicative, burdensome or conflicting, thus impeding cost-effective delivery of services at the local level;

(3) the Nation's State, local, and tribal governments and private, nonprofit organizations are dealing with increasingly complex problems which require the delivery and coordination of many kinds of services; and

(4) streamlining and simplification of Federal financial assistance administrative procedures and reporting requirements will improve the delivery of services to the public.

SEC. 3. PURPOSES.

The purposes of this Act are to—

(1) improve the effectiveness and performance of Federal financial assistance programs;

(2) simplify Federal financial assistance application and reporting requirements;

(3) improve the delivery of services to the public; and

(4) facilitate greater coordination among those responsible for delivering such services.

SEC. 4. DEFINITIONS.

In this Act:

(1) DIRECTOR.—The term "Director" means the Director of the Office of Management and Budget.

(2) FEDERAL AGENCY.—The term "Federal agency" means any agency as defined under section 551(1) of title 5, United States Code.

(3) FEDERAL FINANCIAL ASSISTANCE.—The term "Federal financial assistance" has

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S8695 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S8696 2002

Document No. 7

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

paragraph (1)(A) or the skilled nursing facility described in paragraph (1)(B); and

"(II) elects to receive services from the skilled nursing facility after the hospitalization, whether or not, in the case of a skilled nursing facility described in paragraph (1)(A), the individual resided in such facility before entering the hospital.

"(C) The skilled nursing facility has the capacity to provide the services the individual requires.

"(D) The skilled nursing facility agrees to accept substantially similar payment under the same terms and conditions that apply to similarly situated skilled nursing facilities that are under contract with the Medicare+Choice organization.

"(3) COVERAGE OF SNF SERVICES TO PREVENT HOSPITALIZATION.—A Medicare+Choice organization may not deny payment for services provided to an enrollee of a Medicare+Choice plan (offered by such organization) by a skilled nursing facility in which the enrollee resides, without a preceding hospital stay, regardless of whether the Medicare+Choice organization has a contract with such facility to provide such services, if—

"(A) the Medicare+Choice organization has determined that the service is necessary to prevent the hospitalization of the enrollee; and

"(B) the factors specified in subparagraphs (A), (C), and (D) of paragraph (2) exist.

"(4) COVERAGE OF SERVICES PROVIDED IN SNF WHERE SPOUSE RESIDES.—A Medicare+Choice organization may not deny payment for services provided to an enrollee of a Medicare+Choice plan (offered by such organization) by a skilled nursing facility in which the enrollee resides, regardless of whether the Medicare+Choice organization has a contract with such facility to provide such services, if the spouse of the enrollee is a resident of such facility and the factors specified in subparagraphs (A), (C), and (D) of paragraph (2) exist.

"(5) SKILLED NURSING FACILITY MUST MEET MEDICARE PARTICIPATION REQUIREMENTS.—This subsection shall not apply unless the skilled nursing facility involved meets all applicable participation requirements under this title.

"(6) PROHIBITIONS.—A Medicare+Choice organization offering a Medicare+Choice plan may not—

"(A) deny to an individual eligibility, or continued eligibility, to enroll or to renew coverage under such plan, solely for the purpose of avoiding the requirements of this subsection;

"(B) provide monetary payments or rebates to enrollees to encourage such enrollees to accept less than the minimum protections available under this subsection;

"(C) penalize or otherwise reduce or limit the reimbursement of a health care provider or organization because such provider or organization provided services to the individual in accordance with this subsection; or

"(D) provide incentives (monetary or otherwise) to a health care provider or organization to induce such provider or organization to provide care to a participant or beneficiary in a manner inconsistent with this subsection.

"(7) COST-SHARING.—Nothing in this subsection shall be construed as preventing a Medicare+Choice organization offering a Medicare+Choice plan from imposing deductibles, coinsurance, or other cost-sharing for services covered under this subsection if such deductibles, coinsurance, or other cost-sharing would have applied if the skilled nursing facility in which the enrollee received such services was under contract with the Medicare+Choice organization.

"(8) NONPREEMPTION OF STATE LAW.—The provisions of this subsection shall not be construed to preempt any provision of State law that affords greater protections to beneficiaries with regard to coverage of items and services provided by a skilled nursing facility than is afforded by such provisions of this subsection.

"(9) DEFINITIONS.—In this subsection:

"(A) CONTINUING CARE RETIREMENT COMMUNITY.—The term 'continuing care retirement community' means an organization that provides or arranges for the provision of housing and health-related services to an older person under an agreement.

"(B) SKILLED NURSING FACILITY.—The term 'skilled nursing facility' has the meaning given such term in section 1819(a).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to contracts entered into or renewed on or after the date of enactment of this Act.

By Mr. HATCH (for himself, Mr. LEAHY, Mr. ABRAHAM, Mr. TORRICELLI, Mr. DEWINE, Mr. KOHL, and Mr. SCHUMER):

S. 1461. A bill to amend the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) to protect consumers and promote electronic commerce by prohibiting the bad-faith registration, trafficking or use of Internet domain names that are identical to, confusingly similar to, or dilutive of distinctive trademarks or service marks; to the Committee on the Judiciary.

DOMAIN NAME PIRACY PREVENTION ACT OF 1999

Mr. HATCH. Mr. President, I am pleased to rise today, along with my colleague, the Ranking Member on the Judiciary Committee, Senator LEAHY, to introduce legislation that will address a growing problem for consumers and American businesses online. At issue is the deliberate, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners. for the Net-savy, this burgeoning form of cyber-abuse is known as "cybersquatting." for the average consumer, it is basically fraud, deception, and the bad-faith trading on the goodwill of others. Whatever you call it, it is an issue that has a great impact on American consumers and the brand names they rely on as indications of source, quality, and authenticity.

As anyone who has walked down the aisle in the grocery store knows, trademarks serve as the primary indicators of source, quality, and authenticity in the minds of consumers. How else do you explain the price disparity between various brands of toothpaste, laundry detergent, or even canned beans. These brand names are valuable in that they convey to the consumer reliable information regarding the source and quality of goods and services, thereby facilitating commerce and spurring confidence in the marketplace. Unauthorized uses of others' marks undercuts the market by eroding consumer confidence and the communicative value of the brand names we all rely on. For that very reason, Congress has enacted a number of statutes addressing the problems of trademark infringement, false advertising and unfair competition, trademark dilution, and trademark counterfeiting. Doing so has helped protect American businesses and, more importantly perhaps, American consumers.

As we are seeing with increased frequency, the problems of brand-name abuse and consumer confusion are particularly acute in the online environment. The fact is that a consumer in a "brick and mortar" world has the luxury of a variety of additional indicators of source and quality aside from a brand name. For example, when one walks in to the local consumer electronics retailer, he is fairly certain with whom he is dealing, and he can often tell by looking at the products and even the storefront itself whether or not he is dealing with a reputable establishment. These protections are largely absent in the electronic world, where anyone with Internet access and minimal computer knowledge can set up a storefront online.

In many cases what consumers see when they log on to a site is their only indication of source and authenticity, and legitimate and illegitimate sites may be indistinguishable in cyberspace. In fact, a well-known trademark in a domain name may be the primary source indicator for the online consumer. So it a bad actor is using that name, rather than the trademark owner, an online consumer is at serious risk of being defrauded, or at the very least confused. The result, as with other forms of trademark violations, is the erosion of consumer confidence in brand name identifiers and in electronic commerce generally.

Last week the Judiciary Committee heard testimony of a number of examples of consumer confusion on the Internet stemming from abusive domain name registrations. For example, Anne Chasser, President of the International Trademark Association, testified that a cybersquatter had 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. Chris Young, President of Cyveillance, Inc.—a company founded specifically to assist trademark owners police their marks online—testified that a cybersquatter had registered the name "dellspares.com" and was purporting to sell Dell products online, when in fact Dell does not authorize online resellers to market its products. We heard similar testimony of an offshore cybersquatter selling web-hosting services under the name "bellatlantics.com". And Greg Phillips, a Salt Lake City trademark practitioner that represents Porsche in protecting their famous trademark against what is now more than 300 instances of cybersquatting, testified of several examples where bad actors have registered Porsche marks to sell counterfeit goods and non-genuine Porsche parts.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9749 2002

Consider also the child who in a "hunt-and-peck" manner mistakenly typed in the domain for "dosney.com", looking for the rich and family-friendly content of Disney's home page, only to wind up staring at a page of hardcore pornography because someone snatched up the "dosney" domain in anticipation that just such a mistake would be made. In a similar case, a 12-year-old California boy was denied privileges at his school when he entered "zelda.com" in a web browser at his school library, looking for a site he expected to be affiliated with the computer game of the same name, but ended up at a pornography site.

In addition to these types of direct harm to consumers, cybersquatting harms American businesses and the goodwill value associated with their names. In part this is a result of the fact that in each case of consumer confusion there is a case of brand-name misappropriation and an erosion of goodwill. But, even absent consumer confusion, there are many many cases of cybersquatters who appropriate brand names with the sole intent of extorting money from the lawful mark owner, of precluding evenhanded competition, or even very simply of harming the goodwill of the mark.

For example, a couple of years ago a small Canadian company with a single shareholder and a couple of dozen domain names demanded that Umbro International, Inc., which markets and distributes soccer equipment, pay $50,000 to its sole shareholder, $50,000 to a charity, and provide a lifetime supply of soccer equipment in order for it to relinquish the "umbro.com" name. Warner Bros. was reportedly asked to pay $350,000 for the rights to the names "warner-records.com", "warner-bros-records.com", "warner-pictures.com", "warner-bros-pictures", and "warnerpictures.com". And Intel Corporation was forced to deal with a cybersquatter who registered the "pentium3.com" domain and used it to post pornographic images of celebrities.

It is time for Congress to take a closer look at these abuses and to respond with appropriate legislation. In the 104th Congress, Senator LEAHY and I sponsored the "Federal Trademark Dilution Act," which has proved useful in assisting the owners of famous trademarks to police online uses of their marks that dilute their distinctive quality. Unfortunately, the economics of litigation have resulted in a situation where it is often more cost-effective to simply "pay off" a cybersquatter rather than pursue costly litigation with little hope of anything more than an injunction against the offender. And cybersquatters are becoming more sophisticated and more creative in evading what good case law has developed under the dilution statute.

The bill I am introducing today with the Senator from Vermont is designed to address these problems head on by clarifying the rights of trademark owners online with respect to cybersquatting, by providing clear deterrence to prevent such bad faith and abusive conduct, and by providing adequate remedies for trademark owners in those cases where it does occur. While the bill shares the goals of, and has some similarity to, legislation introduced earlier by Senator ABRAHAM, it differs in a number of substantial respects.

First, like Senator ABRAHAM's legislation, our bill allows trademark owners to recover statutory damages in cybersquatting cases, both to deter wrongful conduct and to provide adequate remedies for trademark owners who seek to enforce their rights in court. Our bill goes beyond simply stating the remedy, however, and sets forth a substantive cause of action, based in trademark law, to define the wrongful conduct sought to be deterred and to fill in the gaps and uncertainties of current trademark law with respect to cybersquatting.

Under our bill, the abusive conduct that is made actionable is appropriately limited to bad faith registrations of others' marks by persons who seek to profit unfairly from the goodwill associated therewith. In addition, the bill balances the property interests of trademark owners with the interests of Internet users who would make fair use of others' marks or otherwise engage in protected speech online. Our bill also limits the definition of domain name identifier to exclude such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry. it also omits criminal penalties found in Senator ABRAHAM's earlier legislation.

Second, our bill provides for in rem jurisdiction, which allows a mark owner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so. A significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner. Our bill will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found.

Additionally, some have suggested that dissidents and others who are online incognito for legitimate reasons might give false information to protect themselves and have suggested the need to preserve a degree of anonymity on the Internet particularly for this reason. Allowing a trademark owner to proceed against the domain names themselves, provided they are, in fact, infringing or diluting under the Trademark Act, decreases the need for trademark owners to join the hunt to chase down and root out these dissidents or others seeking anonymity on the Net. The approach in our bill is a good compromise, which provides meaningful protection to trademark owners while balancing the interests of privacy and anonymity on the Internet.

Third, like the Abraham bill, our bill encourages domain name registrars and registries to work with trademark owners to prevent cybersquatting by providing a limited exemption from liability for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting the registration of infringing domain names. Our bill goes further, however, in order to protect the rights of domain name registrants against overreaching trademark owners. Under our bill, a trademark owner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing is liable to the domain name registrant for damages resulting from the suspension, cancellation, or transfer of the domain name. Our bill also promotes the continued ease and efficiency users of the current registration system enjoy by codifying current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name.

Finally, our bill includes an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights, and it ensures that any new remedies created by the bill will apply prospectively only.

Mr. President, this bill is an important piece of legislation that will promote the growth of online commerce by protecting consumers and providing clarity in the law for trademark owners in cyberspace. It is a balanced bill that protects the rights of Internet users and the interests of all Americans in free speech and protected uses of trademarked names for such things as parody, comment, criticism, comparative advertising, news reporting, etc. It reflects many hours of discussions with senators and affected parties on all sides. I want to thank Senator LEAHY for his cooperation in crafting this particular measure, and also Senator ABRAHAM for his cooperation in this effort. I expect that the substance of this bill will be offered as a Committee substitute to Senator ABRAHAM's legislation when the Judiciary Committee turns to that bill tomorrow, and I look forward to broad bipartisan support at that time. I similarly

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9750 2002

look forward to working with my other colleagues here in the Senate to report this bill favorably to the House, and I urge their support in this regard.

I ask unanimous consent that the text of the bill and a section-by-section analysis of the bill be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1461

Be it enacted by the Senate and House of Representatives of the United States of America In Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "Domain Name Piracy Prevention Act of 1999".

(b) REFERENCES TO THE TRADEMARK ACT OF 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 2. FINDINGS.

