

INTERNET LAW: SPRING 2010  
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READING PACKET 5

TRADEMARKS

# CONTENTS

<b>UNITED STATES CODE, SELECTED SECTIONS</b> .....	<b>3</b>
15 U.S.C. § 1125 .....	3
15 U.S.C. § 8131 .....	4
18 U.S.C. § 2252B.....	4
<b>UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY</b> .....	<b>5</b>
<b>CLASS 20: TRADEMARKS</b> .....	<b>9</b>
Trademark Primer .....	10
Tiffany (NJ) Inc. v. eBay, Inc. ....	11
Brookfield Communications v. West Coast Entertainment .....	17
Rescuecom problem.....	21
<b>CLASS 21: DOMAIN NAMES</b> .....	<b>23</b>
Panavision Intern., L.P. v. Toeppen.....	23
People for the Ethical Treatment of Animals v. Doughney .....	26
Taubman Co. v. Webfeats .....	31
Zuccarini problem .....	36
<b>CLASS 22: THE DOMAIN-NAME SYSTEM</b> .....	<b>38</b>
ICANN and Registrars .....	38
Kremen v. Cohen.....	41
Curt Mfg., Inc. v. Sabin.....	45
Kentucky problem .....	49
Facesquatting problem.....	50
Bosh problem.....	51

**15 U.S.C. § 1125**  
**[Lanham Act § 43]**  
**False designations of origin, false descriptions, and dilution forbidden**  
**[Anticybersquatting Consumer Protection Act]**

(d) Cyberpiracy prevention

(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

(ii) registers, traffics in, or uses a domain name [that is confusingly similar to a registered trademark]

(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).

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

**15 U.S.C. § 8131**  
**[formerly 15 U.S.C. § 1129]**  
**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. ...

(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.

**18 U.S.C. § 2252B**  
**Misleading domain names on the Internet**

(a) Whoever knowingly uses a misleading domain name on the Internet with the intent to deceive a person into viewing material constituting obscenity shall be fined under this title or imprisoned not more than 2 years, or both. ...

(c) For the purposes of this section, a domain name that includes a word or words to indicate the sexual content of the site, such as "sex" or "porn", is not misleading.

## UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY

1. Purpose. This Uniform Domain Name Dispute Resolution Policy (the “Policy”) has been adopted by the Internet Corporation for Assigned Names and Numbers (“ICANN”), is incorporated by reference into your Registration Agreement, and sets forth the terms and conditions in connection with a dispute between you and any party other than us (the registrar) over the registration and use of an Internet domain name registered by you. ...

2. Your Representations. By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (a) the statements that you made in your Registration Agreement are complete and accurate; (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party; (c) you are not registering the domain name for an unlawful purpose; and (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else’s rights. ...

### 4. Mandatory Administrative Proceeding.

This Paragraph sets forth the type of disputes for which you are required to submit to a mandatory administrative proceeding. These proceedings will be conducted before one of the administrative-dispute-resolution service providers listed at [www.icann.org/udrp/approved-providers.htm](http://www.icann.org/udrp/approved-providers.htm) (each, a “Provider”).

a. Applicable Disputes. You are required to submit to a mandatory administrative proceeding in the event that a third party (a “complainant”) asserts to the applicable Provider, in compliance with the Rules of Procedure, that

(i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and

(ii) you have no rights or legitimate interests in respect of the domain name; and

(iii) your domain name has been registered and is being used in bad faith.

In the administrative proceeding, the complainant must prove that each of these three elements are present.

b. Evidence of Registration and Use in Bad Faith. For the purposes of Paragraph 4(a)(iii), the following circumstances, in particular but without limitation, if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith:

(i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or

(ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or

(iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.

c. How to Demonstrate Your Rights to and Legitimate Interests in the Domain Name in Responding to a Complaint. When you receive a complaint, you should refer to Paragraph 5 of the Rules of Procedure in determining how your response should be prepared. Any of the following circumstances, in particular but without limitation, if found by the Panel to be proved based on its evaluation of all evidence presented, shall demonstrate your rights or legitimate interests to the domain name for purposes of Paragraph 4(a)(ii):

(i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or

(ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or

(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

d. Selection of Provider. The complainant shall select the Provider from among those approved by ICANN by submitting the complaint to that Provider. The selected Provider will administer the proceeding, except in cases of consolidation as described in Paragraph 4(f). ...

e. Initiation of Proceeding and Process and Appointment of Administrative Panel. The Rules of Procedure state the process for initiating and conducting a proceeding and for appointing the panel that will decide the dispute (the "Administrative Panel"). ...

g. Fees. All fees charged by a Provider in connection with any dispute before an Administrative Panel pursuant to this Policy shall be paid by the complainant, except in cases where you elect to expand the Administrative Panel from one to three panelists as provided in Paragraph 5(b)(iv) of the Rules of Procedure, in which case all fees will be split evenly by you and the complainant.

h. Our Involvement in Administrative Proceedings. We do not, and will not, participate in the administration or conduct of any proceeding before an Administrative Panel. In addition, we will not be liable as a result of any decisions rendered by the Administrative Panel.

i. Remedies. The remedies available to a complainant pursuant to any proceeding before an Administrative Panel shall be limited to requiring the cancellation of your domain name or the transfer of your domain name registration to the complainant. ...

k. Availability of Court Proceedings. The mandatory administrative proceeding requirements set forth in Paragraph 4 shall not prevent either you or the complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded.

If an Administrative Panel decides that your domain name registration should be canceled or transferred, we will wait ten (10) business days (as observed in the location of our principal office) after we are informed by the applicable Provider of the Administrative Panel's decision before implementing that decision. We will then implement the decision unless we have received from you during that ten (10) business day period official documentation (such as a copy of a complaint, file-stamped by the clerk of the court) that you have commenced a lawsuit against the complainant in a jurisdiction to which the complainant has submitted under Paragraph 3(b)(xiii) of the Rules of Procedure. (In general, that jurisdiction is either the location of our principal office or of your address as shown in our Whois database. See Paragraphs 1 and 3(b)(xiii) of the Rules of Procedure for details.) If we receive such documentation within the ten (10) business day period, we will not implement the Administrative Panel's decision, and we will take no further action, until we receive (i) evidence satisfactory to us of a resolution between the parties; (ii) evidence satisfactory to us that your lawsuit has been dismissed or withdrawn; or (iii) a copy of an order from such court dismissing your lawsuit or ordering that you do not have the right to continue to use your domain name.

5. All Other Disputes and Litigation. All other disputes between you and any party other than us regarding your domain name registration that are not brought pursuant to the mandatory administrative proceeding provisions of Paragraph 4 shall be resolved between you and such other party through any court, arbitration or other proceeding that may be available.

6. Our Involvement in Disputes. We will not participate in any way in any dispute between you and any party other than us regarding the registration and use of your domain name. You shall not name us as a party or otherwise include us in any such proceeding. In the event that we are named as a party in any such proceeding, we reserve the right to raise any and all defenses deemed appropriate, and to take any other action necessary to defend ourselves.

7. Maintaining the Status Quo. We will not cancel, transfer, activate, deactivate, or otherwise change the status of any domain name registration under this Policy except as provided in Paragraph 3 above.

8. Transfers During a Dispute.

a. Transfers of a Domain Name to a New Holder. You may not transfer your domain name registration to another holder (i) during a pending administrative proceeding brought pursuant to Paragraph 4 or for a period of fifteen (15) business days (as observed in the location of our principal place of business) after such proceeding is concluded; or (ii) during a pending court proceeding or arbitration commenced regarding your domain name unless the party to whom the domain name registration is being transferred agrees, in writing, to be bound by the decision of the court or arbitrator. We reserve the right to cancel any transfer of a domain name registration to another holder that is made in violation of this subparagraph.

b. Changing Registrars. You may not transfer your domain name registration to another registrar during a pending administrative proceeding brought pursuant to Paragraph 4 or for a period of fifteen (15) business days (as observed in the location of our principal place of business) after such proceeding is concluded. You may transfer administration of your domain name registration to another registrar during a pending court action or arbitration, provided that the domain name you have registered with us shall continue to be subject to the proceedings commenced against you in accordance with the terms of this Policy. In the event that you transfer

a domain name registration to us during the pendency of a court action or arbitration, such dispute shall remain subject to the domain name dispute policy of the registrar from which the domain name registration was transferred. ...



## CLASS 20: TRADEMARKS

The remainder of the course will be devoted to intellectual property issues: first trademarks and then copyright. We will devote little time to the issues typically discussed in an intellectual-property course, such as protectable subject matter, the source of rights, the test for infringement, and so on. Instead, we'll focus on issues that are distinctive to computers and the Internet. Today's trademark class is in the nature of an overview; we'll revisit some topics we've met before from a new perspective. Next time, we'll get into domain names, where trademark law starts to get truly strange.

### *Preparation questions*

(1) We start with the *Tiffany* case. On one level, the sale of counterfeit jewelry on eBay ought to be legally straightforward. I own a Tiffany pocketwatch. What result if I put it up for sale on eBay, including photographs, and describe it as a "Tiffany watch?" What result if I put my Casio up for sale on eBay and describe it as a "Tiffany watch?" You should be able to answer these questions *without knowing any trademark law*. But if you need a quick introduction, read the trademark primer and then come back to these questions.

(2) But *Tiffany* isn't about the liability of the sellers; it's about the liability of eBay. In this respect, there's an obvious comparison to the Section 230 cases. What is the test for infringement that the court cites? How does it differ from the rule given in *Zeran*? Is the difference justified on policy grounds? If not, which case is wrong: *Tiffany* or *Zeran*? As between Tiffany and eBay, how does *Tiffany* allocate the burden of keeping counterfeit goods off of eBay? If *Zeran* were the rule for trademarks, as well, who would bear that burden, and how?

(3) The second interesting thing (or so I think) about *Tiffany* is its discussion of eBay's knowledge of infringement. What is the distinction the court makes between generalized and specific knowledge? Why does the court believe that eBay has the one but not the other? Are those determinations correct? Why does the court believe the distinction is legally significant? Is that decision correct? Keep this decision and this distinction in mind as we talk about copyright next month;

(4) Next, we turn to trademarks and search engines. *Brookfield* is a famous case because of the billboard metaphor. What are metatags, and how do they work? Does the court's description of them as being like billboards strike you as accurate? What's similar, and what's different? Based on that conclusion, do you think trademark liability here makes sense? The court gets there through a theory of "initial interest confusion." Do you buy it?

(5) Over a decade later, metatag litigation chugs along. But there's an irony: Google [ignores](#) keyword metatags:

About a decade ago, search engines judged pages only on the content of web pages, not any so-called "off-page" factors such as the links pointing to a web page. In those days, keyword meta tags quickly became an area where someone could stuff often-irrelevant keywords without typical visitors ever seeing those keywords. Because the keywords meta tag was so often abused, many years ago Google began disregarding the keywords meta tag.

Does this fact shed any new light on the trademark questions at stake in *Brookfield*? If your client has discovered that its trademark appears in the metatags of a competitor's website, what would you advise the client to do?

(6) The Rescucom problem continues both lines of inquiry. The best way to prepare it is to be as precise as you can in understanding how Google is choosing which search results and advertisements to display. I recommend doing some searches on Google, Bing, and a couple of other search engines. Try including both trademarked and non-trademarked terms and see what you get back. Based on the description given in the problem, try to explain how the search engines generated the pages you saw. Armed with this understanding, work through the theories of liability. How do you think they'd be decided under *Tiffany* and *Brookfield*? How should they be, if you were writing on a blank slate?

(7) The actual decision in Rescucom dealt with the doctrinal issue of "trademark use." This question has been of greater interest to scholars than to trademark lawyers, which is why I haven't given you the actual holding in Rescucom. If you're interested in finding out more about the controversy, ask me, and I can point you to the dueling law-review articles.

### **Trademark Primer**

A trademark is a word, phrase, or other symbol that identifies to consumers the source of goods. Thus, the trademark COCA-COLA<sup>1</sup> tells you that the cola beverage you're considering buying is made and distributed under the authority of the Coca-Cola Company. Why does this matter? The theory usually gives three reasons:

- (1) It's a quick signal helping me find a product. If I'm looking for a quick meal on my way home while in Penn Station, the familiar TACO BELL logo is a signal of where to look.
- (2) It's a quality guarantee. I know that the Crunchwrap I'll get at the Penn Station Taco Bell is likely to resemble the Crunchwrap I can get at the one on Route 27A in Islip: tasty and relatively easy to eat on a train. (They're both operated by Yum! Brands.)
- (3) It's a protection of brand value against competitors. If Moe's Southwestern Grill started flashing the TACO BELL trademark, I might be misled into buying their food by mistake. That hurts me (it's more expensive and harder to eat neatly) and it hurts Yum! Brands (which invested in creating good products and in a recognizable trademark).

The core rule of trademark law is that the owner of a trademark can sue for infringement anyone else who "uses" a trademark in a manner "likely to cause consumer confusion." The relevant form of confusion is confusion over *source*: over who supplied the goods.

An important limitation on trademark rights and on liability is inherent in this rule: there are no trademark rights over non source-identifying uses. If I describe my liquid beverage as WATER I have no trademark rights over the word WATER. A consumer picking up the bottle will think that WATER describes the product, rather than being a trademark. This rule also has consequences on the infringement side. It's *not* infringement to use a trademark "descriptively": that is, to describe your own product truthfully. This could be because you need to use the word

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<sup>1</sup> By convention, trademarks are written in ALL CAPS.

(i.e. “water” to describe a beverage) or because you need to use the trademark itself (i.e. “We repair Ford trucks.”)

***Tiffany (NJ) Inc. v. eBay, Inc.***  
**576 F. Supp. 2d 463 (S.D.N.Y. 2008)**

RICHARD J. SULLIVAN, District Judge:

Tiffany, the famous jeweler with the coveted blue boxes, brings this action against eBay, the prominent online marketplace, for the sale of counterfeit Tiffany silver jewelry on its website. . . .

**II. FINDINGS OF FACT**

Over its 170-year history, Tiffany has achieved great renown as a purveyor of high-quality and luxury goods under the TIFFANY Marks (defined below), including jewelry, watches, and home items such as china, crystal, and clocks. . . .

In order to maintain its reputation for high-quality jewelry, Tiffany quality control personnel inspect Tiffany merchandise before it is released for distribution. Before a silver jewelry item can be released to Tiffany’s channels of trade, the item must satisfy Tiffany’s exacting standards for, inter alia, composition, quality, shape, and polish of the metal, as well as the quality and integrity of the TIFFANY Marks appearing on the item. To determine if an item is authentic Tiffany silver jewelry, Tiffany quality inspectors must be able to physically inspect each item. Tiffany closely protects its quality standards and does not make them available to the public or to other jewelry manufacturers.

