
New Law Targets Cybersquatting

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After months of debate, the federal government has adopted legislation targeted at registrants of domain names which resemble well-known trademarks or personal names.

On November 29, President Clinton signed the "Anticybersquatting Consumer Protection Act" (the "Act") as part of a massive budget bill passed by Congress before it adjourned for the year.

"Cybersquatting" describes the practice of registering Internet domain names which contain or resemble well-known commercial names or names of individuals, with an intent to prevent others from using the domain name or to profit by selling the domain name to the owner of the trademark or the individual. Traditional trademark law permits a trademark owner to bring an action against a domain name registrant only if the registrant is using the domain name in commerce, to sell goods or services. The simple act of registering a domain name has been held not to constitute a trademark infringement. Other trademark remedies, such as "dilution," are only available if the trademark is well-known or famous. The new Act permits an action against a domain name registrant purely on the basis of its registration of a domain name.

The new law authorizes trademark holders to file civil lawsuits against anyone who, without permission, "registers, traffics in, or uses a domain name" which is "identical or confusingly similar" to a protected trademark, where the user of the domain name "has a bad faith intent to profit from that mark." Similarly, the law prohibits the registration of domain names which use the name of a living person "or a name substantially and confusingly similar thereto, without that person's consent, with the specific intent to profit" by selling the domain name.

The new law allows federal courts to determine whether a domain name is identical or confusingly similar to a protected trademark or name and whether the defendant has exercised "bad faith" when registering the domain name. The effect of this provision will be to reduce the number of available domain names because the "confusingly similar" standard will give existing domain name owners the ability to prevent others from using similar names. Free speech and privacy advocates have argued that the law will restrain free speech by forcing legitimate domain name holders to defend their rights through costly litigation. Trademark holders support the law as a response to rampant "piracy" of company, product and celebrity names that have great commercial value.

The law provides several factors for courts to consider in assessing whether a domain name user has "bad faith intent." The following factors are indicators of "bad faith":

- If the domain name holder intends to use the domain name in a manner that "could harm the goodwill represented by the mark";
- If the domain name holder offers to sell the domain name for a profit without actually using the domain name "in the bona fide offering of any goods or services," or a past pattern of such conduct;
- If the domain name was obtained under false pretenses; or
- If the domain name holder acquires multiple domain names with knowledge that the names are identical or confusingly similar to protected trademarks.

The Act specifies that the following factors may indicate an absence of bad faith:

- If the domain name holder has its own legal rights in the domain name;
- If the domain name is a name commonly used to identify the domain name holder;
- If the domain name holder has used the name "in connection with the bona fide offering of any goods or services";
- If the domain name is legitimately used for noncommercial or "fair use" purposes;
- If the domain name was not "distinctive and famous" when it was registered; or
- If the domain name holder "had reasonable grounds to believe" that the use of the domain name was lawful.

If a court finds that a domain name has been registered improperly, the domain name may be canceled or forfeited to its rightful owner. In addition, at the plaintiff's election, the court may award either actual damages or statutory damages of up to \$100,000 per domain name.

One controversial provision of the statute permits the owner of a trademark to file an action against a domain name registrant in the jurisdiction where the domain name registrar is located. Thus, out-of-state and foreign registrants may find themselves subject to suit in jurisdictions such as Virginia, the "location" of Network Solutions, even if they have no other contact with the jurisdiction. In contrast, our [September 8, 1999 Internet Alert](#) discussed the split between federal and state courts in Virginia over whether customers of America OnLine ("AOL"), which is based in Virginia, can be sued in Virginia merely because they post content through AOL's main server. The Act specifically protects domain name registrars, who will not be liable for monetary damages for the registration or maintenance of a domain name absent a showing of bad faith intent to profit from such registration.

The effect of the Act on the Domain Name Dispute Resolution Policy recently enacted by the Internet Corporation for Assigned Names and Numbers (ICANN) is unclear. The ICANN policy, which is expected to be adopted by most domain name registrars, requires the registrant to submit to mandatory arbitration (at the election of the mark holder or other complainant) of cybersquatting and other domain registration-related claims. The first claim under the new ICANN policy was filed with the World Intellectual Property Organization (WIPO) on December 3 and concerned a domain name registered with Melbourne IT, an Australian domain name registrar.

The new law contains ambiguities and seems certain to be challenged. One thing is clear, however,

the new anticybersquatting law will not end the friction among trademark owners, domain name holders, and the domain name registrars.

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