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SPORTY'S FARM V. SPORTSMAN'S MARKET: A CASE STUDY IN INTERNET REGULATION GONE AWRY*

Alanna C. Rutherford[†]

INTRODUCTION

A Brazilian friend told me a story about the fast-food restaurant Burger King's attempt to enter the Brazilian market. Burger King created a marketing strategy and found producers willing to enter into inexpensive contracts. Arrangements were complete, but one thing had not been accounted for—Brazil already had a Burger King fast-food chain. As a result, the American chain was frustrated from entering into the Brazilian fast-food market with the goodwill it had built for its internationally recognized name. This is just one example of the importance of trademarks to daily business plans around the world. It also represents the struggle that occurs daily on the Internet.

More concretely, as companies use their trademarks to direct commerce to their websites, domain names have become the single most important commodity on the Internet.¹ This booming industry, which at least one commentator has referred to as the "new gold standard," has led to a reawakening of purpose in intellectual property law.² However, because of the first-come, first-served method of domain name registration, more established commercial players—who found themselves on the losing side of the gold rush—staked a claim to the new gold mines using the old law of trademarks to catch up.³ From this the doctrine of cybersquatting was born.

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¹ Jeremy D. Mishkin, *Master of Your Domain: An Overview of the Anticybersquatting Consumer Protection Act*, 18 SPG COMM. LAW. 3, 3 (Spring 2000).

² *Id.*

³ Website addresses are alphanumeric representations of Internet protocol ad-

In *Sporty's Farm v. Sportsman's Market*,⁴ a case involving the intentional use of another's trademark as a domain name to benefit from the name's goodwill, Judge Guido Calabresi defines cybersquatting as involving "the registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners."⁵ However, cybersquatting involves much more than Judge Calabresi intimates. It involves a fundamental shift in the way one values property and conceives of trademark law. In *Sporty's Farm*, Judge Calabresi did much more than increase the legitimacy of the cybersquatting doctrine; he also provided the first appellate court review of the Anticybersquatting Consumer Protection Act (the "ACPA" or the "Act").⁶ The significance of this case resonates both with Calabresi and the other judges who presided over *Sporty's Farm*.⁷ The particulars of the case are unique, but it will stand as a harbinger for things to come.⁸ As such, while the ACPA seems like an easy solution for an easy problem—the purposeful use of another's trademark to divert business—there are both structural and regulatory problems associated with the Act that cast doubt on whether it can have more than limited effectiveness. While not a prominent factor in the Second Circuit's decision, the *Sporty's Farm* opinion does repeatedly note the uniqueness of the fact pattern to the

addresses, which are a series of numbers separated by periods, such as 129.47.231.36. Words were used instead of numbers because of the difficulty in remembering the numbers. See Department of Commerce's White Paper on the Management of Internet Names and Addresses, 63 Fed. Reg. 31,741, 31,741 (1998) [hereinafter White Paper].

⁴ 202 F.3d 489 (2d. Cir. 2000).

⁵ *Id.* at 493.

⁶ Anticybersquatting Consumer Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 (codified as amended at 15 U.S.C. §§ 1114, 1116, 1117, 1125(d), 1127, 1129 (2000)). The purpose of the ACPA is:

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

S. REP. NO. 106-140, at 4.

⁷ "[O]ur opinion appears to be the first interpretation of the [Anticybersquatting Protection Act] at the appellate level." *Sporty's Farm*, 202 F.3d at 496.

⁸ See *infra* Parts III & IV.

cybersquatting issue. Nonetheless, perhaps, *Sporty's Farm* misses the true significance of the Act in the radical shift the case presents for trademark law and regulation.⁹

Part I of this Article provides a brief history of cybersquatting and the cybersquatting doctrine as it developed and culminated into the new law. Part II details the facts, procedural and legal history, and analysis of the *Sporty's Farm* case. Parts III and IV examine the potential future implications associated with the *Sporty's Farm* case in particular and the ACPA in general. Specifically, Part III addresses the structural challenges facing intellectual property through the codification of cybersquatting and the definitional shift the cybersquatting doctrine requires to several key concepts in trademark law. Part IV attempts to introduce the regulatory hazards facing the ACPA by revisiting the oft-asked question of whether the Internet can be regulated, and, if it can, whether we are taking the right regulatory approach. Finally, the Conclusion demonstrates that the Second Circuit's decision is simply indicative of things to come. The *Sporty's Farm* decision demonstrates the Act's ability to fit neatly into the easy questions that the law poses, but upon further analysis it reveals gaping holes in our ability to regulate this area of the law without significant shifts in approach and illustrates the breaking point of trademark law concepts stretched too thin.

I. BRIEF HISTORY OF CYBERSQUATTING

Before Congress passed the ACPA, courts were faced with the issue of how to apply old, pre-Internet law to new technology and the problems that the integration of the two presented. Some courts were reluctant to deal with the issues presented by cybersquatting without a legislative dictate, and they summarily dismissed all cases dealing with the issue.¹⁰ Other courts took a half-century old doctrine called "dilution," borne

⁹ "The most important grounds for our holding that *Sporty's Farm* acted with a bad faith intent, however, are the unique circumstances of this case, which do not fit neatly into the specific factors enumerated by Congress but may nevertheless be considered under the statute." *Sporty's Farm*, 202 F.3d at 499.

¹⁰ See Michael D. Bednarek, *Cyberpirates, Beware: Recent Anti-cybersquatting Law Provides New Deterrence Tools but Does Not Solve All Problems*, 22 NAT'L L.J., Jan. 31, 2000, at C1.

of a law review article,¹¹ that was witnessing a revival in the law. This revival culminated in a 1995 amendment to the Lanham Act that added Section 1125, which formalized dilution of trademark.¹² The principal goal of trademark law is to protect consumers from confusion and deception.¹³ Dilution assists in this protection by guarding the capacity of a famous mark to identify and distinguish goods and services, regardless of competition or likelihood of confusion.¹⁴

Traditionally, dilution was acknowledged in two forms; blurring and tarnishment.¹⁵ Blurring is the oldest form of dilution, and it is premised on the eroding of a trademark's uniqueness caused by the junior user employing the mark or one substantially similar to it to identify his goods.¹⁶ The idea behind this is that eventually the trademark will lose all distinctiveness because of its association with a wide variety of goods and services.¹⁷ Dilution theory strives to protect the investment by the trademark holder in building a name and reputation for his mark with which consumers can identify.¹⁸ As dilution's originator stated, "[I]f you allow Rolls Royce res-

¹¹ Dilution theory is commonly attributed to Frank I. Schechter. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927). However, there is reason to believe that he was not the advocate that many believed him to be. See Kristine M. Boylan, *The Corporate Right of Publicity in Federal Dilution Legislation, Part II*, 82 J. PAT. & TRADEMARK OFF. SOC'Y, 5, 24-26 (2000).

¹² The Lanham Act, 15 U.S.C. §§ 1501-1127 (2000), is the federal trademark law and includes the ratification of the Trademark Law Treaty.

¹³ See FRANCIS H. UPTON, A TREATISE ON THE LAW OF TRADEMARKS WITH A DIGEST AND REVIEW OF THE ENGLISH AND AMERICAN AUTHORITIES 17, 28-29 (1860).

¹⁴ 15 U.S.C. § 1127. Or, in the words of its first advocate, dilution is the "gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name." Schechter, *supra* note 11, at 825 (calling for standardized protection of marks.) Schechter recognized that the power of a mark rested in its uniqueness and singularity within the market. Therefore, even a noncompeting product, by someone other than the mark holder, damaged the mark. See Schechter, *supra* note 11, at 830-32.

¹⁵ For a general discussion on dilution, see generally Boylan, *supra* note 11.

¹⁶ See Elliot B. Staffin, *The Dilution Doctrine: Towards A Reconciliation with the Lanham Act*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 105, 117-118 (1995).

¹⁷ See 3 J. THOMAS MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24.13 (4th ed. 2000).

¹⁸ See *id.* at § 24.90. While traditional trademark law rests primarily on a policy of protecting customers from mistake and deception, anti-dilution law more closely resembles an absolute property right in a trademark. See *id.*

taurants, and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in ten years you will not have the Rolls Royce mark anymore.”¹⁹ So, although consumer confusion is not the basis for granting this type of protection, it remains an underlying concern. Tarnishment is based on a similar theory that represents the harm to “the positive, quality-connoting associations the holder has labored to create through advertisement and promotion.”²⁰ The move towards dilution as a method of handling the burgeoning legal questions presented by new technology was sparked by legislative comments made by Senator Patrick Leahy (D-Vt.) in 1995. He stated, “[I]t is my hope that this anti-dilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others.”²¹

Senator Leahy's hopes were realized in *Panavision v. Toeppen*.²² In *Panavision*, the Ninth Circuit created the most succinct pronouncement of the doctrine under which cybersquatters are liable.²³ Dennis Toeppen, a visionary of the Internet's future commercial exploitation, registered a variety of domain names of well-known companies, including Delta Airlines, Neiman Marcus, and Eddie Bauer.²⁴ Panavision sent a letter stating that Toeppen's website, www.panavision.com, which contained a photo of Pana, Illinois, infringed upon its registered trademark.²⁵ Toeppen agreed to settle the matter for \$13,000, which is significantly more than the \$100 it cost to register the name with Network Solutions, Inc. (“NSI”), the clearinghouse for domain names.²⁶ The court examined the case under the Federal Trademark Dilution Act (the

¹⁹ Staffin, *supra* note 16, at 118 (quoting a statement made by Frank Schechter). The legislative history behind New York's state dilution claim is also helpful in this regard with references to hypothetical violations such as DuPont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, etc. See N.Y. LEGIS. LAW § 49-50 (McKinney 1954).

²⁰ Staffin, *supra* note 16, at 131.

