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Does the Lanham Act Lose Meaning for Companies That Operate Exclusively Over the Internet?

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This Note will examine the differences between trademark registration and domain name registration, focusing specifically on the terms an applicant may register, the rights associated with those registrations, and the manner in which a registrant may lose, assign, and enforce those rights so that others may not use the same registered terms. This Note will also suggest that a company operating exclusively over the internet may obtain greater rights, and therefore protection, than a typical bricks and mortar company, simply by registering its domain name, and not trademark status.

I. INTRODUCTION

Imagine two companies: Internetbank and Baybank. Both companies are FDIC banks. Internetbank operates exclusively over the internet, with no physical location for its customers to visit, while Baybank is a traditional bricks and mortar bank, with physical locations around the bay area of Maryland. Internetbank is capable of serving the entire United States area, while Baybank is locally operated and run and services customers only in the specific bay area of Maryland. To open an account with Internetbank, a customer must fill-out an application over the internet, while at Baybank, accounts must be opened in person. These banks compete with other banks for the same business, and therefore, have an interest in preventing their competitors from being able to use these same names, Internetbank and Baybank, in their businesses. The catch, however, is that only one of these banks will be successful.

The laws governing these banks' ability to prevent their competitors from calling themselves by the same name are known as trademark laws. The law of trademark is governed by the common law and by the Lanham Act. As will be discussed, neither company would be able to use the existing trademark laws to exclude competitors from using these same non-distinctive names, Internetbank and Baybank. But, because Internetbank operates over the internet, other laws such as those governing domain name registration may provide an avenue for this bank to establish an exclusive right in this non-distinctive name, although trademark law would not.

Companies that operate over the internet exist at one specific site defined by a domain name. Only one company may occupy a site at a time, and because each site has a corresponding domain name, only one company may use a specific domain name. To access the site for an internet-based company, a customer must enter a domain name on an internet browser. By using the name of the company as the domain name, it is possible for a company to establish exclusive rights in that name.

Ideally, companies want to use the name of their company as a domain name so that it is easier for consumers to find. When a company such as Internetbank

is a totally internet-based company, its domain name can be its company name. Thus, in this way, Internetbank would be able to establish exclusive rights in its name, while Baybank would not.

II. BACKGROUND

A. COMMON LAW TRADEMARK RIGHTS

A trademark is any "word, name, symbol, or device, or any combination thereof . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."¹ A trademark can, therefore, be any symbol, ranging from a sound, such as the NBC three "chimes," to a shape, such as the Coca-Cola bottle, as long as it identifies the source of goods.² Trademarks have been in existence for the past 4,000 years.³ Tradesmen first used them to identify their goods, to serve as a guarantee of quality, and as a means to advertise.⁴ Before the Lanham Act was enacted in 1946,⁵ the common law recognized an owner's rights to protected trademarks under certain conditions.⁶

The common law created four categories of trademarks with a sliding-scale protection: arbitrary, suggestive, descriptive, and generic.⁷ Completely arbitrary marks receive the strongest protection⁸ while completely generic marks receive no protection.⁹ Because the costs of creating exclusive rights in words or symbols can be extremely high, such as the cost of removing these words from everyday usage, trademark law seeks to protect only distinctive marks.¹⁰

¹ ROBERT P. MERGES, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 566 (2d ed. 2000). See 15 U.S.C. § 1127 (1946).

² MERGES, *supra* note 1, at 569.

³ *Id.* at 557. See, e.g., WILLIAM H. BROWNE, *A TREATISE ON THE LAW OF TRADEMARKS* 1-14 (1885) (tracing the history of trademarks).

⁴ *Id.*

⁵ 15 U.S.C. § 1051 (1946).

⁶ *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 10 (5th Cir. 1974).

⁷ *Vision Ctr. v. Opticks, Inc.*, 596 F.2d 111, 115 (5th Cir. 1979).

⁸ *Two Pesos v. Taco Cabana*, 505 U.S. 763, 768 (1992).

⁹ *Id.*

¹⁰ Jane C. Ginsburg, *Trademark and Unfair Competition Law* 112 (3d ed. 2001) (depleting "the language of terms useful or necessary"); see *Abercrombie & Finch v. Hunting World*, 537 F.2d 4 (2d Cir. 1976), *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159 (1995) (noting, "color depletion" cost for color marks).

Arbitrary marks are inherently distinctive marks. They do not describe a product or relate to the product in any way.¹¹ These terms are usually made-up words, and the costs associated with creating exclusive rights in these types of words are minimal.¹² An example would be naming a shoe brand "Keds." Because the mark "Keds" has nothing to do with the shoes, it is a completely arbitrary name for a shoe brand, and therefore, receives the highest protection.

The second category of marks is suggestive. Suggestive marks are also inherently distinctive.¹³ These marks describe the product in a way that is only suggestive, meaning that the name of the product requires the customer to think about the connection between the name and the type of product.¹⁴ These types of marks are also referred to as "evocative marks."¹⁵ Many suggest that these types of marks "cleverly connote qualities about the product or service."¹⁶ An example of a suggestive name for a brand of shoes would be "Nike." Nike is the Greek Goddess of Victory. Because customers are likely to associate athletic performance with the type of shoe that they wear, the mark suggests the connection between the name and the type of product. The mark also allows the consumer to draw an inference about the great quality of the product. Thus, unlike completely arbitrary marks, which convey no information to the consumer, these marks help the consumer, but only in suggestive way. Because the costs associated with exclusive use are relatively low, these marks also receive strong protection.

The third category of protection is for descriptive marks. Descriptive marks are divided into two categories—those that are merely descriptive and those that have achieved a secondary meaning.¹⁷ Descriptive marks are exactly as they sound. They describe the product by identifying a characteristic or quality of the product,¹⁸ by using common or ordinary words.¹⁹

If the term is merely descriptive, it only describes the product to the customer and creates no other meaning in the mind of the consumer.²⁰ On the other hand,

¹¹ *Zatarain's, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786 (5th Cir. 1983).

¹² Nolo's Legal Encyclopedia, at <http://www.nolo.com/encyclopedia/articles/tc/pct27.html> (last visited Oct. 1, 2001) (on file with author).

¹³ *Zatarain's*, 698 F.2d at 791 ("A suggestive mark is protected without the necessity for proof of secondary meaning.").

¹⁴ *Two Pesos*, 505 U.S. at 763.

¹⁵ Nolo's Legal Encyclopedia, *supra* note 12.

¹⁶ *Id.*

¹⁷ See *Zatarain's*, 698 F.2d at 786 (noting the difference between descriptive marks that may be "elevated to trademark status" and those that cannot).

¹⁸ *Two Pesos*, 505 U.S. at 763. See *Vision Ctr. v. Optiks, Inc.*, 596 F.2d 111, 115-16 (5th Cir. 1979); see generally 15 U.S.C.A. § 1052(f) (2000).

¹⁹ Nolo's, *supra* note 12.

²⁰ See *Abercrombie*, 537 F.2d 4 (2d Cir. 1976) (noting the difference between suggestive marks that

if the mark achieves secondary meaning, the mark will help the customer identify the product with a specific maker of the product,²¹ thus making the term distinctive.²² Put another way, a term that achieves secondary meaning tells the customer “who” the source is, not “what” the source is.²³

The basic concept of secondary meaning “recognizes that words with an ordinary and primary meaning of their own ‘may [after] long use with a particular product, come to be known by the public as specifically designating that product.’”²⁴ If the product receives a secondary meaning among the public then, under common law, the trademark is protected. If the term, however, remains merely descriptive, it is not eligible for protection. The burden is on the plaintiff to establish the secondary meaning, and this is not an easy burden to meet²⁵ because “a high degree of proof is necessary to establish secondary meaning for a descriptive term.”²⁶

An example of a descriptive term that has achieved secondary meaning is “America Online.”²⁷ America Online is an internet service provider. Although the term “America Online” is descriptive of its service, the term is recognized by the public as one specific internet service provider. When a product becomes associated with a single source, such as in this case, its descriptive term becomes distinctive.²⁸ Because “America Online” has achieved a secondary meaning among the consuming public, as a single internet service provider, the term

describe a product in a way that requires “thought and perception” and merely descriptive marks that describe the product in an immediate fashion); *see also In re Application of Quick-Print Copy Shops, Inc.*, 616 F.2d 523 (C.C.P.A. 1980).