*1. eBay’s Listings, Buyers, and Sellers*

eBay is a well-known online marketplace, located at [www.ebay.com](http://www.ebay.com), that allows eBay sellers to sell goods directly to eBay buyers. The listings are created and posted by third-party users, who register with eBay and agree to abide by a User Agreement. While users often go by descriptive user names instead of their real names, users are required to supply identifying information to eBay when registering. Sellers can also use multiple user names.

*2. eBay’s Business Model and Support to Sellers*

eBay’s business model is based on two components: first, the creation of listings, and second, the successful completion of sales between the seller and the buyer. For each posted listing, sellers pay an initial insertion fee, ranging from \$0.20 to \$4.80 depending on the starting price. If the item is successfully sold, sellers pay a final value fee based upon the final price for the item. Final value fees range from 5.25% to 10% of the final price of the item. In addition, sellers who opt for various additional features to differentiate their listings, such as a border or bold-faced type, are charged additional fees. . . .

*3. eBay’s Control Over Sales Made On Its Website*

eBay is an electronic marketplace, not a retailer. Thus, eBay itself never takes physical possession of the goods sold through its website; instead, it facilitates a transaction between two independent parties. Nevertheless, eBay exercises some limited control over those who trade on its website by requiring all users to register with eBay and sign eBay’s User Agreement. The User Agreement requires users to refrain from violating any laws, third party rights, including

intellectual property rights, and eBay policies. If a user violates the terms or conditions of the User Agreement, eBay may take disciplinary action against the seller, including removing the seller's listings, issuing a warning, and/or suspending the user.

In addition to exercising some control over users, eBay also restricts the types of items which can be listed on its website. For example, eBay maintains a list of prohibited items, e.g., drugs, firearms, and alcohol, for which it routinely screens in order to prevent such items from being offered for sale on eBay.

#### *4. eBay's Anti-Fraud Efforts*

##### *a. Trust and Safety Department*

eBay has made substantial investments in anti-counterfeiting initiatives. eBay has invested as much as \$20 million each year on tools to promote trust and safety on its website. One quarter of eBay's workforce of roughly 16,000 employees is devoted to trust and safety. Of these 4,000 individuals, approximately 2,000 serve as eBay Customer Service Representatives "(CSRs)". More than 200 of these individuals focus exclusively on combating infringement, at a significant cost to eBay. eBay also employs 70 persons who work exclusively with law enforcement. In several instances, information that eBay has provided to law enforcement agencies has led to the arrest of counterfeiters.

##### *b. Fraud Engine*

Between December 2000 and May 2002, eBay manually searched for keywords in listings in an effort to identify blatant instances of potentially infringing or otherwise problematic activity. In May 2002, eBay began using technology to perform that function. These technological tools are known as the eBay fraud engine. The fraud engine uses rules and complex models that automatically search for activity that violates eBay policies. eBay spends over \$5 million per year in maintaining and enhancing its fraud engine, which is principally dedicated to ferreting out illegal listings, including counterfeit listings.

The fraud engine currently uses more than 13,000 different search rules, and was designed in part to capture listings that contain indicia of counterfeiting apparent on the face of the listings without requiring expertise in rights owners' brands or products. . . . For example, at all times relevant to this litigation, eBay monitored its website for and removed listings expressly offered "knock-off," "counterfeit," "replica," or "pirated" merchandise, and listings in which the seller stated he "cannot guarantee the authenticity" of the items being offered. For obvious reasons, the fraud engine could not determine whether a listed item was actually counterfeit. However, the fraud engine also contained numerous other data elements designed to evaluate listings based on, for example, the seller's Internet protocol address, any issues associated with the seller's account on eBay, and the feedback the seller has received from other eBay users. ...

At all times relevant to this case, eBay's fraud engine flagged thousands of listings on a daily basis that contained obvious indicia of infringing or otherwise fraudulent activity. Listings flagged by the fraud engine were sent to eBay's CSRs for review and possible further action. In reviewing the flagged listings, CSRs examined multiple factors according to eBay guidelines in order to make a decision as to whether a violation of eBay policies had occurred, including the language and sophistication of the listing, the seller's history and feedback rating from past buyers, the seller's business model, and the seller's eBay registration information.

Upon reviewing a potentially infringing, fraudulent, or problematic listing, the CSR would: (1) remove the listing from eBay; (2) send a warning to the seller; (3) place restrictions on the seller's account, such as a selling restriction, temporary suspension, or indefinite suspension; and/or (4) refer the matter to law enforcement. eBay removed thousands of listings per month based on CSR reviews of listings captured by the fraud engine. At all times relevant to this litigation, CSRs' decisions were guided by standards and guidelines put in place by eBay lawyers and staff members, and the action taken was based upon the seriousness of the violation. Nevertheless, eBay's ultimate ability to make determinations as to infringement was limited by virtue of the fact that eBay never saw or inspected the merchandise in the listings. While some items — such as guns — were completely prohibited and thus required no judgment to remove, listings that offered potentially infringing and/or counterfeit items required a more in-depth review.

*c. The VeRO Program*

In addition to the fraud engine, eBay has, for nearly a decade, maintained a set of procedures, known as the Verified Rights Owner ("VeRO") Program, to address listings offering potentially infringing items posted on the eBay website. At all times relevant to this litigation, the VeRO Program was a "notice-and-takedown" system, whereby rights owners could report to eBay any listing offering potentially infringing items, so that eBay could remove such reported listings. At the present time, more than 14,000 rights owners, including Tiffany, participate in the VeRO Program.

At all times, eBay's VeRO Program rested on the responsibility of rights owners to police their own trademarks. Under the VeRO Program, a rights owner who saw a potentially infringing item listed on eBay could report the listing directly to eBay, by submitting a Notice of Claimed Infringement form or "NOCI". A NOCI attested that the rights owner possessed a "good-faith belief" that the item infringed on a copyright or a trademark. NOCIs could be faxed to eBay, emailed to eBay, or reported to eBay via a software tool called the VeRO Reporting Tool. As part of the VeRO Program, eBay offered rights owners tools to assist in efficiently identifying potentially infringing listings. These included the VeRO Reporting Tool as well as an automated search tool called "My Favorite Searches." These tools allowed rights owners to search automatically for particular listings every day, to save their favorite searches, and to email the search results directly to the rights owner for review on a daily basis.

Upon receipt of such a notice, CSRs first verified that the NOCI contained all of the required information and had indicia of accuracy. Thereafter, eBay promptly removed the challenged listing. Indeed, at all times relevant to this litigation, the Court finds that eBay's practice was to remove reported listings within 24 hours of receiving a NOCI. Seventy to 80 percent of reported listings were removed within 12 hours of notification during the time period at issue in this litigation. At present, three quarters of the listings are removed within four hours. eBay typically removed thousands of listings per week based on the submission of NOCIs by rights holders. . . .

During the relevant time period, eBay generated substantial revenue from the sale of "Tiffany" silver jewelry on its website. Indeed, between April 2000 and August 2005, there were 456,551 sales of Tiffany jewelry in the Jewelry & Watches category. eBay's Jewelry & Watches category manager estimated that, between April 2000 and June 2004, eBay earned \$4.1 million in revenue from completed listings with "Tiffany" in the listing title in the Jewelry & Watches category. . . .

From the time of eBay's June 2003 letter through May 2004, Tiffany reported 46,252 listings for which Tiffany claimed a good-faith belief that the items being sold were counterfeit. In August 2003, Tiffany was the second-highest reporter of NOCIs in the VeRO Program. In each year from 2003 through 2006, Tiffany reported substantially more listings than it did the year prior. Specifically, Tiffany reported 20,915 listings in 2003; 45,242 listings in 2004; 59,012 listings in 2005; and 134,779 listings in 2006. As of September 30, 2007, shortly before trial, Tiffany had reported 24,201 listings for 2007. All told, Tiffany reported 284,149 listings through the VeRO Program. According to eBay's monthly records, of the 14,000 rights owners who participate in the VeRO Program, Tiffany was among the top ten reporters in 21 of the 28 months between June 2003 and September 2005. Thus, by any measure, it is clear that Tiffany was one of the most frequent reporters in the VeRO Program.

## *2. Tiffany's Staffing*

Notwithstanding the significance of the online counterfeiting problem, it is clear that Tiffany invested relatively modest resources to combat the problem. In fiscal year 2003, Tiffany budgeted approximately \$763,000 to the issue, representing less than 0.05 percent of its net sales for that year. Tiffany's CEO, Michael Kowalski, testified that over the past five years, Tiffany has budgeted \$14 million to anti-counterfeiting efforts — of which approximately \$3-5 million was spent in litigating the instant action.

More specifically, Tiffany's time dedicated to monitoring the eBay website and preparing NOCIs was limited. Beginning in the summer of 2003, Ewa Zalewska, then a paralegal in Tiffany's legal department, devoted two days a week to reviewing the eBay website and answering emails from buyers and sellers involving removed listings. John Pollard, then Tiffany's security manager, also devoted one day a week to monitoring and reporting on the eBay website. . . .

## *2. eBay Suspended Sellers*

When Tiffany filed a NOCI, Tiffany often requested that eBay suspend the seller. Indeed, by 2005, Tiffany's NOCIs routinely included a request that eBay suspend the seller. The Court finds that eBay declined to automatically or permanently suspend a seller after the filing of a first, or even a second, NOCI. However, for the following reasons, the Court finds that eBay took appropriate steps to warn and then to suspend sellers when eBay learned of potential trademark infringement under that seller's account.

eBay suspended "hundreds of thousands of sellers every year," tens of thousands of whom were suspended for having engaged in infringing conduct. Although eBay primarily employed a "three-strikes rule" for suspensions, a seller could be suspended on a first violation if it were determined that, for example, the seller "listed a number of infringing items," and "this appears to be the only thing they've come to eBay to do." In other circumstances, if a seller listed a potentially infringing item but appeared overall to be a legitimate seller, the "infringing items [were] taken down, and the seller [would] be sent a warning on the first offense and given the educational information, [and] told that . . . if they do this again, they will be suspended from eBay." . . .

## III. CONCLUSIONS OF LAW

### 1. Elements of Contributory Infringement

Contributory trademark infringement is a judicially constructed doctrine articulated by the Supreme Court in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850 n.10 (1982). In that opinion, the Supreme Court held that:

[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.

...

### 3. Knowledge Or Reason To Know

Under the *Inwood* test, Tiffany must prove that eBay continued to supply its services “to one whom it knows or has reason to know is engaging in trademark infringement.” *Inwood*, 456 U.S. at 854. The evidence produced at trial demonstrated that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit. First, Tiffany sent eBay demand letters in 2003 and 2004, articulating its belief that large quantities of counterfeit Tiffany merchandise were being sold through the eBay website, and that any seller of a significant lot — *e.g.*, of five or more pieces of purported Tiffany jewelry — was “almost certainly” selling counterfeit merchandise. Second, Tiffany apprised eBay of the results of its Buying Programs, particularly, of the supposed finding that 73.1% of the Tiffany items it purchased in its 2004 Buying Program were counterfeit. Third, Tiffany filed thousands of NOCIs alleging a good faith belief that certain listings were counterfeit or otherwise infringing on Tiffany’s marks, and eBay received numerous complaints from buyers stating that they had purchased what they believed to be fake Tiffany jewelry through the eBay website.

Tiffany argues that this generalized knowledge required eBay to preemptively remedy the problem at the very moment that it knew or had reason to know that the infringing conduct was generally occurring, even without specific knowledge as to individual instances of infringing listings or sellers. By contrast, eBay asserts that such generalized knowledge is insufficient, and that the law demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem.

Accordingly, before the Court is the question of whether eBay’s *generalized* knowledge of trademark infringement on its website was sufficient to meet the “knowledge or reason to know” prong of the *Inwood* test. For the following reasons, the Court concludes that while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem.

#### a. Legal Standard

The Second Circuit has not defined how much knowledge or what type of knowledge a defendant must have to satisfy the “know or reason to know” standard set forth in *Inwood*. . . .

[C]ourts have been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement. In *Inwood*, Justice White emphasized in his concurring opinion that a defendant is not “require[d] . . . to refuse to sell to dealers who merely *might* pass off its goods.” *Inwood*, 456 U.S. at 861 (White, J., concurring).

In *Coca-Cola Co. v. Snow Crest Beverages*, 64 F. Supp. 980 (D. Mass. 1946), aff'd, 162 F.2d 280 (1st Cir. 1947), an early and important contributory infringement case cited in *Inwood*, Coca-Cola asserted that Snow Crest had contributorily infringed its mark by selling "Polar Cola" to bartenders who sometimes mixed the soda into customers' "rum and Coke" drinks. *Coca-Cola*, 64 F. Supp. at 989. Coca-Cola argued that Snow Crest should have known about the infringement because attorneys for Coca-Cola had informed Snow Crest's president of the bartending practice and indicated that their investigation revealed that the practice had occurred in 82 bars. *Id.* at 987-90. The district court found that such "lawyer's argumentative talk" was inadequate to establish that a reasonable businessperson in Snow Crest's position should have known that its products were being used to infringe, particularly because "plaintiff's counsel . . . did not give the names or the numbers of any offending bars," "did not inform defendant of the details of the investigation of the 82 bars," and "did not ask defendant to take any specific step to notify or caution bars against passing off." *Id.* . . .

By contrast, those courts that have determined that defendants had "reason to know" of infringement have relied on far more specific notice from plaintiffs to defendants. For example, in *Habeeba's Dance of the Arts, Ltd. v. Knoblauch*, 430 F.Supp.2d 709, 714 (S.D. Ohio 2006), the court determined that advance written notice of a specific infringing event, providing the date, the event, and the location of the event, would be sufficient to meet the knowledge requirement for contributory trademark infringement.

Significantly, Tiffany has not alleged, nor does the evidence support a conclusion, that all of the Tiffany merchandise sold through eBay is counterfeit. Rather, a substantial number of authentic Tiffany goods are sold on eBay, including both new and vintage silver jewelry, sometimes in lots of five or more. . . .

#### *b. Analysis*

The evidence adduced at trial demonstrates eBay had *general knowledge* of infringement by sellers using its website. Such general knowledge, however, does not require eBay to take action to discontinue supplying its service to all those who *might* be engaged in counterfeiting. Having concluded that, as a matter of law, general knowledge of infringement is insufficient, the Court proceeds to consider whether the generalized assertions of infringement made by Tiffany are sufficiently specific to impute to eBay knowledge of any and all instances of infringing sales on eBay. The Court concludes that Tiffany's general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*. . . .