²¹ 141 CONG. REC. 19312-01 (daily ed. Dec. 29, 1995) (Statement of Sen. Leahy).

²² 141 F.3d 1316 (9th Cir. 1998).

²³ *Id.*

²⁴ *Id.* at 1319.

²⁵ *Id.*

²⁶ *Id.* at 1318.

"FTDA").²⁷

To prove a violation of the FTDA, a plaintiff must show that (1) the mark is famous, (2) the defendant is making a commercial use of the mark, (3) the defendant's use began after the mark became famous, and (4) the defendant's use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services.²⁸ Noncommercial use, comparative advertising, news reports, and criticism are not considered forms of dilution.²⁹ The defendant did not debate the fame of the trademark. Moreover, the law had previously established that there must be more than mere registration of the mark to be considered a use in commerce.³⁰ So, the court recast Toeppen's acts by referring to him as a "spoiler" who prevented Panavision, among others, from receiving the goodwill of its name while doing business on the Internet.³¹ The court found that by trading on the "spoilation" value of the marks and attempting to arbitrage the name, the commercial use requirement was met.³² The

²⁷ 15 U.S.C. § 1125(c) (2000). That Section states in relevant parts:

In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods and services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties.

Id. § 1125(c)(1)(A)-(G).

²⁸ See *Panavision*, 141 F.3d at 1324 (quoting 15 U.S.C. § 1125(c)).

²⁹ See generally JANE C. GINSBURG ET AL., *TRADEMARK AND UNFAIR COMPETITION LAW: CASES AND MATERIALS* 735-771 (1996 & Supp. 1999).

³⁰ *Acad. of Motion Picture Arts & Scis. v. Network Solutions, Inc.*, 989 F. Supp. 1276, 1279 (C.D. Cal. 1997) (holding that mere registration does not constitute commercial use); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 957 (C.D. Cal. 1997) (holding that registration is not commercial use within the meaning of the Trademark Dilution Act).

³¹ *Panavision*, 141 F.3d at 1325.

³² Toeppen made a commercial use of Panavision's trademarks even though he did not attach the marks to a product. Toeppen's commercial use was his attempt

court affirmed the district court's summary judgment in favor of Panavision by stating that arbitrage is a commercial use and that on the Internet, the domain name, though little more than an address, has significant value considering that the name seems to connote to customers information about the site.³³ Furthermore, Judge Thompson clearly stated that "to find dilution, a court need not rely on the traditional definitions such as 'blurring' and 'tarnishment.'" ³⁴ Thus, in the space of a few lines, a new form of dilution that would later be referred to as "cybersquatter dilution" was born.³⁵ It was specific to the diminishment of the capacity to identify and distinguish goods on the Internet.³⁶

This *Panavision* or cybersquatter dilution theory prevailed not only through a series of cases, but also against both squatters and legal registrants in a series of private transactions that led to the handing over of dozens of trademark domain name sites.³⁷ However, worried about both real and potential lack of uniformity in the law at various levels from jurisdiction to potential remedies, many businesses pushed for federal law that would uniformly signal the death knell of cybersquatters. So, on November 29, 1999, President Clinton signed the ACPA

to sell the trademarks themselves. *Id.*

³³ *Id.* at 1327 n.8.

³⁴ *Id.* at 1326.

³⁵ "Courts presented with the question have held unanimously that it does 'lessen the capacity of a famous mark to identify and distinguish goods and services,' when someone other than the trademark holder registers the trademark name as an Internet domain name." *Avery Dennison Corp. v. Sumpton*, 999 F. Supp. 1337, 1340 (C.D. Cal. 1998), *rev'd*, 189 F.3d 868 (9th Cir. 1999) (quoting 15 U.S.C. § 1127 (1996)); see also *Hasbro, Inc., v. Clue Computing, Inc.*, 66 F. Supp. 2d 117, 132 (D. Mass. 1999).

³⁶ *Panavision*, 141 F.3d at 1326 (citing *Teletech Customer Care Mgmt., Inc. v. Tele-Tech Co.*, 977 F. Supp. 1407, 1412 (C.D. Cal. 1997)).

³⁷ It is unclear whether these transactions were entirely positive, as they allowed high-priced corporate attorneys to bully a number of businesses and individuals with legitimate claims to domain names into surrendering them. The confusion over the registration system often led to a phenomenon called "reverse hijacking," where essentially the aforementioned would occur with trademark holders, forcing those with legitimate title to a domain name to surrender it. See Rebecca W. Gole, Note, *Playing the Name Game: A Glimpse at the Future of the Internet Domain Name System*, 51 FED. COMM. L.J. 403, 412 (1999); see also Mark Grossman & Allison K. Hift, *Is the Cybersquatting Cure Worse than the Disease*, LEGAL TIMES, Jan. 24, 2000, at 24 (referring to one of the most famous examples of reverse hijacking—the attempt of the makers of Gumby and Pokey toys to take away the domain name from a twelve-year-old child nicknamed Pokey).

into law.³⁸ The Act provided two significant measures. First, it codified the *Panavision* approach to cybersquatting. Second, and more importantly, it provided that owners of marks could file an in rem civil action against a domain name rather than against the domain name holder.³⁹ This provision was in direct response to *Porsche Cars North America v. Porsche.com*,⁴⁰ a case decided shortly before the Act was ratified.

The Act, which amends 15 U.S.C. § 1125, states in relevant part:

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].⁴¹

The ACPA goes on to list a series of factors to consider with regard to the distinctiveness or fame of the mark. The Act also added cyberpiracy⁴² protection for individuals, which seeks to protect those with famous names from having others capitalize on their fame by registering and using websites bearing their names.⁴³ A good faith exception is built into this latter provision.⁴⁴ Finally, the ACPA provides for either statutory (rang-

³⁸ 15 U.S.C. § 1125 (2000); see also Bednarek, *supra* note 10, at C1.

³⁹ *Id.* § 1125(d)(2)(A). It is important to note that an in rem action against the domain names will result in most proceedings occurring in the Eastern District of Virginia because it is NSI's locale. It will be interesting to see what the court, which previously questioned the constitutionality of in rem actions against domain names, does with the new ACPA laws.

⁴⁰ 51 F. Supp. 2d 707 (E.D. Va. 1999). The plaintiffs in *Porsche Cars N. Am.* brought an in rem action against 128 registered domain names that they alleged were similar or identical to their trademarks. The district court dismissed the complaint, stating that the federal dilution laws did not provide for in rem actions and that reading these intentions into the law would put into doubt the constitutionality of the dilution law. *Id.* at 712. It also stated that "courts generally cannot exercise in rem jurisdiction to adjudicate the status of property unless the Due Process Clause would have permitted in personam jurisdiction over those who have an interest in the res." *Id.* Many have commented on the likelihood that the in rem jurisdictional provision in the law is directly related to this decision. See Wiley, Rein & Fielding, *Controversial Anti-Cybersquatting Measure Becomes Law*, at

<http://www.wrf.com/publications/cyberspace/cybersquatting.html>.

⁴¹ 15 U.S.C. § 1125(d)(1)(A).

⁴² "Cyberpiracy" is simply the original term used to describe cybersquatting.

⁴³ 15 U.S.C. § 1129(b)(1)(A).

⁴⁴ See *id.* § 1129(b)(1)(B). Although this Article will not address 15 U.S.C.

ing from \$1,000-\$100,000) or actual damages and profits, the collection of which serves as another incentive for squatters to return domain names.⁴⁵ In this new world of greater sophistication towards the Internet, the Second Circuit embarked on the task of becoming the first circuit court to review the ACPA.

II. *SPORTY'S FARM V. SPORTSMAN'S MARKET, INC.*

A. *Facts*

In the 1960s, Sportsman's Market, Inc. began using the logo "Sporty's" to identify its catalogues, which sold specialty products to pilots and aviation enthusiasts to whom the mark

§ 1129, which deals with the registration of personal names, it is worth noting that celebrities from John Tesh to Julia Roberts have recently either won or settled cases involving the use of their names as web addresses. See *John Tesh Sues for Trademark Infringement and Cybersquatting*, E-COMMERCE LAW WEEKLY, (Jan. 31, 2000), at <http://www.entnewsnetwork.com/techlaw/news>; Emily Farache, *Julia Roberts Wins Namesake URL*, at <http://www.eonline.com/News/Items/0,1,6561,00-.html>. While a good faith exception is built into the law to protect fan sites, the Act is unclear on whether that good faith exception would be converted if those fans chose, for example, to enter commerce by selling a monthly newsletter. What happens, as the trend is now developing, when stars register their names as trademarks? Most importantly, do the rules of first-come, first served continue to apply? One prominent example is the case of President George W. Bush, Jr. He filed a complaint with the Federal Elections Commission based on a parody site, gwbush.com. See Wayne Slater, *Bush Criticizes Web Site as Malicious*, THE DALLAS MORNING NEWS, May 22, 1999, at A1. Although the case never went to court, it appears that the site was legally entitled to be there as a matter of free speech, even though the site's appearance had to be altered somewhat to clearly illustrate that it was not the official site of the "Bush for President" campaign. However, if the site sells t-shirts or buttons, it is not at all clear that it does not fall under the Act and that Bush could not bring a case against the current registrants. Of course, courts are likely to read the common exceptions to trademark infringement, including parody and nominative fair use, into the Act as necessary. The new law does, however, put a great deal of fan and parody sites at risk. See generally *Hormel Foods Corp. v. Jim Henson Productions, Inc.*, 73 F.3d 497 (2d Cir. 1996) (illustrating the parody exception to trademark infringement); see also *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1991) (defining nominative use as "where the only word reasonably available to describe a particular thing is pressed into service—lies outside the strictures of trademark law . . . because it does not imply sponsorship or endorsement by the trademark holder").

