

# **AN OVERVIEW OF CYBERSQUATTING**

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## ***ABSTRACT***

*Historically, Internet domain name registrars have not been successful in preventing users from registering trademarks and famous names as domain names. Most have no rights to use the names and often only purchase the domain names for the purpose of resale at tremendous profit. Over time, the practice of registrars has moved in various stages toward recognizing and protecting the names that companies rely so heavily on for good will and revenue. The Anti-Cybersquatting Consumer Protection Act (ACPA) the Uniform Domain Name Registration Policy (UDRP) both attempt to protect the rights of the legal holder of the trademark.*

## **INTRODUCTION**

Most users wishing to access Internet resources utilize the resource's domain name, which is a unique and relatively easy to remember alphanumeric designation that is registered with or assigned by any domain name registration authority as part of an electronic address on the Internet. (Gole, 1999) On the information superhighway, domain names are considered to be "prime real estate." If one owns the rights to a domain name, he can profit greatly. (White, 2001) However, it is often difficult to obtain the domain name you want, since each domain name must be unique. Domain names often include well-recognized trademarks. A trademark is a type of protected intellectual property and is a unique symbol representing a product, service, or organization. (Girasa, 2002) It can be the greatest asset of a company. A well-known trademark is as representative of a company as an individual's name identifies the person. Because of the relative ease and low expense of registering domain names speculators have registered famous names and trademarks or names markedly similar to these names in order to profit by selling these names to the trademark holders, or to divert traffic to other sites, many of them pornographic in nature. Legislation was passed in the last six years to reduce this speculation or "cybersquatting".

## **HISTORY OF DOMAIN NAME REGISTRATION**

Domain names consist of two or more labels separated by periods (dots). The last label to the right is known as the top-level domain (TLD). The TLD is preceded by a second-level domain, which can be preceded by a third level domain (sub-domain), and so on. The original group of seven generic TLDs, established in the 1980s was expanded to fourteen in 2001 and 2002. These are 3 or more characters in length and include .com, .edu, .gov, .int, .mil, .net, .org, .biz, .info, .name, and .pro. Two character TLDs such as .us, .uk, and .ws represent countries or territories. The .arpa TLD is reserved for technology purposes. (ICANN, 2003 January a).

Second-level domains must be unique within a TLD. These must be registered with a registrar authorized for that TLD. For most of the Internet's brief history until 1998, Network Solutions, Inc. (NSI now VeriSign, Inc.) operating until 1995 under the National Science

Foundation (NSF) had exclusive control over the domain system, registering names in the .com, .net and .org TLDs on a first-come, first-served basis. (White, 2001) The first two registrations were in the spring of 1985. The NSF allowed NSI to begin charging \$100 for the initial 2-year registration with a \$50 annual renewal fee beginning in September 1995 when the rate of requests began to increase dramatically. NSI registrants numbered 120,000 in Fall 1995, 306,000 by March 1996 and 1,000,000 by March 1997. ("Internet Domain Name Control Up for Grabs," 1997) By mid 1999 NSI registrants totaled over 5,000,000. (Gole, 1999)

Because of increased criticism of NSI's monopoly on domain name registration, in late 1998, NSI lost this protection under an amendment of its cooperative agreement with the United States Department of Commerce. A Shared Registration System (SRS) was established allowing NSI to share the job as registrar but to maintain full management of the database (registry). (ICANN, 2002) Also in 1998 a private and non-profit corporation, the Internet Corporation for Assigned Names and Numbers (ICANN) took control over management of the domain name system. (White, 2001) ICANN was responsible for the development of a domain name registrar accreditation process. Testing of the SRS began in the Spring of 1999. By September 2002 over 85 registrars were accredited. (ICANN, 2002) Registration fees vary with some companies offering low or free registration in order to sell other services, services which must offset the \$6 per registration fee paid to NSI, much of which goes toward maintenance and upgrades of the registry network. (Kerstetter, 2000) On December 31, 2002 NSI's (VeriSign Global Registry Services) contract to maintain the registry for .org expired and operation was transferred to the Public Interest Registry. (ICANN, 2003 January a)

## CYBERSQUATTING

Due to management practices in the registration of domain names, businesses' trademarks are often not the Internet addresses of the trademark owners, making cybersquatting a problem. There are different types of cybersquatting, with the traditional cybersquatter registering trademark domain names for a low cost in an attempt to sell them to the trademark owners for a large profit. (White, 2001)