### 5. Continues To Supply

The Court has concluded that the generalized allegations of trademark infringement described above are insufficient to impute either knowledge or a reason to know of trademark infringement to eBay. However, the situation is distinct with respect to the individual sellers against whom Tiffany filed NOCIs. Tiffany argues that the filing of a NOCI provided eBay with actual or constructive knowledge of Tiffany's good-faith belief that an item was counterfeit or otherwise infringing.<sup>1</sup> Nevertheless, even assuming *arguendo* that the filing of a NOCI provided eBay with knowledge or reason to know of infringement by particular sellers on its website, the test under *Inwood* is not merely that eBay had knowledge, but instead whether eBay "continue

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<sup>1</sup> Of course, a NOCI was not a notice of actual infringement, but instead, was a notice of Tiffany's good-faith belief that a particular item or listing was infringing.



[d] to supply” its product to known infringers. *Inwood*, 456 U.S. at 854. The *Inwood* test thus directs the Court to consider what action eBay took upon receiving such notice of infringement through Tiffany’s NOCI.

When Tiffany filed a NOCI, eBay’s practice was to promptly remove the challenged listing from its website. In addition to removing the listing, eBay also warned sellers and buyers, cancelled all fees associated with the listing, and directed buyers not to consummate the sale of the listed item. Accordingly, the Court concludes that Tiffany has failed to prove that eBay continued to supply its services in instances where it knew or had reason to know of infringement. . . .

Tiffany’s own evidence supports the Court’s conclusion that eBay’s policy was an “appropriate step” in cutting off the supply of its services to infringers. *AT&T v. Winback*, 42 F.3d 1421, 1433 n.14 (3rd Circuit, 1994). While Tiffany identified close to 200 “repeat offenders,” Tiffany does not contest that once Tiffany sent in a NOCI for these users, eBay pulled the listing. Furthermore, with only a few exceptions, the users who reappeared on the eBay website appeared three or fewer times, frequently within a very short time span (*e.g.*, within one week or even one day). Accordingly, Tiffany has failed to establish by a preponderance of the evidence that eBay failed to take appropriate action against these sellers upon receiving notice of infringing activity. . . .

Second, while the Court is sympathetic to Tiffany’s frustrations in this regard, the fact remains that rights holders bear the principal responsibility to police their trademarks. See *MDT Corp. v. New York Stock Exch.*, 858 F. Supp. 1028, 1034 (C.D. Cal. 1994) (“The owner of a trade name must do its own police work.”); see also *Hard Rock Cafe*, 955 F.2d at 1149 (defendants are not required “to be more dutiful guardians of [trademark plaintiffs’] commercial interests). In effect, Tiffany’s contributory trademark infringement argument rests on the notion that because eBay was able to screen out potentially counterfeit Tiffany listings more cheaply, quickly, and effectively than Tiffany, the burden to police the Tiffany trademark should have shifted to eBay. Certainly, the evidence adduced at trial failed to prove that eBay was a cheaper cost avoider than Tiffany with respect to policing its marks. But more importantly, even if it were true that eBay is best situated to staunch the tide of trademark infringement to which Tiffany and countless other rights owners are subjected, that is not the law. . . .

Under these circumstances, the Court concludes that Tiffany has failed to prove that eBay continued to supply its service to those whom it knew or had reason to know were engaging in infringement, and that eBay took appropriate steps to cease making its website available in those instances where Tiffany brought objectionable conduct to its attention.

***Brookfield Communications v. West Coast Entertainment***  
**174 F. 3d 1036 (9th Cir. 1999)**

O’SANNLAIN, Circuit Judge:

We must venture into cyberspace to determine whether federal trademark and unfair competition laws prohibit a video rental store chain from using an entertainment-industry information provider’s trademark in the domain name of its web site and in its web site’s metatags.

## I.

Brookfield Communications, Inc. ("Brookfield") appeals the district court's denial of its motion for a preliminary injunction prohibiting West Coast Entertainment Corporation ("West Coast") from using in commerce terms confusingly similar to Brookfield's trademark, "MovieBuff." Brookfield gathers and sells information about the entertainment industry. Founded in 1987 for the purpose of creating and marketing software and services for professionals in the entertainment industry, Brookfield initially offered software applications featuring information such as recent film submissions, industry credits, professional contacts, and future projects. These offerings targeted major Hollywood film studios, independent production companies, agents, actors, directors, and producers.

Brookfield expanded into the broader consumer market with computer software featuring a searchable database containing entertainment-industry related information marketed under the "MovieBuff" mark around December 1993. . . .

In October 1998, Brookfield learned that West Coast—one of the nation's largest video rental store chains with over 500 stores—intended to launch a web site at "moviebuff.com" containing, inter alia, a searchable entertainment database similar to "MovieBuff." West Coast had registered "moviebuff.com" with Network Solutions on February 6, 1996 and claims that it chose the domain name because the term "Movie Buff" is part of its service mark, "The Movie Buff's Movie Store," on which a federal registration issued in 1991 covering "retail store services featuring video cassettes and video game cartridges" and "rental of video cassettes and video game cartridges." . . .

On November 10, Brookfield delivered to West Coast a cease-and-desist letter alleging that West Coast's planned use of the "moviebuff.com" would violate Brookfield's trademark rights; as a "courtesy" Brookfield attached a copy of a complaint that it threatened to file if West Coast did not desist. . . .

## II.

To resolve the legal issues before us, we must first understand the basics of the Internet and the World Wide Web. Because we will be delving into technical corners of the Internet—dealing with features such as domain names and metatags—we explain in some detail what all these things are and provide a general overview of the relevant technology. . . .

Using a Web browser, such as Netscape's Navigator or Microsoft's Internet Explorer, a cyber "surfer" may navigate the Web—searching for, communicating with, and retrieving information from various web sites. A specific web site is most easily located by using its domain name. Upon entering a domain name into the web browser, the corresponding web site will quickly appear on the computer screen. Sometimes, however, a Web surfer will not know the domain name of the site he is looking for, whereupon he has two principal options: trying to guess the domain name or seeking the assistance of an Internet "search engine."

Oftentimes, an Internet user will begin by hazarding a guess at the domain name, especially if there is an obvious domain name to try. . . . The Web surfer who assumes that "'X'.com" will always correspond to the web site of company X or trademark X will, however, sometimes be misled. . . .

A Web surfer's second option when he does not know the domain name is to utilize an Internet search engine, such as Yahoo, Altavista, or Lycos. When a keyword is entered, the search engine processes it through a self-created index of web sites to generate a (sometimes long) list relating to the entered keyword. Each search engine uses its own algorithm to arrange indexed materials in sequence, so the list of web sites that any particular set of keywords will bring up may differ depending on the search engine used. Search engines look for keywords in places such as domain names, actual text on the web page, and metatags. Metatags are HTML code intended to describe the contents of the web site. There are different types of metatags, but those of principal concern to us are the "description" and "keyword" metatags. The description metatags are intended to describe the web site; the keyword metatags, at least in theory, contain keywords relating to the contents of the web site. The more often a term appears in the metatags and in the text of the web page, the more likely it is that the web page will be "hit" in a search for that keyword and the higher on the list of "hits" the web page will appear.

With this basic understanding of the Internet and the Web, we may now analyze the legal issues before us.

### III.

We review the district court's denial of preliminary injunctive relief for an abuse of discretion. Under this standard, reversal is appropriate only if the district court based its decision on clearly erroneous findings of fact or erroneous legal principles. " . . .

"A plaintiff is entitled to a preliminary injunction in a trademark case when he demonstrates either (1) a combination of probable success on the merits and the possibility of irreparable injury or (2) the existence of serious questions going to the merits and that the balance of hardships tips sharply in his favor." *Sardi's Restaurant Corp. v. Sardie*, 755 F.2d 719, 723 (9th Cir. 1985). To establish a trademark infringement claim under section 32 of the Lanham Act or an unfair competition claim under section 43(a) of the Lanham Act, Brookfield must establish that West Coast is using a mark confusingly similar to a valid, protectable trademark of Brookfield's. . . .

### V.

Establishing seniority, however, is only half the battle. Brookfield must also show that the public is likely to be somehow confused about the source or sponsorship of West Coast's "moviebuff.com" web site—and somehow to associate that site with Brookfield. . . .

#### A.

[The court considered whether West Coast's use of the domain name moviebuff.com was likely to cause confusion. Its answer was "yes." Do you agree? We'll get into the use of trademarks in domain names next class.]

#### B.

So far we have considered only West Coast's use of the domain name "moviebuff.com." Because Brookfield requested that we also preliminarily enjoin West Coast from using marks confusingly similar to "MovieBuff" in metatags and buried code, we must also decide whether

West Coast can, consistently with the trademark and unfair competition laws, use “MovieBuff” or “moviebuff.com” in its HTML code. . . .

Although entering “MovieBuff” into a search engine is likely to bring up a list including “westcoastvideo.com” if West Coast has included that term in its metatags, the resulting confusion is not as great as where West Coast uses the “moviebuff.com” domain name. First, when the user inputs “MovieBuff” into an Internet search engine, the list produced by the search engine is likely to include both West Coast’s and Brookfield’s web sites. Thus, in scanning such list, the Web user will often be able to find the particular web site he is seeking. Moreover, even if the Web user chooses the web site belonging to West Coast, he will see that the domain name of the web site he selected is “westcoastvideo.com.” Since there is no confusion resulting from the domain address, and since West Coast’s initial web page prominently displays its own name, it is difficult to say that a consumer is likely to be confused about whose site he has reached or to think that Brookfield somehow sponsors West Coast’s web site.

Nevertheless, West Coast’s use of “moviebuff.com” in metatags will still result in what is known as initial interest confusion. Web surfers looking for Brookfield’s “MovieBuff” products who are taken by a search engine to “westcoastvideo.com” will find a database similar enough to “MovieBuff” such that a sizeable number of consumers who were originally looking for Brookfield’s product will simply decide to utilize West Coast’s offerings instead. Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using “moviebuff.com” or “MovieBuff” to divert people looking for “MovieBuff” to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark. Recently in *Dr. Seuss*, we explicitly recognized that the use of another’s trademark in a manner calculated “to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion, may be still an infringement.” *Dr. Seuss Enters. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1405 (9th Cir.1997) . . .

Using another’s trademark in one’s metatags is much like posting a sign with another’s trademark in front of one’s store. Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard on a highway reading—“West Coast Video: 2 miles ahead at Exit 7” —where West Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers looking for West Coast’s store will pull off at Exit 7 and drive around looking for it. Unable to locate West Coast, but seeing the Blockbuster store right by the highway entrance, they may simply rent there. Even consumers who prefer West Coast may find it not worth the trouble to continue searching for West Coast since there is a Blockbuster right there. Customers are not confused in the narrow sense: they are fully aware that they are purchasing from Blockbuster and they have no reason to believe that Blockbuster is related to, or in any way sponsored by, West Coast. Nevertheless, the fact that there is only initial consumer confusion does not alter the fact that Blockbuster would be misappropriating West Coast’s acquired goodwill. See *Blockbuster Entertainment Group v. Laylco, Inc.*, 869 F.Supp. 505, 513 (E.D.Mich.1994) (finding trademark infringement where the defendant, a video rental store, attracted customers’ initial interest by using a sign confusingly to its competitor’s even though confusion would end long before the point of sale or rental) . . .

Consistently with *Dr. Seuss*, the Second Circuit, and the cases which have addressed trademark infringement through metatags use, we conclude that the Lanham Act bars West Coast from including in its metatags any term confusingly similar with Brookfield's mark. . . .

### **Rescuecom problem**

This problem is based closely on *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009). Here is a compressed version of the court's statement of facts:

Rescuecom is a national computer service franchising company that offers on-site computer services and sales. . . . Since 1998, "Rescuecom" has been a registered federal trademark, and there is no dispute as to its validity. . . .

Google operates a popular Internet search engine, which users access by visiting [www.google.com](http://www.google.com). Using Google's website, a person searching for the website of a particular entity in trade (or simply for information about it) can enter that entity's name or trademark into Google's search engine and launch a search. Google's proprietary system responds to such a search request in two ways. First, Google provides a list of links to websites, ordered in what Google deems to be of descending relevance to the user's search terms based on its proprietary algorithms. . . .

The second way Google responds to a search request is by showing context-based advertising. When a searcher uses Google's search engine by submitting a search term, Google may place advertisements on the user's screen. Google will do so if an advertiser, having determined that its ad is likely to be of interest to a searcher who enters the particular term, has purchased from Google the placement of its ad on the screen of the searcher who entered that search term. . . .

AdWords is Google's program through which advertisers purchase terms (or keywords). When entered as a search term, the keyword triggers the appearance of the advertiser's ad and link. An advertiser's purchase of a particular term causes the advertiser's ad and link to be displayed on the user's screen whenever a searcher launches a Google search based on the purchased search term. Advertisers pay Google based on the number of times Internet users "click" on the advertisement, so as to link to the advertiser's website. . . .

In addition to AdWords, Google also employs Keyword Suggestion Tool, a program that recommends keywords to advertisers to be purchased. . . .

Once an advertiser buys a particular keyword, Google links the keyword to that advertiser's advertisement. The advertisements consist of a combination of content and a link to the advertiser's webpage. Google displays these advertisements on the search result page either in the right margin or in a horizontal band immediately above the column of relevance-based search results. These advertisements are generally associated with a label, which says "sponsored link." . . .

Google's objective in its AdWords and Keyword Suggestion Tool programs is to sell keywords to advertisers. Rescuecom alleges that Google makes 97% of its revenue from selling advertisements through its AdWords program. Google therefore has an

economic incentive to increase the number of advertisements and links that appear for every term entered into its search engine.

Rescuecom has sued Google alleging that the following are actionable trademark infringements:

- (1) Displaying any search results other than links to Rescuecom.com when a user types “rescuecom” into the Google search box.
- (2) Displaying any advertisements other than ads placed by Rescuecom when a user types “rescuecom” into the Google search box.
- (3) Displaying search results that take users to competitors’ web sites that make infringing uses of the RESCUECOM trademark.
- (4) Displaying advertisements placed by Rescuecom competitors that include the RESCUECOM trademark in a manner likely to confuse consumers.
- (5) Selling the RESCUECOM trademark as an advertising keyword using the AdWords program.
- (6) Using the Keyword Suggestion Tool to advise Rescuecom competitors that they purchase ads triggered by the RESCUECOM trademark.

Google moved to dismiss under FRCP 12(b)(6) for failure to state a claim. The District Court granted Google’s motion, finding no infringement under all six theories. Rescuecom has appealed. How should the Court of Appeals rule?

