

THE COST OF A DOMAIN NAME

by Joseph S. Beckman

It seems everyone has one. No, not that; a domain name. Those little bits of virtual real estate that businesses and individuals have staked out for themselves on the Internet are relatively inexpensive to register, varying in price between \$6.95 and \$49.95. With the explosion in upper level domains (the dot .com's, dot .net's and dot.org's), millions are registered each year, with registrations crossing state and national boundaries. Of course, as with any land rush, there are the inevitable squatters and domain disputes. The Anticybersquatting Consumer Protection Act of 1999 (ACPA), codified at 15 U.S.C. §1125(d), laid down the law, however gently, and the federal courts have been dealing with domain name issues ever since.

The ACPA provides that "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--(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark; (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or (III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36. The balance of the statute primarily recounts a non-exclusive list of nine factors evidencing a domain name registrant's "bad faith intent" to profit from another's trademark. Liability for the bad faith registration of a mark is set out at 15 U.S.C. §1117 and includes an infringer's profits,

compensatory damages, an injunction and costs of the civil action. In “exceptional” cases, generally referring to reckless or wilful acts of infringement, the court may award attorney’s fees at its discretion. Finally, in an instance of cybersquatting, the aggrieved party may elect statutory damages not to exceed \$100,000.00, as the court considers just.

Trademark law has been inextricably wound together with domain names since their beginning. Trademarks (marks) are words, phrases, designs, or any combination thereof, that serve to identify the source of the goods or services identified with the mark. Trademark law is primarily concerned with protecting the public by ensuring that a trademark use does not mislead or confuse the public regarding the source of a product or service identified with the trademark. The public expects Coke.com to bring them to the home page of The Coca-Cola Company. The Cybersquatting Act is replete with trademark law, referencing “distinctive” marks and “identical or confusingly similar” marks within the body of the statute and devoting five of the nine factors to issues of trademark concern. The statute also addresses domain name registrations occurring in good faith and provides a “safe harbor” for those registrants that believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful. 15 U.S.C. §1125(d)(1)(B)(ii). So, where’s the dividing line?

In July, 2002, the U.S. District Court for the Eastern District of Virginia, Alexandria Division, found bad faith in the case of *Eurotech, Inc. v. Cosmos European Travels Aktiengesellschaft*, 213 F. Supp.2d 612 (E.D. Va. 2002). (Note: The Eastern District of Virginia is the home district of Verisign, registrar of dot.com domains and

successor to Network Solutions, Inc. Consequently, where jurisdiction over the defendant may be an issue, all fingers point to Virginia District Court, where jurisdiction lies over the domain name itself.) While the *Eurotech* court dutifully entertained the nine factors espoused by the ACPA, it also took the “equally important” step of “examining the larger picture to determine whether it is consistent with a finding of bad faith.” *Id.* Eurotech was apparently a new business, registering a domain name incorporating the federally registered trademark “Cosmos”. Unfortunately for *Eurotech*, the mark was not only distinctive, it was incontestible pursuant to 15 U.S.C. §1065, rendering an attack on the mark’s validity next to impossible. In looking at the “big picture”, the District Court faulted Eurotech for failing to undertake a reasonable investigation prior to registering the domain name. The court stopped short of finding a trademark search a prerequisite to sanctuary under the “safe harbor” provisions of the ACPA, but noted that Eurotech “made no effort to ascertain whether the ‘Cosmos’ name was a registered trademark, as it then had been for eleven years.” Eurotech was similarly faulted for lack of reasonable investigation into the potential prior use of the mark in the target market. The likelihood that such an investigation would have revealed prior use loomed large in the court’s mind and, no doubt, contributed to its finding of bad faith.

The *Eurotech* decision draws a little clearer line in the virtual sand. “Reasonable grounds” under the ACPA “safe harbor” provisions invites due diligence. Luckily for Eurotech, Cosmos European Travels did not claim damages, instead seeking only a transfer of the domain name and injunction against further infringement, all of which was granted by the court. Even so, there are over 100 pleadings, motions and other papers in the Eurotech court file. The real cost of the “Cosmos.com” domain name to

Eurotech was easily in the tens of thousands of dollars (Note: Cosmos filed a Bill of Costs for \$26,074.18). “Bad faith” is the glue that binds the ACPA together. A due diligence search, such as a trademark search, can keep that glue from setting.

Joseph S. Beckman is a registered Patent Attorney. He practices primarily in the field of intellectual property law, representing clients before the U.S.P.T.O. federal and state courts. He may be reached for questions or comments at 561-776-9703 or jbeckman@IntellectLawGroup.com.

Copyright © 2002 Joseph S. Beckman.