Another practice of cybersquatters involves cyberpiracy. This happens when an individual registers a domain name incorporating a variation of the trademark in an attempt to lure cyber-traffic to its web page. In the case of *Louis Vuitton Malletier and Oakley, Inc., v Veit and Hasa*, the plaintiffs brought suit against the defendants charging them with violating both federal and state statutes involving trademark dilution. The defendants, Veit and Hasa registered and used the domain name *louisvuitton-replicas.com*, where they offered for sale and to sell counterfeit Louis Vuitton and Oakley products on their website. By operating the site, they mislead the public into thinking that they have been given authorization to sell the products. The trial court enjoined them from selling, marketing or using any false designation of origin or false description that could lead to confusion. (*Louis Vuitton Malletier and Oakley, Inc., v Veit and Hasa*, 2002)

A third variation of cybersquatting involves "typo-squatting." In this instance, the individual will register domain names that incorporate variations of known trademarks in an attempt to confuse Internet users. *Shields v Zuccarini* has become a heavily cited case in this

area. Shields was a graphic artist who created and marketed cartoons under the names “Joe Cartoon” and “The Joe Cartoon Co.” In June 1997, Shields registered the domain name joecartoon.com. In November 1999, Zuccarini, a wholesale of Internet domain names, registered five variations on Shields’ sites. The sites featured advertisement for other sites and for credit card companies. After receiving a “cease and desist” letter from Shields concerning the domain names, Zuccarini changed all five sites to become political protest pages. The court entered an injunction against Zuccarini and found that his conduct was willful and in bad faith. The court also found evidence that Zuccarini registered the domain names in an effort to confuse people and to divert Internet traffic to his web sites for his own economic gain. (*Shields v Zuccarini*, 2001)

Finally, there are the “pseudo-cybersquatters,” that register domain names and never use them. This is often referred as “passive warehousing” because they do not construct active websites, nor do they try to sell the domain names. In *E. & J. Gallo Winery v Spider Webs Ltd*, Spider registered the Internet domain name “ernestandjuliogallo.com, along with over 2000 internet domain names through Network Solutions, Inc. Approximately 300 of these names contained names that could be associated with existing businesses. The court found that Spider had registered the domain name in bad faith and ordered the defendants to transfer the domain name to Gallo. They also awarded Gallo \$25,000 in statutory damages under the ACPA. The appellate court affirmed. (*E. & J. Gallo Winery v Spider Webs Ltd*, 2002)

## **REGULATION OF CYBERSQUATTING**

Because of continuing abuse in the registration and use of trademark names as domain names, cybersquatting practices often cause confusion to Internet users and cost large sums of money to trademark owners. There have been efforts in the United States to combat these deceptive practices. NSI began taking trademarks into account in 1995 using the Domain Name Dispute Policy. (Gole, 1999) With the birth of different variations on cybersquatting, there have been attempts by Congress and ICANN to regulate this type of activity. Major legislative changes including the passing of the ACPA in 1999, has given the courts a means to reducing these illegal and unethical practices. (Fisher, 2001) (Wilson & Wilson, 2000) Before the enactment of ACPA, the only way to address domain name disputes was primarily through trademark infringement or dilution action. (Xiao, 2002) In January 2000 ICANN implemented the UDRP as a faster and less expensive alternative to litigation as a means of addressing cybersquatting issues. (White, 2001)

### **The Anticybersquatting Consumer Protection Act**

One attempt to counter cybersquatting was the passing of the ACPA on November 29, 1999. This act amends Section 43 of the Trademark Act of 1946. (Fisher, 2001) Designed to balance the property rights of trademark owners with the First Amendment rights of Internet users, the ACPA expands trademark law in the Internet context. (Xiao, 2002) The ACPA was enacted to clarify the rights of trademark owners as they relate to trademark law in dealing with cybersquatters. (Xiao, 2002) One of the purposes of the Act includes allowing the owner of a federal trademark to sue anyone who, registers a trademark as a domain name with “bad intent”

to profit from the mark. This includes using a domain name that is identical or confusingly similar to a trademark. (Fisher, 2001)

Since trademark infringement actions focused on the “likelihood of confusion” test and dilution actions only applied to famous marks, this approach proved to be very problematic. Most cybersquatters did not offer goods or services in connection with the use of the domain names, thus no consumer confusion. (Xiao, 2002) Due to the limitation of the trademark infringement actions, courts sometimes would rely on the use of dilution claims, which centered on determining if the marks at issue were really famous. However, they were often reluctant to stretch the famousness test that far. (Xiao, 2002) The Act does not require commercial use of a mark, only that the domain name is registered. Also, the ACPA applies to both distinctive and famous marks and to domain names that are “confusingly similar” to distinctive or famous marks. (Xiao, 2002)

The ACPA will find a defendant liable if, with “bad faith intent to profit”, he registers, traffics in or uses a domain name that is identical or “confusingly similar to “ a mark that is either distinctive or famous at the time the domain name is registered. (Xiao, 2002) The act provides a remedy for “bad faith” cybersquatting, because not all uses of another’s trademark in respect to domain names are done in bad faith. The act provides nine factors for the courts to consider in determining if there is bad faith, allowing them to use any additional facts they perceive necessary to determine intent. (Fisher, 2001) The first four factors focus on whether the domain name holder has a legitimate right to the trademarks, while the second four factors deal with typical cybersquatting activity. The final factor focuses on whether the mark is distinctive or famous. (Xiao, 2002) The act’s nine factors are:

- 1) the trademark or other intellectual property rights of the person, if any, in the domain name;
- 2) the extent to which the domain name consists of the legal name of the person or name that is otherwise commonly used to identify that person;
- 3) the person’s prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- 4) the person’s bona fide noncommercial or fair use of mark in the site accessible under the domain name;
- 5) the person’s intent to divert customers from the mark owner’s online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
- 6) 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;
- 7) 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 information, or the person’s prior conduct indicating a pattern of such conduct;

- 8) 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
- 9) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of the Trademark Act. (Girasa, 2002)

It is not illegal for a company to in "good faith" register and legitimately warehouse domain names for its own future use or to use a name in good faith and later sell it at a profit. There is an active resale market, and for some of the failed dot-coms, their domain names may be worth more than their physical assets. Online pharmacy PlanetRX.com was selling off 26 addresses related to the health field. Some of the names sold from \$50,000 to \$250,000 dollars. PetSmart purchased sixty pet-related names, including Pets.com from the defunct company for \$375,000. (Weintraub, 2001)

The ACPA does not apply to instances where the domain name was registered before the passing of the act. In the case of *Schmidheiny v Weber*, the court ruled that it could not find the defendant guilty of violating the ACPA because the domain name was registered before enactment of the act. Although the domain name was re-registered, the statute only references initial registration. (*Schmidheiny v Weber*, 2002)

### **Uniform Domain Name Dispute Resolution Policy: An Alternative**

The UDRP was implemented under ICANN January 2000. (White, 2001) It applies to the lease agreement between the registrant and the registrar (.com, .net and .org) or the registering authority for adopting country-code TLDs. (ICANN, 2003 January b) Under this policy the registrant's domain name registration can be altered, cancelled or transferred based upon terms specifically outlined in the registration agreement or to meet any legal requirements or at the request of the registrant. Otherwise, this will be done only under court order or arbitration order, or under decision of a panel authorized to settle domain name disputes. (ICANN, 2003 January b)

As of January 2003 there are four authorized dispute resolution providers. These are the Asian Domain Name Dispute Resolution Centre (ADNDRC), the CPR Institute for Dispute Resolution (CPR), the National Arbitration Forum (NAF) and the World Intellectual Property Organization (WIPO). The Disputes.org/eResolution Consortium (eRes) no longer accepts new cases. (ICANN, 2003 January 18 a) The makeup of panels (experience in trademark law) varies among the providers, as do their charges. (White, 2001) Panels are made up of one or three panelists. The complainant selects the provider and pays the charges unless it is the respondent who requests three panelists. In this case the costs are split. However, the charges are still moderate when compared to litigation costs. Decisions of the panel are not final. Either complainant or respondent may continue with judicial action. If such action is taken within 10 business days of the decision, no changes to respondent's registration will be made until official notification that such action has been withdrawn or otherwise resolved. Only three decisions can

be made, to deny the claim, to cancel or to transfer the registration. No monetary judgments are involved. (White, 2001) Once decisions are made they are posted at a designated location of the provider's website. Once the dispute is resolved the resulting action is posted on ICANN's website at <http://www.icann.org/cgi-bin/udrp/udrp.cgi>.

In order for a complainant to possibly receive any judgment against a respondent the complainant must prove each of the following: 1) that the complainant has rights to a trademark or service mark that is the same as or "confusingly similar" to the domain name in question; 2) that the respondent has no legitimate interests or rights to the domain name in question; and 3) that the respondent has registered and used the domain name in bad faith. (White, 2001) If the complainant does indeed have clear rights to a trademark it is usually not difficult to meet the first requirement, though it happens that multiple companies may obtain the same trademark in different operations (e.g. Delta Faucets and Delta Airlines). (Gole, 1999) Typo-squatting is usually found to be similar and registration in a different TLD usually does not prohibit findings of similarity. (White, 2001)

Although the literal interpretation of the Policy and Rules is that the burden of proof lies with the complainant, often panels shift at least part of the burden of proof to the respondent, especially in cases where the respondent is in default. Respondents must be given timely notice of a complaint and are allowed 20 days in which to respond. In the absence of a response, the respondent is said to be in default and proceedings are continued. (White, 2001) The Policy sets forth to the registrant means by which rights to the domain name can be evidenced 1) in prior or intended use of the name or similar name in the bona fide offering of goods or services; 2) in prior common use of the name to refer to the individual or business; 3) in making fair use of the name without intent to mislead consumers into diverting to respondent's site or another site for the purpose of commercial gain or tarnishing the service mark or trademark of the complainant. (ICANN, 2003 January 15 b)