The result of this continued series of litigation may be that parody, critique, and fan websites will be required to have in their domain name a clear indication of their purpose. See *Lucent Techs., Inc., v. Lucentucks.com*, 95 F. Supp. 2d 528 (E.D. Va. 2000).

⁴⁵ 15 U.S.C. § 1125(d).

was well known. The plaintiff's company distributed 18 million catalogs across the country and received revenue of roughly \$50 million per year.⁴⁶ In 1985, Sportsman's Market registered the "Sporty's" trademark and used the mark both in its phone number and in \$10 million worth of advertising done yearly.⁴⁷

The defendants, Milton and Betty Hollander, own Omega, a mail-order company that sells scientific process measurement and control equipment. In 1994 to 1995, the company's owners decided to enter the aviation catalog business, and they developed a wholly-owned subsidiary called Pilot's Depot.⁴⁸ Shortly thereafter, Omega registered a website, www.sportys.com, with NSI.⁴⁹ In January, 1996, Milton Hollander and his wife sold the rights to the domain name to Sporty's Farm for a sum of \$16,200. Sporty's Farm, another wholly-owned subsidiary of Omega, grew and sold Christmas trees.⁵⁰ Mr. Hollander also happened to be a pilot who received the Sportsman's catalogs, and thus, he was aware of the Sporty's logo. When asked how the company selected the name Sporty's Farm for their Christmas tree business, the CEO of Omega, Ralph Michel, explained that it came from a fond childhood memory of his uncle's farm in upstate New York, which he referred to as "Spotty's Farm," after a dog named "Spotty." Somehow, "Sporty's Farm" became the subsequent derivation of this name, even though the Hollander's neither knew Mr. Michel's childhood pet nor had any plans to start a Christmas tree business when they first registered www.sportys.com.⁵¹

B. *The District Court Opinion*

After Sportsman's Market demanded that Omega cease using the "Sporty's" domain, Sporty's Farm filed an action for declaratory and injunctive relief in the Federal District Court of Connecticut.⁵² Sportsman's Market filed a counterclaim al-

⁴⁶ *Sporty's Farm*, 202 F.3d at 493.

⁴⁷ The international toll free number was 1-800-4SPORTYS and the domestic number was 1-800-SPORTYS. *See id.* at 494.

⁴⁸ *Id.*

⁴⁹ At the time, NSI was the only registrant of domain names. *Id.* at 493.

⁵⁰ *Id.* at 494.

⁵¹ *Sporty's Farm*, 202 F.3d at 494.

⁵² *Sporty's Farm, LLC v. Sportsman's Market, Inc.*, No. 3:96CV0756, slip op. at

leging violations of the Lanham Act,⁵³ the Connecticut Unfair Trade Practices Act,⁵⁴ and common law tenets concerning trademark infringement and unfair competition. Sportsman's Market also sought injunctive relief, punitive damages, plaintiff's profits, and attorney's fees and costs.⁵⁵

Addressing each of the claims in turn, Chief Judge Covello first analyzed whether use of the domain name constituted infringement.⁵⁶ After stating that "[l]ikelihood of confusion is the essential element" for trademark infringement to exist,⁵⁷ the judge proceeded to use the Second Circuit's traditional eight-factor test, commonly referred to as the *Polaroid* factors, to determine the likelihood of confusion.⁵⁸ He concluded that the test had not been met, and thus, he found no infringement because of the distinct products.⁵⁹

The majority of the court's opinion focuses on dilution. In fact, the judge begins by stating:

Prior to the adoption of the FTDA, a federal claim for the use of a trademark required a showing of a "likelihood of confusion." Under the FTDA, however, once it is determined that a mark is famous, a senior user need only show that its mark is diluted by the junior user's use of the same or similar mark.⁶⁰

Under the standard, the trademark owner must prove that the mark is famous and that the mark has been diluted. In establishing the fame of the "Sporty's" mark, the judge looked at the company's worldwide distribution of 18 million catalogs; the

5-6 (D. Conn. Mar. 13, 1998).

⁵³ 15 U.S.C. §§ 1051 *et seq.* (2000).

⁵⁴ CONN. GEN. STAT. §§ 42-110(b) *et seq.* (West Supp. 1999).

⁵⁵ *Sporty's Farm*, No. 3:96CV0756, slip op. at 1.

⁵⁶ *Id.* at 6-11.

⁵⁷ *Id.* at 8.

⁵⁸ The factors are (1) the strength of the mark, (2) the degree of similarity, (3) the proximity of the products, (4) the likelihood that the prior owner of the mark will "bridge the gap" between its products and the products of the infringer, (5) actual confusion, (6) the alleged infringer's good faith in adopting the mark, (7) the quality of the alleged infringer's product, and (8) the sophistication of the buyers. *Polaroid Corp. v. Polarad Elecs.*, 287 F.2d 492, 495-96 (2d Cir. 1961).

⁵⁹ *Sporty's Farm*, No. 3:96CV0756, slip op. at 9.

⁶⁰ *Id.* at 12. Judge Covello goes on to quote, "Thus, the . . . [FTDA] significantly expanded the reach of the Lanham Act by creating new obligations, imposing new duties, and attaching new disabilities with respect to marks already adopted." *Id.* at 1 (quoting *Circuit City Stores, Inc. v. OfficeMax*, 949 F. Supp. 409, 414 (E.D. Va. 1996)) (alteration in original).

company's revenues of \$50 million; its toll free number, which contains the moniker; and Sportsman's Market's home base, Clermont County, Ohio, in which the federal authorities at the airport have named a non-directional radio beacon "Sporty's."⁶¹ Since dilution was the only element of the case decided in the defendant's favor, and since the court did not find any willful intent to trade on the name, Sportsman's Market was only granted injunctive relief.⁶²

C. *The Second Circuit Opinion*

The most significant occurrence between the time the district court case was decided on March 13, 1998 and the time it was appealed to the Second Circuit was the ACPA's enactment. Judge Calabresi, writing for the unanimous three-judge panel that took a more cynical approach to the case, begins the opinion with a brief history of the Internet and cybersquatting, and then he provides a detailed history of the use of the "Sporty's" trademark as the domain sportys.com.⁶³

The suspicious factual and the unique legal situation surrounding the case places the court in a position of deciding a case with, what Calabresi refers to as, "three distinct features."⁶⁴ First, this was the first appellate level interpretation of the ACPA. Second, the Second Circuit was interpreting the statute, even though the ruling at the district court level was based on the previous incarnation of that particular section of the law—the FTDA. Finally, Calabresi realized that this case's fact-pattern was highly unusual and unlikely to reoccur.⁶⁵

Because the district court's findings and the record were so clear, the panel believed it appropriate to apply the newly enacted ACPA to this case because it was intended in part to resolve these types of issues.⁶⁶ Under the new Act, the court

⁶¹ *Sporty's Farm*, No. 3:96CV0756, slip op. at 15-16.

⁶² *Id.* at 20-21.

⁶³ As the circuit court points out, apostrophes are not symbols recognized as domain names; therefore, for all intents and purposes, the domain names "sporty's" and "sportys" are equivalent. See *Sporty's Farm*, 202 F.3d at 492 n.2.

⁶⁴ *Id.* at 496.

⁶⁵ See *id.*

⁶⁶ *Id.* at 496-97.

had to decide whether the mark was distinctive or famous.⁶⁷ After using the standard test for distinctiveness—requiring that the mark be used for an extended period of time, nationwide, and in a wide variety of retail channels—the court concluded that the “Sporty’s” mark was sufficiently distinctive.⁶⁸ Turning to the second part of the new statutory test, the court easily found that the mark was identical or confusingly similar to the domain name.⁶⁹ Thus, the next determination was whether there was a bad faith intent to profit from the mark by using it as a registered domain name.⁷⁰

The ACPA lists nine factors that one may consider in this analysis.⁷¹ Utilizing these factors and the weight of the re-

⁶⁷ See *id.* at 497; see also 15 U.S.C. § 1125(d)(1)(A) (2000).

⁶⁸ See *Sporty’s Farm*, 202 F.3d at 497. The distinctiveness test satisfies § 1125(d)(1)(A)(ii)(I) of the Act. See 15 U.S.C. § 1125(c)(1)(A)-(E) for the distinctiveness test.

⁶⁹ This confusion element satisfies § 1125(d)(1)(A)(ii)(I) of the Act. See *Sporty’s Farm*, 202 F.3d at 497-98.

⁷⁰ See 15 U.S.C. § 1125(d)(1)(A)(i).

⁷¹ *Id.* § 1125(d)(1)(B)(i). The factors to determine whether a person has a bad faith intent are the following:

- (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

cord, the court stated that " 'no reasonable factfinder could return a verdict against Sportsman.'"⁷² This decision is based on the facts that (1) neither Omega nor its subsidiaries had any intellectual property rights to sportys.com, (2) the "Sporty's" mark is distinctive, (3) the domain was registered to Omega before the Christmas tree business existed, and the site remained unused until after the litigation began, (4) Omega sold the mark to Sporty's Farm under suspicious circumstances, and (5) Sporty's Farm did not claim that its use was a non-commercial or fair use, which would serve as a mitigating factor under the Act.⁷³ The court notes that, notwithstanding all of these factors, the unique circumstances of the case provide the greatest condemnation of the defendants and do not neatly fit into Congress' factors.⁷⁴ Consequently, the court affirmed the district court's decision to issue an injunction without damages, indicating that it is unclear that the domain name's registration could constitute willful dilution given the law's uncertain state.⁷⁵

Despite the court's condemnation of the defendants, under the ACPA, judges do not and cannot provide an award for damages, which is what gives the legislation its teeth. In the end, the court decides, as the district court did, that an injunction is the only remedy available to the plaintiffs even though the court found "that there is more than enough evidence in the record below of 'bad faith intent to profit,'"⁷⁶ it ruled that the ACPA damages section cannot apply retroactively. Moreover, it stated that the Connecticut "cigarette rule" on damages, which would provide for a finding of damages under the new law despite its inapplicability to the case, also does not apply.⁷⁷

time of registration of such domain names, without regard to the goods or services of the parties; and

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

Id.

