

Effective brand protection on the internet

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Effective brand protection on the internet

Without a coherent enforcement policy for the internet, it is easy for bad actors to hijack domain names, tarnish brands and confuse consumers. Effective brand protection therefore requires creative strategies, preemptive strikes and systematic enforcement to prevent the erosion of brand equity.

Mark V. B. Partridge, of Pattishall McAuliffe in Chicago, explains

Domain names have spawned cottage industries of cybersquatting and other abuses, due largely to the almost countless variations possible in the domain naming system. Domain names consist of a top level domain (TLD) and a specific address at that TLD. The most widely used TLDs, including .com and .net, are known as generic top level domains (gTLDs). The domain name system hierarchy also includes 249 country code TLDs (ccTLDs), such as .us (for the United States) and co.uk (for the United Kingdom). Although most ccTLDs are utilised by local entities, many are open to registration by users in any location.

Domain name rules differ greatly from traditional trademark principles because domain names are assigned purely on a first-come-first-serve basis. Like a unique telephone number, as long as a domain name is not identical to another registered domain name, it can be registered by anyone but may only be used by one entity. Hence, the land rush mentality we see as new domains open for business.

Conflicts often arise between two parties that have equally legitimate rights to the same brand. For example, the domain name nissan.com was initially registered by a computer company owned by an individual named Uzi Nissan. Because Nissan Computers had a legitimate reason for choosing this domain name, Nissan Motor Company was unable to register its famous car brand in the popular .com domain. Similarly, who is entitled to the domain name ritz.com: RITZ Hotels, Nabisco RITZ crackers or RITZ cameras? Although each has a legitimate interest in the domain name, only one is able to hold the registration.

The real threat to brand equity, however, is

bad faith registration and use of domain names. As the internet began to proliferate in the 1990s, forward-thinking teenagers and computer whizzes realised the value of registering domain names long before most companies did. By the mid-1990s, cybersquatting became widespread, as internet users snatched up domain names incorporating famous brands for resale to the owners at a premium. Even as late as 2000, a study revealed that only 163 of Fortune 500 companies owned a majority of the domain name registrations incorporating their brands.

Initially, many of the cybersquatters were pranksters. In 1994, journalist Joshua Quittner registered the domain name mcdonalds.com to draw attention to the what he described as the "callous indifference" of large corporations to the internet. But cybersquatters soon became more sophisticated and mercenary. Some made money by registering and selling domain names back to the brand owners. "It is very simple," explained one cybersquatter on the his web site, "purchase ONLY dot.com domains. Purchase them via an off-shore trust. Thus legally avoiding any tax liability, and also preventing any damages being awarded to anyone who may feel they have a right to ownership. It would cost anyone at least US\$3,000 to legally obtain a domain name from another, and without any possibility of damages or costs, most entities would pay up to US\$5,000 without a blink of an eye (or lawyer)."

Other cybersquatters earned linking fees by registering misspellings of well-known brands to redirect internet users to gambling or pornographic sites. John Zuccarini, the most notorious of the so-called typo-squatters, at

one time reportedly operated more than 3,000 web sites earning up to US\$1 million a year using illegitimate domain names. The subject of many lawsuits, Zuccarini was eventually ordered to pay damages in excess of US\$600,000 and was sentenced in the early part of 2004 to several years in prison for using misleading domain names to direct children looking for Disneyland sites to pornography.

Cybersquatting disputes also arise in the competitive arena. A company with a legitimate interest in the Harrods name for department stores in South America registered 60 domain names, hoping to divert business away from the famous UK department store. The South American company's bad faith intent to profit constituted cybersquatting despite its legitimate rights in some parts of the world.

When first confronted with such issues, the courts struggled to fit the cybersquatting problems within the traditional framework of trademark law, with varying results. Indeed, many domain name disputes are straightforward trademark infringement cases familiar to bricks-and-mortar companies and attorneys. The owner of the PETERBILT and KENWORTH brands for truck parts was able to obtain an injunction against use of the domain names *peterbilttruckdealers.com* and *kenworthusedtrucks.com* for web sites providing truck locator services. Trademark infringement liability, however, requires commercial use of a trademark. Thus, a shopping mall owner using the brand THE SHOPS AT WILLOW BEND was not able to stop the use of the domain name *shopsatwillowbendsucks.com* to post complaints because the use involved free speech.