## CLASS 21: DOMAIN NAMES

Now that you've seen the basics of trademarks, take a moment to think of how trademark law would treat domain names. How tricky could it be, right? Surprisingly so, actually. The problem comes from the remarkable cleverness of two groups: shady online 'entrepreneurs' and plaintiffs' lawyers. Domain-name registrants came up with a variety of business models that—while often ethically questionable—didn't squarely fit within the usual categories of trademark infringement. The lawyers for trademark owners, in turn, came up with a series of doctrinal extensions in order to protect their clients. As you read today's materials, ask whether the twists and turns trademark law has taken strike the right balance.

### *Preparation questions*

(1) If you understand defendants' motivations in domain-name cases, you're halfway there. Which of them were in business? What were their business models? (How many ways can you think of to make money from a domain name that includes a trademarked term? Hint: there are more than you've thought of.) Which of them had ideological or personal reasons for registering the domains? Which of these various goals strike you as legitimate? Which ones should trademark law respect? How well are courts equipped to tell them apart? At the least, you should be able to distinguish among domain squatting, typosquatting, parodies, gripe sites, and unrelated uses.

(2) The cases today are arranged roughly chronologically. *Toeppen* is typical of a first wave of domain-name litigation. Read the facts. Before you go on to the court's discussion, do you have any doubt as to who will win the case? Now read the excerpted discussion. Were you surprised? What was Toeppen's alleged "commercial use" of the trademark? Was it "commercial?" In what sense, if any, was it a "use" of the trademark?

(3) *Toeppen* is a good illustration of the surprising misfit between trademark law and domain-name abuse. Congress responded to the first-wave domain-name cases—and trademark owners' fear of a flood of domain-name squatters—with the Anticybersquatting Consumer Protection Act, affectionately known as ACPA. Read it now. How would *Toeppen* have come out under it? Does it seem like an appropriate legislative response?

(4) *Doughney* is a post-ACPA case. But note that the plaintiff brings both infringement and ACPA claims. This was deliberate on Congress's part. Compare Doughney's behavior to Toeppen's. Who's more sympathetic? Are the cases factually distinguishable? Now observe how the *Doughney* court uses a *Toeppen*-style analysis. Also, what would it take for a defendant to win using a parody defense? See what I meant above about creative plaintiffs' lawyers? Why do you think the court went along?

(5) *Webfeats* is a defendant win. Why? Compare the facts to *Toeppen* and to *Doughney*. How, in particular, does the court distinguish *Doughney*? Are you persuaded that there's a meaningful difference? And what do you think of the line the court draws in terms of the hyperlinks Mishkoff is or isn't allowed to put on his site?

***Panavision Intern., L.P. v. Toeppen***  
**141 F.3d 1316 (9th Cir. 1998)**

DAVID R. THOMPSON, Circuit Judge:

...

## I BACKGROUND

The Internet is a worldwide network of computers that enables various individuals and organizations to share information. The Internet allows computer users to access millions of web sites and web pages. A web page is a computer data file that can include names, words, messages, pictures, sounds, and links to other information.

Every web page has its own web site, which is its address, similar to a telephone number or street address. Every web site on the Internet has an identifier called a “domain name.” The domain name often consists of a person’s name or a company’s name or trademark. For example, Pepsi has a web page with a web site domain name consisting of the company name, Pepsi, and .com, the “top level” domain designation: Pepsi.com.

The Internet is divided into several “top level” domains: .edu for education; .org for organizations; .gov for government entities; .net for networks; and .com for “commercial” which functions as the catchall domain for Internet users. ...

A domain name is the simplest way of locating a web site. If a computer user does not know a domain name, she can use an Internet “search engine.” To do this, the user types in a key word search, and the search will locate all of the web sites containing the key word. Such key word searches can yield hundreds of web sites. To make it easier to find their web sites, individuals and companies prefer to have a recognizable domain name.

Panavision holds registered trademarks to the names “Panavision” and “Panaflex” in connection with motion picture camera equipment. Panavision promotes its trademarks through motion picture and television credits and other media advertising.

In December 1995, Panavision attempted to register a web site on the Internet with the domain name Panavision.com. It could not do that, however, because Toeppen had already established a web site using Panavision’s trademark as his domain name. Toeppen’s web page for this site displayed photographs of the City of Pana, Illinois.

On December 20, 1995, Panavision’s counsel sent a letter from California to Toeppen in Illinois informing him that Panavision held a trademark in the name Panavision and telling him to stop using that trademark and the domain name Panavision.com. Toeppen responded by mail to Panavision in California, stating he had the right to use the name Panavision.com on the Internet as his domain name. Toeppen stated:

If your attorney has advised you otherwise, he is trying to screw you. He wants to blaze new trails in the legal frontier at your expense. Why do you want to fund your attorney’s purchase of a new boat (or whatever) when you can facilitate the acquisition of ‘PanaVision.com’ cheaply and simply instead?

Toeppen then offered to “settle the matter” if Panavision would pay him \$13,000 in exchange for the domain name. Additionally, Toeppen stated that if Panavision agreed to his offer, he would not “acquire any other Internet addresses which are alleged by Panavision Corporation to be its property.”



After Panavision refused Toeppen's demand, he registered Panavision's other trademark with NSI as the domain name Panaflex.com. Toeppen's web page for Panaflex.com simply displays the word "Hello."

Toeppen has registered domain names for various other companies including Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and over 100 other marks. Toeppen has attempted to "sell" domain names for other trademarks such as intermatic.com to Intermatic, Inc. for \$10,000 and americanstandard.com to American Standard, Inc. for \$15,000. ...

## II DISCUSSION

### A. Personal Jurisdiction

[The court held that it had personal jurisdiction over Toeppen. But is this right? Panavision is located in California. NSI, the domain-name registrar, is located in Virginia. Toeppen lives in Illinois. Pana, Illinois is in Illinois. California's long-arm statute authorizes its courts to exercise personal jurisdiction to the full extent permitted by Due Process. On these facts does a federal district court in California have jurisdiction over Toeppen?]

### B. Trademark Dilution Claims

[We will not dwell on the distinction between trademark infringement and trademark dilution. For present purposes, the important point is that a federal action for trademark dilution is only available against "another person's *commercial* use in commerce of a mark," whereas a federal action for trademark infringement is available for another person's "use in commerce" of a mark, whether commercial or non-commercial. Here is what the court had to say on the trademark dilution issue:]

Toeppen argues that his use of Panavision's trademarks simply as his domain names cannot constitute a commercial use under the Act. Case law supports this argument. *See Panavision International, L.P. v. Toeppen*, 945 F.Supp. 1296, 1303 (C.D.Cal. 1996) ("Registration of a trade [mark] as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the Act."); *Academy of Motion Picture Arts & Sciences v. Network Solutions, Inc.*, 989 F.Supp. 1276, 1997 WL 810472 (C.D.Cal. Dec.22, 1997) (the mere registration of a domain name does not constitute a commercial use); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F.Supp. 949 (C.D.Cal.1997) (NSI's acceptance of a domain name for registration is not a commercial use within the meaning of the Trademark Dilution Act).

Developing this argument, Toeppen contends that a domain name is simply an address used to locate a web page. He asserts that entering a domain name on a computer allows a user to access a web page, but a domain name is not associated with information on a web page. If a user were to type Panavision.com as a domain name, the computer screen would display Toeppen's web page with aerial views of Pana, Illinois. The screen would not provide any information about "Panavision," other than a "location window" which displays the domain name. Toeppen argues that a user who types in Panavision.com, but who sees no reference to the plaintiff Panavision on Toeppen's web page, is not likely to conclude the web page is related in any way to the plaintiff, Panavision.

Toeppen's argument misstates his use of the Panavision mark. His use is not as benign as he suggests. Toeppen's "business" is to register trademarks as domain names and then sell them to the rightful trademark owners. He "act[s] as a 'spoiler,' preventing Panavision and others from

doing business on the Internet under their trademarked names unless they pay his fee.” *Panavision*, 938 F.Supp. at 621. This is a commercial use. *See Intermatic Inc. v. Toeppen*, 947 F.Supp. 1227, 1230 (N.D.Ill.1996) (stating that “[o]ne of Toeppen’s business objectives is to profit by the resale or licensing of these domain names, presumably to the entities who conduct business under these names.”).

As the district court found, Toeppen traded on the value of Panavision’s marks. So long as he held the Internet registrations, he curtailed Panavision’s exploitation of the value of its trademarks on the Internet, a value which Toeppen then used when he attempted to sell the Panavision.com domain name to Panavision. ...

Toeppen made a commercial use of Panavision’s trademarks. It does not matter that he did not attach the marks to a product. Toeppen’s commercial use was his attempt to sell the trademarks themselves. Under the Federal Trademark Dilution Act and the California Anti-dilution statute, this was sufficient commercial use. ...

***People for the Ethical Treatment of Animals v. Doughney***  
**263 F.3d 359 (4th Cir. 2001)**

GREGORY, Circuit Judge:

... PETA is an animal rights organization with more than 600,000 members worldwide. PETA “is dedicated to promoting and heightening public awareness of animal protection issues and it opposes the exploitation of animals for food, clothing, entertainment and vivisection.”

Doughney is a former internet executive who has registered many domain names since 1995. For example, Doughney registered domain names such as *dubyadot.com*, *dubyadot.net*, *deathbush.com*, *RandallTerry.org* (Not Randall Terry for Congress), *bwtel.com* (Baltimore-Washington Telephone Company), *pmrc.org* (“People’s Manic Repressive Church”), and *ex-cult.org* (Ex-Cult Archive). At the time the district court issued its summary judgment ruling, Doughney owned 50-60 domain names.

Doughney registered the domain name *peta.org* in 1995 with Network Solutions, Inc. (“NSI”). When registering the domain name, Doughney represented to NSI that the registration did “not interfere with or infringe upon the rights of any third party,” and that a “non-profit educational organization” called “People Eating Tasty Animals” was registering the domain name. Doughney made these representations to NSI despite knowing that no corporation, partnership, organization or entity of any kind existed or traded under that name. Moreover, Doughney was familiar with PETA and its beliefs and had been for at least 15 years before registering the domain name.

After registering the *peta.org* domain name, Doughney used it to create a website purportedly on behalf of “People Eating Tasty Animals.” Doughney claims he created the website as a parody of PETA. A viewer accessing the website would see the title “People Eating Tasty Animals” in large, bold type. Under the title, the viewer would see a statement that the website was a “resource for those who enjoy eating meat, wearing fur and leather, hunting, and the fruits of scientific research.” The website contained links to various meat, fur, leather, hunting, animal research, and other organizations, all of which held views generally antithetical to PETA’s views. Another statement on the website asked the viewer whether he/she was “Feeling lost? Offended?”

Perhaps you should, like, *exit immediately*.” The phrase “*exit immediately*” contained a hyperlink to PETA’s official website.

Doughney’s website appeared at “www.peta.org” for only six months in 1995-96. In 1996, PETA asked Doughney to voluntarily transfer the *peta.org* domain name to PETA because PETA owned the “PETA” mark (“the Mark”), which it registered in 1992. *See* U.S. Trademark Registration No. 1705,510. When Doughney refused to transfer the domain name to PETA, PETA complained to NSI, whose rules then required it to place the domain name on “hold” pending resolution of Doughney’s dispute with PETA. Consequently, Doughney moved the website to [www.mtd.com/tasty](http://www.mtd.com/tasty) and added a disclaimer stating that “People Eating Tasty Animals is in no way connected with, or endorsed by, People for the Ethical Treatment of Animals.”

In response to Doughney’s domain name dispute with PETA, *The Chronicle of Philanthropy* quoted Doughney as stating that, “[i]f they [PETA] want one of my domains, they should make me an offer.” *Non-Profit Groups Upset by Unauthorized Use of Their Names on the Internet*, THE CHRONICLE OF PHILANTHROPY, Nov. 14, 1996. Doughney does not dispute making this statement. Additionally, Doughney posted the following message on his website on May 12, 1996:

“PeTa” has no legal grounds whatsoever to make even the slightest demands of me regarding this domain name registration. If they disagree, they can sue me. And if they don’t, well, perhaps they can behave like the polite ladies and gentlemen that they evidently aren’t and negotiate a settlement with me.... Otherwise, “PeTa” can wait until the significance and value of a domain name drops to nearly nothing, which is inevitable as each new web search engine comes on-line, because that’s how long it’s going to take for this dispute to play out.

PETA sued Doughney in 1999, asserting claims for service mark infringement, unfair competition, dilution and cybersquatting. PETA did not seek damages, but sought only to enjoin Doughney’s use of the “PETA” Mark and an order requiring Doughney to transfer the *peta.org* domain name to PETA.

Doughney responded to the suit by arguing that the website was a constitutionally-protected parody of PETA. Nonetheless, the district court granted PETA’s motion for summary judgment on June 12, 2000. *People for the Ethical Treatment of Animals, Inc. v. Doughney*, 113 F.Supp.2d 915 (E.D.Va.2000). The district court rejected Doughney’s parody defense, explaining that

[o]nly after arriving at the “PETA.ORG” web site could the web site browser determine that this was not a web site owned, controlled or sponsored by PETA. Therefore, the two images: (1) the famous PETA name and (2) the “People Eating Tasty Animals” website was not a parody because [they were not] simultaneous. ...

## II.

We review a district court’s summary judgment ruling *de novo*, viewing the evidence in the light most favorable to the non-moving party. *Goldstein v. The Chestnut Ridge Volunteer Fire Co.*, 218 F.3d 337, 340 (4th Cir.2000); *Binakonsky v. Ford Motor Co.*, 133 F.3d 281, 284-85 (4th Cir.1998). Summary judgment is appropriate if “the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” Fed.R.Civ.P. 56.

### A. Trademark Infringement/Unfair Competition

A plaintiff alleging causes of action for trademark infringement and unfair competition must prove (1) that it possesses a mark; (2) that the defendant used the mark; (3) that the defendant's use of the mark occurred "in commerce"; (4) that the defendant used the mark "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (5) that the defendant used the mark in a manner likely to confuse consumers. 15 U.S.C. §§ 1114, 1125(a); *Lone Star Steakhouse & Saloon v. Alpha of Virginia*, 43 F.3d 922, 930 (4th Cir.1995).

There is no dispute here that PETA owns the "PETA" Mark, that Doughney used it, and that Doughney used the Mark "in commerce." Doughney disputes the district court's findings that he used the Mark in connection with goods or services and that he used it in a manner engendering a likelihood of confusion.

1.