Congress finds the following:

(1) The registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of a trademark or service mark of another that is distinctive at the time of registration of the domain name, without regard to the goods or services of the parties, with the bad-faith intent to profit from the goodwill of another's mark (commonly referred to as "cyberpiracy" and "cybersquatting")—

(A) results in consumer fraud and public confusion as to the true source or sponsorship of goods and services;

(B) impairs electronic commerce, which is important to interstate commerce and the United States economy;

(C) deprives legitimate trademark owners of substantial revenues and consumer goodwill; and

(D) places unreasonable, intolerable, and overwhelming burdens on trademark owners in protecting their valuable trademarks.

(2) Amendments to the Trademark Act of 1946 would clarify the rights of a trademark owner to provide for adequate remedies and to deter cyberpiracy and cybersquatting.

SEC. 3. CYBERPIRACY PREVENTION.

(a) IN GENERAL.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

"(d)(1)(A) Any person who, with bad-faith intent to profit from the goodwill of a trademark or service mark of another, registers, traffics in, or uses a domain name that is identical to, confusingly similar to, or dilutive of such trademark or service mark, without regard to the goods or services of the parties, shall be liable in a civil action by the owner of the mark, if the mark is distinctive at the time of the registration of the domain name.

"(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

"(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

"(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

"(iii) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

"(iv) the person's legitimate noncommercial or fair use of the mark in a site accessible under the domain name;

"(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

"(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for substantial consideration without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

"(vii) the person's intentional provision of material and misleading false contact information when applying for the registration of the domain name; and

"(viii) the person's registration or acquisition of multiple domain names which are identical to, confusingly similar to, or dilutive of trademarks or service marks of others that are distinctive at the time of registration of such domain names, without regard to the goods or services of such persons.

"(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

"(2)(A) The owner of a mark may file an in rem civil action against a domain name if—

"(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c); and

"(ii) the court finds that the owner has demonstrated due diligence and was not able to find a person who would have been a defendant in a civil action under paragraph (1).

"(B) The remedies of an in rem action under this paragraph shall be limited to 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.".

(b) ADDITIONAL CIVIL ACTION AND REMEDY.—The civil action established under section 43(d)(1) of the Trademark Act of 1946 (as added by this section) and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

SEC. 4. DAMAGES AND REMEDIES.

(a) REMEDIES IN CASES OF DOMAIN NAME PIRACY.—

(1) INJUNCTIONS.—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking "section 43(a)" and inserting "section 43 (a), (c), or (d)".

(2) DAMAGES.—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", (c), or (d)" after "section 43 (a)".

(b) STATUTORY DAMAGES.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court shall remit statutory damages in any case in which an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.".

SEC. 5. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43 (a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

"(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

"(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

"(I) in compliance with a court order under section 43(d); or

"(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark registered on the Principal Register of the United States Patent and Trademark Office.

"(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

"(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any person that a domain name is identical to, confusingly similar to, or dilutive of a mark registered on the Principal Register of the United States Patent and Trademark Office, such person shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.".

SEC. 6. DEFINITIONS.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the undesignated paragraph defining the term "counterfeit" the following:

"The term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

"The term 'domain name' means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.".

SEC. 7. SAVINGS CLAUSE.

Nothing in this Act shall affect any defense available to a defendant under the Trademark Act of 1946 (including any defense under section 43(c)(4) of such Act or relating to fair use) or a person's right of free speech or expression under the first amendment of the United States Constitution.

SEC. 8. SEVERABILITY.

If any provision of this Act, an amendment made by this Act, or the application of such provision or amendment to any person or circumstances is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of the provisions of such to any person or circumstance shall not be affected thereby.

SEC. 9. EFFECTIVE DATE.

This Act shall apply to all domain names registered before, on, or after the date of enactment of this Act, except that statutory

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9751 2002

damages under section 35(d) of the Trademark Act of 1946 (15 U.S.C. 1117), as added by section 4 of this Act, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment of this Act.

SECTION BY SECTION ANALYSIS—S. 1461, THE "DOMAIN NAME PIRACY PREVENTION ACT OF 1999."

SECTION 1. SHORT TITLE; REFERENCES

This section provides that the Act may be cited as the "Domain Name Piracy Prevention Act of 1999" and that any references within the bill to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.), also commonly referred to as the Lanham Act.

SECTION 2. FINDINGS

This section sets forth Congress' findings that cybersquatting and cyberpiracy—defined as the registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of a distinctive trademark or service mark of another with the bad faith intent to profit from the goodwill of that mark—harms the public by causing consumer fraud and public confusion as to the true source or sponsorship of goods and services, by impairing electronic commerce, by depriving trademark owners of substantial revenues and consumer goodwill, and by placing unreasonable, intolerable, and overwhelming burdens on trademark owners in protecting their own marks. Amendments to the Trademark Act would clarify the rights of trademark owners to provide for adequate remedies for the abusive and bad faith registration of their marks as Internet domain names and to deter cyberpiracy and cybersquatting.

SECTION 3. CYBERPIRACY PREVENTION

Subsection (a). In General. This subsection amends section the Trademark Act to provide an explicit trademark remedy for cybersquatting under a new section 43(d). Under paragraph (1)(A) of the new section 43(d), actionable conduct would include the registration, trafficking in, or use of a domain name that is identical to, confusingly similar to, or dilutive of the trademark or service mark of another, provided that the mark was distinctive (i.e., enjoyed trademark status) at the time the domain name was registered. The bill is carefully and narrowly tailored, however, to extend only to cases where the plaintiff can demonstrate that the defendant registered, trafficked in, or used the offending domain name with bad-faith intent to profit from the goodwill of a mark belonging to someone else. Thus, the bill does not extend to innocent domain name registrations by those who are unaware of another's use of the name, or even to someone who is aware of the trademark status of the name but registers a domain name containing the mark for any reason other than with bad faith intent to profit from the goodwill associated with that mark.

Paragraph (1)(B) of the new section 43(d) sets forth a number of nonexclusive, nonexhaustive factors to assist a court in determining whether the required bad-faith element exists in any given case. These factors are designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc. The bill suggests a total of eight factors a court may wish to consider. The first four suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the last four suggest circumstances that may tend to indicate that such bad-faith intent exists.

First, under paragraph (1)(B)(i), a court may consider whether the domain name registrant has trademark or any other intellectual property rights in the name. This factor recognizes, as does trademark law in general, that there may be concurring uses of the same name that are noninfringing, such as the use of the "Delta" mark for both air travel and sink faucets. Similarly, the registration of the domain name "deltaforce.com" by a movie studio would not tend to indicate a bad faith intent on the part of the registrant to trade on Delta Airlines or Delta Faucets' trademarks.

Second, under paragraph (1)(B)(ii), a court may consider the extent to which the domain name is the same as the registrant's own legal name or a nickname by which that person is commonly identified. This factor recognizes, again as does the concept of fair use in trademark law, that a person should be able to be identified by their own name, whether in their business or on a web site. Similarly, a person may bear a legitimate nickname that is identical or similar to a well-known trademark, such as in the well-publicized case of the parents who registered the domain name "pokey.org" for their young daughter who goes by that name, and these individuals should not be deterred by this bill from using their name online. This factor is not intended to suggest that domain name registrants may evade the application of this act by merely adopting Exxon, Ford, or other well-known marks as their nicknames. It merely provides a court with the appropriate discretion to determine whether or not the fact that a person bears a nickname similar to a mark at issue is an indication of an absence of bad-faith on the part of the registrant.

Third, under paragraph (1)(B)(iii), a court may consider the domain name registrant's prior use, if any, of the domain name in connection with the bona fide offering of goods or services. Again, this factor recognizes that the legitimate use of the domain name in online commerce may be a good indicator of the intent of the person registering that name. Where the person has used the domain name in commerce without creating a likelihood of confusion as to the source or origin of the goods or services and has not otherwise attempted to use the name in order to profit from the goodwill of the trademark owner's name, a court may look to this as an indication of the absence of bad faith on the part of the registrant.

Fourth, under paragraph (1)(B)(iv), a court may consider the person's legitimate noncommercial or fair use of the mark in a web site that is accessible under the domain name at issue. This factor is intended to balance the interests of trademark owners with the interests of those who would make lawful noncommercial or fair uses of others' marks online, such as in comparative advertising, comment, criticism, parody, news reporting, etc. The fact that a person may use a mark in a site in such a lawful manner may be an appropriate indication that the person's registration or use of the domain name lacked the required element of bad-faith. This factor is not intended to create a loophole that otherwise might swallow the bill by allowing a domain name registrant to evade application of the Act by merely putting up a noninfringing site under an infringing domain name. For example, in the well known case of *Panavision Int'l* v. *Toeppenn*, 141 F.3d 1316 (9th Cir. 1998), a well known cybersquatter had registered a host of domain names mirroring famous trademarks, including names for Panavision, Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and more than 100 other marks, and had attempted to sell them to the mark owners for amounts in the range of $10,000 to $15,000 each. His use of the "panavision.com" and "panaflex.com" domain names was seemingly more innocuous, however, as they served as addresses for sites that merely displayed pictures of Pana Illinois and the word "Hello" respectively. This bill would not allow a person to evade the holding of that case—which found that Mr. Toeppen had made a commercial use of the Panavision marks and that such uses were, in fact, diluting under the Federal Trademark Dilution Act—merely by posting noninfringing uses of the trademark on a site accessible under the offending domain name, as Mr. Toeppen did. Rather, the bill gives courts the flexibility to weigh appropriate factors in determining whether the name was registered or used in bad faith, and it recognizes that one such factor may be the use the domain name registrant makes of the mark.

Fifth, under paragraph (1)(B)(v), a court may consider whether, in registering or using the domain name, the registrant intended to divert consumers away from the trademark owner's website to a website that could harm the goodwill of the mark, either for purposes of commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site. This factor recognizes that one of the main reasons cybersquatters use other people's trademarks is to divert Internet users to their own sites by creating confusion as to the source, sponsorship, affiliation, or endorsement of the site. This is done for a number of reasons, including to pass off inferior goods under the name of a well-known mark holder, to defraud consumers into providing personally identifiable information, such as credit card numbers, to attract eyeballs to sites that price online advertising according to the number of "hits" the site receives, or even just to harm the value of the mark. Under this provision, a court may give appropriate weight to evidence that a domain name registrant intended to confuse or deceive the public in this manner when making a determination of bad-faith intent.

Sixth, under paragraph (1)(B)(vi), a court may consider a domain name registrant's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for substantial consideration, where the registrant has not used, and did not have any intent to use, the domain name in the bona fide offering of any goods or services. This factor is consistent with the court cases, like the *Panavision* case mentioned above, where courts have found a defendant's offer to sell the domain name to the legitimate mark owner as being indicative of the defendant's intent to trade on the value of a trademark owner's marks by engaging in the business of registering those marks and selling them to the rightful trademark owners. It does not suggest that a court should consider the mere offer to sell a domain name to a mark owner or the failure to use a name in the bona fide offering of goods or services is sufficient to indicate bad faith. Indeed, there are cases in which a person registers a name in anticipation of a business venture that simply never pans out. And someone who has a legitimate registration of a domain name that mirrors someone else's domain name, such as a trademark owner that is a lawful concurrent user of that name with another trademark owner, may, in fact, wish to sell

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9752 2002

that name to the other trademark owner. This bill does not imply that these facts are an indication of bad-faith. It merely provides a court with the necessary discretion to recognize the evidence of bad-faith when it is present. In practice, the offer to sell domain names for exorbitant amounts to the rightful mark owner has been one of the most common threads in abusive domain name registrations.

Seventh, under paragraph (1)(B)(vii), a court may consider the registrant's intentional provision of material and misleading false contact information in an application for the domain name registration. Falsification of contact information with the intent to evade identification and service of process by trademark owners is also a common thread in cases of cybersquatting. This factor recognizes that fact, while still recognizing that there may be circumstances in which the provision of false information may be due to other factors, such as mistake or, as some have suggested in the case of political dissidents, for purposes of anonymity. This bill balances those factors by limiting consideration to the person's contact information, and even then requiring that the provision of false information be material and misleading. As with the other factors, this factor is nonexclusive and a court is called upon to make a determination based on the facts presented whether or not the provision of false information does, in fact, indicate bad-faith.

Eighth, under paragraph (1)(B)(viii), a court may consider the domain name registrant's acquisition of multiple domain names that are identical to, confusingly similar to, or dilutive of others' marks. This factor recognizes the increasingly common cybersquatting practice known as "warehousing", in which a cybersquatter registers multiple domain names—sometimes hundreds, even thousands—that mirror the trademarks of others. By sitting on these marks and not making the first move to offer to sell them to the mark owner, these cybersquatters have been largely successful in evading the case law developed under the Federal Trademark Dilution Act. This bill does not suggest that the mere registration of multiple domain names is an indication of bad faith, but allows a court to weigh the fact that a person has registered multiple domain names that infringe or dilute the trademarks of others as part of its consideration of whether the requisite bad-faith intent exists.

Paragraph (1)(C) makes clear that in any civil brought under the new section 43(d), a court may order the forfeiture, cancellation, or transfer of a domain name to the owner of the mark.

Paragraph (2)(A) provides for in rem jurisdiction, which allows a mark owner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so. As indicated above, a significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner. This bill will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found, provided the mark owner can show that the domain name itself violates substantive trademark law. Paragraph (2)(B) limits the relief available in such an in rem action to an injunction ordering the forfeiture, cancellation, or transfer of the domain name.

Subsection (b). Additional Civil Action and Remedy. This subsection makes clear that the creation of a new section 43(d) in the Trademark Act does not in any way limit the application of current provisions of trademark, unfair competition and false advertising, or dilution law, or other remedies under counterfeiting or other statutes, to cybersquatting cases.

SECTION 4. DAMAGES AND REMEDIES

This section applies traditional trademark remedies, including injunctive relief, recovery of defendant's profits, actual damages, and costs, to cybersquatting cases under the new section 43(d) of the Trademark Act. The bill also amends section 35 of the Trademark Act to provide for statutory damages in cybersquatting cases, in an amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The bill requires the court to remit statutory damages in any case where the infringer believed and had reasonable grounds to believe that the use of the domain name was a fair or otherwise lawful use.