Respondent's intent to register and use the domain name in bad faith can be demonstrated by indications that 1) registration was primarily for the purpose of receiving an unjustifiably large profit from the complainant or a competitor of the complainant; 2) respondent has a pattern of registering trademarks as domain names to prevent rightful owners of these marks from using them; 3) registration was for the purpose of disrupting a competitor's business; or 4) in using the domain name respondent has intentionally created a likelihood of confusion with the trademark or service mark of the complainant to divert Internet users to respondent's site or alternate location. (ICANN, 2003 January 15 b)

In two cases decided by CPR in 2002 the complainant was Grolier Incorporated, a publishing and media company, which both produces and distributes reference and multimedia products and children's books. (CPR Institute for Dispute Resolution, 2003 January) Grolier had registered the trademark GROLIER in several forms and had been using the term by itself and with other words for over one hundred years. In 1995 the complainant registered the domain name grolier.com. Subsequently it has used its marks in connection with its web sites, including [www.grolier.com](http://www.grolier.com). The two domain names being contested were groliers.com (file number CPR 0220), which was registered to Research Center and wwwgrolier.com (file number CPR 0227), which was registered to Joshuathan Investments, Inc. Respondents defaulted in both cases. The

panel found that the addition of the letter “s” to the mark GROLIER and the elimination of the dot from [www.grolier.com](http://www.grolier.com) were insufficient to differentiate the contested domain names from the trademark. Therefore, the complainant showed sufficient similarity between the trademark and the contested domain names under paragraph 4(a)(i) of UDRP.

Grolier contended in each case that the respondent was not known under forms of the contested domain name either as an individual, a business or any other organization. Grolier also stated that it was in no way affiliated with the respondent and had not authorized respondent’s use of the Grolier mark. Since in each case the respondent was in default, complainant’s allegations were not contested and no evidence of respondent’s rights or legitimate interests in the contested name was demonstrated under Paragraph 4(a)(ii) of the Policy. This evidences a broader interpretation of the policy, which in cases of default puts more of the burden on the respondent to demonstrate right to and legitimate interest in the domain name and good faith. (White, 2001)

In CPR 0220 the contested name groliers.com led to a site, which prominently displayed links to online gambling sites and at other times to various sites under construction. Complainant believes that this both tarnished the company trademark as Grolier marks are associated with children’s educational materials and evidenced that the respondent was either attempting to trade upon the Grolier goodwill and/or intended to obtain valuable consideration from the complainant in some form of exchange for the domain name. Based on this and other evidence, respondent’s failure to respond to the complaint, and that respondent had not given the registrar correct contact information the panel found that respondent registered and used the domain name in bad faith, under paragraph 4(a)(iii) of the Policy.

In CPR 0227 the contested name wwwgroliers.com led to a site, which indicated that the domain name was indeed up for sale and contained multiple links to online gambling and pornographic sites. Furthermore, attempts to type in the correct address would only succeed in taking the user to another site with more links to pornography. Grolier again contended that this constituted dilution of its trademark, and that respondent was trading on the goodwill associated with the Grolier mark. Furthermore, the respondent was blatantly advertising his intent to sell the domain name and had an established pattern of registering trademarks, several of which had been transferred under previous UDRP decisions. The panel found that respondent registered and used the domain name in bad faith, under paragraph 4(a)(iii) of the Policy.

In both cases the panels found Grolier had provided sufficient proof in each of the three required categories. Both contested domain names were ordered transferred to Grolier. Specifics of the cases can be found at <http://www.cpradr.org/ICANNDecisionCPR0227-021209.htm> and <http://www.cpradr.org/ICANNDecisionCPR0220-020930.htm>. Links to these and other CPR cases can be found at the CPR site [http://www.cpradr.org/ICANN\\_Cases.htm](http://www.cpradr.org/ICANN_Cases.htm). Links to these and other implemented decisions for all providers can be found at the ICANN site <http://www.icann.org/cgi-bin/udrp/udrp.cgi>.

## **CONCLUSION**

Efforts through legislation and ICANN management practices have made great strides in dealing with cybersquatting. Because trademarks are so important to the success of a corporation, lifetime protection is important. The ACPA has kept power in the hands of the judicial system. The UDRP has streamlined the dispute resolution process, and if broadly interpreted to put more of the burden of proof on defaulting respondents can have greater impact even on passive warehousing. Although there have been inroads in correcting these practices, there are still unresolved issues. There are situations where the ACPA does not apply because registration of the domain name took place prior to the passage of the Act. Additionally, it has to be noted that the panel proceedings of the UDRP are not mandatory as parties may elect other methods of resolving their dispute. Although the ACPA and the enforcement of the UDRP are helping to retard the influx of cybersquatting, more regulation is needed.



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