²¹ *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531 (11th Cir. 1986); *Investacorp, Inc. v. Arabian Inv. Banking Corp. (Investacorp) E.C.*, 931 F.2d 1519, 1524 (11th Cir. 1991).

²² *See Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938) (noting that to achieve significance of the term in the minds of the consuming public is not the *product but the producer*) (emphasis added).

²³ *Filipino Yellow Pages, Inc. v. Asian Journal Publ'n, Inc.*, 198 F.3d 1143, 1147 (9th Cir. 1999). *See also Kellogg Co.*, 305 U.S. at 118. Also note that *de facto* secondary meaning, “the repeated use of ordinary words functioning within the heartland of their ordinary meaning,” makes the descriptive term no more inherently distinctive than a descriptive term with no secondary meaning. 1 J. Thomas McCarthy, *TRADEMARKS AND UNFAIR COMPETITION* § 7:6 (2d ed. 1984). *See also A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 305 (3d Cir. 1986) (noting “[t]o the extent that a trademark also communicates functional characteristics, it does not function as a trademark”). *E.g., Vision Ctr.*, 596 F.2d at 117 (holding that even if the descriptive term “Vision Center” acquired secondary meaning, fair use by other eye centers could not be prevented).

²⁴ *MERGES, supra* note 1, at 582 (citing *Volkswagenwerk Aktiengesellschaft v. Rickard*, 492 F.2d 474, 477 (5th Cir. 1974)).

²⁵ *Vision Ctr.*, 596 F.2d at 118.

²⁶ *Id.*

²⁷ Other examples include: *Ben and Jerry's Ice Cream*, *Park 'N Fly*, and *Northern Dairy*.

²⁸ *See Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995).

"America Online" shifts from the unprotected category of merely descriptive terms to the protected category of distinctive terms.

The fourth category of terms is generic terms. If a term is generic or becomes generic, then it is offered no protection at common law.²⁹ A generic mark universally describes the good or service that it identifies, rather than distinguishing the product from others in its same class.³⁰ There are several tests for determining whether a term is generic. The most common test is whether the public views the mark as the common name of the product, or the product's origin.³¹ To apply the test, the court considers as evidence: dictionary definitions, generic use of the term by competitors and other persons in the trade, the plaintiff's own generic use, generic use in the media, and consumer surveys.³² Another test is whether the term refers to the genus or class of which a particular product is a member.³³ For example, a shoe store could not receive protection for the name "Shoes" because that name simply describes the product that it sells—without distinguishing it from other stores that also sell the same product, shoes. Similarly, King-Seeley Thermos Co., the original manufacturer of "thermos" bottles, will no longer receive exclusive protection for the term "thermos" because this term *has become* the common name for saying "vacuum-insulated bottle."³⁴ Because the costs of granting exclusive rights in generic terms are extremely high, these terms receive no protection.

B. LANHAM ACT

The Lanham Act³⁵ was enacted in 1946 to codify the existing trademark legislation and common law rules, in an attempt to "eliminate judicial

²⁹ *Zatarian's*, 698 F.2d at 786; see *American Heritage*, 494 F.2d at 14.

³⁰ *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985); *American Heritage*, 494 F.2d at 11; *Sun Banks of Florida, Inc. v. Sun Fed. Sav. & Loan Ass'n*, 651 F.2d 311, 315 (5th Cir. 1981); *Vision Ctr.*, 596 F.2d at 115-16. See also 15 U.S.C.A. § 1065(4) (2000).

³¹ *Kellogg Co.*, 305 U.S. at 111. See also 15 U.S.C.A. § 1064(3) (2000).

³² *Pilates*, 120 F. Supp. 2d at 296. See also *Brandwynne v. Combe Int'l, Ltd.*, 74 F. Supp. 2d 364, 381 (S.D.N.Y. 1999).

³³ *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976), *Ale House Mgmt., Inc. v. Raleigh Ale House, Inc.*, 205 F.3d 137, 140 (4th Cir. 2000).

³⁴ *King-Seeley Thermos Co. v. Alladin Indus.*, 321 F.2d 577 (2d Cir. 1963) (holding that the mark "thermos" for vacuum-insulated bottles has become generic). See also *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921) (holding that the mark "asprin" had become generic because it became synonymous with salicylic acid itself). But see *Xerox Corp. v. Litton Indus.*, 353 F. Supp. 412, 177 U.S.P.Q. 371 (S.D.N.Y. 1973) (Xerox spent a lot of money to keep its marks from becoming generic. In an expensive ad campaign, it asked customers to use the mark as a noun, not a verb).

³⁵ 15 U.S.C. § 1051 (2000).

obscurity, . . . make procedure simple, and relief against infringement prompt and effective.”³⁶ Under this Act, a trademark is defined as

any word, name, symbol, or device, or any combination thereof—1) used by a person, or 2) which a person has a bona fide intention to use in commerce and applies to register on the principal register, . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others³⁷

The Act prohibits the use of another’s trademark without permission in connection with a sale.³⁸

The Act serves two purposes.³⁹ The first purpose is to protect consumers in the marketplace and the second purpose is to protect a company’s time and investment in establishing goodwill.⁴⁰ Because of the emphasis in protecting against customer confusion, the Act does not always prevent others from using marks that are the same or similar to registered marks.⁴¹ Instead, the Act protects against using the same or similar mark only if the use of that mark is confusingly similar to the registered mark.⁴² If consumers are not likely to be confused by the similar use of terms, then the Act has not been violated, and therefore, the similar use is not an infringing use.⁴³ For example, if two companies are in different lines of business, such as ABC paint and ABC network, they may both use the “ABC” mark. Because consumers would not likely be confused as to the source of these non-competing goods and services, there would be no infringement, regardless of which company acquired the mark first.

On the other hand, because the purpose of the Act is to protect customers, any good faith defense to a valid infringement claim would not prevent a finding of infringement.⁴⁴ Thus, it would not matter if two companies were in the same line of business and one company unknowingly infringed on the other’s registered

³⁶ S. Rep. No. 1333, 79th Cong., 2d Sess. at 3 (1946).

³⁷ 15 U.S.C. § 1127 (1994).

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.* The Senate Committee on Patents gave two reasons for trademark legislation. The first is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. The second is where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats.

⁴¹ See *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

⁴² See S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946) (quoting *Prestonettes v. Coty*, 264 U.S. 359, 368 (1924)).

⁴³ *AMF*, 599 F.2d at 341.

⁴⁴ *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 596 (5th Cir. 1985).

trademark; the former would still be liable for trademark infringement if consumers are likely to be confused.

There are also other benefits of registering a trademark. These include: federal jurisdiction⁴⁵ and prima facie evidence of the right to use the mark in trade.⁴⁶ The first benefit, federal jurisdiction is often important because federal judges tend to have more experience with trademarks than state judges.⁴⁷ This difference is significant in the context of trademark-domain name disputes. After the trial court makes a decision on the domain name, the NIP awards the trial winner the right to use the mark before the decision may be appealed.⁴⁸ It is, therefore, better to have a federal judge who is more familiar with the trademark laws and their applications to first hear the case, than one who is not. This way insures that the party lawfully using the mark does not lose its rights during the time that the trial court reaches its decision and the appellate court overturns that decision.