SECTION 5. LIMITATION ON LIABILITY

This section amends section 32(2) of the Trademark Act to extend the Trademark Act's existing limitations on liability to the cybersquatting context. This section also creates a new subparagraph (D) in section 32(2) to encourage domain name registrars and registries to work with trademark owners to prevent cybersquatting through a limited exemption from liability for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cybersquatting. This section also protects the rights of domain name registrants against overreaching trademark owners. Under a new section subparagraph (D)(iv) in section 32(2), a trademark owner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing shall be liable to the domain name registrant for damages resulting from the suspension, cancellation, or transfer of the domain name. In addition, the court may grant injunctive relief to the domain name registrant by ordering the reactivation of the domain name or the transfer of the domain name back to the domain name registrant. Finally, in creating a new subparagraph (D)(iii) of section 32(2), this section codifies current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name, absent bad-faith on the part of the registrar and registry.

SECTION 6. DEFINITIONS

This section amends the Trademark Act's definitions section (section 45) to add definitions for key terms used in this Act. First, the term "Internet" is defined consistent with the meaning given that term in the Communications Act (47 U.S.C. 230(f)(1)). Second, this section creates a narrow definition of "cybersquatting" to target the specific bad faith conduct sought to be addressed while excluding such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry.

SECTION 7. SAVINGS CLAUSE

This section provides an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights.

SECTION 8. SEVERABILITY

This section provides a severability clause making clear Congress' intent that if any provision of this Act, an amendment made by the Act, or the application of such provision or amendment to any person or circumstances is held to be unconstitutional, the remainder of the Act, the amendments made by the Act, and the application of the provisions of such to any person or circumstance shall not be affected by such determination.

SECTION 9. EFFECTIVE DATE

This section provides that new statutory damages provided for under this bill shall not apply to any registration, trafficking, or use of a domain name that took place prior to the enactment of this Act.

Mr. LEAHY. Mr. President, I am pleased to join Senator HATCH, and others, today in introducing the "Domain Name Piracy Prevention Act of 1999." We have worked hard to craft this legislation in a balanced fashion to protect trademark owners and consumers doing business online, and Internet users who want to participate in what the Supreme Court has described "'a unique and wholly new medium of worldwide human communication.'" *Reno* v. *ACLU*, 521 U.S. 844 (1997).

Trademarks are important tools of commerce. The exclusive right to the use of a unique mark helps companies compete in the marketplace by distinguishing their goods and services from those of their competitors, and helps consumers identify the source of a product by linking it with a particular company. The use of trademarks by companies, and reliance on trademarks by consumers, will only become more important as the global marketplace becomes larger and more accessible with electronic commerce. The reason is simple: when a trademark name is used as a company's address in cyberspace, customers know where to go online to conduct business with that company.

The growth of electronic commerce is having a positive effect on the economies of small rural states like mine. A Vermont Internet Commerce report I commissioned earlier this year found that Vermont gained more than 1,000 new jobs as a result of Internet commerce, with the potential that Vermont could add more than 24,000 jobs over the next two years. For a small state like ours, this is very good news.

Along with the good news, this report identified a number of obstacles that stand in the way of Vermont reaching the full potential promised by Internet commerce. One obstacle is that "merchants are anxious about not being able to control where their names and brands are being displayed." Another is the need to bolster consumers' confidence in online shopping.

Cybersquatters hurt electronic commerce. Both merchant and consumer confidence in conducting business online are undermined by so-called "cybersquatters" or "cyberpirates,"

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9753 2002

who abuse the rights of trademark holders by purposely and maliciously registering as a domain, name the trademarked name of another company to divert and confuse customers or to deny the company the ability to establish an easy-to-find online location. A recent report by the World Intellectual Property Organization (WIPO) on the Internet domain name process has characterized cybersquatting as "predatory and parasitical practices by a minority of domain registrants acting in bad faith" to register famous or well-known marks of others—which can lead to consumer confusion or downright fraud.

Enforcing trademarks in cyberspace will promote global electronic commerce. Enforcing trademark law in cyberspace can help bring consumer confidence to this new frontier. That is why I have long been concerned with protecting registered trademarks online. Indeed, when the Congress passed the Federal Trademark Dilution Act of 1995, I noted that:

[A]lthough no one else has yet considered this application, it is my hope that this antidilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others. (Congressional Record, Dec. 29, 1995, page S19312)

In addition, last year I authored an amendment that was enacted as part of the Next Generation Internet Research Act authorizing the National Research Council of the National Academy of Sciences to study the effects on trademark holders of adding new top-level domain names and requesting recommendations on expensive and expeditious procedures for resolving trademark disputes over the assignment of domain names. Both the Internet Corporation for Assigned Names and Numbers (I-CANN) and WIPO are also making recommendations on these procedures. Adoption of a uniform trademark domain name dispute resolution policy will be of enormous benefit to American trademark owners.

The "Domain Name Piracy Prevention Act of 1999," which we introduce today, is not intended in any way to frustrate these global efforts already underway to develop inexpensive and expeditious procedures for resolving domain name disputes that avoid costly and time-consuming litigation in the court systems either here or abroad. In fact, the bill expressly provides liability limitations for domain name registrars, registries or other domain name registration authorities when they take actions pursuant to a reasonable policy prohibiting the registration of domain names that are identical, confusingly similar to or dilutive of another's trademark. The I-CANN and WIPO consideration of these issues will inform the development by domain name registrars and registries of such reasonable policies.

The Federal Trademark Dilution Act of 1995 has been used as I predicted to help stop misleading uses of trademarks as domain names. One court has described this exercise by saying that "attempting to apply established trademark law in the fast-developing world of the Internet is somewhat like trying to board a moving bus . . . *"Bensusan Restaurant Corp.* v. *King*, 126 F.3d 25 (2d Cir. 1997). Nevertheless, the courts appear to be handling "cybersquatting" cases well. As University of Miami Law Professor Michael Froomkin noted in testimony submitted at the Judiciary Committee's hearing on this issue on July 22, 1999, "[i]n every case involving a person who registered large numbers of domains for resale, the cybersquatter has lost."

For example, courts have had little trouble dealing with a notorious "cybersquatter," Dennis Toeppen from Illinois, who registered more than 100 trademarks—including "yankeestadium.com," "deltaairlines.com," and "neiman-marcus.com"—as domain names for the purpose of eventually selling the names back to the companies owning the trademarks. The various courts reviewing his activities have unanimously determined that he violated the Federal Trademark Dilution Act.

Similarly, Wayne State University Law Professor Jessica Litman noted in testimony submitted at the Judiciary Committees hearing that those businesses which "have registered domain names that are confusingly similar to trademarks or personal names in order to use them for pornographic web sites . . . have without exception lost suits brought against them."

Enforcing or even modifying our trademark laws will be only part of the solution to cybersquatting. Up to now, people have been able to register any number of domain names in the popular ".com" domain with no money down and no money due for 60 days. Network Solutions Inc. (NSI), the dominant Internet registrar, announced just last week that it was changing this policy, and requiring payment of the registration fee up front. In doing so, the NSI admitted that it was making this change to curb cybersquatting.

In light of the developing case law, the ongoing efforts within WIPO and ICANN to build a consensus global mechanism for resolving online trademark disputes, and the implementation of domain name registration practices designed to discourage cybersquatting, the legislation we introduce today is intended to build is intended to build upon this progress and provide constructive guidance to trademark holders, domain name registrars and registries and Internet users registering domain names alike.

Other Anti-cybersquatting Legislation Is Flawed. This is not the first bill to be introduced this session to address the problem of cybersquatting, and I appreciate the efforts of Senators ABRAHAM, TORICELLI, HATCH, and MCCAIN, to focus our attention on this important matter. They introduced S. 1255, the "Anticybersquatting Consumer Protection Act," which proposed making it illegal to register or use any "Internet domain name or identifier of an online location" that could be confused with the trademark of another person or cause dilution of a "famous trademark." Violations were punishable by both civil and criminal penalties.

I voiced concerns at a hearing before the Judiciary Committee last week that S. 1255 would have a number of unintended consequences that could hurt rather than promote electronic commerce, including the following specific problems:

The definition in S. 1255 is overbroad. S. 1255 covers the use or registration of any "identifier," which could cover not just second level domain names, but also e-mail addresses, screen names used in chat rooms, and even files accessible and readable on the Internet. As one witness pointed out, " the definitions will make every fan a criminal." How? A file document about Batman, for example, that uses the trademark "Batman" in its name, which also identifies its online location, could land the writer in court under that bill. Cybersquatting is not about file names.

S. 1255 threatens hypertext linking. The Web operates on hypertext linking, to facilitate jumping from one site to another. S. 1255 could disrupt this practice by imposing liability on operators of sites with links to other sites with trademark names in the address. One could imagine a trademark owner not wanting to be associated with or linked with certain sites, and threatening suit under this proposal unless the link were eliminated or payments were made for allowing the linking.

S. 1255 would criminalize dissent and protest sites. A number of Web sites collect complaints about trademarked products or services, and sue the trademarked names to identify themselves. For example, there are protest sites named "boycotts-cbs.com" and "www.PepsiBloodbath.com." While the speech contained on those sites is clearly constitutionally protected, S. 1255 would criminalizes the use of the trademarked name to reach the site and make them difficult to search for and find online.

S. 1255 would stifle legitimate warehousing of domain names. The bill would change current law and make liable persons who merely register domain names similar to other trademarked names, whether or not they actually set up a site and use the name. The courts have recognized that companies may have legitimate reason for registering domain names without using them and have declined to find trademark violations for mere registration of a trademarked name. For example, a company planning to acquire another company might register a domain name containing the target company's name in anticipation of the

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9754 2002

deal. S. 1255 would make that company liable for trademark infringement.

For these and other reasons, Professor Litman concluded that this "bill would in many ways be bad for electronic commerce, by making it hazardous to do business on the Internet without first retaining trademark counsel." Faced with the risk of criminal penalties, she stated that "many start-up businesses may choose to abandon their goodwill and move to another Internet location, or even to fold, rather than risk liability."

The Hatch-Leahy Domain Name Piracy Prevention Act is a better solution. The legislation we introduce today addresses the cybersquatting problem without jeopardizing other important online rights and interests. This bill would amend section 43 of the Trademark Act (15 U.S.C. §1125) by adding a new section to make liable for actual or statutory damages any person, who with bad-faith intent to profit from the goodwill of another's trademark, registers or uses a domain name that is identical to, confusingly similar to or dilutive of such trademark, without regard to the goods or services of the parties. the fact that the domain name registrant did not compete with the trademark owner would not be a bar to recovery. Significant sections of this bill include:

Definition. Domain names are narrowly defined to mean alphanumeric designations registered with or assigned by domain name registrars or registries, or other domain name registration authority as part of an electronic authority as part of an electronic address on the Internet. Since registrars only second level domain names this definition effectively excludes file names, screen names, and e-mail addresses and, under current registration practice, applies only to second level domain names.

Scienter requirement. Good faith, innocent or negligent uses of domain names that are identical or similar to, or dilutive of, another's mark are not covered by the bill's prohibition. Thus, registering a domain name while unaware that the name is another's trademark would not be actionable. Nor would the use of a domain name that contains a trademark for purposes of protest, complaint, parody or commentary satisfy the requisite scienter requirement. Bad-faith intent to profit is required for a violation to occur.

This requirement of bad-faith intent to profit is critical since, as Professor Litman pointed out in her testimony, our trademark laws permit multiple businesses to register the same trademark for different classes of products. Thus, she explains:

[a]lthough courts have been quick to impose liability for bad faith registration, they have been far more cautious in disputes involving a domain name registrant who has a legitimate claim to use a domain name and registered it in good faith. In a number of cases, courts have refused to impose liability where there is no significant likelihood that anyone will be misled, even if there is a significant possibility of trademark dilution.

The legislation outlines the following non-exclusive list of eight factors for courts to consider in determining whether such bad-faith intent to profit is proven: (i) the trademark rights of the domain name registrant in the domain name; (ii) whether the domain name is the legal or nickname of the registrant; (iii) the prior use by the registrant of the domain name in connection with the bona fide offering of any goods or services; (iv) the registrant's legitimate noncommercial or fair use of the mark at the site under the domain name; (v) the registrant's intent to divert consumers from the mark's owner's online location in a manner that could harm the mark's goodwill, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of the site; (vi) the registrant's offer to sell the domain name for substantial consideration without having or having an intent to use the domain name in the bona fide offering of goods or services; (vii) the registrant's international provision of material false and misleading contact information when applying for the registration of the domain name; and (viii) the registrant's registration of multiple domain names that are identical or similar to or dilutive of another's trademark.

Damages. In civil actions against cybersquatters, the plaintiff is authorized to recover actual damages and profits, or may elect before final judgment to award of statutory damages of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court is directed to remit statutory damages in any case where the infringer reasonably believed that use of the domain name was a fair or otherwise lawful use.

In Rem actions. The bill would also permit an in rem civil action filed by a trademark owner in circumstances where the domain name violates the owner's rights in the trademark and the court finds that the owner demonstrated due diligence and was not able to find the domain name holder to bring an in persona civil action. The remedies of an in rem action are limited to a court order for forfeiture or cancellation of the domain name or the transfer of the domain name to the trademark owner.

Liability limitations. The bill would limit the liability for monetary damages of domain name registrars, registries or other domain name registration authorities for any action they take to refuse to register, remove from registration, transfer, temporarily disable or permanently cancel a domain name pursuant to a court order or in the implementation of reasonable policies prohibiting the registration of domain names that are identical or similar to, or dilutive of, anothers trademark.

Prevention of reverse domain name hijacking. Reverse domain name hijacking is an effort by a trademark owner to take a domain name from a legitimate good faith domain name registrant. There have been some well-publicized cases of trademark owners demanding the take down of certain web sites set up by parents who have registered their children's names in the .org domain, such as two year old Veronica Sams's "Little Veronica" website and 12 year old Chris "Pokey" Van Allen's web page.