⁷² *Sporty's Farm*, 202 F.3d at 498 (citations omitted).

⁷³ *Id.* at 499.

⁷⁴ *Id.*

⁷⁵ *Id.* at 500-01.

⁷⁶ *Id.* at 498 (citation omitted).

⁷⁷ See *Sporty's Farm*, 202 F.3d at 501. The cigarette rule asks the following

Ultimately, the application of a novel law does not look so new, as it provides the same old remedy that courts have adopted from the FTDA. Perhaps *Sporty's Farm* will stand as an exception, and the coincidental timing is what leaves the case standing in the never-never land of remedies. However, perhaps it is a good indication of things to come, and it begs the question of whether the ACPA is as effective a weapon against cybersquatting as it was hoped to be.

D. *Future Implications From the Second Circuit's Decision*

The potential implications of *Sporty's Farm* are numerous, illustrating both the structural and regulatory limits of the law that the case seeks to apply. The Second Circuit noted that the fact pattern did not neatly lend itself to the mold Congress created in the ACPA with its nine-factor list to detect cybersquatting. The list is based on some of the major case law and pre-existing intellectual property theories.⁷⁸ And, frankly, *Sporty's Farm* was an easy case because the defendant demonstrated excessive bad faith in its use of the mark. Prospective cases are likely to be much more complicated and to pose legal questions that not only implicate trademark law, but also implicate jurisdictional and constitutional issues.

III. STRUCTURAL ISSUES: THE METAMORPHOSIS OF INTELLECTUAL PROPERTY LAW

The structural issues presented by the ACPA are mostly those of definition in that they beg the question: how far will

questions in determining whether damages should be awarded for unfair or deceptive practices in trade or commerce:

- 1) Whether the practice, without necessarily having been previously considered unlawful, offends public policy as it has been established by statutes, the common law, or otherwise—whether, in other words, it is within at least the penumbra of some common law, statutory, or other established concept of unfairness; 2) whether it is immoral, unethical, oppressive, or unscrupulous; 3) whether it causes substantial injury to consumers [competitors or other businessmen]

CONN. GEN. STAT. ANN. § 42-110b(b) (West Supp. 1999). All three criteria need not be satisfied. Rather, a practice may be unfair because of the degree to which it meets one of the criteria. *Saturn Constr. Co. v. Premier Roofing Co.*, 680 A.2d 1274, 1283 (Conn. 1996).

⁷⁸ Mishkin, *supra* note 1, at 5.

intellectual property rights extend? This Part will analyze the trademark theories of dilution and concurrent use as applied to cybersquatting and ask whether the definitional shift brought on by attempts to adapt the law to new technologies has spread these theories too thin.

Trademark law grants businesses the exclusive right to make use of a word, symbol, name, or device on products to protect consumers from confusion and deception.⁷⁹ It does not, however, give anyone the exclusive right to use a word. If the trademark is a famous mark, as previously described, it receives additional protection in the form of a court injunction to prevent non-confusing, commercial uses of the trademark that undermine the value of the mark.⁸⁰ This diminishment of value is known as dilution, and it is the basis for cybersquatting protection. The focus of trademark law shifts from the protection of consumer interests to the protection of economic investment.⁸¹

⁷⁹ See Construction and definitions, intent of chapter, 15 U.S.C. § 1127 (1994) (defining the term trademark); see also *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 174 (2d Cir. 2000) ("The hallmark of infringement in violation of [15 U.S.C. § 1125 (a)(1)] is likelihood of confusion."); *UPTON*, *supra* note 13, at 707; *Boylan*, *supra* note 11, at 6; Kenneth B. Germain, *Recent Trademark Decisions*, PLI'S THIRD ANNUAL INSTITUTE FOR INTELLECTUAL PROPERTY LAW 707 (1997); Jessica Litman, *The DNS Wars: Trademarks and the Internet Domain Name System*, 4 J. SMALL & EMERGING BUS. L. 149, 153 (Spring 2000).

⁸⁰ The *Federal Express Corp.* court wrote:

In sum, in order to prevail on a dilution claim a plaintiff is not required to prove likelihood of confusion. Trademark dilution statutes are designed to "cover those situations where the public knows that the defendant is not connected to or sponsored by the plaintiff, but the ability of the plaintiff's mark to serve as a unique identifier of the plaintiff's goods or services is weakened because the relevant public now also associates that designation with a new and different source Thus, where the classic likelihood of confusion test leaves off, the dilution theory begins."

Fed. Express Corp., 201 F.3d at 175 (quoting *Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 965-66 (2d Cir. 1996)); see also *supra* Part I for further analysis.

⁸¹ "While traditional trademark law rests primarily on a policy of protection of customers from mistake and deception, anti-dilution law more closely resembles an absolute property right in a trademark." MCCARTHY, *supra* note 17, at § 24.90; see also *Boylan*, *supra* note 11, at 5.

A. Dilution Theory

The cybersquatting law attempts to protect Internet trademarks from dilution. The ACPA represents an expansion of the FTDA, and it is a law that many jurists already find troubling.⁸² A myriad of intellectual property scholars have criticized dilution theory's application as moving away from the original purpose of trademark law—preventing consumer confusion.⁸³ According to critics, instead of preventing consumer confusion, dilution promotes economic investment above all else.⁸⁴ Considering this background, it would seem that the ACPA further erodes the basis for trademark law. Until November 1999, one had to prove that a mark was both distinctive⁸⁵ and famous to obtain dilution protection.⁸⁶ While trademark law was expanded in the early cybersquatting cases, such as *Panavision*, it now seems that there is a codifying of the law at the lowest common denominator. Under the

⁸² "This case requires [one] to interpret and apply the dauntingly elusive concept of trademark 'dilution' as now embodied in the [FTDA]." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 451 (4th Cir. 1999) (holding that dilution under the FTDA requires proof of the requisite mental association and that such association causes actual harm to the ability of the mark to identify and distinguish the goods and services in commerce); see also *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999) (noting that dilution is a claim "[i]nvented and reserved for a select class of marks—those marks with such powerful consumer associations that even non-competing uses can impinge on their value"); *I.P. Lund Trading v. Kohler Co.*, 163 F.3d 27, 46 (1st Cir. 1998) (stating that the fame requirement may only be satisfied by "truly prominent and renowned" marks).

⁸³ See generally Boylan, *supra* note 11; Kathleen B. McCabe, *Dilution-By-Blurring: A Theory Caught in the Shadow of Trademark Infringement*, 68 *FORDHAM L. REV.* 1827 (2000); see also John D. Mercer, Note, *Cybersquatting: Blackmail on the Information Superhighway*, 6 *B.U. J. SCI. & TECH. L.* 1, 9-17 (2000).

⁸⁴ For an in depth analysis of the arguments made against dilution, see generally Boylan, *supra* note 11.

⁸⁵ "Distinctiveness is often defined by courts as uniqueness or as the trait the mark attains once it has acquired secondary meaning." James Robert Hughes, *The Federal Trademark Dilution Act of 1995 and the Evolution of the Dilution Doctrine: Is It Truly A Rational Basis for the Protection of Trademarks?*, 1998 *DET. C.L. MICH. ST. U. L. REV.* 759, 768 (1998); see also Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 *U. PITT. L. REV.* 789, 831 (1997) (stating that generally distinctiveness served as a threshold requirement for the ability to make a dilution claim).

⁸⁶ See 15 U.S.C. § 1125(c)(1) (2000); see also *id.* § 1125(c)(1)(A)-(H) (listing factors to take into consideration when a mark becomes famous); MCCARTHY, *supra* note 17, at § 24.14.

ACPA, the plaintiff need only prove that the mark is distinctive *or* famous, and the standard for what constitutes either seems to be lower than ever before.⁸⁷ However, proving that something is famous is a more stringent standard than that for distinctive, which is really the most basic requirement for trademark protection. Moreover, there does not seem to be a particular standard by which courts measure fame. Usually, surveys of the general public are used to establish a mark's fame.⁸⁸ While the statute espouses a list of factors for one to consider regarding whether a mark is famous and distinctive, the courts are not limited to that list.⁸⁹ Indeed, courts may vary as to whether a remedy for dilution is granted, with the exception of some of the most recognizable brand names.

Many courts have commented on this heightened standard requirement for winning dilution cases.⁹⁰ To be distinctive, the trademark holder must prove that the mark has significance beyond that of the association with the product.⁹¹ Si-

⁸⁷ See 15 U.S.C. § 1125(d)(1)(A). While some may see distinctiveness and fame as the same, the Second Circuit has maintained the two as discrete requirements. See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216 (2d Cir. 1999).

⁸⁸ See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 877-80 (9th Cir. 1999) (finding it to be a mere tautology to ask those already acquainted with the mark whether it is familiar); *E. & J. Gallo Winery v. Oliver Betteux, No. CIV S-98-0907* (E.D. Cal. Aug. 18, 1999) (finding a survey of the public, which pointed to the word Gallo on CDs and asked participants what words or products they associated with that word, to be conclusive evidence of the fame of the mark); Hughes, *supra* note 85, at 798-801 (discussing the fame requirement). For further discussions on proving fame in dilution cases, see generally G. Kip Edwards, *Developments in Dilution Law*, 579 PLIPAT 209 (1999).

⁸⁹ See 15 U.S.C. § 1125(c)(1)(A)-(G).