The second benefit of registering a trademark is that the registration serves as prima facie evidence of the validity of the exclusive right to use that mark.⁴⁹ Section 7(b) of the Lanham Act provides that a federal registration "shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce or in connection with the goods or services specified in the certificate."⁵⁰ Registering a mark is said to give notice to the world,⁵¹ so that a fair use or good faith defense would be invalid against a registered mark.⁵² A federal registration also gives the court the discretion to allow up to three-times the amount of actual damages found,⁵³ in addition to sometimes awarding attorney fees to the winner.⁵⁴ And after a period of five years of continuous and exclusive use the registered mark may become incontestable.⁵⁵ When a mark becomes incontestable, certain defenses to infringing uses are no longer valid.⁵⁶ For example, the generic use and lack of

⁴⁵ 15 U.S.C. § 1121 (1995).

⁴⁶ 15 U.S.C. § 1057(b) (1995).

⁴⁷ Laurence H. Pretty, *Overview of Basic Principles of Trademark Law and Unfair Competition* (1994), in BAILA H. CELEDONIA & THOMAS E. SMITH, *REVIEW OF BASIC PRINCIPLES OF TRADEMARK LAW, IN UNDERSTANDING BASIC TRADEMARK LAW* 1995 27, 51 (PLI Patents, Copyrights, Trademarks, & Literary Property Course Handbook Series No. G-413, 1995).

⁴⁸ *Id.*

⁴⁹ 15 U.S.C. § 1057(b) (1995).

⁵⁰ *Id.*

⁵¹ 15 U.S.C. § 1072 (1995).

⁵² Pretty, *supra* note 47, at 53.

⁵³ 15 U.S.C. § 1117 (1995).

⁵⁴ *Id.*

⁵⁵ 15 U.S.C. § 1115(b) (1995).

⁵⁶ Pretty, *supra* note 47, at 52.

secondary meaning defenses may no longer be properly asserted against the trademark owner in an action for infringement.⁵⁷

C. DOMAIN NAME REGISTRATION

Every site on the internet⁵⁸ has an Internetworking Protocol Address (IP Address).⁵⁹ This IP Address is a string of numbers that are used to identify a specific network.⁶⁰ Because it is hard to remember an IP Address, the more user friendly mnemonic classification, known as the domain name, was created.⁶¹ The computer programs that help to connect users to the Internet have been programmed to find the specific IP Address that each domain name represents.⁶²

Some argue that a domain name is nothing more than a street address, and therefore, trademark law should not apply to it, just like it does not apply to street addresses.⁶³ For example, the argument is as follows: because a company selling low-end cameras could not be sued by Kodak Co. simply because it maintains a store at 5500 Kodak Drive, the same low-end camera store should not be sued for maintaining its website at 100.22.99, which happens to be the equivalent of www.kodak.com. The reality of the situation, however, is that domain names are different from street addresses, and should therefore, be treated differently.

First, domain names represent more than an Internet-site location. Domain names become an identifier for Internet-operating companies.⁶⁴ Second, the IP addresses are different than most street addresses in that the Internet occupier actually gets to choose its "address."⁶⁵ Because no "Yellow Pages" of the Internet

⁵⁷ *Id.*

⁵⁸ The internet was developed in the 1960's by the United States Defense Department as a commercial network that would be unaffected by nuclear attack. It has now, however, become the new channel of commerce. See Dan L. Burk, *Trademarks Along the Infobahn: A First Look at Emerging Law of Cybermarks*, 1 RICH. J.L. & TECH. 1, 6-7; 12 (1995) (reasoning that "[t]he internet began as a product of Cold War military technology, linking together researchers involved in a research program sponsored by the U.S. Department of Defense").

⁵⁹ See 15 U.S.C. § 1125(c) (1997).

⁶⁰ *Id.*

⁶¹ A "domain name" means any alphanumeric designation which is registered with a domain name registration authority as part of an electronic address on the Internet. See 15 U.S.C. § 1127.

⁶² Burk, *supra* note 58, at ¶ 10.

⁶³ Richard L. Baum & Robert C. Cumbow, *First Use: Key Test in Internet Domain Disputes*, 18 NAT'L L.J., Feb. 12, 1996, at C17.

⁶⁴ They identify the source of a good, as well as, serve as an address. *Id.* See *Accuride Int'l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1534-36, 10 U.S.P.Q.2d (BNA) 1589, 1591-92 (9th Cir. 1989).

⁶⁵ In this fashion, many think that internet addresses are more similar to mnemonic telephone numbers or radio broadcast identifiers, which do receive protection under trademark law. See *Dial-a-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678, 11 U.S.P.Q.2d (BNA) 1644, 1645-46 (2d Cir. 1989) ("Telephone numbers may be protected as trademarks, and a competitor's use of a confusingly

exists listing all numeric or mnemonic addresses,⁶⁶ it is essential for those operating over the Internet to have a memorable name.⁶⁷ In fact, it has been said that these names operate as electronic signs on the internet⁶⁸ and the corporate identity in the information age.⁶⁹ Ideally, a company would like to use its trademark as its identifying domain name.⁷⁰ A problem, however, arises when two companies, in separate lines of business, have a valid trademark in the same mark. For example, there could be a Four Seasons hotel chain and a Four Seasons clothing manufacturer that could both have a valid trademark in the mark "Four Seasons."⁷¹ But, only one of these companies would be able to use the domain name "www.FourSeasons.com."

Acronyms also compound the problem of using a trademark as a domain name.⁷² Because a domain name can contain a maximum of only twenty-six letters,⁷³ companies that have completely different names, often apply for the same domain name. For example, American Telephone and Telegraph and Allison's Tricks and Trinkets could both apply for the domain name "www.at&t.com," but only one of the companies would be able to use the site.⁷⁴

The same is true for geographic markets. For example, the Sweetie Bakery in Alabama and the Sweetie Bakery in California may both have a valid trademark in the mark "Sweetie" because of their distinct regional markets, but when

similar telephone number may be enjoined as . . . trademark infringement."'). See also 1-800-RACE-TEAM; *Infinity Broad. Corp. v. Greater Boston Radio, II, Inc.*, 32 U.S.P.Q.2d (BNA) 1925 (D. Mass. 1993) (applying trademark law to the likelihood of confusion regarding radio station call letters); *Pathfinder Communications Corp. v. Midwest Communications Co.*, 593 F. Supp. 281, 224 U.S.P.Q. (BNA) 203 (N.D. Ind. 1984) (applying trademark law to radio station call letters).

⁶⁶ Robert J. Raskopf, *Trademarks and the Internet*, in INTELLECTUAL PROPERTY LAW INSTITUTE 416 PLI/Pat 1047, 1051 (1995).

⁶⁷ Gary W. Hamilton, *Trademarks on the Internet: Confusion, Collusion or Dilution?*, 4 TEX. INTEL. PROP. L.J. 1, 2 (1995); see James West Marcovitz, *ronald@mcdonalds.com*— "Owning a Bitchin'" *Corporate Trademark as an Internet Address-Infringement?*, 17 CARDOZO L. REV. 85, 91 (1995); see also ED KROL, *THE WHOLE INTERNET* 18-19 (2d ed. 1994).

⁶⁸ Raskopf, *supra* note 66, at 1051.

⁶⁹ Hamilton, *supra* note 67, at 2.

⁷⁰ *Id.* at 5-6. See *Qualitex Co. v. Jacobson Prod. Co.*, 514 U.S. 159, 164, 34 U.S.P.Q.2d (BNA) 1161, 1163 (1995) ("It is the source distinguishing ability of a mark—not its ontological status as color, shape, fragrance, word or sign that permits it to serve these basic purposes.").

⁷¹ See *Pathfinders Communications Corp.*, 593 F. Supp. at 285 (e.g., Domino's Pizza and Domino's Sugar can co-exist without infringement because there is no likelihood of confusion between the two products).

⁷² Hamilton, *supra* note 67, at 4.

⁷³ Gervaise Davis III, *Internet Domain Names and Trademarks: History and Recent Developments In Domestic and International Disputes: Enabling Electronic Commerce on the Internet*, 670 PLI/Pat 551, 561 (2001).