In order to protect the rights of domain name registrants in their domain names the bill provides that registrants may recover damages, including costs and attorney's fees, incurred as a result of a knowing and material misrepresentation by a person that a domain name is identical or similar to, or dilutive of, a trademark. In addition, the domain name or the transfer or return of a domain name to the domain name registrant.

Cybersquatting is an important issue both for trademark holders and for the future of electronic commerce on the Internet. Any legislative solution to cybersquatting must tread carefully to ensure that any remedies do not impede or stifle the free flow of information on the Internet. In many ways, the United States has been the incubator of the World Wide Web, and the world closely watches whenever we venture into laws, customs or standards that affect the Internet. We must only do so with great care and caution. Fair use principles are just as critical in cyberspace as in any other intellectual property arena.

I am pleased that Chairman HATCH and I, along with Senators ABRAHAM, TORRICELLI, and KOHL have worked together to find a legislative solution that respects these considerations. We also stand ready to make additional refinements to this legislation that prove necessary as this bill moves through the legislative process.

By Mr. JEFFORDS:

S. 1462. A bill to amend the Federal Food, Drug, and Cosmetic Act to permit importation in personal baggage and through mail order of certain covered products for personal use from Canada, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

PERSONAL USE PRESCRIPTION DRUG IMPORTATION ACT OF 1999

Mr. JEFFORDS. Mr. President, today I am introducing legislation that takes another positive step toward the goal of providing access to affordable prescription drugs for patients in my state of Vermont, and many other patients across the United States.

The high cost of prescription drugs is an issue that faces many Americans every single day, as they try to decide how to make ends meet, and whether they can afford to fill the prescription given to them by their doctor. Unfortunately, it is not uncommon to hear of patients who cut pills in half, or skip dosages in order to make prescriptions

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9755 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S9756 2002

Document No. 8

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

On page 17, line 19, strike "$221,093,000" and insert in lieu thereof "$218,153,000".

On page 82, line 13, strike "$2,135,561,000" and insert in lieu thereof "$2,138,005,400".

On page 90, line 3, strike "$364,562,000" and insert in lieu thereof "$369,562,000".

HUTCHISON (AND OTHERS) AMENDMENT NO. 1603

(Ordered to lie on the table.)

Mrs. HUTCHISON (for herself, Mr DOMENICI, Mr. LOTT, Mr. BREAUX, Mr. MURKOWSKI, Ms. LANDRIEU) submitted an amendment intended to be proposed by them to the bill, H.R. 2466, supra; as follow:

On page 62, between lines 3 and 4, insert the following:

SEC. 1 . VALUATION OF CRUDE OIL FOR ROYALTY PURPOSES.

None of the funds made available by this Act shall be used to issue a notice of final rulemaking with respect to the valuation of crude oil for royalty purposes (including a rulemaking derived from proposed rules published at 62 Fed. Reg. 3742 (January 24, 1997), 62 Fed. Reg. 36030 (July 3, 1997), and 63 Fed. Reg. 6113 (1998)) until September 30, 2000.

SESSIONS AMENDMENT NO. 1604

(Ordered to lie on the table.)

Mr. SESSIONS submitted an amendment intended to be proposed by him to the bill, H.R. 2466, supra; as follows:

On page 16, line 12, after "of which", insert the following: "not less than $3,100,000 shall be used for operation of the Rosa Parks Library and Museum in Montgomery Alabama, of which".

LEVIN AMENDMENTS NOS. 1605–1606

(Ordered to lie on the table.)

Mr. LEVIN submitted two amendments intended to be proposed by him to the bill, H.R. 2466, supra; as follows:

AMENDMENT NO. 1605

On page 18, line 16, strike "$84,525,000" and insert "$85,075,000".

On page 18, line 18, after "expended," insert the following: "of which not less than $550,000 shall be available for acquisition of property in Sleeping Bear Dunes National Lakeshore, Michigan, and".

On page 20, line 18, strike "$813,243,000" and insert "$812,693,000"

AMENDMENT NO. 1606

On page 17, line 22, before the colon, insert the following: ",and of which not less than $2,450,000 shall be available for the acquisition of properties in Keweenaw National Historical Park, Michigan".

On page 18, line 16, strike "$84,525,000" and insert "$86,975,000".

On page 20, line 18, strike $813,243,000 and insert $810,743,000

ROBB (AND OTHERS) AMENDMENT NO. 1607

(Ordered to lie on the table)

Mr. ROBB (for himself, Mr. CLELAND, and Ms. BOXER) submitted an amendment intended to be proposed by them to the bill, H.R. 2466, supra; as follows:

Beginning on page 116, strike line 8 and all that follows through line 21.

AUTHORIZING CONSTRUCTION AND OTHER WORK ON THE CAPITOL GROUNDS

MCCONNELL AMENDMENT NO. 1608

Mr. GORTON (for Mr. MCCONNELL) proposed an amendment to the concurrent resolution (H. Con. Res. 167) authorizing the Architect of the Capitol to permit temporary construction and other work on the Capitol Grounds that may be necessary for construction of a building on Constitution Avenue Northwest, between 2nd Street Northwest and Louisiana Avenue Northwest; as follows:

At the appropriate place:

Page 1, line 4, delete all through line 7 on page 2 and insert the following:

"The Architect of the Capitol may permit temporary construction and other work on the Capitol Grounds as follows:

"(a) As may be necessary for the demolition of the existing building of the Carpenters and Joiners of America and the construction of a new building of the Carpenters and Joiners of America on Constitution Avenue Northwest between 2nd Street Northwest and Louisiana Avenue Northwest in a manner consistent with the terms of this resolution. Such work may include activities resulting in temporary obstruction of the curbside parking lane on Louisiana Avenue Northwest between Constitution Avenue Northwest and 1st Street Northwest, adjacent to the side of the existing building of the Carpenters and Joiners of America on Louisiana Avenue Northwest. Such obstruction:

"(i) shall be consistent with the terms of subsections (b) and (c) below;

"(ii) shall not extend in width more than 8 feet from the curb adjacent to the existing building of the Carpenters and Joiners of America; and

"(iii) shall extend in length along the curb of Louisiana Avenue Northwest adjacent to the existing building of the Carpenters and Joiners of America, from a point 56 feet from the intersection of the curbs of Constitution Avenue Northwest and Louisiana Avenue Northwest adjacent to the existing building of Carpenters and Joiners of America to a point to 40 feet from the intersection of the curbs of the Louisiana Avenue Northwest and 1st Street Northewst adjacent to the existing building of the Carpenter and Joiners of America .

"(b) Such construction shall include a covered walkway for pedestrian access, including access for disabled individuals, on Constitution Avenue Northwest between 2nd Street Northwest and Louisiana Avenue Northwest, to be constructed within the existing sidewalk area on Constitution Avenue Northwest adjacent to the existing building of the Carpenters and Joiners of America, to be constructed in accordance with specifications approved by the Architect of the Capitol.

"(c) Such construction shall ensure access to any existing fire hydrants by keeping clear a minimum radius of 3 feet around any fire hydrants, or according to health and safety requirements as approved by the Architect of the Capitol."

On page 3, line 4, add the following new subsection:

"(c) No construction shall extend into the United States Capitol Grounds except as otherwise provided in section 1".

ANTICYBERSQUATTING CONSUMER PROTECTION ACT

HATCH (AND LEAHY) AMENDMENT NO. 1609

Mr. BROWNBACK (for Mr. HATCH (for himself and Mr. LEAHY)) proposed an amendment to the bill (S. 1255) to protect consumers and promote electronic commerce by amending certain trademark infringement, dilution, and counterfeiting laws, and for other purposes; as follows:

On page 10, line 4, beginning with "to" strike all through the comma on line 7 and insert "or confusingly similar to a trademark or service mark of another that is distinctive at the time of the registration of the domain name, or dilutive of a famous trademark or service mark of another that is famous at the time of the registration of the domain name,".

On page 11, strike lines 5 through 12 and insert the following:

"(d)(1)(A) A person shall be liable in a civil action by the owner of a trademark or service mark if, without regard to the goods or services of the parties, that person—

"(i) has a bad faith intent to profit from that trademark or service mark; and

"(ii) registers, traffics in, or uses a domain name that—

"(I) in the case of a trademark or service mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to such mark; or

"(II) in the case of a famous trademark or service mark that is famous at the time of registration of the domain name, is dilutive of such mark.

On page 12, line 19, strike all beginning with "to" through the comma on line 22 and insert "or confusingly similar to trademarks or service marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous trademarks or service marks of others that are famous at the time of registration of such domain names,".

On page 13, insert between lines 3 and 4 the following:

"(D) A use of a domain name described under subparagraph (A) shall be limited to a use of the domain name by the domain name registrant or the domain name registrant's authorized licensee.

On page 16, line 24, strike the quotation marks and the second period.

On page 16, add after line 24 the following:

"(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.".

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

HATCH AMENDMENT NO. 1610

(Ordered to lie on the table.)

Mr. HATCH submitted an amendment intended to be proposed by him to the bill, H.R. 2466, supra; as follows:

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Document No. 9

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HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

Now a part of Title VI of ESEA, President Clinton's $1.2 billion class-size reduction initiative, passed in 1998, illustrates Washington's obsession with means at the expense of results and also the triumph of symbolism over sound policy. The goal of raising student achievement is reasonable and essential; however, mandating localities do it by reducing class sizes precludes local decision-making and unnecessarily involves Washington in local affairs.

Mr. Rotherham goes on to state,

During the debate on the Clinton class-size proposal, it was correctly pointed out that research indicates that teacher quality is a more important variable in student achievement than class size. In fact, this crucial finding was even buried in the U.S. Department of Education's own literature on the issue. The Committee on the Prevention of Reading Difficulty in Young Children stated, "[Although] the quantity and quality of teacher-student interactions are necessarily limited by large class size, best instructional practices are not guaranteed by small class size." In fact, one study of 1000 school districts found that every dollar spent on more highly qualified teachers "netted greater improvements in student achievement than did any other use of school resources." Yet despite this, the class-size initiative allows only 15 percent of the $1.2 billion appropriation to be spent on professional development. Instead of allowing states and localities flexibility to address their own particular circumstances, Washington created a one-size-fits all approach.

Mr. Rotherham ends this section of the paper by asking the following insightful question,

Considering the crucial importance of teacher quality, the current shortage of qualified teachers, and the fact that class-size is not a universal problem throughout the country, shouldn't states and localities have the option of using more than 15 percent of this funding on professional development?

I am hopeful that Mr. Rotherham will prevail upon President Clinton to work with Congress to pass education reform legislation that allows states and local communities the flexibility they need to provide a quality education for all children, while ensuring that they are held accountable for the results of the education they provide. As Mr. Rotherham states, the federal government should not concentrate on ". . . means at the expense of results . . .", and should not allow ". . . the triumph of symbolism over sound policy," which the President's class size reduction program represents.

My best wishes go out to Mr. Rotherham, and it is my sincere hope that he will be able to have some influence with this administration and that he is able to convince them that Washington does not know best. It's time we put children first, and change the emphasis of the federal government from process and paperwork to kids and learning.

I ask to print in the RECORD the section from Mr. Rotherham's report that discusses his views on the administration's class size initiative.

The material follows:

TOWARD PERFORMANCE-BASED FEDERAL EDUCATION FUNDING: REAUTHORIZATION OF THE ELEMENTARY AND SECONDARY EDUCATION ACT

(By Andrew Rotherham)

TEACHER QUALITY, CLASS SIZE, AND STUDENT ACHIEVEMENT

Reducing class size is obviously not a bad idea. Quite the contrary, substantial research indicates it can be an effective strategy to raise student achievement. As the Progressive Policy Institute has pointed out, all things being equal, teachers are probably more effective with fewer students. However, achieving smaller class sizes is often problematic. For example, as a result of a teacher shortage exacerbated by a mandate to reduce class sizes, 21,000 of California's 250,000 teachers are working with emergency permits in the states most troubled schools.

Now a part of Title VI of ESEA, President Clinton's $1.2 billion class-size reduction initiative, passed in 1998, illustrates Washington's obsession with means at the expense of results and also the triumph of symbolism over sound policy. The goal of raising student achievement is reasonable and essential; however, mandating localities do it by reducing class sizes precludes local decision-making and unnecessarily involves Washington in local affairs.

During the debate on the Clinton class-size proposal, it was correctly pointed out that research indicates that teacher quality is a more important variable in student achievement than class size. If fact, this crucial finding was even buried in the U.S. Department of Education's own literature on the issue. The Committee on the Prevention of Reading Difficulty in Young Children stated, "[Although] the quantity and quality of teacher-student interactions are necessarily limited by large class size, best instructional practices are not guaranteed by small class size." In fact, one study of 1000 school districts found that every dollar spent on more highly qualified teachers "Netted greater improvements in student achievement than did any other use of school resources." Yet despite this, the class-size initiative allows only 15 percent of the $1.2 billion appropriation to be spent on professional development. Instead of allowing states and localities flexibility to address their own particular circumstances, Washington created a one-size-fits all approach. Considering the crucial importance of teacher quality, the current shortage of qualified teachers, and the fact that class-size is not a universal problem throughout the country, shouldn't states and localities have the option of using more than 15 percent of this funding on professional development?•

TRIBUTE TO WHITEHALL AND MONTAGUE VETERANS

• Mr. ABRAHAM. Mr. President, I rise today to pay tribute to the Veterans of WWII from Whitehall and Montague, Michigan, on the occasion of the Restoration and Dedication of the WWII Monument in Whitehall, Michigan.

We as a country cannot thank enough the men and women of the armed forces who have served our country. The very things that make America great today we owe in large part to the Veterans of WWII as well as our Veterans of other wars. The bravery and courage that these young people showed in defending our nation is a tribute to the upbringing they received in Whitehall and Montague. While these men clearly are outstanding in their home towns, they also have contributed greatly to the freedom of all Americans.

These great men put everything aside for their country. They put their families and education aside for the good of democracy.