In the late 1990s, two new mechanisms were enacted to deal with cybersquatting: the Anticybersquatting Consumer Protection Act (ACPA) and the ICANN Uniform Domain Name Dispute Resolution Policy (UDRP). Both provide effective tools for protecting brand equity in domain names.

The ACPA

The ACPA affords US and foreign brand owners the opportunity to use the US federal courts to challenge domain name misuse and to recover substantial statutory damages.

Adopted as part of the trademark laws of the United States, the ACPA gives brand owners the right to sue anyone who, with bad faith intent to profit from a mark, registers, traffics in or uses a domain name that is identical or confusingly similar to a distinctive or famous mark.

The remedies for an ACPA violation include cancellation of the domain name or transfer of the domain name to the trademark owner, and an election of either traditional monetary damages or statutory damages ranging from US\$1,000 to US\$100,000 per domain name. Brand owners have used the ACPA with much success, often obtaining large statutory damages awards up to and including the US\$100,000 statutory maximum per domain name, plus recovery of their attorney's fees.

Acknowledging the speculative nature of cybersquatting and the difficulties inherent in discovering the identity or location of cybersquatters, the ACPA also includes an *in rem* provision that allows a brand owner to sue where the registration authority is located. This provision of the ACPA has wide breadth, allowing a foreign company to sue a foreign registrant in the United States if the domain name registry is located in the US, which happens to be the case for all .com and .net domain names. Thus, a European company seeking to recover a domain name from an Asian cybersquatter may be able to take action in the United States under the ACPA.

The UDRP

Although no monetary awards are available under the ICANN UDRP, the policy has become the tool of choice for many brand owners seeking relatively quick and inexpensive resolution of domain name disputes. In little more than four years, over 7,000 UDRP proceedings concerning some 13,000 domain names have been decided, with approximately 80% of these concluding in favour of the trademark owner.

The UDRP is a quasi-judicial proceeding specifically designed to remedy abusive registrations of domain names. The gTLD registrars bind registrants to the UDRP process as part of the domain name registration agreement. Under the UDRP, a person in any part of the world may challenge a domain name registration that is identical or confusingly similar to its trademark and may prevail if the registrant has no legitimate rights in the name and acted in bad faith. Thus, the UDRP is available to a European brand owner seeking a convenient means to challenge an Asian cybersquatter.

A UDRP action is initiated by filing a complaint with one of several dispute resolution service providers, including the World Intellectual Property Organisation (WIPO), a United Nations organisation located in Geneva, Switzerland. The registrant then has 20 days to respond. A panel of pre-approved arbitrators decides the parties' respective rights in the domain name based

on written submissions.

UDRP proceedings are popular with brand owners because of their cost-effectiveness, speed and worldwide scope: the filing fee charged by the service provider for a dispute involving one domain name is US\$1,150 to US\$4,000, depending on the provider and panel size selected. Additional legal fees are generally low because no discovery or live testimony is involved. The disputes are usually decided in 40 to 60 days and the proceeding can involve parties in any part of the world. There are no monetary damages applied in UDRP proceedings and no injunctive relief is available. The standard remedy in successful cases is merely transfer of the disputed domain name.

Bringing an action under the ACPA and initiating a UDRP proceeding are not mutually-exclusive procedures. A brand owner may use the ACPA and UDRP simultaneously or initiate an ACPA action regardless of the outcome of the UDRP proceeding. Similarly, a registrant that has a domain name cancelled or transferred in a UDRP proceeding may appeal that decision to a court of competent jurisdiction or bring a separate cause of action under the reverse domain name hijacking provision of the ACPA.

Which procedure to pursue?

Given the variety of options, a brand owner must decide which procedure best fits its situation. With the availability of monetary damages and the opportunity to take discovery, the ACPA is a powerful sword for more complex or egregious disputes. For companies desiring quick resolution, the UDRP is often the first choice.

UDRP proceedings are ideal for situations where the registrant's bad faith is clear, such as when the registrant offers to sell the domain name at a premium or diverts traffic to a pornographic web site. In harder cases, where the registrant has plausible arguments regarding its legitimate claim to the domain name or its lack of bad faith, it can be difficult to predict the UDRP outcome and the ACPA may be a better option. The UDRP also may not be the ideal method to resolve a dispute concerning a large number of domain names because the filing fee depends on the number of domain names involved. The ACPA gives American and foreign companies a vehicle to bring one lawsuit against hundreds of domain names and to have the opportunity to obtain substantial statutory damages for each infringing domain name.