⁷⁴ Hamilton, *supra* note 67, at 2.

registering a web-site, only one of the companies may use the domain name "www.sweetiebakery.com," even if it were the second company to come into existence.⁷⁵

The Internet Network Information Center (InterNIC) assigns domain names.⁷⁶ InterNIC operates under the control of the National Science Foundation, under the company name Network Solutions, Inc.⁷⁷ To get a domain name, an applicant must contact InterNIC.⁷⁸ InterNIC issues domain names on a first come, first served basis.⁷⁹ They do not question or verify rights to domain names.⁸⁰ Because they receive over 35,000 applications per month,⁸¹ they do not have the time nor the resources needed to inspect every application.⁸² Thus, the possibility for trademark infringement arises.

In July of 1995 and September of 1996, InterNIC amended its policy for assigning domain names. Prior to July 1995, an applicant had to only fill-out an application to get a domain name; the applicant did not even have to pay a fee.⁸³ After a string of lawsuits, InterNIC changed its policy.

The first lawsuit came in 1994 when, the Council of Better Business Bureaus (CBBB), the umbrella organization for the 138 Better Business Bureaus, tried to obtain the domain name "bbb.com" and learned that it was already registered to Mark Sloo, who was not currently using the site.⁸⁴ CBBB owns the trademark "BBB" and sued Mark Sloo for trademark infringement.⁸⁵ CBBB asserted that the registration of the 'bbb' name prevents the Better Business Bureau system

⁷⁵ See *A. Boujois & Co. v. Katzel*, 260 U.S. 689 (1923); *Person's Co. v. Catherine Christman*, 900 F.2d 1565 (Fed. Cir. 1990).

⁷⁶ Joshua Quittner, *Life in Cyberspace: You Deserve a Break Today*, *NEWSDAY*, Oct. 7, 1994, at A5, available at 1994 WL 7444048.

⁷⁷ *Id.*

⁷⁸ Stewart Ugelow, *Address for Success Internet Name Game; Individuals Snap Up Potentially Valuable Corporate E-Mails IDs*, *WASH. POST*, Aug. 11, 1994, at A1, available at 1994 WL 2434315.

⁷⁹ *Id.* See *Panavision v. Toeppen*, 141 F.3d 1316, 1318 (9th Cir. 1998) ("NSI registers names on a first-come, first-served basis for a \$100 registration fee."); *Morrison & Foerster LLP v. Brian Wick & Am. Distribution Sys., Inc.*, 94 F. Supp. 2d 1125, 1126-27 (D. Colo. 2000) (Registrars "assign domain names on a first-come, first-served basis upon payment of a registration fee.").

⁸⁰ Jared Sandberg, *Princeton Review Must Drop 'Kaplan' E-Mail Address, Private Arbitrator Rules*, *WALL ST. J.*, Oct. 6, 1994, at B8, available at 1994 WL-WSJ 2047646; see *Panavision*, 141 F.3d at 1318-19 ("NSI does not make a determination about a registrant's right to use a domain name.").

⁸¹ Richard L. Baum & Robert C. Cumbow, *First Use: Key Test in Internet Domain Disputes*, 18 *NAT'L L.J.*, Feb. 12, 1996, at C17.

⁸² *Id.*

⁸³ Hamilton, *supra* note 67, at 3-4.

⁸⁴ *Better Business Bureau Sues For Internet Address*, *Newsbytes News Network*, May 15, 1995, available at 1995 WL 2207568.

⁸⁵ *Id.*

from using its own famous identifier as an Internet address.⁸⁶ It also alleged that “consumers and businesses would be misled into thinking that by contacting ‘bbb.org’ and ‘bbb.com’ they would obtain information from one of our Better Business Bureaus.”⁸⁷ Before that case was decided, however, another company named KnowledgeNet tried to register the domain name “knowledgenet.com.”⁸⁸ After finding out that the domain was already registered by David Boone for his independent-business-consultants trade association’s internet-site, KnowledgeNet filed suit against Boone for trademark infringement, and against InterNIC and Boone’s service provider for aiding and abetting Boone’s infringement activities.⁸⁹ This was the first time that InterNIC had ever been directly named in a suit.⁹⁰ Because InterNIC and Boone’s service provider ended up settling on undisclosed terms, the court never made a ruling on whether InterNIC or a service provider could also be sued in a trademark infringement action relating to domain name assignments.⁹¹

As a safety measure, however, InterNIC, in 1995, amended its domain name assignment policy. Not only did it begin to charge a one hundred dollar application fee and a fifty dollar yearly maintenance fee for every year after the first two years,⁹² it also changed the way applicants register. The July 1995 amendments require an applicant to own the “right to the domain name,” which means that the domain name cannot infringe upon another’s trademark.⁹³ The new policy actually shifts the responsibility onto the applicant to make sure that there are no trademark violations.⁹⁴ The policy requires each applicant to represent and warrant, among other things, that it may rightfully use and intends to use on a regular basis the proposed domain name, that use by the applicant of the proposed name would not violate any trademark or other intellectual property right of a third party, and that the applicant does not seek to use the domain name for the purpose of confusing or misleading any person.⁹⁵

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ *Knowledgenet v. David Boone: Parties Try to Settle Internet Trademark Suit*, Info. L. Alert: A Voorhees Report, May 12, 1995.

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ *Id.*

⁹² *NSI Changes Domain Name Registration Policy*, INTERNET WEEK, July 31, 1995, available at 1995 WL 10264632 (quoting David Graves, Internet business Manager for NSI).

⁹³ *Id.* See Avon, Hijacker, Info. L. Alert: A Voorhees Rep., Apr. 5, 1996, at 1.

⁹⁴ See Carl Oppedahl, *Avoid the Traps in the New Rules For Registering a Domain Name*, N.Y.L.J., Aug. 8, 1995, at 5 (col. 1) (noting that an applicant must represent that the use or registration of the domain name does not interfere with the right of any third party with respect to a trademark, service mark, trade name, company name, or any other intellectual property right).

⁹⁵ *Id.*

InterNIC also requires the applicant to sign an indemnification clause stating that if the domain name holder is sued in an action for trademark infringement, it will indemnify InterNIC, and the policy specifically states that InterNIC will not perform a trademark search.⁹⁶ And finally, the new amendment also tries to limit the “warehousing” of a domain name by requiring that the domain name be used within ninety days of issuance.⁹⁷ If the name is not regularly used for a period of ninety days or more, then InterNIC, upon request, may make that name available for use by another party.⁹⁸ The policy reserves the right for InterNIC to suspend or ban the use of the domain name from the applicant if a dispute arises.⁹⁹ In that case, InterNIC would give the applicant ninety days to set up a new non-infringing domain name, and at the end of the ninety day transition period InterNIC will place the disputed domain name on hold until an agreement is reached by the parties or in court.¹⁰⁰

Further amendments to the policy came with yet another lawsuit. In 1996, Hasbro, the maker of the children’s board game Candy Land, sued Internet Entertainment Group Ltd. for setting up a cybersex and nudity website at the address “candyland.com.”¹⁰¹ Hasbro sued under the theory of trademark dilution, stating that the pornographic Internet-site was diluting the wholesome nature of

⁹⁶ NSI Domain Name Dispute Policy Statement (Revision 01, Effective Nov. 23, 1995), *available at* <ftp://rs.internic.net/policy/internic/internicdomain-4.txt> [hereinafter InterNic Policy 1995].

⁹⁷ *Id.*

The warehousing of names means storing names without ever using them. Warehousing is usually done by those who wish to hold the domain name hostage until the company that has the real interest in using the domain name pays a larger sum of money to the warehouser than the warehouser paid to acquire the name.

Warehousing is also used by those who do not want their competitors to be able to use names associated with their companies. For example, in the Kaplan case, Princeton Review realized that its biggest competitor in the standardized test preparation arena, Kaplan, had yet to register the domain name “Kaplan.com,” so Princeton Review bought the rights to the name, and prevented Kaplan from later being able to use the name. Princeton Review began posting its ads to the “www.Kaplan.com” website, and after Kaplan brought suit, the two parties settled under undisclosed terms.