Some of them even gave their lives.

On August 14, 1999, there will be a WWII Monument Rededication honoring the Whitehall and Montague Veterans. At that time, their communities will, in a small but significant way, thank them for the sacrifices they made to keep us free.

I would like to take this opportunity to join the people of Whitehall and Montague in honoring all of their citizens who fought for our country. Furthermore, I would like to pay special tribute to those men who gave their lives for our country by listing them in the CONGRESSIONAL RECORD.

Mr. President, I yield the floor.

WWII MEMORIAL—KILLED IN ACTION

Robert Andrews
James Bayne
Thomas Buchanan
A. Christensen
Russell Cripe
Earl Gingrich
Otto Grunewald
Walter Haupt
Harry Johnson
Raymond Kissling
Robert LaFaunce
Kenneth Leighton
Edward Lindsey
Tauro Maki
Roger Meinert
Dr. D.W. Morse
Robert Pulsipher
John Radics
Lyle Rolph
Raymond Runsel
Wayne Stiles
H. Strandberg, Jr.
Robert Zatzke•

ANTICYBERSQUATTING CONSUMER PROTECTION ACT

Mr. BROWNBACK. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar No. 240, S. 1255.

The PRESIDING OFFICER. The clerk will report the bill by title.

The legislative clerk read as follows:

A bill (S. 1255) to protect consumers and promote electronic commerce by amending certain trademark infringement, dilution, and counterfeiting laws, and for other purposes.

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on the Judiciary, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "Anticybersquatting Consumer Protection Act.".

(b) REFERENCES TO THE TRADEMARK ACT OF 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act

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entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 2. FINDINGS.

Congress finds the following:

(1) The registration, trafficking in, or use of a domain name that is identical without regard to the goods or services of the parties, with the bad-faith intent to profit from the goodwill of another's mark (commonly referred to as "cyberpiracy" and "cybersquatting")—

(A) results in consumer fraud and public confusion as to the true source or sponsorship of goods and services;

(B) impairs electronic commerce, which is important to interstate commerce and the United States economy;

(C) deprives legitimate trademark owners of substantial revenues and consumer goodwill; and

(D) places unreasonable, intolerable, and overwhelming burdens on trademark owners in protecting their valuable trademarks.

(2) Amendments to the Trademark Act of 1946 would clarify the rights of a trademark owner to provide for adequate remedies and to deter cyberpiracy and cybersquatting.

SEC. 3. CYBERPIRACY PREVENTION.

(a) IN GENERAL.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

"(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

"(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

"(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

"(iii) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

"(iv) the person's legitimate noncommercial or fair use of the mark in a site accessible under the domain name;

"(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

"(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for substantial consideration without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

"(vii) the person's intentional provision of material and misleading false contact information when applying for the registration of the domain name; and

"(viii) the person's registration or acquisition of multiple domain names which are identical without regard to the goods or services of such persons.

"(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

"(2)(A) The owner of a mark may file an in rem civil action against a domain name if—

"(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c); and

"(ii) the court finds that the owner has demonstrated due diligence and was not able to find a person who would have been a defendant in a civil action under paragraph (1).

"(B) The remedies of an in rem action under this paragraph shall be limited to 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.".

(b) ADDITIONAL CIVIL ACTION AND REMEDY.—The civil action established under section 43(d)(1) of the Trademark Act of 1946 (as added by this section) and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

SEC. 4. DAMAGES AND REMEDIES.

(a) REMEDIES IN CASES OF DOMAIN NAME PIRACY.—

(1) INJUNCTIONS.—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking "section 43(a)" and inserting "section 43 (a), (c), or (d)".

(2) DAMAGES.—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", (c), or (d)" after "section 43 (a)".

(b) STATUTORY DAMAGES.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court shall remit statutory damages in any case in which an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.".

SEC. 5. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43 (a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

"(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

"(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

"(I) in compliance with a court order under section 43(d); or

"(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark registered on the Principal Register of the United States Patent and Trademark Office.

"(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

"(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any person that a domain name is identical to, confusingly similar to, or dilutive of a mark registered on the Principal Register of the United States Patent and Trademark Office, such person shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.".

SEC. 6. DEFINITIONS.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the undesignated paragraph defining the term "counterfeit" the following:

"The term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

"The term 'domain name' means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.".

SEC. 7. SAVINGS CLAUSE.

Nothing in this Act shall affect any defense available to a defendant under the Trademark Act of 1946 (including any defense under section 43(c)(4) of such Act or relating to fair use) or a person's right of free speech or expression under the first amendment of the United States Constitution.

SEC. 8. SEVERABILITY.

If any provision of this Act, an amendment made by this Act, or the application of such provision or amendment to any person or circumstances is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of the provisions of such to any person or circumstance shall not be affected thereby.

SEC. 9. EFFECTIVE DATE.

This Act shall apply to all domain names registered before, on, or after the date of enactment of this Act, except that statutory damages under section 35(d) of the Trademark Act of 1946 (15 U.S.C. 1117), as added by section 4 of this Act, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment of this Act.

AMENDMENT NO. 1609

(Purpose: To clarify the rights of domain name registrants and Internet users with respect to lawful uses of internet domain names, and for other purposes)

Mr. BROWNBACK. Mr. President, Senators HATCH and LEAHY have an amendment at the desk, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The Senator from Kansas [Mr. BROWNBACK], for Mr. HATCH, for himself and Mr. LEAHY, proposes an amendment numbered 1609.

Mr. BROWNBACK. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 10, line 4, beginning with "to" strike all through the comma on line 7 and insert "or confusingly similar to a trademark or service mark of another that is distinctive at the time of the registration of the domain name, or dilutive of a famous trademark or service mark of another that is famous at the time of the registration of the domain name,".

On page 11, strike lines 5 through 12 and insert the following:

"(d)(1)(A) A person shall be liable in a civil action by the owner of a trademark or service mark if, without regard to the goods or services of the parties, that person—

"(i) has a bad faith intent to profit from that trademark or service mark; and

"(ii) registers, traffics in, or uses a domain name that—

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"(I) in the case of a trademark or service mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to such mark; or

"(II) in the case of a famous trademark or service mark that is famous at the time of registration of the domain name, is dilutive of such mark.

On page 12, line 19, strike all beginning with "to" through the comma on line 22 and insert "or confusingly similar to trademarks or service marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous trademarks or service marks of others that are famous at the time of registration of such domain names,".

On page 13, insert between lines 3 and 4 the following:

"(D) A use of a domain name described under subparagraph (A) shall be limited to a use of the domain name by the domain name registrant or the domain name registrant's authorized licensee.

On page 16, line 24, strike the quotation marks and the second period.

On page 16, add after line 24 the following:

"(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.".

Mr. HATCH. Mr. President, today the Senate considers legislation to address the serious threats to American consumers, businesses, and the future of electronic commerce, which derive from the deliberate, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners. For the Net-savvy, this burgeoning form of cyber-abuse is known as "cybersquatting." For the average consumer, it is simply fraud, deception, and the bad-faith trading on the goodwill of others.

Our trademark laws have long recognized the communicative value of brand name identifiers, which serve as the primary indicators of source, quality, and authenticity in the minds of consumers. These laws prohibit the unauthorized uses of other people's marks because such uses lead to consumer confusion, undermine the goodwill and communicative value of the brand names they rely on, and erode consumer confidence in the marketplace generally. Such problems of brand-name abuse and consumer confusion are particularly acute in the online environment, where traditional indicators of source, quality, and authenticity give way to domain names and digital storefronts that take little more than Internet access and rudimentary computer skills to erect. In many cases, the domain name that takes consumers to an Internet site and the graphical interface that greets them when they get there are the only indications of source and authenticity, and legitimate and illegitimate sites may be indistinguishable to online consumers.

Despite the protections of existing trademark law, cyber-pirates and online bad actors are increasingly taking advantage of the novelty of the Internet and the online vulnerabilities of trademark owners to deceive and defraud consumers and to hijack the valuable trademarks of American businesses. In some cases these bad actors register the well-known marks of others as domain names with the intent to extract sizeable payments from the rightful trademark owner in exchange for relinquishing the rights to the name in cyberspace. In others they use the domain name to divert unsuspecting Internet users to their own sites, which are often pornographic sites or competitors' sites that prey on consumer confusion. Still others use the domain name to engage in counterfeiting activities or for other fraudulent or nefarious purposes.

In considering this legislation, the Judiciary Committee has seen examples of many such abuses. For example, we heard testimony of consumer fraud being perpetrated by the registrant of the "attphonecard.com" and "attcallingcard.com" domain names who set up Internet sites purporting to sell calling cards and soliciting personally identifying information, including credit card numbers. We also heard examples of counterfeit goods and non-genuine Porsche parts being sold on a number of the more than 300 web sites found using domain names bearing Porsche's name. The risks posed to consumers by these so-called "dot.con" artists continue to escalate as more people go online to buy things like pharmaceuticals, financial services, and even groceries.

I was also surprised to learn that the "dosney.com" domain was being used for a hard-core pornography website—a fact that was brought to the attention of the Walt Disney Company by the parent of a child who mistakenly arrived at that site when looking for Disney's main page. In a similar case, a 12-year old California boy was denied privileges at his school when he entered "zelda.com" in a web browser at his school library, looking for a site he expected to be affiliated with the popular computer game of the same name, but ended up at a pornography site. Young children are not the only victims of this sort of abuse. Recently the Intel Corporation had the "pentium3.com" domain snatched up by a cybersquatter who used it to post pornographic images of celebrities and offered to sell the domain name to the highest bidder.

The Committee also heard numerous examples of online bad actors using domain names to engage in unfair competition. For example, one domain name registrant used the name "wwwcarpoint.com," without a period following the "www," to drive consumers who are looking for Microsoft's popular Carpoint car buying service to a competitor's site offering similar services. Other bad actors don't even bother to offer competing services, opting instead to register multiple domain names to interfere with companies' ability to use their own trademarks online. For example, the Committee was told that Warner Bros. was asked to pay $350,000 for the rights to the names "warner-records.com," "warner-bros-records.com," "warner-pictures.com," "warner-bros-pictures", and "warner-pictures.com."

It is time for Congress to take a closer look at these abuses and to respond with appropriate legislation. The bill the Senate considers today will address these problems by clarifying the rights of trademark owners with respect to cybersquatting, by providing clear deterrence to prevent such bad faith and abusive conduct, and by providing adequate remedies for trademark owners in those cases where it does occur. And while the bill provides many important protections for trademark owners, it is important to note that the bill we are considering today reflects the text of a substitute amendment that Senator LEAHY and I offered in the Judiciary Committee to carefully balance the rights of trademark owners with the interests of Internet users. The text is substantively identical to the legislation that Senator LEAHY and I introduced as S. 1461, with Senators ABRAHAM, TORRICELLI, DEWINE, KOHL, and SCHUMER as cosponsors. In short, it represents a balanced approach that will protect American consumers and the businesses that drive our economy while at the same time preserving the rights of Internet users to engage in protected expression online and to make lawful uses of others' trademarks in cyberspace.

Let me take just a minute to explain some of the changes that are reflected in the bill as it has been reported to the Senate by the Judiciary Committee. While the current bill shares the goals of, and has some similarity to, the bill as introduced, it differs in a number of substantial respects. First, like the legislation introduced by Senator ABRAHAM, this bill allows trademark owners to recover statutory damages in cybersquatting cases, both to deter wrongful conduct and to provide adequate remedies for trademark owners who seek to enforce their rights in court. The reported bill goes beyond simply stating the remedy, however, and sets forth a substantive cause of action, based in trademark law, to define the wrongful conduct sought to be deterred and to fill in the gaps and uncertainties of current trademark law with respect to cybersquatting.

Under the bill as reported, the abusive conduct that is made actionable is appropriately limited to bad faith registrations of others' marks by persons who seek to profit unfairly from the goodwill associated therewith. In addition, the reported bill balances the property interests of trademark owners with the interests of Internet users who would make fair use of others' marks or otherwise engage in protected

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speech online. The reported bill also limits the definition of domain name identifier to exclude such things as screen names, file names, and other identifiers not assigned by a domain name registrar or registry. It also omits criminal penalties found in Senator ABRAHAM's original legislation.

Second, the reported bill provides for in rem jurisdiction, which allows a mark owner to seek the forfeiture, cancellation, or transfer of an infringing domain name by filing an in rem action against the name itself, where the domain name violates the mark owner's substantive trademark rights and where the mark owner has satisfied the court that it has exercised due diligence in trying to locate the owner of the domain name but is unable to do so. A significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner. The bill, as reported, will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found.

Additionally, some have suggested that dissidents or others who are online incognito for similar legitimate reasons might give false information to protect themselves and have suggested the need to preserve a degree of anonymity on the Internet particularly for this reason. Allowing a trademark owner to proceed against the domain names themselves, provided they are, in fact, infringing or diluting under the Trademark Act, decreases the need for trademark owners to join the hunt to chase down and root out these dissidents or others seeking anonymity on the Net. The approach in this bill is a good compromise, which provides meaningful protection to trademark owners while balancing the interests of privacy and anonymity on the Internet.

Third, like the original Abraham bill, the substitute amendment encourages domain name registrars and registries to work with trademark owners to prevent cybersquatting by providing a limited exemption from liability for domain name registrars and registries that suspend, cancel, or transfer domain names pursuant to a court order or in the implementation of a reasonable policy prohibiting cybersquatting. The bill goes further, however, in order to protect the rights of domain name registrants against overreaching trademark owners. Under the reported bill, a trademark owner who knowingly and materially misrepresents to the domain name registrar or registry that a domain name is infringing is liable to the domain name registrant for damages resulting from the suspension, cancellation, or transfer of the domain name. In addition, the court may award injunctive relief to the domain name registrant by ordering the reactivation of the domain name or the transfer of the domain name back to the domain name registrant. Finally, the bill also promotes the continued ease and efficiency users of the current registration system enjoy by codifying current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a domain name.