Enforcement strategy

Proactive brand owners can benefit from the

following measures, keeping in mind that a coherent overall strategy is better than an *ad hoc* approach:

- Obtain trademark registrations. Establishing trademark rights is the first step to protecting against cybersquatting. Trademark rights are a prerequisite for protecting brand names and in many countries trademark rights arise from registration alone. Thus, the company should consider seeking broad international trademark registration as a tool for avoiding and resolving domain name disputes.
- Register key brands as domain names. Depending on the importance and protectability of the company's brands, the company may also avoid conflict through preemptive registration of domain names. However, the full implementation of a preemptive registration programme can be time consuming, expensive and sometimes impossible, given the many gTLDs and ccTLDs and the many potential variations and misspellings.
- Monitor cybersquatters and third-party users. A brand owner can better understand the trends of infringement and develop a coherent enforcement policy by monitoring the use by others of its brands. Cost effective and efficient online methods for policing brands are now readily available.
- Utilise the UDRP. Through careful selection of cases and consistent use, companies can strengthen the distinctiveness of their brands at minimal cost and establish a reputation that discourages infringers and cybersquatters. The cases most appropriate for UDRP action are usually those where bad faith is easily established and monetary relief is not an important consideration.
- Utilise the ACPA. In appropriate cases, the ACPA may afford trademark owners an efficient means for resolving disputes concerning a great number of domain names in one proceeding with significant statutory damage awards.

Keywords and metatags

Brand name disputes on the internet go beyond the domain name issues.

Web site designers often utilise metatags (hidden code intended to describe the contents of the web site) to drive traffic to the sites. Liability can arise when a competitor uses another's brand in its metatags. For example, the owner of COPITEK for cost-recovery equipment successfully prevented a company that serviced this equipment from using Copitek as a metatag.

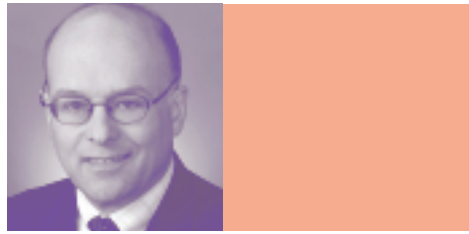
Similarly, search engine operators also sell keywords to trigger the appearance of a

banner advertisement when that term is entered into a search engine or to prioritise a company's web site in search results. Projected to reach US\$7 billion by 2007, the search engine market encourages companies to maximise qualified traffic and generate more predictable returns on investment by purchasing keywords. Despite compelling benefits, keyword advertising may trigger trademark liability for the purchasers and sellers of these terms. For example, one company successfully prevented a software company and a competitor from causing pop-up ads for the competitor to appear when users entered 1-800 Contacts into a search engine. Likewise, Playboy was successful against Netscape over the sale of playboy and playmate to trigger banner ads for other adult-oriented web sites.

Not all such uses of one's brand can be prevented. Former Playboy Playmate Terri Welles was able to refer to herself as such on her web site, despite the fact that these terms are Playboy's brands. A newspaper was able to use the pop group New Kids on the Block's name to conduct a readers' poll about the group's members. In addition, some courts have concluded that the use of brands as keywords does not constitute use in commerce so as to trigger liability.

To clear these hurdles and enhance brand equity on the internet, companies should think beyond domain names and consider:

- Adopting distinctive brands. This makes it less likely that search engines will be able to sell a company's brands as keywords to competitors or that competitors will be able to use those brands as descriptive terms on their web sites or as metatags.
- Engaging in search engine optimisation. Depending on the importance of web site traffic to a company's business model, paying experts to optimise the quality and quantity of a web site's traffic may be a desirable alternative to purchasing keywords.
- Requesting compliance by search engines. Search engines have policies in place to avoid misleading search engine results. Depending on the outcome of pending litigation, search engines may become more amenable to working with brand owners to avoid tying keyword advertising to their brands.



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Mark has served as a director of the American Intellectual Property Law Association (AIPLA) and as the President of the Lawyers Club of Chicago. He has been an adjunct professor at the John Marshall Law School since 1987, teaching advanced courses in trademark law, litigation and transactions.

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A graduate of Harvard Law School, he is recognised in the 2003/4 edition of *The International Who's Who of Business Lawyers* as a leading trademark practitioner.