⁹⁰ "[T]he First Circuit has made clear that 'a great deal more' is required to show fame of the mark than to show the secondary meaning required for infringement protection." *Hasbro, Inc. v. Clue Computing, Inc.*, 66 F. Supp. 2d 117, 131 (D. Mass. 1999) (quoting *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 47 (1st Cir. 1998)); see also *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359, 1362-64 (9th Cir. 1993) (stating that while the exact degree of fame is unknown, the strength of the mark must at least be "mature and well-known" and at least some subliminal association must exist between the mark of the infringer and the trademark holder).

⁹¹ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 (1995); see also H.R. REP. NO. 104-374, at 4 (1995), *reprinted in* 1995 U.S.C.A.N. 1029, 1031 (endorsing the view of dilution as the debilitation of the potency of the mark).

To explain the difference between distinctive and famous marks, it is first necessary to review the four categories of marks. Those categories are generic, descriptive, suggestive, and arbitrary and fanciful. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d. Cir. 1976). Generic marks are ineligible

multaneously, to satisfy the fame requirement, the trademark owner must prove that the mark has achieved a level of renown unknown by most trademarks. Thus, in earlier cases, only the most well known marks could receive protection on this basis. In *Sporty's Farm*, this meant that while Kodak or IBM is likely to be protected, Sporty's would not require or deserve such protection absent more exhaustive analysis. Not even Columbia University, which is known by many around the world and probably earns revenues greater than Sporty's, could get protection under the dilution statute. In fact, the court held that the Columbia University Hospital in Texas was too remote to be considered related.⁹² Therefore, it can be argued that the court in *Sporty's Farm* was not so much protecting the fame of the Sporty's mark, but in an act performed by many courts before, it was attempting to punish cybersquatters under the FTDA by deciding whether the intent seems to be to target the same customers.⁹³

In the past, the Second Circuit has been reluctant to find any mark sufficiently famous to warrant dilution protection. As recently as 1989, a panel refused to believe that the LEXIS legal services mark was sufficiently famous to warrant dilution protection from a new line of automobiles called Lexus.⁹⁴ The panel stated that although the LEXIS mark is known, it is only a famous mark to a discrete group—lawyers and accoun-

for protection. *Id.* Descriptive marks refer to some quality related to the product such as Red Beer. *Id.* at 10. Suggestive marks refer to marks that have taken on some other connotative meaning, for example, Softee Tissue Paper. *Id.* at 10-11. Finally, arbitrary or fanciful marks are the strongest marks that exist; they have no related meaning to the product, like Xerox copiers or Quaker oatmeal. *Id.* at 11. Only suggestive, arbitrary, and fanciful marks qualify as distinctive. *Abercrombie & Fitch Co.*, 537 F.2d at 11.

⁹² For proof that a world famous mark may not be entitled to dilution protection due to consistent third party use, see *Trustees of Columbia Univ. v. Columbia/HCA Healthcare Corp.*, 964 F. Supp. 733, 745 (S.D.N.Y. 1997) (citing to the use of the word "Columbia" in reference to many businesses, including several health-related services); see also *New York Stock Exch., Inc. v. New York, New York Hotel, LLC*, 69 F. Supp. 2d 479, 490-94 (S.D.N.Y. 1999) (holding that NYSE was not distinctive enough to merit dilution protection). *But see* *Lexington Mgmt. Corp. v. Lexington Capital Partners*, 10 F. Supp. 2d 271, 289-90 (S.D.N.Y. 1998) (granting a preliminary injunction to plaintiff stating that its mark appears to be sufficiently famous and distinctive to merit dilution protection).

⁹³ See *Lund*, 163 F.3d at 50.

⁹⁴ See *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031-32 (2d Cir. 1989).

tants—and therefore it does not have sufficient strength in the market to be famous because only one percent of the general population is aware of it.⁹⁵ The court then held that the Lexus mark did not dilute the legal service's mark based on both lack of renown of the mark and the lack of predatory intent.⁹⁶

In *Sporty's Farm*, the trademark was likely only to be known to the discrete market of aviation enthusiasts. In fact, the court found significance in the roughly \$50 million a year in company retail sales.⁹⁷ If the basis for fame is yearly revenue, LEXIS legal services could have satisfied the burden with net earnings of \$50.4 million.⁹⁸ Perhaps the historic rigidity of the famousness standard is what led the *Sporty's Farm* court, without commenting on the mark's renown, to agree immediately with the lower court's opinion that the mark was distinctive.⁹⁹ However, the speed with which the court determined distinctiveness and the utter disregard of the importance of fame in keeping dilution from expanding property rights remains disturbing because such an analysis seems completely out of line with the discrete category of marks that dilution was initially intended to protect.¹⁰⁰

⁹⁵ "The strength and distinctiveness of Lexis is limited to the market for its services—attorneys and accountants. Outside that market, Lexis has very little selling power. Because only one percent of the general population associates Lexis with the attributes of Mead's service, it cannot be said that Lexis identifies that service to the general public . . ." *Id.* at 1031.

⁹⁶ Predatory intent is a phrase used to refer to bad faith use under the FTDA. The *Mead* factor test that arose from the LEXIS case seems to have met its demise in *Nabisco, Inc. v. PF Brands, Inc.*, where the court stated that requiring proof of actual consummated dilution was "an arbitrary and unwarranted limitation on the methods of proof." *Nabisco*, 191 F.3d at 223.

⁹⁷ See *Sporty's Farm*, 202 F.3d at 493.

⁹⁸ Based on Mead Corporation's 10K report for the fiscal year 1993 on FreeEdgar, net earnings were listed at \$50.4 million for that year. See Mead Corporation's 10K Report for 1993, available at <http://www.sec.gov/Archives/edgar/data/64394/0000064394-94-000010.txt>.

⁹⁹ "We agree that sporty's is a 'distinctive' mark. As a result, and without casting any doubt on the district court's holding in this respect, we need not, and hence do not, decide whether sporty's is also a 'famous' mark." *Sporty's Farm*, 202 F.3d at 497.

¹⁰⁰ "As a general matter, a trademark is sufficiently distinctive to be diluted by a nonconforming use if the mark retains its source significance when encountered outside the context of the goods and services with which it is used by the trademark owner." MCCARTHY, *supra* note 17, at § 24.92 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25, cmt. (e) (1995)). This means that marks based on generic terms like "sporty's" or "apple" would not receive dilution protection absent

The story of dilution is circular; it concludes as it began. The difficulty with the expansion of the dilution doctrine goes beyond the problems of the ACPA. These concerns have existed since the enactment of dilution protection in 1995. Rather than following the original legislative intent that dilution protection be reserved for the "limited category" of nationally recognized marks whose enormous value would be irreparably harmed by "promiscuous use,"¹⁰¹ courts have continuously disposed of the fame requirement in little more than a few sentences or, with the skills of contortionists, found fame where none existed.¹⁰² Ultimately, dilution protection has proven to be a long fall down a very slippery slope, and the latest incarnation, as represented by the ACPA, may prove to be its last because there is nowhere to go from here.

B. Concurrent Use

In trademark law classes around the country, professors are discussing the issue of how the Internet, without any geographic boundaries, is limited by the fact that it cannot accommodate concurrent use of a mark. Concurrent use allows for simultaneous use of a mark in two situations: distinct product markets or geographic areas.¹⁰³ For the former, the constraint is that the product markets must remain distinct. Therefore, in real space, one has Dell books and Dell computers, but it is questionable who gets the domain address www.dell.com.¹⁰⁴

a showing that the general public associated the word with the good or service to which the mark applied. This was the losing point made by Sporty's Farm at the district court level. See *Sporty's Farm*, No. 3:96CV0756, slip op. at 15.

¹⁰¹ See *The United States Trademark Association Trademark Review Commission Report and Recommendation to the USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 455 (1987).

¹⁰² Brendan Mahaffey-Dowd, Note, *Famous Trademarks: Ordinary Inquiry by the Courts of Marks Entitled to an Extraordinary Remedy*, 64 BROOK. L. REV. 423, 435-442 (1998); see also *Gazette Newspapers, Inc. v. New Paper, Inc.*, 934 F. Supp. 688, 696-97 (D. Md. 1996) (finding "Gazette" to be famous and distinctive).

¹⁰³ See *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416-19 (1916)

¹⁰⁴ In a real-life example, Gateway 2000, the billion-dollar computer corporation, attempted to sue Gateway.com, Inc., a small company that existed at least six years before Gateway 2000. Gateway 2000, despite being the company of greater success and larger clientele, lost because both companies had a legitimate claim on the name and it was simply given on a first-come, first-served basis. See Lawrence Siskind, *Addressing the Net*, LEGAL TIMES, Oct. 6, 1997, at 16.

Is the answer as simple as who was the first to register the domain or the mark? In real space, the senior user/registrant can force the junior user to abandon the mark if he chooses to branch out into the junior registrant's geographic region.¹⁰⁵ This would be the situation of the hypothetical Darling Donuts of New York and Darling Bakery & Flour Mill of California, who sell similar products. If Darling Donuts, the senior registrant, wanted to open a shop in Los Angeles, Darling Bakery would be forced to surrender the name to the entrants. However, the issue on the Internet is not so clear because of the global exclusivity of domain names. If one owns the Blue Note Club in Missouri, is one now forced to turn over www.bluenote.com to the unaffiliated Blue Note Club in New York?¹⁰⁶

It is often argued that there are simple solutions to the problem of concurrent use on the web. One of the most common suggestions is to create a site directory that lists all websites bearing the same name. Thus, when one types in www.dell.com, all eleven businesses or persons legitimately using the address will pop up on the screen, and the individual can choose which site he or she is looking for. In theory, this is a great idea, but the problem may be summed up in an Abbott and Costello analogy—who's on first? It is difficult to conceive of which company name would be placed on the top of the list. Of course, the senior registrant could, and perhaps should, go first on that list, but there is often a distinction between the

¹⁰⁵ " 'Since it is the trade, and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.' " *Hanover*, 240 U.S. at 416 (allowing both an Ohio firm and an Alabama firm to use the "Tea Rose" name on flour because of geographically distinct markets and good faith use) (quoting *Hanover Star Milling Co. v. Allen & Wheeler Co.*, 208 F. 513, 519 (7th Cir. 1913); see also *Dawn Donut Co., v. Hart's Food Stores, Inc.*, 267 F.2d 358, 365 (2d Cir. 1959) (concluding that even though plaintiff-registrant sells baked goods and mixes nationally and infringer sells baked goods in New York, because plaintiff does not sell products in New York, concurrent use is allowed); *Burger King of Fla., Inc., v. Hoots*, 403 F.2d 904, 906-09 (7th Cir. 1968) (allowing Hoots to use the "Burger King" mark in Illinois until Burger King enters the market, at which time the mark belongs to the trademark holder).