Finally, the reported bill includes an explicit savings clause making clear that the bill does not affect traditional trademark defenses, such as fair use, or a person's first amendment rights, and it ensures that any new remedies created by the bill will apply prospectively only.

In addition, the Senate is considering today an amendment I am offering with Senator LEAHY to make three additional clarifications. First, our amendment will clarify that the prohibited "uses" of domain names contemplated by the bill are limited to uses by the domain name registrant or his authorized licensee and do not include uses by others, such as in hypertext links, directory publishing, or search engines.

Second, our amendment clarifies that, like the Federal Trademark Dilution Act, uses of names that dilute the marks of others are actionable only where the mark that is harmed has achieved the status of a "famous" mark. As reported by the Committee, the bill does not distinguish between famous and non-famous marks. I supported this outcome because I believe the bill should provide protection to all mark owners against the deliberate, bad-faith dilution of their marks by cybersquatters—particularly given the proliferation of small startups that are driving the growth of electronic commerce on the Internet. Nevertheless, in the interest of moving the bill forward to provide much needed protection to trademark owners in a timely fashion and to build more closely on the pattern set by established law, I agreed to support an amendment limiting the scope of the bill to famous marks in the dilution context. Thus, our amendment clarifies that, like substantive trademark law generally, uses of others' marks in a way that causes a likelihood of consumer confusion is actionable whether or not the mark is famous, but like under the Federal Trademark Dilution Act, dilutive uses of others' marks is actionable only if the mark is famous.

Finally, our amendment clarifies that a domain name registrant whose name is suspended in an extra-judicial dispute resolution procedure can seek a declaratory judgment that his use of the name was, in fact, lawful under the Trademark Act. This clarification is consistent with other provisions of the reported bill that seek to protect domain name registrants against overreaching trademark owners.

Let me say in conclusion that this is an important piece of legislation that will promote the growth of online commerce by protecting consumers and providing clarity in the law for trademark owners in cyberspace. It is a balanced bill that protects the rights of Internet users and the interests of all Americans in free speech and protected uses of trademarked names for such things as parody, comment, criticism, comparative advertising, news reporting, etc. It reflects many hours of discussions with senators and affected parties on all sides. Let me thank Senator LEAHY for his work in crafting this particular measure, as well as Senator ABRAHAM for his cooperation in this effort, and all the other cosponsors of the bill and the substitute amendment adopted by the Judiciary Committee last week. I look forward to my colleagues' support of this measure and to working with them to get this important bill promoting e-commerce and online consumer protection through the Senate and enacted into law.

Mr. LEAHY. Mr. President, I am pleased that the Senate is today passing the Hatch-Leahy substitute amendment to S. 1255, the "Anticybersquatting Consumer Protection Act." Senator HATCH and I, and others, have worked hard to craft this legislation in a balanced fashion to protect trademark owners and consumers doing business online, and Internet users who want to participate in what the Supreme Court has described as "'a unique and wholly new medium of worldwide human communication.'" Reno v. ACLU, 521 U.S. 844 (1997).

On July 29, 1999, Senator HATCH and I, along with several other Senators, introduced S. 1461, the "Domain Name Piracy Prevention Act of 1999." This bill then provided the text of the Hatch-Leahy substitute amendment that we offered to S. 1255 at the Judiciary Committee's executive business meeting the same day. The Committee unanimously reported the substitute amendment favorably to the Senate for consideration. This substitute amendment, with three additional refinements contained in a Hatch-Leahy clarifying amendment, is the legislation that the Senate considers today.

Trademarks are important tools of commerce.—The exclusive right to the use of a unique mark helps companies compete in the marketplace by distinguishing their goods and services from those of their competitors, and helps consumers identify the source of a product by linking it with a particular company. The use of trademarks by companies, and reliance on trademarks by consumers, will only become more important as the global marketplace becomes larger and more accessible with electronic commerce. The reason is simple: when a trademarked name is

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used as a company's address in cyberspace, customers know where to go online to conduct business with that company.

The growth of electronic commerce is having a positive effect on the economies of small rural states like mine. A Vermont Internet Commerce report I commissioned earlier this year found that Vermont gained more than 1,000 new jobs as a result of Internet commerce, with the potential that Vermont could add more than 24,000 jobs over the next two years. For a small state like ours, this is very good news.

Along with the good news, this report identified a number of obstacles that stand in the way of Vermont reaching the full potential promised by Internet commerce. One obstacle is that "merchants are anxious about not being able to control where their names and brands are being displayed." Another is the need to bolster consumers' confidence in online shopping.

Cybersquatters hurt electronic commerce.—Both merchant and consumer confidence in conducting business online are undermined by so-called "cybersquatters" or "cyberpirates," who abuse the rights of trademark holders by purposely and maliciously registering as a domain name the trademarked name of another company to divert and confuse customers or to deny the company the ability to establish an easy-to-find online location. A recent report by the World Intellectual Property Organization (WIPO) on the Internet domain name process has characterized cybersquatting as "predatory and parasitical practices by a minority of domain registrants acting in bad faith" to register famous or well-known marks of others—which can lead to consumer confusion or downright fraud.

Enforcing trademarks in cyberspace will promote global electronic commerce.—Enforcing trademark law in cyberspace can help bring consumer confidence to this new frontier. That is why I have long been concerned with protecting registered trademarks online. Indeed, when the Congress passed the Federal Trademark Dilution Act of 1995, I noted that: "[A]lthough no one else has yet considered this application, it is my hope that this antidilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others." (CONGRESSIONAL RECORD, Dec. 29, 1995, page S19312)

In addition, last year I authored an amendment that was enacted as part of the Next Generation Internet Research Act authorizing the National Research Council of the National Academy of Sciences to study the effects on trademark holders of adding new top-level domain names and requesting recommendations on inexpensive and expeditious procedures for resolving trademark disputes over the assignment of domain names. Both the Internet Corporation for Assigned Names and Numbers (ICANN) and WIPO are also making recommendations on these procedures. Adoption of a uniform trademark domain name dispute resolution policy will be of enormous benefit to American trademark owners.

The "Domain Name Piracy Prevention Act," S. 1461, which formed the basis for the substitute amendment to S. 1255 that the Senate considers today, is not intended in any way to frustrate these global efforts already underway to develop inexpensive and expeditious procedures for resolving domain name disputes that avoid costly and time-consuming litigation in the court systems either here or abroad. In fact, the legislation expressly provides liability limitations for domain name registrars, registries or other domain name registration authorities when they take actions pursuant to a reasonable policy prohibiting the registration of domain names that are identical or confusingly similar to another's trademark or dilutive of a famous trademark. The ICANN and WIPO consideration of these issues will inform the development by domain name registrars and registries of such reasonable policies.

The Federal Trademark Dilution Act of 1995 has been used as I predicted to help stop misleading uses of trademarks as domain names. One court has described this exercise by saying that "attempting to apply established trademark law in the fast-developing world of the Internet is somewhat like trying to board a moving bus . . ." Bensusan Restaurant Corp. v. King, 126 F.3d 25 (2d Cir. 1997). Nevertheless, the courts appear to be handling "cybersquatting" cases well. As University of Miami Law Professor Michael Froomkin noted in testimony submitted at the Judiciary Committee's hearing on this issue on July 22, 1999, "[i]n every case involving a person who registered large numbers of domains for resale, the cybersquatter has lost."

For example, courts have had little trouble dealing with a notorious cybersquatter, Dennis Toeppen from Illinois, who registered more than 100 trademarks—including "yankee stadium.com," "deltaairlines.com," and "neiman-marcus.com"—as domain names for the purpose of eventually selling the names back to the companies owning the trademarks. The various courts reviewing his activities have unanimously determined that he violated the Federal Trademark Dilution Act.

Similarly, Wayne State University Law Professor Jessica Litman noted in testimony submitted at the Judiciary Committee's hearing that those businesses which "have registered domain names that are confusingly similar to trademarks or personal names in order to use them for pornographic web sites . . . have without exception lost suits brought against them."

Enforcing or even modifying our trademark laws will be only part of the solution to cybersquatting. Up to now, people have been able to register any number of domain names in the popular ".com" domain with no money down and no money due for 60 days. Network Solutions Inc. (NSI), the dominant Internet registrar, announced just last month that it was changing this policy, and requiring payment of the registration fee up front. In doing so, the NSI admitted that it was making this change to curb cybersquatting.

In light of the developing case law, the ongoing efforts within WIPO and ICANN to build a consensus global mechanism for resolving online trademark disputes, and the implementation of domain name registration practices designed to discourage cybersquatting, the legislation we pass today is intended to build upon this progress and provide constructive guidance to trademark holders, domain name registrars and registries and Internet users registering domain names alike.

Commercial sites are not the only ones suffering at the hands of domain name pirates. Even the Congress is not immune: while cspan.org provides detailed coverage of the Senate and House, cspan.net is a pornographic site. Moreover, Senators and presidential hopefuls are finding that domain names like bush2000.org and hatch2000.org are being snatched up by cyber poachers intent on reselling these names for a tidy profit. While this legislation does not help politicians protect their names, it will help small and large businesses and consumers doing business online.

As introduced, S. 1255 was flawed.—I appreciate the efforts of Senators ABRAHAM, TORRICELLI, HATCH and MCCAIN to focus our attention on this important matter. As originally introduced, S. 1255 proposed to make it illegal to register or use any "Internet domain name or identifier of an online location" that could be confused with the trademark of another person or cause dilution of a "famous trademark." Violations were punishable by both civil and criminal penalties.

I voiced concerns at a hearing before the Judiciary Committee that, in its original form, S. 1255 would have a number of unintended consequences that could hurt rather than promote electronic commerce, including the following specific problems:

The definition was overbroad.—As introduced, S. 1255 covered the use or registration of any "identifier," which could cover not just second level domain names, but also e-mail addresses, screen names used in chat rooms, and even files accessible and readable on the Internet. As one witness pointed out, "the definitions will make every fan a criminal." How? A file document about Batman, for example, that uses the trademark "Batman" in its name, which also identifies its online location, could land the writer in court under that bill. Cybersquatting is not about file names.

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The original bill threatened hypertext linking.—The Web operates on hypertext linking, to facilitate jumping from one site to another. The original bill could have disrupted this practice by imposing liability on operators of sites with links to other sites with trademark names in the address. One could imagine a trademark owner not wanting to be associated with or linked with certain sites, and threatening suit under this proposal unless the link were eliminated or payments were made for allowing the linking.

The original bill would have criminalized dissent and protest sites.—A number of Web sites collect complaints about trademarked products or services, and use the trademarked names to identify themselves. For example, there are protest sites named "boycott-cbs.com" and "www.PepsiBloodbath.com." While the speech contained on those sites is clearly constitutionally protected, as originally introduced, S. 1255 would have criminalized the use of the trademarked name to reach the site and made them difficult to search for and find online.

The original bill would have stifled legitimate warehousing of domain names.—The bill, as introduced, would have changed current law and made liable persons who merely register domain names similar to other trademarked names, whether or not they actually set up a site and used the name. The courts have recognized that companies may have legitimate reasons for registering domain names without using them and have declined to find trademark violations for mere registration of a trademarked name. For example, a company planning to acquire another company might register a domain name containing the target company's name in anticipation of the deal. The original bill would have made that company liable for trademark infringement.

For these and other reasons, Professor Litman concluded that, as introduced, the "bill would in many ways be bad for electronic commerce, by making it hazardous to do business on the Internet without first retaining trademark counsel." Faced with the risk of criminal penalties, she stated that "many start-up businesses may choose to abandon their goodwill and move to another Internet location, or even to fold, rather than risk liability."

The Hatch-Leahy Domain Name Piracy Prevention Act and substitute amendment to S. 1255 are a better solution.—S. 1461, the "Domain Name Piracy Prevention Act," which Senators HATCH and I, and others, introduced and which provides the text of the substitute amendment to S. 1255, addresses the cybersquatting problem without jeopardizing other important online rights and interests. Along with the Hatch-Leahy clarifying amendment we consider today, this legislation would amend section 43 of the Trademark Act (15 U.S.C. § 11125) by adding a new section to make liable for actual or statutory damages any person, who with bad-faith intent to profit from the goodwill of another's trademark, without regard to the goods or services of the parties, registers, traffics in or uses a domain name that is identical or confusingly similar to a distinctive trademark or dilutive of a famous trademark. The fact that the domain name registrant did not compete with the trademark owner would not be a bar to recovery.

Uses of infringing domain names that support liability under the legislation are expressly limited to uses by the domain name registrant or the registrant's authorized licensee. This limitation makes clear that "uses" of domain names by persons other than the domain name registrant for purposes such as hypertext linking, directory publishing, or for search engines, are not covered by the prohibition.

Domain name piracy is a real problem. Whitehouse.com has probably gotten more traffic from people trying to find copies of the President's speeches than those interested in adult material. As I have noted, the issue has struck home for many in this body, with aspiring cyber-poachers seizing domain names like bush2000.org and trying to extort political candidates for their use.

While the problem is clear, narrowly defining the solution is trickier. The mere presence of a trademark is not enough. Legitimate conflicts may arise between companies offering different services or products under the same trademarked name, such as Juno lighting inc. and Juno online services over the juno.com domain name, or between companies and individuals who register a name or nickname as a domain name, such as the young boy nicknamed "pokey" whose domain name "pokey.org" was challenged by the toy manufacturer who owns the rights to the Gumby and Pokey toys. In other cases, you may have a site which uses a trademarked name to protest a group, company or issue, such as pepsibloodbath.com, or even to defend one's reputation, such as www.civil-action.com, which belongs not to the motion picture studio, but to W.R. Grace to rebut the unflattering portrait of the company as a polluter and child poisoner created by the movie.

There is a world of difference between these sorts of sites and those which use deceptive naming practices to draw attention to their site (e.g., whitehouse.com), or those who use domain names to misrepresent the goods or services they offer (e.g., dellmemory.com, which may be confused with the Dell computer company).