To use PETA's Mark "in connection with" goods or services, Doughney need not have actually sold or advertised goods or services on the *www.peta.org* website. Rather, Doughney need only have prevented users from obtaining or using PETA's goods or services, or need only have connected the website to other's goods or services.

While sparse, existing caselaw on infringement and unfair competition in the Internet context clearly weighs in favor of this conclusion. For example, in *OBH, Inc. v. Spotlight Magazine, Inc.*, the plaintiffs owned the "The Buffalo News" registered trademark used by the newspaper of the same name. 86 F.Supp.2d 176 (W.D.N.Y.2000). The defendants registered the domain name *thebuffalonews.com* and created a website parodying The Buffalo News and providing a public forum for criticism of the newspaper. *Id.* at 182. The site contained hyperlinks to other local news sources and a site owned by the defendants that advertised Buffalo-area apartments for rent. *Id.* at 183.

The court held that the defendants used the mark "in connection with" goods or services because the defendants' website was "likely to prevent or hinder Internet users from accessing plaintiffs' services on plaintiffs' own web site." *Id.*

Prospective users of plaintiffs' services who mistakenly access defendants' web site may fail to continue to search for plaintiffs' web site due to confusion or frustration. Such users, who are presumably looking for the news services provided by the plaintiffs on their web site, may instead opt to select one of the several other news-related hyperlinks contained in defendants' web site. These news-related hyperlinks will directly link the user to other news-related web sites that are in direct competition with plaintiffs in providing news-related services over the Internet. Thus, defendants' action in appropriating plaintiff's mark has a connection to plaintiffs' distribution of its services.

*Id.* Moreover, the court explained that defendants' use of the plaintiffs' mark was in connection with goods or services because it contained a link to the defendants' apartment-guide website. *Id.* ...

The same reasoning applies here. As the district court explained, Doughney's use of PETA's Mark in the domain name of his website

is likely to prevent Internet users from reaching[PETA's] own Internet web site. The prospective users of[PETA's] services who mistakenly access Defendant's web site may fail to continue to search for [PETA's] own home page, due to anger, frustration, or the belief that [PETA's] home page does not exist.

Moreover, Doughney's web site provides links to more than 30 commercial operations offering goods and services. By providing links to these commercial operations, Doughney's use of PETA's Mark is "in connection with" the sale of goods or services.

2.

The unauthorized use of a trademark infringes the trademark holder's rights if it is likely to confuse an "ordinary consumer" as to the source or sponsorship of the goods. *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 318 (4th Cir.1992) (citing 2 J. McCarthy, *Trademarks and Unfair Competition* § 23:28 (2d ed.1984)). To determine whether a likelihood of confusion exists, a court should not consider "how closely a fragment of a given use duplicates the trademark," but must instead consider "whether the use in its entirety creates a likelihood of confusion." *Id.* at 319.

Doughney does not dispute that the *peta.org* domain name engenders a likelihood of confusion between his web site and PETA. Doughney claims, though, that the inquiry should not end with his domain name. Rather, he urges the Court to consider his website in conjunction with the domain name because, together, they purportedly parody PETA and, thus, do not cause a likelihood of confusion.

A "parody" is defined as a "simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner." *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir.1987). A parody must "convey two simultaneous — and contradictory — messages: that it is the original, but also that it is *not* the original and is instead a parody." *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ. Group, Inc.*, 886 F.2d 490, 494 (2d Cir.1989) (emphasis in original). To the extent that an alleged parody conveys only the first message, "it is not only a poor parody but also vulnerable under trademark law, since the customer will be confused." *Id.* While a parody necessarily must engender some initial confusion, an effective parody will diminish the risk of consumer confusion "by conveying [only] just enough of the original design to allow the consumer to appreciate the point of parody." *Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1486 (10th Cir.1987).

Looking at Doughney's domain name alone, there is no suggestion of a parody. The domain name *peta.org* simply copies PETA's Mark, conveying the message that it is related to PETA. The domain name does not convey the second, contradictory message needed to establish a parody—a message that the domain name is not related to PETA, but that it is a parody of PETA.

Doughney claims that this second message can be found in the content of his website. Indeed, the website's content makes it clear that it is not related to PETA. However, this second message is not conveyed simultaneously with the first message, as required to be considered a parody. The domain name conveys the first message; the second message is conveyed only when the viewer reads the content of the website. As the district court explained, "an internet user would not realize that they were not on an official PETA web site until after they had used PETA's Mark to access the web page '[www.peta.org](http://www.peta.org).'" *Doughney*, 113 F.Supp.2d at 921. Thus, the messages are not conveyed simultaneously and do not constitute a parody. *See also Morrison & Foerster LLP v. Wick*, 94 F.Supp.2d 1125 (D.Co.2000) (defendant's use of plaintiffs' mark in domain

name “does not convey two simultaneous and contradictory messages” because “[o]nly by reading through the content of the sites could the user discover that the domain names are an attempt at parody”); *Bucci*, 42 U.S.P.Q.2d at 1435 (rejecting parody defense because “[s]eeing or typing the ‘planned parenthood’ mark and accessing the web site are two separate and nonsimultaneous activities”). The district court properly rejected Doughney’s parody defense and found that Doughney’s use of the *peta.org* domain name engenders a likelihood of confusion. Accordingly, Doughney failed to raise a genuine issue of material fact regarding PETA’s infringement and unfair competition claims.

#### B. *Anticybersquatting Consumer Protection Act*

The district court found Doughney liable under the Anticybersquatting Consumer Protection Act (“ACPA”), 15 U.S.C. § 1125(d)(1)(A). To establish an ACPA violation, PETA was required to (1) prove that Doughney had a bad faith intent to profit from using the *peta.org* domain name, and (2) that the *peta.org* domain name is identical or confusingly similar to, or dilutive of, the distinctive and famous PETA Mark. 15 U.S.C. § 1125(d)(1)(A).

Doughney makes several arguments relating to the district court’s ACPA holding: (1) that PETA did not plead an ACPA claim, but raised it for the first time in its motion for summary judgment; (2) that the ACPA, which became effective in 1999, cannot be applied retroactively to events that occurred in 1995 and 1996; (3) that Doughney did not seek to financially profit from his use of PETA’s Mark; and (4) that Doughney acted in good faith. ...

Doughney’s third argument—that he did not seek to financially profit from registering a domain name using PETA’s Mark—also offers him no relief. It is undisputed that Doughney made statements to the press and on his website recommending that PETA attempt to “settle” with him and “make him an offer.” The undisputed evidence belies Doughney’s argument.

Doughney’s fourth argument—that he did not act in bad faith—also is unavailing. Under 15 U.S.C. § 1125(d)(1)(B)(i), a court may consider several factors to determine whether a defendant acted in bad faith, including

- (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 this section.

15 U.S.C. § 1125(d)(1)(B)(i). In addition to listing these nine factors, the ACPA contains a safe harbor provision stating 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 fair use or otherwise lawful." 15 U.S.C. § 1225(d)(1)(B)(ii).

The district court reviewed the factors listed in the statute and properly concluded that Doughney (I) had no intellectual property right in *peta.org*; (II) *peta.org* is not Doughney's name or a name otherwise used to identify Doughney; (III) Doughney had no prior use of *peta.org* in connection with the bona fide offering of any goods or services; (IV) Doughney used the PETA Mark in a commercial manner; (V) Doughney "clearly intended to confuse, mislead and divert internet users into accessing his web site which contained information antithetical and therefore harmful to the goodwill represented by the PETA Mark"; (VI) Doughney made statements on his web site and in the press recommending that PETA attempt to "settle" with him and "make him an offer"; (VII) Doughney made false statements when registering the domain name; and (VIII) Doughney registered other domain names that are identical or similar to the marks or names of other famous people and organizations. *People for the Ethical Treatment of Animals*, 113 F.Supp.2d at 920. ...

IV.

For the foregoing reasons, the judgment of the district court is affirmed.

AFFIRMED.

***Taubman Co. v. Webfeats***  
**319 F.3d 770 (6th Cir. 2003)**

SUHRHEINRICH, Circuit Judge.

Defendant-Appellant Henry Mishkoff, d/b/a Webfeats, appeals from two preliminary injunctions, respectively entered on October 11, 2001, and December 7, 2001, in the United States District Court for the Eastern District of Michigan, together granting Plaintiff-Appellee

the Taubman Company's (Taubman) request to prevent Mishkoff from using six internet domain names because they likely violate Taubman's trademarks in the terms "Taubman," and "The Shops at Willow Bend." ...

### I. Facts

Mishkoff is a resident of Carrollton, Texas, and a web designer by trade. Upon hearing the news that Taubman, a Delaware corporation with its principal place of business in Michigan, was building a shopping mall called "The Shops at Willow Bend," in Plano, Texas, Mishkoff registered the domain name, "shopsatwillowbend.com," and created an internet website with that address. Mishkoff had no connection to the mall except for the fact that it was being built near his home.

Mishkoff's website featured information about the mall, with a map and links to individual websites of the tenant stores. The site also contained a prominent disclaimer, indicating that Mishkoff's site was unofficial, and a link to Taubman's official site for the mall, found at the addresses "theshopsatwillowbend.com," and "shopwillowbend.com."

Mishkoff describes his site as a "fan site," with no commercial purpose. The site did, however, contain a link to the website of a company run by Mishkoff's girlfriend, Donna Hartley, where she sold custom-made shirts under the name "shirtbiz.com;" and to Mishkoff's site for his web design business, "Webfeats."

When Taubman discovered that Mishkoff had created this site, it demanded he remove it from the internet. Taubman claimed that Mishkoff's use of the domain name "shopsatwillowbend.com" infringed on its registered mark, "The Shops at Willow Bend." Taubman filed a complaint on August 7, 2001, claiming, *inter alia*, trademark infringement under the Lanham Act, 15 U.S.C. § 1114, asking for a preliminary injunction, and demanding surrender of Mishkoff's domain name.

Mishkoff responsively registered five more domain names: 1) taubmansucks.com; 2) shopsatwillowbendsucks.com; 3) theshopsatwillowbendsucks.com; 4) willowbendmallssucks.com; and 5) willowbendsucks.com. All five of these web names link to the same site, which is a running editorial on Mishkoff's battle with Taubman and its lawyers, and exhaustively documents his proceedings in both the district court and this Court, both through visual scans of filed motions, as well as a first person narrative from Mishkoff. In internet parlance, a web name with a "sucks.com" moniker attached to it is known as a "complaint name," and the process of registering and using such names is known as "cybergripping."

On October 11, 2001, the district court granted Taubman's motion for a preliminary injunction, enjoining Mishkoff from using the first host name, "shopsatwillowbend.com." On October 15, 2001, Taubman filed a motion to amend the preliminary injunction to include the five "complaint names" used by Mishkoff. On December 7, 2001, the district court allowed the amendment and enjoined Mishkoff from using the complaint names.

On November 9, Mishkoff filed a notice of appeal from the October 11 injunction. On December 10, Mishkoff filed a notice of appeal from the December 7 injunction. Accordingly, each case is timely before this Court under Fed. R.App. P. 4(a)(1)(A). The cases have been consolidated on appeal. ...

### III. Analysis



Mishkoff claims the injunctions preventing his use of the domain name “shopsatwillowbend.com” and the five “complaint names” are inappropriate because Taubman has not demonstrated a likelihood of success on the merits and because the orders represent a prior restraint on his First Amendment right to speak.

#### A. Standard of Review

We review the district court’s grant of a motion for a preliminary injunction for abuse of discretion. “A district court abuses its discretion when it relies on clearly erroneous findings of fact ... or when it improperly applies the law or uses an erroneous legal standard. Under this standard, this court must review the district court’s legal conclusions de novo and its factual findings for clear error.”

We have held that an injunction is proper in trademark cases where:

- 1) There is a likelihood of success on the merits;
- 2) There is the potential for irreparable harm;
- 3) There is the potential of adverse public impact;
- 4) Potential harm to the plaintiff outweighs the potential harm to the defendant.

None of these factors, standing alone, is a prerequisite to relief; rather, they must be balanced.

#### B. Propriety of the Injunctions

##### 1. Likelihood of Success on the Merits

The likelihood of success of Taubman’s claim rests with the language of the Lanham Act, 15 U.S.C. § 1114(1), which imposes liability for infringement of trademarks on:

Any person who shall, without the consent of the registrant

- a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive....

Mishkoff proposes that, regardless of whether his use of Taubman’s marks violates the Lanham Act, any injunction prohibiting his use violates the Constitution as a prior restraint on his First Amendment right of Free Speech. Since Mishkoff has raised Free Speech concerns, we will first explain the interrelation between the First Amendment and the Lanham Act. First, this Court has held that the Lanham Act is constitutional. The Lanham Act is constitutional because it only regulates commercial speech, which is entitled to reduced protections under the First Amendment. Thus, we must first determine if Mishkoff’s use is commercial and therefore within the jurisdiction of the Lanham Act, worthy of lesser First Amendment protections.

If Mishkoff’s use is commercial, then, and only then, do we analyze his use for a likelihood of confusion. If Mishkoff’s use is also confusing, then it is misleading commercial speech, and outside the First Amendment.

Hence, as per the language of the Lanham Act, any expression embodying the use of a mark not “in connection with the sale ... or advertising of any goods or services,” and not likely

to cause confusion, is outside the jurisdiction of the Lanham Act and necessarily protected by the First Amendment. Accordingly, we need not analyze Mishkoff's constitutional defenses independent of our Lanham Act analysis. With this backdrop in mind, we proceed to analyze the nature of the two websites.

a. November 9 Injunction—The “shopsatwillowbend” Website

In regard to the first website, “shopsatwillowbend.com,” Mishkoff argues that his use is completely non-commercial and not confusing, and therefore speech entitled to the full protections of the First Amendment. Taubman offers three arguments that Mishkoff is using its name commercially to sell or advertise goods or services. First, Mishkoff had a link to a site owned by Hartley's blouse company, “shirtbiz.com.” Second, he had a link to his own site for his web design company, Webfeats. Third, Mishkoff had accepted a \$1000 offer to relinquish the name to Taubman.

Although Mishkoff claims his intention in creating his website was non-commercial, the proper inquiry is not one of intent. In that sense, the Lanham Act is a strict liability statute. If consumers are confused by an infringing mark, the offender's motives are largely irrelevant. We believe the advertisements on Mishkoff's site, though extremely minimal, constituted his use of Taubman's mark “in connection with the advertising” of the goods sold by the advertisers. This is precisely what the Lanham Act prohibits.