¹⁰⁶ This was exactly the question facing the Second Circuit in *Bensusan Restaurant Corp. v. King*. There, the case turned on the jurisdictional grounds that there was no solicitation of business by the Missouri club in New York via its website. 126 F.3d 25 (2d Cir. 1997).

senior registrant and user.

For example, Amazon.com, the senior registrant of the Amazon mark, briefly fretted in 1999 over a case that pitted it against the senior user of the mark, a feminist bookstore using www.amazon.com.gr.¹⁰⁷ The bookstore had been in existence and had been using the name Amazon since the 1970s. However, Amazon.com applied for registration of the name in 1994 and received the trademark in 1997.¹⁰⁸ This presents another problem for the Act, namely, the question of how detailed the level of research should be before one considers the registration to be in good faith? One attorney commented that the Amazon bookstore had been listed in the Dunn & Bradstreet database, which provides information on international and U.S. businesses since 1990.¹⁰⁹ As a result, one may argue that Amazon.com should have never chosen that name because of prior notice of the name's use to identify similar goods and services.¹¹⁰

Another difficulty presented by this solution is a situation where, for example, Dell books is the senior registrant but people normally do not visit its site.¹¹¹ If we know that most people surfing the web are looking for Dell computers, should it not be on the top of the list? Moreover, there are considerations of commercial appeal and money given to browsers to rank sites in a given order. This directory system approach is not necessarily an appealing idea to businesses or users because, while customers may be diverted in their search for a book, when a list comes up, thoughts of the money they saved up for the new computer dance in their heads. Before the unsuspecting browser knows it, three hours have passed, she has been looking at a lot of different sites, and she realizes that she did not get the one item or piece of information that she was looking for, but now she no longer has the time to look for it. There is also the risk of a proliferation of sites selling various goods in an attempt to capitalize on the most frequently hit addresses.¹¹² Of course, much of this problem is eliminat-

¹⁰⁷ ".gr" is the country code abbreviation used on the web to designate Greece.

¹⁰⁸ See Steven Andersen, *It's Amazon Versus Amazon in Mark Battle*, 9 CORPORATE LEGAL TIMES 64, 64 n.95 (Oct. 1999).

¹⁰⁹ See *id.*

¹¹⁰ *Id.*

¹¹¹ This once again presents a Gateway problem. See *supra* note 104.

¹¹² "Hit" is a technological term of art referring to the looking up of a particu-

ed with the statute's intent requirement, which provides for a good faith selection of the name.¹¹³ Alternatively, anyone who has ever done a search on the web knows that pages and pages of results can be found. Assuming that most search engines base the number of hits per page on what they believe the average browser will read, tech-savvy Uncle Dell's webpage is in a precarious situation if it takes the last spot on the list.

Another solution offered to address the problem of concurrent use is the opening up of more generic top-level domains ("gTLDs").¹¹⁴ This would allow website addresses to be attached to a wider variety of terms such as .forpresident, .microsoft, or .personal. In 1996, a private company, Name.Space, proposed doing just that.¹¹⁵ However, its efforts were ill-timed as they fell shortly before the Secretary of Commerce, at President Clinton's behest, investigated the NSI monopoly and ways to open access to domains given the growing complaints both within and outside of this country.¹¹⁶ On September 30, 1998, NSI's contract with the government expired, ending its long rein as the exclusive registrar of domain names.¹¹⁷ In preparation for the expiration, and realizing the growing frustration with government administration, the federal government decided to privatize the Internet and the domain name system.¹¹⁸ These concerns, as enunciated in the Department of Commerce's White Paper on the Management of Internet Names and Addresses, can be summarized as follows: (1) dissatisfaction with the absence of competition in domain name registration; (2) a growing number of conflicts between trademark holders and domain name holders; (3) the call for a

lar website.

¹¹³ See 15 U.S.C. § 1125(d)(1)(B) (2000) (describing elements of bad faith).

¹¹⁴ Top-level domains refer to the suffix for the address that indicates a common spoke of origination, such as .com or .uk. There are currently seven gTLDs: .com, .net, .org, .edu, .gov, .int, and .mil. See *Name.Space Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 577 (2d Cir. 2000). The Internet Corporation for Assigned Names and Numbers is currently working on expanding the amount of gTLDs. See FAQ on Generic Top Level Domains, at <http://www.icann.org/general/faq1.htm>.

¹¹⁵ *Name.Space, Inc.*, 202 F.3d at 578.

¹¹⁶ *Id.*

¹¹⁷ White Paper, 63 Fed. Reg. at 31,742.

¹¹⁸ For a good explanation of the reasoning behind privatization of the Internet, see generally Henry H. Perritt Jr., *International Administrative Law for the Internet: Mechanisms of Accountability*, 51 ADMIN. L. REV. 871 (Summer 1999).

more formal management structure of the web by commercial entities; (4) increasing use of the Internet by those outside the U.S.; (5) withholding of decisions about new gTLDs due to the lack of public accountability regarding decision-making; and (6) increased commercial use making it less appropriate for U.S. research agencies to direct and fund the functions of the web.¹¹⁹

This expansion is part of the solution brokered by the government in its attempt to simultaneously privatize and internationalize the domain name system. However, the expansion is being phased in slowly, and it can only serve as part of the solution. There are also entrenchment issues to address, as American businesses and individuals have dominated the most highly valued of the gTLDs—.com. It is unclear whether the other six gTLDs would remain the most coveted under the revised system or whether Americans may be forced onto the newer top-level domains, such as .nom, .info, and .store, to free-up .com and .org (the exceptionally-valued domains) for truly commercial practices.¹²⁰

This solution goes hand in hand with the international proposition that Americans increase their use of their country code Top Level Domain ("ccTLD") in order to create space in the other gTLDs. Thus, MyName.com will become MyName.us or MyName.com.us. This is not a perfect solution, but it goes a long way toward easing the growing international sentiment that the United States is dominating the Internet by requiring everyone except its own registrants to use a country code identifier as part of the gTLD.¹²¹

Although nothing in the Act states this, it appears that granting the trademark holder the right to the website bearing

¹¹⁹ White Paper, 63 Fed. Reg. at 31,742.

¹²⁰ On November 16, 2000, the Internet Corporation for Assigned Names and Numbers approved the use of seven new domains: .info, .biz, .pro, .name, .museum, .aero, and .coop. See Chris Gaither, *7 Domains to Compete With .com*, N.Y. TIMES, Nov. 17, 2000, at C7, available at 2000 WL 31299263. It is too early to tell how this will change the Internet playing field. The domains will not be put into use until the spring of 2001 and will have to contend with the entrenchment issues mentioned above. Businesses will be reluctant to use the new domains, and consumers will be even slower to search those sites.

¹²¹ For a discussion of international resentment about U.S. domination of .com, see Wendy Grossman, *Connected: Lords of Their Domain Set for Identity Crisis*, DAILY TELEGRAPH (London), Nov. 11, 1997, at 12.

its mark gives more than just the .com site, which signals that the site is for commercial use. Case law indicates that the mark owner is entitled to addresses in all the top-level domains.¹²² Moreover, because domain names are just representations of alphanumeric strings, trademark law has been expanded to vesting interest in number codes across the Internet. If so, in one fell swoop, all of the web's potential, which to many individuals exemplifies the last bastion of freedom, has been eliminated. Instead, one has to put the web firmly in the hands of commerce by giving businesses a property right far greater than that ever intended. It will be in the courts' hands to recognize this expansion and force back the reach of intellectual property into its intended realm. While Congress may be entitled to create whatever property rights it wants in the United States, because of the global exclusivity of domain names, the effects of Congress' legislation are far reaching and encroach on other countries' abilities to provide solutions.¹²³

IV. REGULATION: NOT IF, BUT HOW CAN THERE BE INTERNET REGULATION?

The overreaching of mark holders illuminates the next issue of whether it is too late for legislation, such as the ACPA, to be effective on the Internet. Many believe that there is no such thing as Internet regulation. But the real issue, as the rest of the wired world slowly discerns, is that the United States is regulating the web without the knowledge or permission of Internet users around the world, and the significance of that discovery is only now being appreciated.

Although many countries argue over which country was the birthplace of the Internet, there is little doubt that the development of the web was sparked by the expansion in the

¹²² The two website owners who were represented in the *Porsche Cars North America, Inc. v. Porsche.com* suit were Porsche.net and Porscheclub.net. 51 F. Supp. 2d 707, 710 (E.D. Va. 1999). In *Sporty's Farm*, Judge Calabresi also stated, "Nothing prevents an American commercial entity from seeking to use the .org or .us top level domains, but, especially in the United States, it has become customary for commercial web pages to use .com." 202 F.3d at 493 n.3.