We must also recognize certain technological realities. For example, merely mentioning a trademark is not a problem. Posting a speech that mentions AOL on my web page and calling the page aol.html, confuses no one between my page and America Online's site. Likewise, we must recognize that while the Web is a key part of the Internet, it is not the only part. We simply do not want to pass legislation that may impose liability on Internet users with e-mail addresses, which may contain a trademarked name. Nor do we want to crack down on newsgroups that use trademarks descriptively, such as alt.comics.batman.

In short, it is important that we distinguish between the legitimate and illegitimate use of domain names, and this legislation does just that. Significant sections of this legislation include:

Definition.—Domain names are narrowly defined to mean alphanumeric designations registered with or assigned by domain name registrars or registries, or other domain name registration authority as part of an electronic address on the Internet. Since registrars only register second level domain names, this definition effectively excludes file names, screen names, and e-mail addresses and, under current registration practice, applies only to second level domain names.

Scienter Requirement.—Good faith, innocent or negligent uses of a domain name that is identical or confusingly similar to another's mark or dilutive of a famous mark are not covered by the legislation's prohibition. Thus, registering a domain name while unaware that the name is another's trademark would not be actionable. Nor would the use of a domain name that contains a trademark for purposes of protest, complaint, parody or commentary satisfy the requisite scienter requirement. Bad-faith intent to profit is required for a violation to occur. This requirement of bad-faith intent to profit is critical since, as Professor Litman pointed out in her testimony, our trademark laws permit multiple businesses to register the same trademark for different classes of products. Thus, she explains:

[a]lthough courts have been quick to impose liability for bad faith registration, they have been far more cautious in disputes involving a domain name registrant who has a legitimate claim to use a domain name and registered it in good faith. In a number of cases, courts have refused to impose liability where there is no significant likelihood that anyone will be misled, even if there is a significant possibility of trademark dilution.

The legislation outlines the following non-exclusive list of eight factors for courts to consider in determining whether such bad-faith intent to profit is proven: (i) the trademark rights of the domain name registrant in the domain name; (ii) whether the domain name is the legal name or nickname of the registrant; (iii) the prior use by the registrant of the domain name in connection with the bona fide offering of any goods or services; (iv) the registrant's legitimate noncommercial or fair use of the mark at the site under the domain name; (v) the registrant's intent to divert consumers from the mark's owner's online location in a manner that could harm the mark's

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S10518 2002

goodwill, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation or endorsement of the site; (vi) the registrant's offer to sell the domain name for substantial consideration without having or having an intent to use the domain name in the bona fide offering of goods or services; (vii) the registrant's intentional provision of material false and misleading contact information when applying for the registration of the domain name; and (viii) the registrant's registration of multiple domain names that are identical or similar to or dilutive of another's trademark.

Damages.—In civil actions against cybersquatters, the plaintiff is authorized to recover actual damages and profits, or may elect before final judgment to award of statutory damages of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court is directed to remit statutory damages in any case where the infringer reasonably believed that use of the domain name was a fair or otherwise lawful use.

In Rem Actions.—The bill would also permit an in rem civil action filed by a trademark owner in circumstances where the domain name violates the owner's rights in the trademark and the court finds that the owner demonstrated due diligence and was not able to find the domain name holder to bring an in personam civil action. The remedies of an in rem action are limited to a court order for forfeiture or cancellation of the domain name or the transfer of the domain name to the trademark owner.

Liability Limitations.—The bill would limit the liability for monetary damages of domain name registrars, registries or other domain name registration authorities for any action they take to refuse to register, remove from registration, transfer, temporarily disable or permanently cancel a domain name pursuant to a court order or in the implementation of reasonable policies prohibiting the registration of domain names that are identical or confusingly similar to another's trademark, or dilutive of a famous trademark.

Prevention of Reverse Domain Name Hijacking.—Reverse domain name hijacking is an effort by a trademark owner to take a domain name from a legitimate good faith domain name registrant. There have been some well-publicized cases of trademark owners demanding the take down of certain web sites set up by parents who have registered their children's names in the .org domain, such as two year old Veronica Sams's "Little Veronica" website and 12 year old Chris "Pokey" Van Allen's web page.

In order to protect the rights of domain name registrants in their domain names the legislation provides that registrants may recover damages, including costs and attorney's fees, incurred as a result of a knowing and material misrepresentation by a person that a domain name is identical or similar to, or dilutive of, a trademark.

In addition, a domain name registrant, whose domain name has been suspended, disabled or transferred, may sue upon notice to the mark owner, to establish that the registration or use of the domain name by the registrant is lawful. The court in such a suit is authorized to grant injunctive relief, including the reactivation of a domain name or the transfer or return of a domain name to the domain name registrant.

Cybersquatting is an important issue both for trademark holders and for the future of electronic commerce on the Internet. Any legislative solution to cybersquatting must tread carefully to ensure that authorized remedies do not impede or stifle the free flow of information on the Internet. In many ways, the United States has been the incubator of the World Wide Web, and the world closely watches whenever we venture into laws, customs or standards that affect the Internet. We must only do so with great care and caution. Fair use principles are just as critical in cyberspace as in any other intellectual property arena. I am pleased that Chairman HATCH and I, along with Senators ABRAHAM, TORRICELLI, and KOHL have worked together to find a legislative solution that respects these considerations.

Mr. ABRAHAM. Mr. President, I am pleased to rise today in order to comment on S. 1255, the Anticybersquatting Consumer Protection Act of 1999. Through the tremendous help of several of my colleagues, notably Senators HATCH, LEAHY, TORRICELLI, MCCAIN, BREAUX, and LOTT, we moved this bill in little over one month from a concept to final product, through the Judiciary Committee with unanimous support, and again with unanimous support through the Senate floor. I thank all involved for their help, and I am comfortable in my belief that we have accomplished a great feat here today: the Senate has taken an important step in reforming trademark law for the digital age, and in protecting the expectations and safety of consumers, and the property rights of business nationwide.

This legislation will combat a new form of high-tech fraud that is causing confusion and inconvenience for consumers, increasing costs for people doing business on the Internet, and posing substantial threat to a century of pre-Internet American business efforts. The fraud is commonly called "cybersquatting," a practice whereby individuals in bad faith reserve Internet domain names or other identifiers of online locations that are similar or identical to trademarked names. Once a trademark is registered as an online identifier or domain name, the "cybersquatter" can engage in a variety of nefarious activities—from the relatively benign parody of a business or individual, to the obscene prank of redirecting an unsuspecting consumer to pornographic content, to the destructive worldwide slander of a centuries-old brand name. This behavior undermines consumer confidence, discourages Internet use, and destroys the value of established brand names and trademarks.

Electronic of "E" commerce in particular has been an engine of great economic growth for the United States. E-commerce between businesses has grown to an estimated $64.8 billion for 1999. Ten million customers shopped for some product using the Internet in 1998 alone. International Data Corporation estimates that $31 billion in products will be sold over the Internet in 1999. And 5.3 million households will have access to financial transactions like banking and stock trading by the end of 1999.

Our economy, and its ability to provide high paying jobs for American workers, is increasingly dependent upon technology—and on e-commerce in particular. If we want to maintain our edge in the global marketplace, we must address those problems which endanger continued growth in e-commerce. Some unscrupulous—though enterprising—people are engaged in the thriving and unethical business collecting and selling Internet addresses containing trademarked names.

Cybersquatting has already caused significant damage. Even computer-savvy companies buy domain names from cybersquatters at extortionate rates to rid themselves of a headache with no certain outcome. For example, computer maker Gateway recently paid $100,000 to a cybersquatter who had placed pornographic images on the website "www.gateway20000". But rather than simply give up, several companies, including Paine Webber, have instead sought protection of their brands through the legal system. However, as with much of the pre-Internet law that is applied to this post-Internet world, precedent is still developing, and at this point, one cannot predict with certainty which party to a dispute will win, and on what grounds, in the future.

Whether perpetrated to defraud the public or to extort the trademark owner, squatting on Internet addresses using trademarked names is wrong. Trademark law is based on the recognition that companies and individuals build a property right in brand names because of the reasonable expectations they raise among consumers. If you order a Compaq or Apple computer, that should mean that you get a computer made by Compaq or Apple, not one built by a fly-by-night company pirating the name. The same goes for trademarks on the Internet.

To protect Internet growth and job production, Senators TORRICELLI, HATCH, MCCAIN, and I introduced an anticybersquatting bill which received strong public support. A number of suggestions convinced me of the need

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for substitute legislation addressing the problem of in rem jurisdiction and eliminating provisions dealing with criminal penalties, and I have been pleased to work with Senators HATCH and LEAHY to that effect.

Our final legislative product would establish uniform federal rules for dealing with this attack on interstate electronic commerce, supplementing existing rights under trademark law. It establishes a civil action for registering, trafficking in, or using a domain name identifier that is identical to, confusingly similar to, or dilutive of another person's trademark or service mark that either is inherently distinctive or had acquired distinctiveness.

This bill also incorporates substantial protections for innocent parties, keying on the bad faith of a party. Civil liability would attach only if a person had no intellectual property rights in the domain name identifier, the domain name identifier was not the person's legal first name or surname; and the person registered, acquired, or used the domain name identifier with the bad-faith intent to benefit from the goodwill of a trademark or service mark of another.

Just to be clear on our intent, the "bad-faith" requirement may be established by, among others, any of the following evidence:

First, if the registration or use of the domain name identifier was made with the intent to disrupt the business of the mark owner by diverting consumers from the mark owner's online location;

Second, if a pattern is established of the person offering to transfer, sell, or otherwise assign more than one domain name identifier to the owner of the applicable mark or any third party for consideration, without having used the domain name identifiers in the bona fide offering of any goods or services; or

Third, if the person registers or acquires multiple domain name identifiers that are identical to, confusingly similar to, or dilutive of any distinctive trademark or service mark of one or more other persons.

In addition, under this legislation, the owner of a mark may bring an in rem action against the domain name identifier itself. This will allow a court to order the forfeiture or cancellation of the domain name identifier or the transfer of the domain name identifier to the owner of the mark. It also reinforces the central characteristic of this legislation—its intention to protect property rights. The in rem provision will eliminate the problem most recently and prominently experienced by the auto maker Porsche, which had an action against several infringing domain name identifiers dismissed for lack of personal jurisdiction.

In terms of damages, this legislation provides for statutory civil damages of at least $1,000, but not more than $100,000 per domain name identifier. The plaintiff may elect these damages in lieu of actual damages or profits at any time before final judgment.

The growth of the Internet has provided businesses and individuals with unprecedented access to a worldwide source of information, commerce, and community. Unfortunately, those bad actors seeking to cause harm to businesses and individuals have seen their opportunities increase as well. In my opinion, on-line extortion in this form is unacceptable and outrageous. Whether it's people extorting companies by registering company names, misdirect Internet users to inappropriate sites, or otherwise attempting to damage a trademark that a business has spent decades building into a recognizable brand, persons engaging in cybersquatting activity should be held accountable for their actions. I believe that these provisions will discourage anyone from "squatting" on addresses in cyberspace to which they are not entitled.

I again wish to thank my colleagues for their assistance in this effort, and I look forward to final passage of this legislation after careful and thoughtful consideration by the House of Representatives.

Mr. BROWNBACK. Mr. President, I ask unanimous consent that the amendment be agreed to, the committee amendment, as amended, be agreed to, the bill be read a third time and passed, as amended, the motion to reconsider be laid upon the table, and any statements relating to the bill be printed in the RECORD.

The amendment (No. 1609) was agreed to.

The committee amendment, as amended, was agreed to.

The bill (S. 1255), as amended, was read the third time, and passed.

[The bill was not available for printing. It will appear in a future issue of the RECORD.]

PROVIDING TECHNICAL, FINANCIAL, AND PROCUREMENT ASSISTANCE TO VETERAN-OWNED SMALL BUSINESSES

Mr. BROWNBACK. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of calendar No. 254, H.R. 1568.

The PRESIDING OFFICER. The clerk will report the bill by title.

The legislative clerk read as follows:

A bill (H.R. 1568) to provide technical, financial, and procurement assistance to veteran-owned small businesses, and for other purposes.

There being no objection, the Senate proceeded to consider the bill.

Mr. BOND. Mr. President, it is with great pleasure and enthusiasm that I rise in support of the Veterans Entrepreneurship and Small Business Development Act of 1999 (H.R. 1568). This bill is a critical building block in our efforts to provide significantly improved help to small businesses owned and operated by veterans and especially those small businesses owned by service-disabled veterans. This bill was approved by a unanimous vote of 18-0 in the Committee on Small Business after the Committee approved a substitute amendment that I offered with the Committee's Ranking Member, Senator KERRY.

Over the past two years, as the Chairman of the Committee on Small Business, I have brought three bills to the Senate floor that place a special emphasis on helping veteran entrepreneurs. The need for this legislation became necessary as Federal support for veteran entrepreneurs, particularly service-disabled veterans, has declined. Significantly, support for veteran small business owners historically has been weak at the Small Business Administration (SBA).

The Veterans Entrepreneurship and Small Business Development Act of 1999 seeks to provide assistance to veteran-owned small businesses to enable them to start-up and grow their businesses. The bill places a specific emphasis on small businesses owned and controlled by service-disabled veterans and directs SBA to undertake special initiatives on behalf of all veteran small business owners.

H.R. 1568 has key provisions that are of particular importance to veterans. The bill establishes a federally chartered corporation called the National Veterans Business Development Corporation (Corporation/NVBDC), whose purpose is to create a network of information and assistance centers to improve assistance for veterans who wish to start-up or expand a small businesses. The Corporation will be governed by a board of directors appointed by the President, who will take into consideration recommendations from the Chairmen and Ranking Members from the Committees on Small Business and Veterans Affairs of the Senate and House of Representatives before making appointments to the board. Although funds are authorized during the first four years of the Corporation, it is the expectation of the Committee on Small Business that it will become self-sufficient and will no longer need Federal assistance after this four year start-up period.

In an effort to make its programs more readily available to veteran entrepreneurs, the SBA is required to ensure that the SCORE Program and the Small Business Development Center (SBDC) Program work directly with the Corporation so that veteran entrepreneurs receive technical support and other needed assistance.