However, Mishkoff had at least removed the shirtbiz.com link prior to the injunction. A preliminary injunction is proper only to prevent an on-going violation. As long as Mishkoff has no commercial links on either of his websites, including links to shirtbiz.com, Webfeats, or any other business, we find no use “in connection with the advertising” of goods and services to enjoin, and the Lanham Act cannot be properly invoked.<sup>1</sup>

Taubman's assertion that its offer to buy the domain name “shopsatwillowbend.com” from Mishkoff qualifies Mishkoff's use of the mark as “in connection with the sale of goods” is meritless. Although other courts have held that a so-called cybersquatter, who registers domain names with the intent to sell the name to the trademark holder, uses the mark “in connection with the sale of goods,” they have also limited their holdings to such instances where the defendant had made a habit and a business of such practices.

In *Panavision*, the defendant, Toepfen, purchased and offered to sell the name “panavision.com” to Panavision for \$13,000. *Id.* at 1318. Evidence showed that Toepfen had attempted similar deals with a myriad of other companies, ranging from Delta Airlines to Eddie Bauer. *Id.* at 1319. The Ninth Circuit found Toepfen's intent to sell the domain name relevant in determining that his creation of the site was a commercial use of Panavision's mark. *Id.* at 1325. In contrast, not only has Mishkoff not made a practice of registering and selling domain names, but he did not even initiate the bargaining process here. Although Taubman's counsel intimated at oral argument that Mishkoff had in fact initiated the negotiation process, correspondence in the record supports the opposite conclusion, and shows that Taubman first offered Mishkoff

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<sup>1</sup> Mishkoff sent a letter to Taubman's attorneys on August 10, 2001, referencing the removal of the shirtbiz.com link, and declaring that Mishkoff “will not place any advertising of any kind on the site in the future.” It is unclear whether Mishkoff also removed the Webfeats link at this time. To be clear, we also find the Webfeats link to be “use in connection with the advertising of goods and services” which likewise must remain removed to avoid a finding of commerciality.

\$1000 to relinquish the site on August 16, 2001, and Mishkoff initially accepted it under threat of litigation. Hence, this case is distinguishable from *Panavision*. There is no evidence that Mishkoff's initial motive in selecting Taubman's mark was to re-sell the name. Therefore, we hold his use of the name "shopsatwillowbend.com" is not "in connection with the sale of goods."

Even if Mishkoff's use is commercial speech, i.e., "in connection with the sale ... or advertising of any goods or services," and within the jurisdiction of the Lanham Act, there is a violation only if his use also creates a likelihood of confusion among customers. 15 U.S.C. § 1114 (1). Moreover, the only important question is whether there is a likelihood of confusion *between the parties' goods or services*. Under Lanham Act jurisprudence, it is irrelevant whether customers would be confused as to the origin of the websites, unless there is confusion as to the origin of the respective products.

Since its inception, Mishkoff had always maintained a disclaimer on the website, indicating that his was not the official website. In *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619 (6th Cir. 1996), we found the existence of a disclaimer very informative, and held that there was no likelihood of confusion, partly on that basis.

In *Holiday Inns*, the plaintiff hotel chain used the phone number 1-800-HOLIDAY for its guest room reservation hotline. Holiday Inns claimed a Lanham Act violation when the defendant company, a business that profited by taking reservations for several hotel chains, used the phone number 1-800-HOLIDAY (with a zero instead of an "O") in order to take advantage of any calls misdialed by customers seeking Holiday Inns' hotline. We found no Lanham Act violation, partly because the defendant played an unmistakable disclaimer upon answering each call, explaining that it was unaffiliated with Holiday Inns, and providing customers with Holiday Inns' correct phone number. *Id.* at 621. We found that the defendant was, in fact, directing business to Holiday Inns that otherwise would have been lost, and although some callers chose to do business with the defendant, others hung up and called Holiday Inns. Had it not been for defendants' service, Holiday Inns would likely never have recovered many customers who had misdialed. *Id.* at 625.

We find the analysis here indistinguishable from the disclaimer analysis in *Holiday Inns*. Mishkoff has placed a conspicuous disclaimer informing customers that they had not reached Taubman's official mall site. Furthermore, Mishkoff placed a hyperlink to Taubman's site within the disclaimer. We find this measure goes beyond even what was done by the defendant in *Holiday Inns*. There, a customer who reached the defendant's hotline in error had to hang up and redial the correct Holiday Inns number. *Id.* Here, a misplaced customer simply has to click his mouse to be redirected to Taubman's site. Moreover, like *Holiday Inns*, the customers who stumble upon Mishkoff's site would otherwise have reached a dead address. They would have received an error message upon typing "shopsatwillowbend.com," simply stating that the name was not a proper domain name, with no message relating how to arrive at the official site. Hence, Mishkoff's website and its disclaimer actually serve to re-direct lost customers to Taubman's site that might otherwise be lost. Accordingly, we find no likelihood that a customer would be confused as to the source of Taubman's and Mishkoff's respective goods.

b. December 7 Injunction—The "sucks" Site

In regard to Mishkoff's "complaint site," Taubman claims that Mishkoff's use is necessarily "in connection with the sale of goods" because his intent behind the use of the names "taubmansucks.com," *et al.*, is to harm Taubman economically.

In *Planned Parenthood Fed'n of Amer., Inc. v. Bucci*, No. 97 Civ. 0629, 1997 WL 133313 (S.D.N.Y. March 24, 1997), *aff'd*, No. 97-7492, 1998 WL 336163 (2d Cir. Feb.9, 1998), the defendant usurped the domain name "plannedparenthood.com" and created a website displaying anti-abortion pictures and pro-life messages in clear contradiction of the plaintiff's stated mission. *Id.* at \*1. The court there found that, although not selling or advertising any goods, the defendant's use of Planned Parenthood's mark was commercial because he had used plaintiff's mark and attempted to cause economic harm. *Id.* at \*4. (noting that Lanham Act is applicable because "defendant's action in appropriating plaintiff's mark has a connection to plaintiff's distribution of its services").

Following *Planned Parenthood*, Taubman argues that all cybergripping sites are per se commercial and "in connection with the sale of goods." However, *Planned Parenthood*, as an unpublished district court opinion, is not binding on this Court, and is nonetheless distinguishable. Even if Mishkoff's use is commercial, it must still lead to a likelihood of confusion to be violative of the Lanham Act. 15 U.S.C. § 1114(1). In *Planned Parenthood*, the defendant used the plaintiff's trade name as a domain name, without the qualifying moniker "sucks," or any other such addendum to indicate that the plaintiff was not the proprietor of the website. In contrast, "taubmansucks.com" removes any confusion as to source. We find no possibility of confusion and no Lanham Act violation.

We find that Mishkoff's use of Taubman's mark in the domain name "taubmansucks.com" is purely an exhibition of Free Speech, and the Lanham Act is not invoked. And although economic damage might be an intended effect of Mishkoff's expression, the First Amendment protects critical commentary when there is no confusion as to source, even when it involves the criticism of a business. Such use is not subject to scrutiny under the Lanham Act. In fact, Taubman concedes that Mishkoff is "free to shout 'Taubman Sucks!' from the rooftops..." Brief for Respondent, at 58. Essentially, this is what he has done in his domain name. The rooftops of our past have evolved into the internet domain names of our present. We find that the domain name is a type of public expression, no different in scope than a billboard or a pulpit, and Mishkoff has a First Amendment right to express his opinion about Taubman, and as long as his speech is not commercially misleading, the Lanham Act cannot be summoned to prevent it. ...

#### IV. Conclusion

For the foregoing reasons, we REVERSE the decision of the district court and dissolve both preliminary injunctions preventing Mishkoff from using the domain name, "shopsatwillowbend.com," and the five "complaint names" listed above.

### **Zuccarini problem**

The following is taken from the statement of facts in *Shields v. Zuccarini*, 254 F.3d 476 (3rd Cir. 2001):

[Joseph] Shields, a graphic artist from Alto, Michigan, creates, exhibits and markets cartoons under the names “Joe Cartoon” and “The Joe Cartoon Co.” His creations include the popular “Frog Blender,” “Micro-Gerbil” and “Live and Let Dive” animations. Shields licenses his cartoons to others for display on T-shirts, coffee mugs and other items, many of which are sold at gift stores across the country. He has marketed his cartoons under the “Joe Cartoon” label for the past fifteen years.

On June 12, 1997, Shields registered the domain name joecartoon.com, and he has operated it as a web site ever since. Visitors to the site can download his animations and purchase Joe Cartoon merchandise. Since April 1998, when it won “shock site of the day” from Macromedia, Joe Cartoon's web traffic has increased exponentially, now averaging over 700,000 visits per month.

In November 1999, [John] Zuccarini, an Andalusia, Pennsylvania “wholesaler” of Internet domain names, registered five world wide web variations on Shields’s site: joescartoon.com, joecarton.com, joescartons.com, joescartoons.com and cartoonjoe.com. Zuccarini’s sites featured advertisements for other sites and for credit card companies. Visitors were trapped or “mousetrapped” in the sites, which, in the jargon of the computer world, means that they were unable to exit without clicking on a succession of advertisements. Zuccarini received between ten and twenty-five cents from the advertisers for every click.

In December 1999, Shields sent “cease and desist” letters to Zuccarini regarding the infringing domain names. Zuccarini did not respond to the letters. Immediately after Shields filed this suit, Zuccarini changed the five sites to “political protest” pages and posted the following message on them:

This is a page of POLITICAL PROTEST

— Against the web site joecartoon.com —

joecartoon.com is a web site that depicts the mutilation and killing of animals in a shockwave based cartoon format—many children are inticed [*sic*] to the web site, not knowing what is really there and then encouraged to join in the mutilation and killing through use of the shockwave cartoon presented to them.

— Against the domain name policys [*sic*] of ICANN —

— Against the Cyberpiracy Consumer Protection Act —

As the owner of this domain name, I am being sued by joecartoon.com for \$100,000 so he can use this domain to direct more kids to a web site that not only desensitizes children to killing animals, but makes it seem like great fun and games.

I will under no circumstances hand this domain name over to him so he can do that.

I hope that ICANN and Network Solutions will not assist him to attaining this goal.

— Thank You —

Shields filed sued for trademark infringement and violation of the ACPA. On motion by Shields, the District Court granted summary judgment to Shields and entered a preliminary injunction ordering Zuccarini to transfer the five domain names to Shields. Zuccarini has appealed. How should the Court of Appeals rule? Be sure to step through the ACPA factors.

## CLASS 22: THE DOMAIN-NAME SYSTEM

Today, we turn to the domain-name *system* (DNS)—that is, we bring into the picture the companies responsible for letting you register and use domain names. I'll give you a brief history of the system, after which we'll take up two topics. First, the body that runs the DNS imposes an arbitration system that parallels the legal system for resolving trademark disputes. Second, we'll ask whether domain names are property. These questions, it turns out, are related. Who'd a thunk it?

### *Preparation questions*

(1) The *Curt* arbitration is fairly illustrative of UDRP arbitrations. Compare and contrast its procedures with a trademark/ACPA lawsuit. Which is faster? Cheaper? Are there jurisdictional distinctions? How was Joel Grossman selected as arbitrator? Where did he find the “law” he was to apply? Now that the arbitrator has ruled in favor of Curt, what will happen? What are Sabin's options? What would Curt's options have been if he had won? Did Curt have any other options besides filing for a UDRP arbitration in the first place?

(2) Pay attention also to the substance of the *Curt* arbitration. On what basis did the arbitrator rule in favor of Curt, the complainant? Is the reasoning consistent with the cases from last time? Some commentators think that UDRPs are all over the map in reaching notoriously inconsistent results. Why might that be? Others think that UDRP arbitrators tend to favor complainants. Why might that be?

(3) *Kremen v. Cohen* is that rare thing: a strong precedent that's nearly irrelevant on its own facts. Despite its strong—\$40 million—holding that Network Solutions could be liable for mishandling a domain name, suits against registrars today are incredibly rare. And trust me, it's not because everything goes smoothly in the domain-name system. After *Kremen*, what might have happened to keep disgruntled domain-name owners from suing the registrars who mistakenly transferred or canceled their registrations? On the other hand, if suits against registrars aren't typically an option, why does *Kremen* matter? In what other contexts could the fact that domain names are personal property matter? If you were running an e-commerce business, how could you take advantage of this holding? (Hint: don't think in terms of lawsuits; think in terms of transactions.)

(4) *Kremen* is also important because the reasoning it goes through seems at least potentially applicable to other kinds of online resources. Under the test it announces, could an email address be property? If so, what are the consequences? How about a fake sword in an online multiplayer game? What else could potentially be property of this sort? Be imaginative—and keep the question in mind as you do the problems.

## ICANN and Registrars

(The following account is simplified, both technically and historically.) When you look up a domain name—say, `my.nyls.edu`<sup>1</sup>—what really happens? The process works hierarchically, from right to left.

The general rule is that if you ask a domain-name server to look up a name for you, it will either give you the IP address of another domain-name server that can help you (i.e., it says, in effect, the technical equivalent of “I don’t know, but here’s someone who might.”). Here’s a sample:

(1) You start by asking the “root name server” what it knows about `my.nyls.edu`. The root name server “understands” the last part of the address, here `my.nyls.edu`. It tells you that another computer—the so-called “top-level domain (TLD) name server” for all “.edu” sites worldwide—can help, and gives you the IP address for the TLD name server.

(2) You ask the TLD name server for `.edu` what it knows about `my.nyls.edu`. This server “understands” the second part of the address, here `my.nyls.edu`. It tells you that another computer—the so-called “second-level name server” for `nyls.edu`—can help, and gives you the IP address for the second-level name server.

(3) You ask the second-level name server for `nyls.edu` what it knows about `my.nyls.edu`. This server “understands” the third part of the address, here `my.nyls.edu`. It gives you the IP address for `my.nyls.edu` directly. Armed with the IP address, your computer can now directly contact `my.nyls.edu`.

This process could in theory be iterated repeatedly, although in practice it rarely continues for more than three or four steps.

Now, let’s look at who runs these different servers. The root name servers (there are actually thirteen of them, which are supposed to work identically) are operated under contract from the Internet Corporation for Assigned Names and Numbers (ICANN), a non-profit entity whose job is to oversee the domain-name and IP address systems. ICANN sets the policies for which top-level domains can exist. Currently, there are about two dozen “generic TLDs”: (e.g. `.com`, `.net`, `.edu`, `.org`, `.mil`, `.gov`, and `.museum`), plus about two hundred “country code TLDs,” one for each country (e.g. `.fr`, `.ru`, `.de`, `.cn`, `.tv`).