Warehousing is also used by companies that want to buy the rights to domain names that create bad publicity for their companies. For example, Proctor & Gamble bought the rights to a number of sites, such as “www.badbreath.com,” “www.headache.com,” and “www.dandruff.com” for fear that another would use these sites to post negative comments about Proctor & Gamble and their products.

⁹⁸ Christine Hudgins-Bonafield, *InterNIC Seeks Guidance on Name Disputes*, NETWORK COMPUTING, Feb. 15, 1996, at 34.

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ Hasbro, Inc. v. Internet Entertainment Group, Ltd., No. C96-130WD, 1996 U.S. Dist. LEXIS 11626, at *3-4 (W.D. Wash. Feb. 9, 1996) (order granting preliminary injunction).

the game.¹⁰² Internet Entertainment Group unsuccessfully defended itself on the ground that its website had nothing to do with Candy Land the board game and that its customers were never confused into thinking they were going to receive a child's board game. The court, however, issued the injunction against Internet Entertainment Group, and thus marked the first case to reach a decision on trademark infringement by a domain name.¹⁰³

In response, InterNIC revised its policy in September of 1996. The new policy requires a trademark owner to first contact a domain holder, before asking InterNIC to get involved.¹⁰⁴ After doing so, InterNIC will take action only upon receiving a certified copy of the federally registered trademark and proof that a copy of written notice was sent to the domain name holder.¹⁰⁵ Then, if the domain name holder can prove that its domain name registration predates the trademark registration, or that it also has a trademark in the domain name, InterNIC will not get involved.¹⁰⁶ This policy, however, demonstrates the potential problem that may arise when two companies, in different lines of business, both own a valid trademark in the same mark.¹⁰⁷ For example, what should happen when ABC network wants to sue ABC paint for the domain name of "abc.com"?

D. ANTI-CYBERSQUATTING ACT

President Clinton signed the Trademark Cyberpiracy Prevention Act, also known as the Anti-Cybersquatting Consumer Protection Act (ACPA) into law on

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ NSI Domain Name Dispute Policy Statement, at <http://internic.net/policy/internic/internic.domain-6.txt> (Revision 02, Effective Sept. 9, 1996) [hereinafter InterNIC Policy 1996].

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ For InterNIC to recognize the trademark as valid, the company must have registered the domain name after getting a valid trademark. This policy is to prevent companies from getting the registration ownership rights and then going to a foreign country to file the trademark. See *Internet Domain Name 'Squatters' Lose Tunisian Defense*, WEST'S LEGAL NEWS, Aug. 21, 1996, available at 1996 WL 470232 (noting that domain "squatter" would no longer be able to assert a "quickie" trademark status against bona fide U.S. federal trademark holders).

November 29, 1999.¹⁰⁸ This Act amends the Lanham Act¹⁰⁹ and incorporates the Federal Trademark Dilution Act for infringement based on domain name registration.¹¹⁰

Cybersquatting "refers to the deliberate, bad-faith, and abusive registration of Internet domain names in violation of the rights of trademark owners."¹¹¹ The Anti-Cybersquatting Act was passed "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 and Internet domain names with the intent to profit from the good-will associated with such marks."¹¹² This Act applies to only domain name registrations, not metatags, and may include: the registration of another's mark as a domain name, the registration of a misspelling of another's mark, the registration of another's mark for use with a suffix other than ".com", the registration of another's mark as part of a domain name, the registration of another individual's name as a domain name, the registration of a mark of a competitor, and the registration of an organization opposed by the registrant.¹¹³

Remedies are available in injunctive, traditional monetary, and statutory relief. Injunctive relief includes: forfeiture or cancellation of the domain name registration or the transfer of the domain name to the holder.¹¹⁴ Traditional monetary remedies are available under Section 35 of the Lanham Act.¹¹⁵ In lieu of actual damages, the court may award statutory damages ranging from \$1,000 to \$100,000 per domain name offense.¹¹⁶

¹⁰⁸ Anti-Cybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d) (Supp. V 1999). *See also* the Uniform Domain Name Dispute Resolution Policy (UDRP) at <http://www.icann.org/dndr/udrp/policy.htm> (last updated May 17, 2002). The policy was created by the Internet Corporation for Assigned Names and Numbers (ICANN) and submission of complaints by the major domain name registrars began January 3, 2000. While the UDRP decisions have been inconsistent the UDRP has proven to be a cost effective tool for holding cybersquatters liable. But, the ACPA seems better equipped to handle the more complex cybersquatting cases.

¹⁰⁹ 15 U.S.C. § 1125(d) (Supp. V 1999) (amending New Section 43(d)).

¹¹⁰ Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) (Supp. V 1999). *See Panavision Intern., L.P. v. Toepfen*, 141 F.3d 1316 (9th Cir. 1998) (holding defendant liable under the FTDA for registering panavision.com and attempting to sell it for \$13,000 to plaintiff, owner of the trademark Panavision).

¹¹¹ 15 U.S.C. § 1125 (Supp. V 1999).

¹¹² S. REP. NO. 106-140, at 4 (1999).

¹¹³ Steven R. Borgman, *The New Federal Cybersquatting Laws*, 8 TEX. INTELL. PROP. L.J. 265, 266-67.

¹¹⁴ 15 U.S.C. § 1116(a) (2000) (extending injunctive relief already available under the Lanham Act to plaintiffs suing under the ACPA).

¹¹⁵ 15 U.S.C. § 1117(a) (2000) (extending damage remedies already available under the Lanham Act to plaintiffs suing under the ACPA).

¹¹⁶ 15 U.S.C. § 1117(d) (2000).

In order to prevail under the statute, the person bringing the suit must show that: (1) the plaintiff's mark is distinctive or famous; (2) the defendant's domain name is identical or confusingly similar¹¹⁷ to the plaintiff's distinctive or famous mark or dilutive of the plaintiff's famous mark; and (3) that the defendant used, registered, or trafficked in the domain name with a bad faith intent to profit from the plaintiff's mark.¹¹⁸ The majority of the cases involving cybersquatting focus on the third requirement, proving bad faith on the part of the infringer.

A bad faith user is one that tries to maximize the advantage of another company's consumer association by linking that association to its domain name.¹¹⁹ The Anti-Cybersquatting Act suggests nine factors that the court should consider in determining bad faith.¹²⁰

The first bad faith factor that the court should consider in making this determination is "the trademark or other intellectual property rights of the person, if any, in the domain name."¹²¹ This factor, however, is interpreted very narrowly, and considers only the rights of the parties at the time that the domain name was registered.¹²²

The second factor is "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."¹²³ Congress included this factor to protect individuals who registered their names or nicknames as domain names,¹²⁴ but it does not provide an absolute defense against a claim for cybersquatting when the name is a well-known or famous mark.¹²⁵

The third factor relates to "the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services."¹²⁶ Where a

¹¹⁷ Note that "confusingly similar" is a different standard than the "likelihood to confuse" standard that is applied in trademark infringement cases. The "confusingly similar" standard is more narrow in approach in that it looks at the marks only to test their similarity. Unlike the "likelihood to confuse" standard, this "confusingly similar" approach does not consider the nature of the products or services nor the relative markets in which the marks are used.

¹¹⁸ 15 U.S.C. § 1125(d)(1)(A) (2000).

¹¹⁹ See *Virtual Works, Inc. v. Volkswagen of America, Inc.*, 238 F.3d 264 (4th Cir. 2001) (noting that the defendant's acknowledgment that its registered domain might be confused with the plaintiff's weighs in favor of a finding of bad faith).

¹²⁰ 15 U.S.C. § 1125(d)(1)(B)(i)-(IX) (2000).

¹²¹ 15 U.S.C. § 1125(d)(1)(B)(i)(I).