H.R. 1568 places special emphasis on credit programs at SBA that can be helpful to veterans, and especially service-disabled veterans. The bill specifically targets veterans for the 7(a) guaranteed business loan program, the 504 Development Company Loan Program, and the Microloan Program.

A key component of H.R. 1568 is to make Federal government contracts more readily available to service disabled veterans who own and control

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S10520 2002

Document No. 10

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

"actions taken by the Commission in fulfillment of the Commission's duties under this Act";

(ii) in paragraph (3), by adding "and" after the semicolon;

(iii) in paragraph (4), by striking the semicolon and "and" and inserting a period; and

(iv) by striking paragraph (5); and

(B) in subsection (b)(1) by striking "activities" and inserting "recommendations":

(8) in section 12—

(A) in subsection (b)—

(i) in paragraph (1)—

(I) in subparagraphs (A), (C), (D), and (E), by striking ", or the designee of the Secretary";

(II) in subparagraph (B), by striking ", or the designee of the Librarian"; and

(III) in subparagraph (F)—

(aa) in clause (i) by striking "government" and inserting "governmental entity"; and

(bb) by amending clause (ii) to read as follows:

"(ii) shall be selected among individuals who—

"(I) have earned an advanced degree related to aerospace history or science, or have actively and primarily worked in an aerospace related field during the 5-year period before appointment by the President; and

"(II) specifically represent 1 or more of the persons or groups enumerated under section 5(a)(1).''; and

(ii) by adding at the end the following:

"(2) ALTERNATES.—Each member described under paragraph (1) (A) through (E) may designate an alternate who may act in lieu of the member to the extent authorized by the member, including attending meetings and voting.''; and

(B) in subsection (h) by striking "section 4(e)" and inserting "section 4(d)"; and

(9) in section 13—

(A) by striking paragraph (4); and

(B) by redesignating paragraph (5) as paragraph (4).

ANTICYBERSQUATTING CONSUMER PROTECTION ACT

On August 5, 1999, the Senate passed S. 1255, as follows:

S. 1255

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "Anticybersquatting Consumer Protection Act.".

(b) REFERENCES TO THE TRADEMARK ACT OF 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 2. FINDINGS.

Congress finds the following:

(1) The registration, trafficking in, or use of a domain name that is identical or confusingly similar to a trademark or service mark of another that is distinctive at the time of the registration of the domain name, or dilutive of a famous trademark or service mark of another that is famous at the time of the registration of the domain name, without regard to the goods or services of the parties, with the bad-faith intent to profit from the goodwill of another's mark (commonly referred to as "cyberpiracy" and "cybersquatting")—

(A) results in consumer fraud and public confusion as to the true source or sponsorship of goods and services;

(B) impairs electronic commerce, which is important to interstate commerce and the United States economy;

(C) deprives legitimate trademark owners of substantial revenues and consumer goodwill; and

(D) places unreasonable, intolerable, and overwhelming burdens on trademark owners in protecting their valuable trademarks.

(2) Amendments to the Trademark Act of 1946 would clarify the rights of a trademark owner to provide for adequate remedies and to deter cyberpiracy and cybersquatting.

SEC. 3. CYBERPIRACY PREVENTION.

(a) IN GENERAL.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

"(d)(1)(A) A person shall be liable in a civil action by the owner of a trademark or service mark if, without regard to the goods or services of the parties, that person—

"(i) has a bad faith intent to profit from that trademark or service mark; and

"(ii) registers, traffics in, or uses a domain name that—

"(I) in the case of a trademark or service mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to such mark; or

"(II) in the case of a famous trademark or service mark that is famous at the time of registration of the domain name, is dilutive of such mark.

"(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

"(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

"(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

"(iii) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

"(iv) the person's legitimate noncommercial or fair use of the mark in a site accessible under the domain name;

"(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

"(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for substantial consideration without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

"(vii) the person's intentional provision of material and misleading false contact information when applying for the registration of the domain name; and

"(viii) the person's registration or acquisition of multiple domain names which are identical or confusingly similar to trademarks or service marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous trademarks or service marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of such persons.

"(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

"(D) A use of a domain name described under subparagraph (A) shall be limited to a use of the domain name by the domain name registrant or the domain name registrant's authorized licensee.

"(2)(A) The owner of a mark may file an in rem civil action against a domain name if—

"(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c); and

"(ii) the court finds that the owner has demonstrated due diligence and was not able to find a person who would have been a defendant in a civil action under paragraph (1).

"(B) The remedies of an in rem action under this paragraph shall be limited to 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.".

(b) ADDITIONAL CIVIL ACTION AND REMEDY.—The civil action established under section 43(d)(1) of the Trademark Act of 1946 (as added by this section) and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

SEC. 4. DAMAGES AND REMEDIES.

(a) REMEDIES IN CASES OF DOMAIN NAME PIRACY.—

(1) INJUNCTIONS.—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking "section 43(a)" and inserting "section 43 (a), (c), or (d)".

(2) DAMAGES.—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", (c), or (d)" after "section 43 (a)".

(b) STATUTORY DAMAGES.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court shall remit statutory damages in any case in which an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.".

SEC. 5. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43 (a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

"(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

"(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

"(I) in compliance with a court order under section 43(d); or

"(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark registered on the Principal Register of the United States Patent and Trademark Office.

"(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for

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damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

"(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any person that a domain name is identical to, confusingly similar to, or dilutive of a mark registered on the Principal Register of the United States Patent and Trademark Office, such person shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

"(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.".

SEC. 6. DEFINITIONS.

Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by inserting after the undesignated paragraph defining the term "counterfeit" the following:

"The term 'Internet' has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

"The term 'domain name' means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.".

SEC. 7. SAVINGS CLAUSE.

Nothing in this Act shall affect any defense available to a defendant under the Trademark Act of 1946 (including any defense under section 43(c)(4) of such Act or relating to fair use) or a person's right of free speech or expression under the first amendment of the United States Constitution.

SEC. 8. SEVERABILITY.

If any provision of this Act, an amendment made by this Act, or the application of such provision or amendment to any person or circumstances is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of the provisions of such to any person or circumstance shall not be affected thereby.

SEC. 9. EFFECTIVE DATE.

This Act shall apply to all domain names registered before, on, or after the date of enactment of this Act, except that statutory damages under section 35(d) of the Trademark Act of 1946 (15 U.S.C. 1117), as added by section 4 of this Act, shall not be available with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment of this Act.

FOREIGN CURRENCY REPORTS

In accordance with the appropriate provisions of law, the Secretary of the Senate herewith submits the following report(s) of standing committees of the Senate, certain joint committees of the Congress, delegations and groups, and select and special committees of the Senate, relating to expenses incurred in the performance of authorized foreign travel:

CONSOLIDATED REPORT OF EXPENDITURE OF FOREIGN CURRENCIES AND APPROPRIATED FUNDS FOR FOREIGN TRAVEL BY MEMBER AND EMPLOYEES OF THE U.S. SENATE, UNDER AUTHORITY OF SEC. 22, P.L. 95-384—22 U.S.C. 1754(b), COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY, FOR TRAVEL FROM MAR. 27, TO JUNE 3, 1999

Name and country	Name of currency	Per diem		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S currency
Senator J. Robert Kerrey									
France	Franc	2,774	462.00		1,119.56	320	53.30		1,634.86
Debra A. Reed									
France	Franc	716	119.00		3,123.93				3,242.93
Senator Patrick J. Leahy:									
Ireland	Pound	564.38	788.00		1,082.35				1,870.35
Senator Patrick J. Leahy:									
Northern Ireland	Dollar		254.00						254.00
John P. Dowd									
Ireland	Pound	564.38	788.00		1,082.35				1,870.35
Northern Ireland	Dollar		254.00						254.00
Frederick S. Kenney II.									
Ireland	Pound	1,012.84	1,373.00		1,612.40				2991.40
Total			4,044.00		8,020.59		53.30		12,117.39

RICHARD G. LUGAR,
Chairman, Committee on Agriculture, Nutrition, and Forestry, July 1, 1999.

CONSOLIDATED REPORT OF EXPENDITURE OF FOREIGN CURRENCIES AND APPROPRIATED FUNDS FOR FOREIGN TRAVEL BY MEMBERS AND EMPLOYEES OF THE U.S. SENATE, UNDER AUTHORITY OF SEC. 22, P.L. 95-384—22 U.S.C. 1754(b), COMMITTEE ON APPROPRIATIONS FOR TRAVEL FROM APR. 1, TO JUNE 30, 1999

Name and country	Name of currency	Per diem		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Senator Ted Stevens									
France	Franc	31.60	505.00					31.60	505.00
Senator Richard C. Shelby									
France	Franc	31.60	505.00					31.60	505.00
Senator Ben Nighthorse Campbell:									
France	Franc	31.60	505.00					31.60	505.00
Steve Cortese									
France	Franc	31.60	505.00					31.60	505.00
Gary Reese									
France	Franc	31.60	505.00					31.60	505.00
John Young									
France	Franc	31.60	505.00					31.60	505.00
Wally Burnett									
France	Franc	31.60	505.00					31.60	505.00
Tammy Perron									
France	Franc	31.60	505.00					31.60	505.00
Senator Daniel K. Inouye									
Japan	Yen	115,130	940.99					115,130	940.99
Charlie Houy									
Japan	Yen	110,942	906.76					110,942	906.76
Total			5,887.75						5,887.75

TED STEVENS,
Chairman, Committee on Appropriations, July 20, 1999.

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 S10630 2002

Document No. 11

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [i] 2002

HeinOnline -- 1 Anticybersquatting Consumer Protection Act: A Legislative History of Public Law No. 106-113 Appendix I, 113 Stat 1501A-545 [ii] 2002

There was no objection.

TRADEMARK CYBERPIRACY PREVENTION ACT

Mr. COBLE. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3028) to amend certain trademark laws to prevent the misappropriation of marks, as amended.

The Clerk read as follows:

H.R. 3028

Be It enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "Trademark Cyberpiracy Prevention Act".

(b) REFERENCES TO THE TRADEMARK ACT OF 1946.—Any reference in this Act to the Trademark Act of 1946 shall be a reference to the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 2. CYBERPIRACY PREVENTION.

(a) IN GENERAL.—Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by inserting at the end the following:

"(d)(1)(A) A person shall be liable in a civil action by the owner of a mark, including a famous personal name which is protected under this section, if, without regard to the goods or services of the parties, that person—

"(i) has a bad faith intent to profit from that mark, including a famous personal name which is protected under this section; and

"(ii) 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 that mark;

"(II) in the case of a famous mark that is famous at the time of registration of the domain name, is dilutive of that mark; or

"(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.

"(B) In determining whether there is a bad-faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

"(i) the trademark or other intellectual property rights of the person, if any, in the domain name;

"(ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

"(iii) the person's prior lawful use, if any, of the domain name in connection with the bona fide offering of any goods or services;

"(iv) the person's lawful noncommercial or fair use of the mark in a site accessible under the domain name;

"(v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

"(vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services;

"(vii) the person's provision of material and misleading false contact information when applying for the registration of the domain name or the person's intentional failure to maintain accurate contact information;

"(viii) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of such persons;

"(ix) the person's history of offering to transfer, sell, or otherwise assign domain names incorporating marks of others to the mark owners or any third party for consideration without having used, or having an intent to use, the domain names in the bona fide offering of any goods and services;

"(x) the person's history of providing material and misleading false contact information when applying for the registration of other domain names which incorporate marks, or the person's history of using aliases in the registration of domain names which incorporate marks of others; and

"(xi) the extent to which the mark incorporated in the person's domain name registration is distinctive and famous within the meaning of subsection (c)(1) of section 43 of the Trademark Act of 1946 (15 U.S.C. 1125).

"(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

"(D) A person shall be liable for using a domain name under subparagraph (A)(ii) only if that person is the domain name registrant or that registrant's authorized licensee.

"(E) As used in this paragraph, the term 'traffics in' refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

"(2)(A) In addition to any other jurisdiction that otherwise exists, whether in rem or in personam, the owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located, if—

"(i) the domain name violates any right of the owner of the mark; and

"(ii) the owner—

"(I) has sent a copy of the summons and complaint to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

"(II) has published notice of the action as the court may direct promptly after filing the action.

The actions under clause (ii) shall constitute service of process.

"(B) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which—

"(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

"(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

"(C) The remedies of an in rem action under this paragraph shall be limited to 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. Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—

"(i) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

"(ii) not transfer or otherwise modify the domain name during the pendency of the action, except upon order of the court.

The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

"(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.".

SEC. 3. DAMAGES AND REMEDIES.

(a) REMEDIES IN CASES OF DOMAIN NAME PIRACY.—

(1) INJUNCTIONS.—Section 34(a) of the Trademark Act of 1946 (15 U.S.C. 1116(a)) is amended in the first sentence by striking "(a) or (c)" and inserting "(a), (c), or (d)".

(2) DAMAGES.—Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended in the first sentence by inserting ", (c), or (d)" after "section 43(a)".

(b) STATUTORY DAMAGES.—Section 35 of the Trademark Act of 1946 (15 U.S.C. 1117) is amended by adding at the end the following:

"(d) In a case involving a violation of section 43(d)(1), the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just. The court may remit statutory damages in any case in which the court finds that an infringer believed and had reasonable grounds to believe that use of the domain name by the infringer was a fair or otherwise lawful use.".

SEC. 4. LIMITATION ON LIABILITY.

Section 32(2) of the Trademark Act of 1946 (15 U.S.C. 1114) is amended—

(1) in the matter preceding subparagraph (A) by striking "under section 43(a)" and inserting "under section 43(a) or (d)"; and

(2) by redesignating subparagraph (D) as subparagraph (E) and inserting after subparagraph (C) the following:

"(D)(i) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary or injunctive relief to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

"(ii) An action referred to under clause (i) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

"(I) in compliance with a court order under section 43(d); or

"(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

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