Each top-level domain and corresponding top-level domain name server is operated by a “registry”—an organization which keeps track of which second-level domains within that top-level domain exist, and updates the name server accordingly. The registries for the generic TLDs are operated by contract with ICANN, which picks operators on the basis of their technological ability to keep the name server running reliably. The country-code TLDs are delegated to the governments of the respective countries (some of which then pick a private entity to manage the TLD and the TLD name server). Each registry sets basic policies for who can register a second-level domain: `.com` is open to anyone, only accredited colleges and universities can register a domain in `.edu`, and only Dutch citizens can register a domain in `.nl`. The registry for `.edu` is

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<sup>1</sup> Any URL, such as <http://my.nyls.edu/cp/home/loginf>, can be broken down into three parts. The `http://` at the start is a *protocol identifier*; here “http:” means that this is a request for a web page, and the “//” is extra junk required by the HTTP protocol used to transfer web pages. The `my.nyls.edu` in the middle—everything up through the next slash—is the *domain name* that identifies the server from which you’re requesting the web page. And the “`cp/home/loginf`” part (everything following the slash) identifies to the server *which* particular page you’re asking for.

operated by EDUCAUSE, a nonprofit “whose mission is to advance higher education by promoting the intelligent use of information technology.”

Registrants are then responsible for handling second-level name-serving if they need it. Our IT department (in coordination with external vendors and service providers) manages the name server for nyls.edu. It decides which “subdomains” to allow: thus, there is a my.nyls.edu but no grimmelman.nyls.edu. This job can very easily be outsourced; plenty of commercial web hosting companies will take care of it for you as part of helping you register a domain for your web site.

There’s one more administrative twist we need to get into. Until 1999, a single private company—Network Solutions or NSI (now known as Verisign)—operated the .com, .net, and .org registries and also handled the process of registering a domain name. (You can see this in *Kremen v. Cohen*.) Under ICANN’s watchful eye, this process is now open to competition in all of the generic TLDs it directly controls and many of the country-code TLDs as well. (This process has driven the cost of registering a domain down from \$50/year to \$5–\$10/year.) ICANN accredits registrars (that’s *regis-trars*, not *regis-tries*), makes them sign a bunch of contracts, and then lets them take registrations from the public. The registrars keep track of who owns a domain, where its name servers are located, and so on—and the communicate the necessary technical information to the appropriate registries for inclusion on the top-level domain name servers. Registries you may have heard of include GoDaddy, Tucows, Register.com, and Dotster.

This web of contracts between ICANN and the registrars and registries has enabled it to push outwards one very important contract. ICANN requires that every registrar (for the generic TLDs, at least) require all of its customers to agree to the terms of the Uniform Domain-Name Dispute Resolution Policy (UDRP, even though it ought to be UDDRP or UDNDRP). As you’ll see, the UDRP requires a form of arbitration to resolve trademark disputes over domain name registrations.

Who gave ICANN this power? Good question. In one sense, the United States government. When it was formed in 1998, ICANN signed a “memorandum of understanding” with the Department of Commerce, which effectively transferred to ICANN the technical authority previously exercised by Network Solutions and other government contractors and grant recipients. In another sense, no one gave it this power, though. The United States doesn’t own the Internet, particularly not the parts abroad. Nor did the memorandum of understanding purport to confer legal authority on ICANN to rule the Internet. Indeed, ICANN has steadfastly maintained that it is a private entity and has considered reincorporating overseas to emphasize that it is not subject to the bidding of the United States government. (In practice, though, it has quickly backed off from any plan—such as the introduction of a .xxx generic TLD for pornographic content—that the United States has indicated strong disapproval of.)

But there’s another way to think about the issue. Who makes you use the domain-name system? No one. If you wanted to go online and just use IP addresses, you could. It would be hard to remember all of the numbers, but you could *use* the Internet to send and receive messages without every touching a domain-name. Or, you could start off the process by going not to ICANN’s root name server but to a root name sever operated by someone else! (In fact, multiple companies have made a go of offering these “alternate” root name servers.) There is no legal requirement to use ICANN’s domain-name system. It’s just the fact that everyone else does



that makes it hard not to. You could even say that *we* the users of the Internet collectively make ICANN what it is.

***Kremen v. Cohen*<sup>1</sup>**  
**337 F.3d 1024 (9th Cir. 2000)**

KOZINSKI, Circuit Judge:

We decide whether Network Solutions may be liable for giving away a registrant’s domain name on the basis of a forged letter.

Background

“Sex on the Internet?,” they all said. “*That’ll* never make any money.” But computer-geek-turned-entrepreneur Gary Kremen knew an opportunity when he saw it. The year was 1994; domain names were free for the asking, and it would be several years yet before Henry Blodget and hordes of eager NASDAQ day traders would turn the Internet into the Dutch tulip craze of our times. With a quick e-mail to the domain name registrar Network Solutions, Kremen became the proud owner of sex.com. He registered the name to his business, Online Classifieds, and listed himself as the contact.

Con man Stephen Cohen, meanwhile, was doing time for impersonating a bankruptcy lawyer. He, too, saw the potential of the domain name. Kremen had gotten it first, but that was only a minor impediment for a man of Cohen’s boundless resource and bounded integrity. Once out of prison, he sent Network Solutions what purported to be a letter he had received from Online Classifieds. It claimed the company had been “forced to dismiss Mr. Kremen,” but “never got around to changing our administrative contact with the internet registration [sic] and now our Board of directors has decided to abandon the domain name sex.com.” Why was this unusual letter being sent via Cohen rather than to Network Solutions directly? It explained:

Because we do not have a direct connection to the internet, we request that you notify the internet registration on our behalf, to delete our domain name sex.com. Further, we have no objections to your use of the domain name sex.com and this letter shall serve as our authorization to the internet registration to transfer sex.com to your corporation.<sup>2</sup>

Despite the letter’s transparent claim that a company called “*Online Classifieds*” had no Internet connection, Network Solutions made no effort to contact Kremen. Instead, it accepted the letter at face value and transferred the domain name to Cohen. When Kremen contacted Network Solutions some time later, he was told it was too late to undo the transfer. Cohen went on to turn sex.com into a lucrative online porn empire.

And so began Kremen’s quest to recover the domain name that was rightfully his. He sued Cohen and several affiliated companies in federal court, seeking return of the domain name

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<sup>1</sup> [Ed: Some of you have seen this case before, in Property. Be sure to read it again, and closely—this version includes some additional passages.]

<sup>2</sup> The letter was signed “Sharon Dimmick,” purported president of Online Classifieds. Dimmick was actually Kremen’s housemate at the time; Cohen later claimed she sold him the domain name for \$1000. This story might have worked a little better if Cohen hadn’t misspelled her signature.

and disgorgement of Cohen’s profits. The district court found that the letter was indeed a forgery and ordered the domain name returned to Kremen. It also told Cohen to hand over his profits, invoking the constructive trust doctrine and California’s “unfair competition” statute, Cal. Bus. & Prof. Code § 17200 *et seq.* It awarded \$40 million in compensatory damages and another \$25 million in punitive damages.

Kremen, unfortunately, has not had much luck collecting his judgment. The district court froze Cohen’s assets, but Cohen ignored the order and wired large sums of money to offshore accounts. His real estate property, under the protection of a federal receiver, was stripped of all its fixtures—even cabinet doors and toilets—in violation of another order. The court commanded Cohen to appear and show cause why he shouldn’t be held in contempt, but he ignored that order, too. The district judge finally took off the gloves—he declared Cohen a fugitive from justice, signed an arrest warrant and sent the U.S. Marshals after him.

Then things started getting *really* bizarre. Kremen put up a “wanted” poster on the sex.com site with a mug shot of Cohen, offering a \$50,000 reward to anyone who brought him to justice. Cohen’s lawyers responded with a motion to vacate the arrest warrant. They reported that Cohen was under house arrest in Mexico and that gunfights between Mexican authorities and would-be bounty hunters seeking Kremen’s reward money posed a threat to human life. The district court rejected this story as “implausible” and denied the motion. Cohen, so far as the record shows, remains at large.

Given his limited success with the bounty hunter approach, it should come as no surprise that Kremen seeks to hold someone else responsible for his losses. That someone is Network Solutions, the exclusive domain name registrar at the time of Cohen’s antics. Kremen sued it for mishandling his domain name . . .

#### Breach of Contract

Kremen had no express contract with Network Solutions . . .

#### Conversion

Kremen’s conversion claim is another matter. To establish that tort, a plaintiff must show “ownership or right to possession of property, wrongful disposition of the property right and damages.” *G.S. Rasmussen & Assoc., Inc. v. Kalitta Flying Service, Inc.*, 958 F.2d 896, 906 (9th Cir. 1992). The preliminary question, then, is whether registrants have property rights in their domain names. Network Solutions all but concedes that they do. This is no surprise, given its positions in prior litigation. See *Network Solutions, Inc. v. Umbro Int’l, Inc.*, 259 Va. 759, 529 S.E.2d 80, 86 (Va. 2000) (“[Network Solutions] acknowledged during oral argument before this Court that the right to use a domain name is a form of intangible personal property.”); *Network Solutions, Inc. v. Clue Computing, Inc.*, 946 F. Supp. 858, 860 (D. Colo. 1996) (same). The district court agreed with the parties on this issue, as do we.

Property is a broad concept that includes “every intangible benefit and prerogative susceptible of possession or disposition.” *Downing v. Mun. Court*, 88 Cal. App. 2d 345, 350, 198 P. 2d 923 (1948) (internal quotation marks omitted). We apply a three-part test to determine whether a property right exists: “First, there must be an interest capable of precise definition; second, it must be capable of exclusive possession or control; and third, the putative owner must have established a legitimate claim to exclusivity.” *G.S. Rasmussen*, 958 F.2d at 903 (footnote

omitted). Domain names satisfy each criterion. Like a share of corporate stock or a plot of land, a domain name is a well-defined interest. Someone who registers a domain name decides where on the Internet those who invoke that particular name—whether by typing it into their web browsers, by following a hyperlink, or by other means—are sent. Ownership is exclusive in that the registrant alone makes that decision. Moreover, like other forms of property, domain names are valued, bought and sold, often for millions of dollars, and they are now even subject to in rem jurisdiction, *see* 15 U.S.C. § 1125(d)(2).

Finally, registrants have a legitimate claim to exclusivity. Registering a domain name is like staking a claim to a plot of land at the title office. It informs others that the domain name is the registrant's and no one else's. Many registrants also invest substantial time and money to develop and promote websites that depend on their domain names. Ensuring that they reap the benefits of their investments reduces uncertainty and thus encourages investment in the first place, promoting the growth of the Internet overall. *See G.S. Rasmussen*, 958 F.2d at 900.

Kremen therefore had an intangible property right in his domain name, and a jury could find that Network Solutions “wrongfully disposed of” that right to his detriment by handing the domain name over to Cohen. *Id.* at 906. The district court nevertheless rejected Kremen's conversion claim. It held that domain names, although a form of property, are intangibles not subject to conversion. This rationale derives from a distinction tort law once drew between tangible and intangible property: Conversion was originally a remedy for the wrongful taking of another's lost goods, so it applied only to tangible property. *See Prosser and Keeton on the Law of Torts* § 15, at 89, 91 (W. Page Keeton ed., 5th ed. 1984). Virtually every jurisdiction, however, has discarded this rigid limitation to some degree. *See id.* at 91. Many courts ignore or expressly reject it. Others reject it for some intangibles but not others. The Restatement, for example, recommends the following test:

(1) Where there is conversion of a document in which intangible rights are merged, the damages include the value of such rights.

(2) One who effectively prevents the exercise of intangible rights of the kind customarily merged in a document is subject to a liability similar to that for conversion, even though the document is not itself converted.

*Restatement (Second) of Torts* § 242 (1965) (emphasis added). An intangible is “merged” in a document when, “by the appropriate rule of law, the right to the immediate possession of a chattel and the power to acquire such possession is *represented by* [the] document,” or when “an intangible obligation [is] *represented by* [the] document, which is regarded as equivalent to the obligation.” *Id.* cmt. a (emphasis added). . . .

Kremen's domain name falls easily within this class of property. He argues that the relevant document is the Domain Name System, or “DNS”—the distributed electronic database that associates domain names like sex.com with particular computers connected to the Internet. We agree that the DNS is a document (or perhaps more accurately a collection of documents). That it is stored in electronic form rather than on ink and paper is immaterial. *See, e.g., Thrifty-Tel*, 46 Cal. App. 4th at 1565 (recognizing conversion of information recorded on floppy disk); *A & M Records*, 75 Cal. App. 3d at 570 (same for audio record); *Lone Ranger Television*, 740 F.2d at 725 (same for magnetic tape). It would be a curious jurisprudence that turned on the existence of a paper document rather than an electronic one. Torching a company's file room

would then be conversion while hacking into its mainframe and deleting its data would not. That is not the law, at least not in California. ...

The DNS also bears some relation to Kremen's domain name. We need not delve too far into the mechanics of the Internet to resolve this case. It is sufficient to observe that information correlating Kremen's domain name with a particular computer on the Internet must exist somewhere in some form in the DNS; if it did not, the database would not serve its intended purpose. Change the information in the DNS, and you change the website people see when they type "[www.sex.com](http://www.sex.com)."

Network Solutions quibbles about the mechanics of the DNS. It points out that the data corresponding to Kremen's domain name is not stored in a single record, but is found in several different places: The components of the domain name ("sex" and "com") are stored in two different places, and each is copied and stored on several machines to create redundancy and speed up response times. Network Solutions's theory seems to be that intangibles are not subject to conversion unless they are associated only with a single document.

Even if Network Solutions were correct that there is no single record in the DNS architecture with which Kremen's intangible property right is associated, that is no impediment under California law. A share of stock, for example, may be evidenced by more than one document. *See Payne*, 54 Cal. at 342 ("The certificate is only evidence of the property; and it is not the only evidence, for a transfer on the books of the corporation, without the issuance of a certificate, vests title in the shareholder: the certificate is, therefore, but additional evidence of title . . . ."); . . .

Network Solutions also argues that the DNS is not a document because it is refreshed every twelve hours when updated domain name information is broadcast across the Internet. This theory is even less persuasive. A document doesn't cease being a document merely because it is often updated. If that were the case, a share registry would fail whenever shareholders were periodically added or dropped, as would an address file whenever business cards were added or removed. Whether a document is updated by inserting and deleting particular records or by replacing an old file with an entirely new one is a technical detail with no legal significance.

Kremen's domain name is protected by California conversion law, even on the grudging reading we have given it. Exposing Network Solutions to liability when it gives away a registrant's domain name on the basis of a forged letter is no different from holding a corporation liable when it gives away someone's shares under the same circumstances. We have not "creat[ed] new tort duties" in reaching this result. We have only applied settled principles of conversion law to what the parties and the district court all agree is a species of property. . . .