¹²² See *Sporty's Farm L.L.C. v. Sportman's Mkt., Inc.*, 202 F.3d 489, 496 (2d Cir. 2000) (holding that Sporty's Farm did not have rights in the domain name "sportys.com" because Sporty's Farm did not form until nine months after Sportman's Market registered the name).

¹²³ 15 U.S.C. § 1125(d)(1)(B)(i)(II).

¹²⁴ S. REP. NO. 106-140, at 13 (1999).

¹²⁵ *Id.*

¹²⁶ 15 U.S.C. § 1125(d)(1)(B)(i)(III).

person uses the domain name in a way that does not constitute trademark infringement, the formal registration of that domain name does not create liability under the Anti-Cybersquatting Act.¹²⁷ Thus, where there is an absence of confusion concerning the mark, its registration as a domain name may indicate good faith.¹²⁸

The fourth factor considers the registrant's "bona fide noncommercial or fair use of the mark in a site accessible under the domain name."¹²⁹ This factor allows the noncommercial or fair use of another's mark for purposes such as in "comparative advertising, comment, criticism, parody, news reporting, etc."¹³⁰

The fifth factor is

the person's intent to divert customers 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.¹³¹

This factor targets cybersquatters who try to use an established mark to sell inferior goods, defraud consumers into releasing personally identifiable information, such as credit card numbers, to attract internet users to sites that price advertising to the number of "hits" the sites generate, and to tarnish the value of the mark.¹³²

The sixth factor indicating a bad-faith use is the registrant'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.¹³³

Although this factor addresses one of the most commonly occurring examples of cybersquatting, this factor alone is not dispositive proof for finding bad faith.¹³⁴

¹²⁷ S. REP. NO. 106-140, at 13-14.

¹²⁸ *Id.*

¹²⁹ 15 U.S.C. § 1125(d)(1)(B)(i)(IV) (2000).

¹³⁰ S. REP. NO. 106-140, at 14 (1999).

¹³¹ 15 U.S.C. § 1125(d)(1)(B)(i)(V) (2000).

¹³² S. REP. NO. 106-40, at 14-15 (1999).

¹³³ 15 U.S.C. § 1125(d)(1)(B)(i)(VI) (2000).

¹³⁴ S. REP. NO. 106-140, at 15 (1999).

The seventh factor requires the court to consider the registrant'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."¹³⁵ This factor is included because it has been found that most cases involving cybersquatting begin with a registrant who provides false information, which makes the cybersquatter very hard to locate once the domain name has been registered.¹³⁶

The eighth factor relates to the registrant'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.¹³⁷

This factor addresses the problem of "warehousing."¹³⁸ Cybersquatters not liable under the FTDA¹³⁹ when they hold onto a name and wait for the mark owner to offer them money, may be liable under this Act.¹⁴⁰

The ninth factor is "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 [the FTDA]."¹⁴¹ This factor focuses on protecting the most vulnerable marks, the marks that are most attractive to cybersquatters because of their consumer recognition.¹⁴²

The most obvious cases of cybersquatting are those that include a number of these bad faith indicators. For example, in *Virtual Works, Inc. v. Volkswagen of America, Inc.*, the court found that Virtual Works, Inc.'s registration of "vw.net" as its domain name was done in bad faith.¹⁴³ The court reasoned that Volkswagen already had consumer recognition of the "VW" mark, and that the domain name

¹³⁵ 15 U.S.C. § 1125(d)(1)(B)(i)(VII).

¹³⁶ S. REP. NO. 106-140, at 10, 15.

¹³⁷ 15 U.S.C. § 1125(d)(1)(B)(i)(VIII).

¹³⁸ S. REP. NO. 106-140, at 15-16.

¹³⁹ See S. REP. NO., 106-140, at 15-16 (liability under the FTDA requires that the dilutor "solicit buyers").

¹⁴⁰ *Id.* at 15-16.

¹⁴¹ 15 U.S.C. § 1125(d)(1)(B)(i)(IX) (2000). See 15 U.S.C. § 1125(c)(1) (2000) (listing the FTDA factors for determining whether a mark is distinctive and famous).

¹⁴² S. REP. NO. 106-140, at 15-16.

¹⁴³ *Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 238 F.3d 264, 269 (4th Cir. 2001).

"vwi.org" or "vwi.net" would have satisfied Virtual Works, Inc. criteria for a domain name.¹⁴⁴ The court also found convincing evidence that Virtual Works, Inc. offered to sell the domain name "vw.net" to Volkswagen for a very large price or auction it off to the next highest bidder.¹⁴⁵ Although it appears that Virtual Works, Inc. was simply trying to profit from the "VW" mark established by Volkswagen, most cases involving bad faith in domain name registrations are more complicated.

Proving bad faith in domain name registration is more often a harder principle to meet.¹⁴⁶ What complicates the weighing of the bad faith factors is the fair use absolute defense. The Anticybersquatting Consumer Protection Act states that bad faith intent "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."¹⁴⁷

For example, in *Chatam International, Inc. v. Bodum, Inc.*, Bodum had the right to use the mark "Chambord" in connection with a line of coffee makers, but not for coffee.¹⁴⁸ The court ruled earlier that using the mark "Chambord" in connection with the beverage coffee was an infringing use, likely to cause confusion with Chatam International, Inc.'s registered use of the mark for its upscale food products, including its raspberry liqueur and fruit preserves.¹⁴⁹ Bodum, however, was able to set up a website selling both its "Chambord" coffee makers and its coffee, using the domain name "Chambord.com."¹⁵⁰ The court found that this use did not violate trademark laws or the newly amended Anticybersquatting Consumer Protection Act.¹⁵¹ Because Bodum was selling coffee makers with the "Chambord" mark, which was a legitimate and non-infringing use for the "Chambord" mark, it could not be said that the company used the mark in bad faith by registering it as their domain name.¹⁵² The mere fact that the company also sold coffee at this site was not enough to find that the company had violated the Anticybersquatting Consumer Protection Act. Instead, the judge stated that the Act exculpates defendants who have a good-faith belief that their use of a

¹⁴⁴ *Id.* at 269.

¹⁴⁵ *Id.* at 270.

¹⁴⁶ See *Chatam Int'l, Inc. v. Bodum, Inc.*, 157 F. Supp. 2d 549 (E.D. Pa. 2001), *aff'd*, 40 Fed. Appx. 685 (3d Cir. 2002) (holding that alleged infringer did not register domain name with bad faith intent); *Mars Musical Adventures, Inc. v. Mars, Inc.*, 159 F. Supp. 2d 1146 (D. Minn. 2001) (holding that issue of fact as to whether alleged infringer had bad faith intent to profit from competitor's domain name precluded summary judgment).

¹⁴⁷ Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d)(1)(B)(ii) (2000).

¹⁴⁸ *Chatam*, 157 F. Supp. 2d at 554.

¹⁴⁹ *Id.* at 551.

¹⁵⁰ *Id.* at 552.

¹⁵¹ *Id.* at 551.

¹⁵² *Id.* at 554.

domain name is “fair . . . or otherwise lawful,” and that provision appears to apply to Bodum.¹⁵³

The judge continued to explain that the only confusion that is likely to occur is “initial interest confusion.”¹⁵⁴ Once customers see the websites, they would realize that Bodum’s coffee makers and coffee-selling website is not the same as Chatam’s raspberry liqueur.¹⁵⁵ Because Internet users are accustomed to such “false starts” when looking for companies on the Internet, they would not likely be confused beyond this initial interest confusion.¹⁵⁶ Thus, the initial interest confusion is not enough to find infringement because no good will of Chatam’s will be misplaced on Bodum.¹⁵⁷

On the other hand, where the domain name is registered for the purpose of causing initial interest confusion, courts have found that the bad faith requirement has been met. For example, in *People for the Ethical Treatment of Animals v. Doughney*, the plaintiff had established recognition in the mark “PETA.”¹⁵⁸ When the defendant registered the domain name “peta.org” and named the website “People Eating Tasty Animals,” the court found a bad intent on the part of the defendant for trying to capitalize on the plaintiff’s mark: The court found that the defendant evidenced a bad intent in trying to create initial interest confusion by using the “Peta” mark, trick customers into visiting their website.¹⁵⁹ Although the court stated that a company could set up such a website to complain about the organization PETA, it could not use the organization’s mark to trick web users into visiting its site as the defendants did in this case.¹⁶⁰

However, not all cases involve bad faith or misappropriation. Thus, while the new Anti-Cybersquatting law helps to prevent domain name misappropriation, it still does not prevent a valid company from obtaining trademark-like rights that it could not otherwise obtain under the traditional trademark laws.