¹²³ See Rebecca W. Gole, Note, *Playing the Name Game: A Glimpse at the Future of the Internet Domain Name System*, 51 FED. COMM. L.J. 403, 409 (1999) (discussing the forty-two classes of trademarks that exist in the American state and federal systems alone versus those of countries worldwide).

United States of the Advanced Research Projects Agency Network ("Arpanet") for civilian use.¹²⁴ While many have argued that the Internet cannot be regulated, the federal government's legislation produced from 1990 to 1999, and the growth of the web, tell a much different story. American rules have prevailed in the development of the Internet because the United States was its first regulator and is the home of the corporations and businesses that dominate the Internet.¹²⁵

A. *Early Regulatory Efforts: U.S. Domination*

There were very few people in the world like Dennis Toeppen, who saw the Internet's future as being the billion-dollar industry it is today. When the government realized that the Department of Defense's pet project may have some commercial use, the National Science Foundation rapidly contracted with NSI to register domains to the public.¹²⁶ Very quickly, the few registrations handled per day became such a dynamic business that NSI requested that it be allowed to charge \$100 per registrant to cover the costs of hiring more than the two employees initially assigned to facilitate registration.¹²⁷ Shortly thereafter, the lawsuits began, as companies confronted those who both legitimately and illegitimately registered domain names similar to their brand names.

After some time, the battle was not just between registrants. Indeed, at least one company decided to sue NSI for allowing someone else to register its trademark.¹²⁸ After this incident, NSI became skittish, although it had prevailed insofar as the courts had ruled that registrars could not be held responsible for the infringement. Consequently, NSI decided to

¹²⁴ Arpanet is the name of the packet-switching technology and communications networks established by the Department of Defense's Advanced Research Projects Agency ("DARPA").

¹²⁵ See generally Yochai Benkler, *Net Regulation: Taking Stock and Looking Forward*, 71 U. COLO. L. REV. 1203 (2000) (surveying all congressional legislation concerning the Internet from 1990 to 1999).

¹²⁶ U.S. Dep't. of Commerce, Management of Domain Names and Addresses, Statement of Policy, 63 Fed. Reg. 31,741-01, at 03 (June 10, 1998), available at 1998 WL 298883.

¹²⁷ Litman, *supra* note 79, at 150.

¹²⁸ See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949 (C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999).

create a system by which all registrants had to indemnify NSI against any future trademark claims. This indemnification policy allowed for NSI, upon thirty days notice, to withdraw the registration of a domain if the trademark holder presented a valid certificate at the time of his or her complaint to NSI.¹²⁹ This created legal chaos, as the floodgates for e-commerce opened and trademark holders beat down the doors of NSI to "reclaim" their domains. In the meantime, domain registrants were filing injunctions against NSI to prevent their websites from being shut down. After hundreds of out of court settlements, questionable litigation, and millions of dollars, everyone (including registrants, corporations, and the government) believed that the solution was simply to get rid of NSI and to assign registration to more efficient businesses.¹³⁰

Thus, in September 1998, NSI ceased to be the lone registrar of domain names and the maintainer of the master root zone server.¹³¹ Since then, due to the complaints of private corporations and foreign countries,¹³² the United States has allowed other American companies and, to a more limited extent, foreign companies, to register domain names.¹³³ While this may sound insignificant, it is important to note that the United States was the clearinghouse for all domain names, and it exerted eminent domain, to a limited extent, over the web by creating its own authority to parcel out the task of registering web addresses in a manner similar to that in which the regulation of spectrum began. Now, as Congress attempts to tight-

¹²⁹ See Comment, *Developments—The Domain Name System: A Case Study of the Significance of Norms to Internet Governance*, 11 HARV. L. REV. 1657, 1664 (1999) [hereinafter *Developments*].

¹³⁰ Congress referred to these pre-ACPA attempts to prosecute cybersquatters as "expensive and uncertain." H.R. REP. NO. 106-412, at 6 (1999).

¹³¹ The master root zone server refers to the domain name hierarchy system that uses the seven top-level domain names: .com, .net, .org, .edu, .gov, .int, and .mil. There are also over 240 country code top-level domains, such as .us, .uk, and .fr. NSI has been empowered with these functions since 1993. See Cooperative Agreement No. NCR-9218742; National Science Foundation Act, 42 U.S.C. § 1861 *et seq.* (1999).

¹³² *Name.Space Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 578 (2d Cir. 2000) ("In recent years, there has been an increasingly contentious debate, both within the U.S. and internationally, over the addition of new gTLDs to the Internet."); see also White Paper, 63 Fed. Reg. at 31,743.

¹³³ See Marcus J. Millett, *Same Game in a New Domain: Some Trademark Issues on the Internet*, 198 N.J. LAW. 32, 36-37 (1999).

en regulation of registration in the United States through in rem procedures, and as server-based jurisdiction takes root,¹³⁴ companies will likely flee to foreign registrars.¹³⁵

Furthermore, many foreign companies felt disadvantaged due to years of United States control of .com domain name registration. While there is some basic agreement among countries concerning trademark law,¹³⁶ if the new U.S. law is upholding the broadest possible property right, what happens when both Amazon.gr and Amazon.com booksellers clash?¹³⁷ While this scenario would clearly be within the bounds of the ACPA or pure dilution theory, it is unclear whether the law is enforceable in foreign courts, and under whose jurisdiction the matter would be litigated. For example, Greece may be unwilling to grant such broad property rights if the name was registered locally. This is an issue of substantial import, although Internet lawyers and advocates seem reluctant to address it. Under the now *ancien regime* of NSI, all .com names had to be registered in the United States and at least some form of minimal contact with the country was necessary to sue infringers in American courts. Now, with France, Belgium, and England all registering domains, it is unclear which law, if any, applies.¹³⁸ Therefore, while it has generally been hailed as bene-

¹³⁴ See *infra* notes 136-139 and accompanying text.

¹³⁵ Millet, *supra* note 133, at 37.

¹³⁶ Courts in the U.K. and France have also held that cybersquatting violates valid trademarks. See *Marks & Spencer PLC v. One in a Million*, Ch. 1997, M 5403 (High Court of Justice, Chancery Division, 20 Nov. 1997); *Soc'y Coop. Agricole Champagne Cereales v. G.J.* (Tribunal de Grande Instance, April 14, 1998), available in STUCKNEY, *INTERNET AND ON-LINE LAW* 7-54 (1998); see also *Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods of the General Agreement on Tariffs and Trade*, 33 INT'L LEGAL MATERIALS J. 1, 83-111 (1994) art. 15-21.

¹³⁷ Conflicts such as this one are only likely to increase in the coming years as two unrelated, non-infringing businesses in separate countries compete for "thebusiness.com" website.

¹³⁸ There are a multitude of international agreements that now include, or are used to protect, the use of trademarks as domains. See Beth Fulkerson, *Theft by Territorialism: A Case for Revising TRIPS to Protect Trademarks from National Market Foreclosure*, 17 MICH. J. INT'L L. 801, 803 (1996); Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1629, art. 4(A)(1), 6 bis., 10 bis. (revised July 14, 1967); General Agreement on Tariffs And Trade—Multilateral Trade Negotiations (Uruguay Round): Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods ("TRIPS"), Dec. 15, 1993, art. 16; North American Free Trade Agreement, Free Trade L. Rep. (CCH) Special Rep. No. 39, extra ed. Art. 1708; European Commu-

ficial to break NSI's stranglehold on the registration process, it is unclear whether Congress and the executive branch have acted too quickly to that extent.

What seems likely to happen (at least for a few months until the next set of web innovations are born) is a two-tiered system where countries that currently have the most to lose due to the heightened protection of trademarks sign an agreement and those still far from reaping the benefits of the electronic goldmine are simply shut out as entrants to the registration system. This further entrenches the suspicions that most of the world currently holds towards the development of the web—that it is an American invention meant to shut the rest of the world out of the economic benefits to be reaped. Dismantling NSI's monopoly has not and will not produce the desired efficiency or effectiveness to domain name registration. Instead, the end result will likely be legal chaos as the pressures to invoke in rem jurisdiction and the problems with foreign registrants surface. Dominating this legal quandary are questions of who, what, and notably where to sue. These issues set the stage for the Internet regulation of the future.

B. Regulation of the Future?: The ICANN Solution

The lack of consistent legislation and a cogent vision for Internet regulation leads to the most troubling aspect of this picture—the not-for-profit, non-governmental organization that was created to lead us out of the proverbial DNS darkness, the Internet Corporation for Assigned Names and Numbers (“ICANN”). ICANN was formulated in 1998 to administer the network addressing system.¹³⁹ Almost immediately, ICANN

nity First Council Directive 89/104/EEC, 1989 O.J. (L 40) 1. Nonetheless, cases handled by different countries have had widely divergent results. *See, e.g.*, *Prince PLC v. Prince Sports Group*, ch. 2355 (1997) (upholding the U.K. common law right for Prince Information Technology to use the prince.com domain even though Prince Sports Group held the trademark in both the U.S. and the UK); Nicholas R. Simmons, *Master of Your Domain*, LOS ANGELES LAWYER 46 (Oct. 1999) (using a first-to-register rationale, a Brazilian court held that aol.com.br did not belong to America OnLine, but rather it belonged to an unrelated Brazilian company called America Online Telecommunications) (citing <http://www.wired.com/news/politics/story/19918.html>).