We must, of course, take the broader view, but there is nothing unfair about holding a company responsible for giving away someone else's property even if it was not at fault. Cohen is obviously the guilty party here, and the one who should in all fairness pay for his theft. But he's skipped the country, and his money is stashed in some offshore bank account. Unless Kremen's luck with his bounty hunters improves, Cohen is out of the picture. The question becomes whether Network Solutions should be open to liability for its decision to hand over Kremen's domain name. Negligent or not, it was Network Solutions that gave away Kremen's property. Kremen never did anything. It would not be unfair to hold Network Solutions responsible and

force it to try to recoup its losses by chasing down Cohen. This, at any rate, is the logic of the common law, and we do not lightly discard it.

The district court was worried that “the threat of litigation threatens to stifle the registration system by requiring further regulations by [Network Solutions] and potential increases in fees.” *Kremen*, 99 F.Supp.2d at 1174. Given that Network Solutions’s “regulations” evidently allowed it to hand over a registrant's domain name on the basis of a facially suspect letter without even contacting him, “further regulations” don't seem like such a bad idea. And the prospect of higher fees presents no issue here that it doesn't in any other context. A bank could lower its ATM fees if it didn't have to pay security guards, but we doubt most depositors would think that was a good idea.

The district court thought there were “methods better suited to regulate the vagaries of domain names” and left it “to the legislature to fashion an appropriate statutory scheme.” *Id.* The legislature, of course, is always free (within constitutional bounds) to refashion the system that courts come up with. But that doesn't mean we should throw up our hands and let private relations degenerate into a free-for-all in the meantime. We apply the common law until the legislature tells us otherwise. And the common law does not stand idle while people give away the property of others.

The evidence supported a claim for conversion, and the district court should not have rejected it.

***Curt Mfg., Inc. v. Sabin***

**No. FA0808001220025 (National Arbitration Forum Sept. 20, 2008)**

***available at <http://www.citizen.org/documents/decision1.pdf>***

**PARTIES**

Complainant is Curt Manufacturing, Inc. (“Complainant”), represented by Jeffrey D. Shewchuk, of Shewchuk IP Services, LLC, Minnesota, USA. Respondent is George Sabin (“Respondent”), California, USA.

**REGISTRAR AND DISPUTED DOMAIN NAME**

The domain name at issue is <curt-mfg.com>, registered with Godaddy.com, Inc.

**PANEL**

The undersigned certifies that he or she has acted independently and impartially and to the best of his or her knowledge has no known conflict in serving as Panelist in this proceeding.

Joel M. Grossman, Esq., as Panelist.

**PROCEDURAL HISTORY**

Complainant submitted a Complaint to the National Arbitration Forum electronically on August 12, 2008; the National Arbitration Forum received a hard copy of the Complaint on August 13, 2008.

On August 12, 2008, Godaddy.com, Inc. confirmed by e-mail to the National Arbitration Forum that the <curt-mfg.com> domain name is registered with Godaddy.com, Inc. and that the

Respondent is the current registrant of the name. Godaddy.com, Inc. has verified that Respondent is bound by the Godaddy.com, Inc. registration agreement and has thereby agreed to resolve domain-name disputes brought by third parties in accordance with ICANN's Uniform Domain Name Dispute Resolution Policy (the "Policy").

On August 15, 2008, a Notification of Complaint and Commencement of Administrative Proceeding (the "Commencement Notification"), setting a deadline of September 4, 2008 by which Respondent could file a Response to the Complaint, was transmitted to Respondent via e-mail, post and fax, to all entities and persons listed on Respondent's registration as technical, administrative and billing contacts, and to postmaster@curt-mfg.com by e-mail.

A timely Response was received and determined to be complete on September 2, 2008.

An Additional Submission was received from Complainant on September 5, 2008, and was determined to be timely and complete pursuant to Supplemental Rule 7.

An Additional Submission was received from Respondent on September 9, 2008, and was determined to be timely and complete pursuant to Supplemental Rule 7.

On September 4, pursuant to Complainant's request to have the dispute decided by a single-member Panel, the National Arbitration Forum appointed Joel M. Grossman, Esq. as Panelist.

#### RELIEF SOUGHT

Complainant requests that the domain name be transferred from Respondent to Complainant.

#### PARTIES' CONTENTIONS

##### A. Complainant

Complainant first asserts that the domain name is identical or confusingly similar to a mark in which it has rights. Complainant's "Curt" mark is wholly incorporated in the domain name, and Complainant's website, <curtmfg.com> is virtually identical to the name, the sole exception being a hyphen, which must be ignored for this purpose. Complainant asserts rights in the mark since at least 1993. The "CURT" mark has received a federal trademark. Complainant next contends that Respondent has no rights or legitimate interests in the name. Specifically, Complainant asserts that Respondent's domain name, which is virtually identical to that of Complainant, is being used to confuse Internet users and deceive them concerning the origin or source of the content of the website, which is extremely critical of Complainant's products. Complainant contends that the name is not being used for any *bona fide* offering of goods and services, and its sole purpose is to harm Complainant's products and create confusion among Internet users. Additionally Complainant asserts that the name is not being used for a noncommercial use since it appears to invite others who might be injured by Complainant's products to contact a lawyer for purposes of filing a lawsuit. Finally, Complainant contends that the name was registered and is being used in bad faith, because Respondent is intentionally using the name to attract, possibly for commercial gain, Internet users to Respondent's website by creating a likelihood of confusion with Complainant's mark and website. As stated above, Complainant notes that because of the manner in which Respondent's website criticizes Complainant's products, it may be that Respondent is hoping to solicit one or more users for an individual or class action lawsuit against Complainant.

## B. Respondent

Respondent contends that the domain name is a parody, and the parody is fully protected by the First Amendment. More specifically, Respondent claims that one of Complainant's hitch products failed, and nearly caused a fatal accident on a congested freeway. The purpose of the website, according to Respondent, is noncommercial and educational, namely advising interested persons about the problems with Complainant's products. While not specifically engaging in an analysis of whether the name is identical or confusingly similar to Complainant's mark, Respondent contends that the name does not cause confusion, because anyone who visits Respondent's website will clearly see that the content was not created by Complainant. Respondent also points out that a disclaimer has been placed on the website advising visitors that it is not affiliated with Complainant. Respondent also challenges the jurisdiction of the National Arbitration Forum in this proceeding, as well as the ability of Complainant's counsel to appear in Wisconsin. Finally, Respondent purports to assert a counterclaim for damages against Complainant, asserting that Complainant's case should never have been submitted.

## C. Additional Submissions

In its Additional Submission Complainant asserts that Respondent has not presented any facts to support its position. Complainant also notes that on Respondent's website there is a note to send an e-mail to what appears to be a law firm website, <oklaw.us>. This suggests that visitors to Respondent's website who might have potential legal claims against Complainant could contact that law firm. Complainant asserts further that the name is not a parody or so-called gripe site such as <walmartsucks.com>. Citing *Dykema Gossett PLLC v. DefaultData.com and Brian Wick*, FA 97031 (Nat. Arb. Forum May 29, 2001). Complainant states that while parody and criticism are certainly permitted as part of the content of a website, the domain name itself must be identifiable as parody, such as <walmartsucks.com," not <walmart.com>. In the *Dykema* case, the respondent registered as a domain name <dykemagossett.com>. *Id.* The complainant in that case was a law firm called Dykema Gossett. *Id.* The respondent in that case argued that the website was a parody of law firms, but the domain name was held to be registered in bad faith because it appropriated the complainant law firm's name and confused the public. *Id.* Complainant thus contends that as in the *Dykema* case, in the instant case, regardless of the content of Respondent's website, which may well be protected by the First Amendment, the domain name is not in any manner a parody or criticism to let the public know its purpose; instead it confuses the public because it appears to be Complainant's own site.

In its Additional Submission Respondent asserts that only the "CURT" mark has been trademarked, not "curtmfg" so that the domain name is not confusingly similar to the mark. Respondent reiterates that the website is a parody, as well as educational news, protected by the First Amendment.

## FINDINGS

The Panel finds that: the domain name is identical to, or confusingly similar to a mark in which Complainant has rights; that Respondent has no rights or legitimate interests in the name; and that the name was registered and is being used in bad faith.

## DISCUSSION

Paragraph 15(a) of the Rules for Uniform Domain Name Dispute Resolution Policy (the “Rules”) instructs this Panel to “decide a complaint on the basis of the statements and documents submitted in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable.”

Paragraph 4(a) of the Policy requires that the Complainant must prove each of the following three elements to obtain an order that a domain name should be cancelled or transferred:

- (1) the domain name registered by the Respondent is identical or confusingly similar to a trademark or service mark in which the Complainant has rights;
  - (2) the Respondent has no rights or legitimate interests in respect of the domain name;
- and
- (3) the domain name has been registered and is being used in bad faith.

#### Identical and/or Confusingly Similar

The domain name is clearly identical to or confusingly similar to the mark. The mark is wholly incorporated in the name. The addition of the generic “mfg” does not in any manner erase the confusion. So too, hyphens are ignored for this purpose. See *Trip Network Inc. v. Alviera*, FA 914943 (Nat. Arb. Forum Mar. 27, 2007). Additionally, the registered trademark “Curt” is clearly sufficient to provide rights in the mark for Complainant. The Panel therefore finds that the name is identical to or confusingly similar to a mark in which Complainant has rights.

#### Rights or Legitimate Interests

Respondent is not commonly known by the name, and Respondent has not shown that it is using the name for the bona fide offering of goods or services. Respondent contends that it has an absolute right under the First Amendment to parody or criticize Complainant’s products, and of course that is true. However, prior panels have recognized that there is a difference between placing critical or satiric content on a website, which is clearly permissible, and identifying oneself as the Complainant in the domain name, which is not. As the panel explained in *Monty & Pat Roberts, Inc. v. Keith* D2000-0299 (WIPO June 9, 200): “The Panel does not dispute Respondent’s right to establish and maintain a website critical of Complainant... However, the panel does not consider that this gives Respondent the right to identify itself as Complainant.” The same applies here. As noted in summarizing Complainant’s contentions, the panel in the *Dykema* case, which is quite similar to this one, reached the same conclusion. In that case the respondent used the name of a law firm as its domain name, without adding an additional phrase such as “sucks.” The panel determined there that even if the purpose of the website was to criticize or parody lawyers, the respondent could not identify itself as the law firm in the domain name. Additionally the Panel finds that the invitation to contact a law firm reveals a commercial purpose for the use of the domain name. Thus, the name is being used, for commercial gain, to divert Internet users from Complainant’s site to Respondent’s site through use of an extremely confusing and virtually (save the hyphen) identical domain name. For these reasons the Panel determines that Respondent has no rights or legitimate interests in the name.

#### Registration and Use in Bad Faith

As noted above, the Panel determines that Respondent is attempting to cause likely confusion among Internet users as to the source of the domain name and Complainant’s website.



It is using the name to divert Internet users, possibly for gain from lawsuits filed against Complainant, by confusing Internet users who may be searching for Complainant's website. For this reason the Panel holds that the name was registered and is being used in bad faith. *See Allianz of Am. Corp. v. Bond* FA 680624 (Nat. Arb. Forum June 2, 2006). While Respondent contends that there is no bad faith in that its sole intent is to criticize Complainant's products, activity which is protected by the First Amendment, the Panel determines that this freedom of speech applies to the content of the website, not to the domain name. As the panel stated in *Diners Club Int'l Ltd. v. Infotechnics Ltd.* FA 169085 (Nat. Arb. Forum Aug. 20, 2003): "Respondent may have the right to post criticism of Complainant on the Internet, however, Respondent does not have the right to completely appropriate Complainant's registered trademark in a domain name in a way that will mislead Internet users as to the source or affiliation of the attached website." This would be a different case if Respondent's domain name were <curtmfgsucks.com> or something similar. But it is not. For these reasons the Panel determines that the name was registered and is being used in bad faith.

#### DECISION

Having established all three elements required under the ICANN Policy, the Panel concludes that relief shall be GRANTED.

Accordingly, it is Ordered that the <curt-mfg.com> domain name be TRANSFERRED from Respondent to Complainant.

Joel M. Grossman, Panelist

#### **Kentucky problem**

The facts of this problem are based on *Interactive Media Entm't and Gaming Ass'n, Inc. v. Wingate*, No. 2008-CA-002000-OA, 2009 WL 142995 (Ky. App. Jan 20, 2009) , *rev'd sub nom. Com. ex rel. Brown v. Interactive Media Entm't and Gaming Ass'n, Inc.*, \_\_\_ S.W.3d \_\_\_ (Ky. 2010).

Kentucky law provides that, "Any gambling device or gambling record possessed or used in violation of this chapter is forfeited to the state . . . ." KY. REV. STAT. 528.100. A "[g]ambling device" is defined as:

- (a) Any so-called slot machine or any other machine or mechanical device an essential part of which is a drum or reel with insignia thereon, and which when operated may deliver, as a result of the application of an element of chance, any money or property, or by the operation of which a person may become entitled to receive, as the result of the application of an element of chance, any money or property; or
- (b) Any other machine or any mechanical or other device, including but not limited to roulette wheels, gambling tables and similar devices, designed and manufactured primarily for use in connection with gambling and which when operated may deliver, as the result of the application of an element of chance, any money or property, or by the operation of which a person may become entitled to receive, as the result of the application of an element of chance, any money or property;
- (c) But, the following shall not be considered gambling devices within this definition:



Facebook employ to minimize the potential for conflict over Facebook names? To resolve the conflicts that do arise?

### **Bosh problem**

The facts of this problem are based on *Bosh v. Zavala*, No. 08-CV-04851-FMC-MAN (N.D. Cal. complaint filed July 24, 2008, motion filed Sept. 15, 2009).

Chris Bosh is a professional basketball player for the Toronto Raptors. Luis Zavala has registered over 800 domain names, including chrisbosh.com. Many of them are or include the names of professional and high school athletes, including basketball players, race car drivers, boxers, and at least one competitive eater. Others include prestonmichaelfederline.com, mixedmartianarts.com, lordsofsalem.com, and luiszavala.com.

Bosh filed a lawsuit under the ACPA against Zavala in the Central District of California. Zavala defaulted and the District Court entered a default judgment of \$100,000. Bosh has been unable to locate Zavala and has moved the District Court for an order compelling Zavala to transfer the registrations of all his domain names to Bosh.

Should the court grant the motion? If it does, what should Bosh do with the order, given that Zavala cannot be located? What can Bosh legally do with the domain names once they have been transferred to him, and what should he do?