¹⁵³ *Chatam*, 157 F. Supp. 2d at 554.

¹⁵⁴ *Id.* at 557.

¹⁵⁵ *Id.* at 559.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 60 U.S.P.Q.2d (BNA) 1109 (4th Cir. 2001).

¹⁵⁹ *Id.*

¹⁶⁰ *See* *Lucent Techs., Inc. v. LucentSucks.com*, 95 F. Supp. 2d 528, 54 U.S.P.Q.2d (BNA) 1653 (E.D. Va. 2000). There is, however, no per se rule that all domain names with the suffix “sucks” are entitled to protection.

III. ANALYSIS

Even with the new Anti-Cybersquatting Act, domain name registration may still give companies certain protections that the companies would otherwise be unable to obtain under the Lanham Act.

A. GENERIC NAMES

The first way in which a company could obtain greater rights with a domain name registration over a trademark registration is in the area of generic names. For example, a company could register a generic name or even a descriptive name with no secondary meaning as its domain name. But, a company could not do the same for trademark status under the Lanham Act.¹⁶¹ For companies operating exclusively over the Internet, this is important because these types of companies generally register the name of their company as their domain name. Thus, by being the first to register the generic name of the company (i.e. "GroceryStore.com") as its Internet domain, the company can prevent other companies from using the exact same name, even though it is simply the generic name for its product. Furthermore, because the domain name also functions as the advertising billboard of the Internet, no other company could even "hang" the same sign for advertisement purposes. Under the existing trademark laws, traditional bricks and mortar companies cannot do the same. For example, the bricks and mortar "Grocery Store" can not prevent other grocery stores from calling themselves by the exact same name, nor prevent other grocery stores from creating billboards to advertise their "Grocery Stores."

The rights associated with Internet-based companies, however, extend even further. These Internet-based companies can also buy the rights to any variation of the company's name and further prevent derivative uses by competitors. For example, "GroceryStore.com" could buy the rights to variations such as "Groceries.the.Store.com" and further prevent others from the generic use of that name. On the other hand, a traditional bricks and mortar grocery store generically named "Grocery Store" could never prevent other companies from calling themselves by the same name or any derivative thereof.¹⁶²

B. REGISTRATION

Registering exclusive rights is also easier for companies operating exclusively over the Internet. With domain name registration, a company can receive

¹⁶¹ See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

¹⁶² Generic names receive no protection under the Lanham Act. 15 U.S.C. § 1064(3) (2002).

exclusive rights to a name in a matter of minutes.¹⁶³ The system is almost entirely automated, so the registrar must check only the NSI database to make sure that no one else has an existing identical name before issuing the domain name.¹⁶⁴ Furthermore, to save time, the registrant can perform this search before registering by searching <http://www.internic.net/whois.html>.¹⁶⁵ After the NSI performs the search, the registrant has to only pay a fee to receive exclusive rights to a name.¹⁶⁶

On the other hand, under the Lanham Act, a company must undergo a lengthy registration process to receive exclusive rights to its name. This lengthy process requires the company to wait a year, in which any other company may challenge the company's registration, before it will be issued a protected trademark.¹⁶⁷ If another company, or the Patent and Trademark Office itself, challenges the registration, the company registering the rights must defend its registration.¹⁶⁸ The company must then file an answer to the challenge and the Patent and Trademark Office will make a ruling on the issue.¹⁶⁹ This process could take a number of years and require a company to expend a number of resources in doing so. The domain name registration process is far easier.

C. LOSS OF RIGHTS

Furthermore, with domain name registration, once the company pays the fee, the company does not lose the right to use the domain name.¹⁷⁰ The only way to lose this right is through litigation by another. There is no monitoring of the domain names by the domain name registrar.¹⁷¹

¹⁶³ Davis, *supra* note 73, at 563.

¹⁶⁴ *Id.*

¹⁶⁵ *Id.* at 562.

¹⁶⁶ The International Ad Hoc Committee, however, has recommended that InterNIC "publish applications for domain names for a period of sixty days prior to assigning the requested domain name to applicant" to bring the policy in-line with the United States Patent and Trademark Office's policy for registering trademarks. Internet International Ad Hoc Committee, Final Report of the International Ad Hoc Committee: Recommendations for Administration and Management of gTLDs (Feb. 4, 1997) <http://www.iahc.org/draft-iahc-recommend-00.html> [hereinafter Final IAHC Recommendations]. See generally 15 U.S.C. § 1062 (1988).

¹⁶⁷ 15 U.S.C.A. § 1051 (2002).

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

¹⁷⁰ The International Ad Hoc Committee has recommended that domain name assignments should be renewed annually to bring the policy in-line with the United States Patent and Trademark Office's policy that requires trademark owners to continuously use marks to keep common law trademark and federally registered status. Final IAHC Recommendations, *supra* note 2, § 5.4. See also 2 J. Thomas McCarthy on Trademarks and Unfair Competition § 20.01 (3d ed. 1994).

¹⁷¹ Davis, *supra* note 73, at 558.

On the other hand, under the Lanham Act, after a company goes through the lengthy process of acquiring rights, it could lose those rights due to generic use of the term by that company or by the public in general.¹⁷² The bricks and mortar company can also lose rights due to abandonment of the trademark.¹⁷³ Abandonment is defined as nonuse of the mark and the intent not to use that mark in the future.¹⁷⁴ Abandonment occurs when a company either does not use the trademark for two consecutive years or when the company changes the use of the trademark as it was originally registered.¹⁷⁵ Furthermore, courts have held that "minor activities" are not sufficient to avoid a finding of abandonment through nonuse.¹⁷⁶ Thus, the typical bricks and mortar companies could lose their rights to registered trademarks even when they do use their trademarks, but in an insufficient way. The internet-based company, however, does not even have to use its domain name to keep its status.

D. ASSIGNMENT

In addition, with domain name registration, a company may freely buy, sell, lease, and assign domain names.¹⁷⁷ There are no requirements for these transactions, other than they not be done in bad faith.¹⁷⁸

Under the Lanham Act, however, there are strict requirements for buying, selling, leasing and assigning trademarks. For example, the company cannot just sell or assign the trademark for a profit. Instead the company can assign the trademark only if the "goodwill" of the company may be transferred.¹⁷⁹ The goodwill of a company is generally defined as its customer base, and therefore, the company gaining the rights to the trademark must be in the same line of business as the original company for the goodwill of the original company to transfer.¹⁸⁰ If an assignment attempts to transfer the naked right to use the mark and does not include a transfer of goodwill, it is considered an assignment in gross and

¹⁷² 15 U.S.C. § 1064(3) (2002).

¹⁷³ 15 U.S.C. § 1127; 15 U.S.C. § 1115(b)(2) (stating that defense of abandonment can even be asserted against trademarks that have reached the five-year incontestable status).

¹⁷⁴ 15 U.S.C. § 1127.

¹⁷⁵ *Id.*

¹⁷⁶ *Stetson v. Howard D. Wolf & Assocs.*, 955 F.2d 847, 851 (2d Cir. 1992).

¹⁷⁷ *Davis*, *supra* note 73, at 559.

¹⁷⁸ *See* 15 U.S.C. § 1125(d)(1)(B)(i).