¹³⁹ Jeri Clausing, *A Campaign to Get Out the Vote for the Internet Oversight Board*, N.Y. TIMES, June 29, 2000, at C12.

suffered from an array of difficulties, not the least of which were legitimacy and continuity. Heading this new corporation and overseeing the domain name system was Dr. Jon Postel, a student and one of the original members of the group that created Arpanet. He had since run, almost single-handedly, the Internet Assigned Numbers Authority ("IANA"), which administered the Internet. Dr. Postel became one of the most respected men in his field, and he was involved in several organizations that attempted to formulate a more practical and lasting structure for the Internet.¹⁴⁰ As a result, ICANN's legitimacy as an organization relied on the Internet community's most respected member taking the helm. Anticipating future events, one of Dr. Postel's colleagues stated that such heavy reliance on any one individual rendered the system inherently unstable, as all that held the system together was Postel's force of personality.¹⁴¹ Postel died from complications related to heart surgery soon after he proposed ICANN, an organization that he referred to as "unique in the world—a non-governmental organization with significant responsibilities for administering what is becoming an important global resource," and ICANN was submitted to and accepted by Congress.¹⁴²

Postel's death threw the organization into turmoil, as the loss of his guidance led the board of directors to take a number of ill-considered actions that were condemned by the international community.¹⁴³ ICANN has overcome its initial shock from the loss of its leader. However, it has still not managed to gain respect. Esther Dyson, the interim chairwoman of the corporation, has proved to be less of a politician than her predecessor. In fact, she incensed the Internet community with her approach to everything from board elections to the "jet-set" fashion that many perceive the meetings of the board to reflect, with a different continent and country serving as host to its meetings every three months.¹⁴⁴

¹⁴⁰ See *Developments*, *supra* note 129, at 1660-61.

¹⁴¹ See Interview by Jonathan Zittrain with David Clark, Senior Research Scientist, Advanced Networking Department, Laboratory of Computer Science, Massachusetts Institute of Technology, Cambridge, Mass. (Oct. 1, 1997), available at <http://cyber.law.harvard.edu/fallsem97/trans/clark>.

¹⁴² See Keith Perine, *Throwing Rocks at ICANN*, THE INDUSTRY STANDARD, Apr. 3, 2000, at 114.

¹⁴³ *Id.*

¹⁴⁴ See Jeri Clausing, *A Leader in Cyberspace, It Seems, Is No Politician*, N.Y.

However, while many argued with the semantics of ICANN's other policies, there was almost universal agreement that its Uniform Domain Name Dispute Resolution Policy ("UDRP") was a vast improvement upon its NSI predecessor. Three key differences between the two policies existed. First, under the UDRP, trademark owners were no longer allowed to hold domain names pending a dispute resolution. Second, unless the domain name was being held in bad faith, the trademark holder could not invoke the UDRP proceedings.¹⁴⁵ Finally, the mandatory dispute resolution system for bad faith domain name holders allowed for resolution of the dispute in less than forty-five days, occurred online, and cost approximately \$1,000 in fees to be paid for by the trademark owner bringing the dispute.¹⁴⁶

UDRP was inaugurated on January 14, 2000, when the World Intellectual Property Organization (the "WIPO") Arbitration and Mediation Center implemented UDRP's first success. The World Wrestling Federation attempted to recover the name *worldwrestlingfederation.com* from a squatter.¹⁴⁷ Both sides appeared to be pleased with the results because the process took less than forty days and the legal costs totaled between \$2,000 and \$3,000. Ultimately, the cybersquatter was forced to relinquish the domain name, but he appeared to be pleased that the dispute "did not cost [him] a dime."¹⁴⁸

However, several problems remain despite UDRP's initial success. First, the use of UDRP does not prevent the claimants from pursuing litigation.¹⁴⁹ Second, many still conceive of ICANN as an American or Western construction to dominate the Internet.¹⁵⁰ Third, there still remains an overall lack of

TIMES, Apr. 10, 2000, at C1.

¹⁴⁵ This eliminates some reverse-hijacking problems.

¹⁴⁶ See Luke A. Walker, *ICANN's Uniform Domain Name Dispute Resolution Policy*, 15 BERKELEY TECH. L.J. 289, 299-300 (2000).

¹⁴⁷ See *World Wrestling Fed'n Entm't, Inc. v. Michael Bosman*, WIPO case No. D 99-0001 § 4 (1999) (Donahey, Arb.).

¹⁴⁸ See *World Wrestling Fed'n Entm't, Inc.*, WIPO Case No. D99-0001 § 4; see also Jeri Clausung, *International Panel Resolves First Domain Dispute*, N.Y. TIMES, Jan. 14, 2000, at B10 (comparing UDRP with traditional litigation battles over domain names and estimating that the costs for a simple federal civil court dispute were between \$10,000 and \$15,000).

¹⁴⁹ See generally *BroadBridge Media, L.L.C. v. Hypercd.com*, 106 F. Supp. 2d 505 (S.D.N.Y. 2000).

¹⁵⁰ See Perine, *supra* note 142, at 115.

confidence in the corporation's ability to effectively administer the domain name system.¹⁵¹ Indeed, some have questioned the legitimacy of creating an organization to deal with regulatory problems and have wondered to whom ICANN answers.¹⁵² Finally, with the ACPA's passage, it seems that Congress, without giving ICANN's domain name system a chance to prove itself, has short-circuited its success by enacting legislation that can be used in a more punitive fashion against cybersquatters than UDRP and may cause many to prefer the U.S. court system due to the chance to recoup big money damages and profits.¹⁵³

Lastly, while the Act may solve questions of personal jurisdiction and venue for the United States, the same issue is likely to be played out over and over again in the international arena with less successful results. The ACPA appears to entrench the idea of server-based jurisdiction, which has been avoided until this point. As a result, the international effect is likely to be felt more acutely. For example, in contrast to prior American control over the domain name system registry, a Lithuanian cybersquatter can now register business.com in France, even though there is already a competing American company. Global exclusivity on the web would force that player out completely. For example, if you type in Budweiser on your computer, the results will be both the familiar Anheuser-Busch brand, budweiser.com, and the Czech Budweiser Company, budweiser.cz, which has been brewing beer for hundreds of years. In this case, neither company is a cybersquatter; however, it is entirely possible for the American Budweiser compa-

¹⁵¹ One commentator noted, "ICANN isn't a world court of justice. It should not be involved in trademark law." *Id.* at 117 (referring to whether the "narrow technical mission" of ICANN is compatible with the need for new intellectual property law to deal with the issues that the Internet poses).

¹⁵² See *Developments*, *supra* note 129, at 1670 (referring to Prof. Lawrence Lessig's assertion that allowing a corporation to be charged with "the most significant new jurisdiction we've known since the Louisiana Purchase" raises constitutional questions that are unacceptable). See generally Henry H. Perritt, Jr., *International Administrative Law for the Internet: Mechanisms of Accountability*, 51 ADMIN. L. REV. 871 (1999) (stating that allowing international regulation of the Internet to evolve through privatization may be the only way to avoid constitutional issues likely to be invoked).

¹⁵³ Others have also advanced this theory. See Mark Grossman & Allison K. Hift, *Is the Cybersquatting Cure Worse than the Disease*, LEGAL TIMES, Jan. 24, 2000, at 24.

ny to be dragged into the courts of the Czech Republic or France to defend its use of the name. After all, this is not just national exclusivity anymore, as trademark was intended, but global domination.¹⁵⁴

These are just some of the more complicated questions that the ACPA fails to answer. If courts do interpret the Act as answering the jurisdictional question of where these issues should be litigated, one concedes the necessity of rewriting this country's jurisdictional laws from due process on down. In the end, ICANN is an organization of promise, but not much substance, in solving these problems.¹⁵⁵

CONCLUSION

A wise man once said, "In this great future, you can't forget your past."¹⁵⁶ The Internet has proffered the perfect back-drop to analyze the vacuum in which regulation and legislation are created. It has also made it glaringly obvious that, at least in the short term, we have quickly failed in heeding the message of the proverb. The birth of the Internet has thrown intellectual property law into a tizzy, leaving many scholars to wonder whether it still exists. The reactions of the old regime gatekeepers resemble those of any caught in a revolution, attempting to quickly contain it before it spreads. The problem of domain names alone has sparked the passage of both the FTDA and the ACPA within a four-year period. To appease the pantheons of industry, while not arousing the ire of the technology vanguard, there have been subtle shifts in the law that have taken extraordinary leaps in new directions while using the same language of the old laws.

Trademark concepts, like dilution (on which the collective legal grasp throughout the country has always been tenuously held), or the even more commonplace concurrent use doctrine,

¹⁵⁴ For a discussion of the jurisdictional issues involved, see Millet, *supra* note 133, at 36-37.

¹⁵⁵ That promise is embodied in both the universal need to make their Internet registration system viable, and the 413 proceedings currently pending before its arbitrators concerning over 641 domain names. See Statistical Summary of Proceedings Under Uniform Domain Name Dispute Resolution Policy (June 30, 2000), available at <http://icann.org/udrp/proceedings-stat.htm>.

¹⁵⁶ Bob Marley, *No Woman, No Cry*, on NATTY DREAD (Island Records 1974).

have been reconsidered or displaced in the technological minefields. The endeavor to both stretch old legal concepts to meet the needs of the digital age and to create new regimes to govern the new frontier of cyberspace has led to contradictory legislative and executive decisions. The bid to release the American stranglehold on Internet regulation to stimulate the economic appeal of the medium and soothe international apprehension of U.S. domination has backfired. It is a textbook exercise in failed revolution: Too much, too soon. While ICANN stands as a revolutionary model for how to implement global regulatory efforts, this hollow entity has yet to match the reality of its idea. Indeed, even its first backer and creator, the U.S. Congress, is reluctant to test ICANN's powers.

In conclusion, the message of *Sporty's Farm* is subtle. On the surface, the legal solutions are obvious. New laws, like the ACPA, may have detrimental effects on old legal concepts, and perhaps the need to reflect, rather than react, is necessary. The case also stands for ignoring the regulatory regimes invented in favor of quick appeasement solutions. In the end, the case teaches one more about the legislative process than the future of technological regulation. Alternatively, maybe, it simply tells society that it is currently ill-equipped to handle both.