¹⁷⁹ 15 U.S.C.A. § 1060.

¹⁸⁰ Goodwill is the "value attributable to a going concern apart from its physical assets—the intangible worth of buyer momentum emanating from the reputation and integrity earned by the company." *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F. Supp. 1339, 1350 (E.D.N.Y. 1994).

therefore invalid under both the common law and the Lanham Act.¹⁸¹ Not only is the assignment invalid, but it also operates to deprive the original trademark owner of all rights because at this point the original owner has shown an intent to abandon all rights in the mark.¹⁸² Thus, the flexibility of buying and selling domain names also makes them more valuable.

E. SOLE RIGHTS

Finally, with domain name registration, if a company registers and obtains ownership of a domain name, no other company can use it.¹⁸³ It is impossible for two companies to obtain registration for the same domain name, and it is therefore impossible for another company to use the exact same domain name while it is in use by another company.¹⁸⁴

Under the Lanham Act, however, two or more companies could feasibly use the same trademarks.¹⁸⁵ Although one user might constitute an infringing user, it is still a possibility. Furthermore, if another company uses the registered trademark, it may not even constitute infringement. The fair use, local priority, and no likelihood of confusion defenses provide exceptions in which others may use registered marks in non-infringing ways.¹⁸⁶ Thus, domain name registration creates absolute exclusive rights, while trademarks at best create only a cause of action for the non-infringing user.

F. INFRINGEMENT

In addition, the tests for infringement are different. For domain name registration, the test is a very simple, bright-line rule: infringement occurs whenever one uses another's validly registered name without permission.¹⁸⁷

Under the Lanham Act, however, the infringing user must create a likelihood of confusion concerning the source, sponsorship, or affiliation of the parties'

¹⁸¹ *Id.*

¹⁸² See 15 U.S.C. § 1127; 15 U.S.C. § 1115(b)(2).

¹⁸³ Davis, *supra* note 73, at 556.

¹⁸⁴ *Id.*

¹⁸⁵ It is feasible to both use the same trademark even if one is an infringing user, whereas, with a domain name, only one user may occupy the registered site.

¹⁸⁶ See *Bluebell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260 (5th Cir. 1975).

¹⁸⁷ Davis, *supra* note 73, at 558.

goods or services.¹⁸⁸ Without this showing, the rightful owner of the trademark may not enjoin others from using its mark.¹⁸⁹

The seven factors affecting the likelihood of confusion include: the type of trademark, similarity of services, similarity of advertising, intent of the alleged infringing user, and actual confusion.¹⁹⁰

Weaker marks generally receive less protection than strong marks because they are less distinctive than strong marks. The strength of the mark depends on the extent of third party usage and the relationship between the name and the product it describes.¹⁹¹ In cases where third party usage is high, the mark is less strongly protected.¹⁹² Marks range on a sliding continuum from strongest to weakest in the following order: arbitrary, suggestive, descriptive, and generic. While arbitrary marks receive the most protection, generic marks receive no protection.¹⁹³ When marks are not so similar that they imply that there is a connection between the two companies, there is less likelihood of confusion.

In deciding the similarity between marks, the court will consider the relative strength and appearances of the similar or identical terms. Less protection is given when the similar term is less distinctive, even if that term is the dominant term.¹⁹⁴ But, in cases where the level of customer sophistication is relatively high, for example, products that require a major investment decision on the part of the consumer, the court will find that it is less likely that the consumer will be confused by the similar marks.¹⁹⁵ And, finally, there has to be actual confusion by customers. Although the company will not have to show actual proof of confusion, the lack of such evidence works against the company alleging the infringing use.¹⁹⁶ Thus, it is much harder for a trademark owner to win an infringement suit than for a domain name owner to do the same.

¹⁸⁸ *Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1182, 226 U.S.P.Q. 123, 126 (11th Cir. 1985), *cert. denied*, 474 U.S. 875 (1985); *Safeway Stores, Inc. v. Safeway Disc. Drugs*, 675 F.2d 1160, 1164, 216 U.S.P.Q. 599, 602 (11th Cir. 1982); *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45, 186 U.S.P.Q. 73, 74 (5th Cir. 1975); *Continental Motors Corp. v. Cont'l Aviation Corp.*, 375 F.2d 857, 861, 153 U.S.P.Q. 313, 316 (5th Cir. 1967).

¹⁸⁹ *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45, 186 U.S.P.Q. 73, 74 (5th Cir. 1975).

¹⁹⁰ *Id.*

¹⁹¹ *Freedom*, 757 F.2d at 1182.

¹⁹² *Vision Ctr.*, 596 F.2d at 117.

¹⁹³ *Id.* at 115-16.

¹⁹⁴ *See Banfi Products Corp. v. Kendall-Jackson Winery Ltd.*, 74 F. Supp. 2d 188 (E.D.N.Y. 1999).

¹⁹⁵ *Sun-Fun Prods., Inc. v. Suntan Research & Dev., Inc.*, 656 F.2d 186, 189, 213 U.S.P.Q. 91, 95 (5th Cir. 1981).

¹⁹⁶ *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 78, 8 U.S.P.Q. 1345, 1352 (2d Cir. 1988).

IV. CONCLUSION

Although the Lanham Act and Anti-Cybersquatting Act significantly help businesses protect their trademark rights, these Acts do not address the pseudo-trademark rights that internet-based companies obtain by domain name registration alone. Furthermore, the fact that the internet generates more sales revenue than any land-based operation makes domain name registration even more valuable than the traditional trademark registration.

By becoming the first to register a domain name, internet-based companies are often able to acquire greater rights than they could under the traditional trademark laws. For example, a company operating over the internet, like Netbank, could register a generic name as its domain name and, therefore, create exclusive rights in a generic term, whereas Baybank could not. By preventing all other internet-based companies from using the same name, domain name registration confers pseudo-trademark rights to internet-based companies that they would otherwise be unable to obtain under the traditional trademark analysis.

First, domain name registration helps a company establish these traditional trademark rights in merely descriptive terms. When customers begin searching the internet for a product, they generally type in "www.nameofthe product.com" to see what comes up first. With instant name recognition, the company can more easily establish the secondary meaning needed to make a merely descriptive term eligible for trademark protection. With instant name recognition, domain names also help companies establish and readily expand consumer goodwill, which traditional trademark registrations are unable to do.

Second, the rights associated with domain name registration appear more expansive. While trademark holders can prevent others from using a mark in a context that might confuse consumers, they cannot become the exclusive user of the mark in all areas of the market. On the other hand, the internet-based company can prevent all users in all markets from using the exact same domain name, which is in effect the name of the company. Further, the internet company could also prevent other users from using similar derivatives of the domain name, whereas the traditional trademark holder gets only the specific right(s) listed in its registration.

Third, the ability to assign domain names to other companies provides a lucrative opportunity for even legitimate companies, not in violation of the Anti-Cybersquatting Act. For example, a company could set up a valid online company, make a profitable name for itself, and then sell the rights of its domain name to the highest bidder, regardless of whether any goodwill attaches. On the other hand, owners of traditional trademarks could not do the same. To have a valid assignment of a trademark, the consumer goodwill must attach.

Fourth, it seems that the only way a legitimate business could lose its domain registration rights is through a Federal Trademark Dilution Act claim. This claim, however, could be defeated using the defenses of being the first user of the mark, or being a simultaneous user of the trademark. Further, in generic name cases, no claim could be asserted against the internet-based company, because, under the Lanham Act and common law, trademarks do not exist in generic marks, even if they do take on special meaning with the public. Thus, the use of a generic mark as a domain name will always predate the alleging party's use as a trademark. On the other hand, trademark registrants can lose their rights associated with their trademark by misusing the mark or abandoning the mark.

Thus, some internet-based companies may want to reconsider the lengthy, resource-consuming trademark registration process, especially where it appears that it is easier to create customer recognition and goodwill, which is essentially what a trademark is, through a domain name registration.

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