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Necessary Protections for Famous Trademark Holders on the Internet

by

GREGORY D. PHILLIPS

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Introduction

Leading Internet companies such as Cisco Systems and Microsoft project, that in four years, Internet sales will exceed $3.2 trillion annually.\(^1\) As a result of the e-commerce explosion, the Internet is no longer the exclusive domain of ivory tower academics or computer techies. The Internet is being catapulted to the forefront of commerce and will soon become one of the largest players in the commercial world. This rapid expansion of technology is unparalleled in the history of modern media. "According to the U.S. Department of Commerce, radio existed for 38 years before it attracted 50 million listeners, and it took television 13 years to garner 50 million viewers."\(^2\) As one author recently noted:

Conversely, in just four short years, web use has grown from three million to upwards of 100 million viewers—and Internet traffic is said to be doubling every 100 days. Additionally, current figures show that there are 320 million pages of content on the web and according to the NEC Research Institute it is expected to grow more than 1,000% in the next three years.\(^3\)

As the Internet becomes a major player in the commercial world, it must be subject to the rules of that world. Unfortunately, the Internet is not fully subject to the rules of the commercial world. Currently, sufficient protections do not exist on the Internet for trademarks, products, images, copyrighted material, software, and recordings of legitimate businesses. As the Wall Street Journal recently noted:

With the rapid explosion of web sites hacking everything from pornography to bibles, competition for the attention of the worlds estimated 147 million web users is fierce. Site creators spare no strategy to get noticed—and trading on famous names, which are queried relentlessly by web surfers, is a key one.\(^4\)

Indeed, the World Intellectual Property Organization ("WIPO") recognized in its recently issued December 23, 1998 Interim Report that "[f]amous and well-known marks have

\(^1\) This claim appeared in an advertisement for Cisco Systems, which appeared in the Wall Street Journal, March 9, 1999, at B9.
\(^3\) Id.
been the special target of a variety of predatory and parasitical practices on the Internet” such as cybersquatting and cyberpiracy.5 These “predatory and parasitical practices” have been exacerbated by the practice of registering domain names through offshore or fictitious entities, or by providing false or fictitious information to the registrar of the domain names Network Solutions, Inc. ("NSI")6. Indeed, WIPO recently noted that such practices and “[t]he absence of reliable and accurate contact details leads to a situation in which the intellectual property right can be infringed with impunity on a highly visible public medium.”7

Currently, governance of the Internet is being transferred from the government sector to the Internet Corporation for Assigned Names and Numbers (ICANN), an international corporation formed to manage and coordinate the Internet domain name system.8 This paper outlines the problems of “cyberabuse” faced by famous trademark holders on the Internet and outlines important protections that need to be implemented by ICANN, the courts, and the United States Congress in taming the Internet and bringing the rules of the commercial world to this exciting new medium.

I

Problems Faced By Famous Trademark Holders

Trademark owners, especially owners of famous or well known marks, have experienced a huge increase in trademark infringement resulting from acts of cyberpiracy and cybersquatting in particular. Famous trademark holders battle hundreds of thousands cybersquatting cases a year, the vast majority of which cannot be resolved through NSI’s dispute resolution policy.9 Cybersquatters routinely register famous marks as domain names for various purposes, including: (1) to extract payment from the rightful owner of

6. Id.
7. See id. at para. 47.
8. See id. at para. 19.
the mark; (2) to offer the domain name for sale to third parties; (3) to use such names for pornographic sites or otherwise capitalize on customer confusion; (4) to engage in consumer fraud, including copyright infringement and counterfeiting activities; and (5) to speculate on trademarks generally. The press routinely publicizes cases of cybersquatting and refers to the practice, which is based on the principle of first-come, first-served, as entirely legal.¹⁰

Such cyberabuse damages the growth of electronic commerce, results in consumer confusion as to the true source of products and services, deprives legitimate trademark owners of substantial revenues, and injures trademark goodwill. The plight of Porsche is a perfect example of the cyberabuse that a famous trademark holder faces.

A. The Fame Of The Trademark “Porsche”

“PORSCHE” is one of the most famous and well recognized trademarks in the world. In addition to the numerous federal and worldwide trademark registrations for “PORSCHE,” the fame and recognition of this trademark is evidenced by the several hundred Internet domain names that have been registered throughout the world using “PORSCHE” or a variation of “PORSCHE.” A representative list of such Internet Domain Names is found in Porsche’s recently filed complaint in the Eastern District of Virginia where Porsche filed an in rem action against 128 Internet domain names that use the trademark Porsche® in the domain name.¹¹ The list of Internet domain names named as defendants in the lawsuit demonstrates that the variations on domain names using the “PORSCHE” trademark are virtually endless, and are limited only by one’s imagination.

B. Categories Of Domain Names Using Porsche Trademarks

Porsche has authorized a limited number of legitimate web sites to have domain names which use the trademark “PORSCHE” (i.e., “PORSCHE.COM,”¹² the official web site of

¹⁰. See generally JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE 5.1114 (1997).
¹². As explained below, “PORSCHE.COM” was originally pirated by a cyber
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Porsche, and "PORSCHE-USA.COM," the official web site of Porsche Cars North America, Inc.), however in the vast majority of cases, infringers, cybersquatters and cyberpirates are unlawfully using the Porsche trademarks in unauthorized domain names. The domain names unlawfully using variations of the Porsche trademarks fall into several different categories: (1) unauthorized domain names used for purposes of pandering explicit and hardcore pornography; (2) unauthorized domain names used to advertise and sell both Porsche related products and non-Porsche related products; and (3) unauthorized domain names registered and held by cyberpirates and cybersquatters.

1. Pornographic Web sites

Some purveyors or panderers of hardcore pornography use world famous and easy to remember domain names to provide access to their pornographic web sites. For example, the Internet address "PORSCHE.COM" used to contain hardcore pornography and thousands of links to similar sites. However, the Internet site "PORSCHECAR.COM" continues to provide explicit pornography with links to pornographic videos, live sex, and other materials. The pornographic web site found at "PORSCHE.COM" at one point advertised that it averaged over 14,450,000 visitors or "hits" per day.

Network Solutions, Inc.'s Whois directory lists the following as having registered the "PORSCHE.COM" and "PORSCHECAR.COM" domain names:

PORSCHE.COM
Domain 4 Sale & Company
15445 Ventura Blvd, #318

pirate who offered Porsche the rights to the domain name upon the payment of a substantial amount of money. Porsche successfully obtained both a preliminary and permanent order from the United States District Court for the Eastern District of Virginia transferring the domain name to Porsche. See Porsche Cars N. Am. et al. v. Chen et al., Civ. No. 96-1006-A (E.D. Va. Sept. 30, 1996).

13. At the time of publication <http://www.porsch.com> does not have a DNS entry and is inaccessible via the Internet.


2. Unauthorized Domain Names where Porsche and non-Porsche Products are Advertised and Sold

Other entities or individuals register and use domain names, containing Porsche’s world famous trademarks, to attract customers to their web sites which advertise and sell Porsche and non-Porsche related products. These entities and individuals are not affiliated with, sponsored by, or approved of in any way, by Porsche. When an Internet user enters the word “Porsche” on an Internet search engine, they are directed to such sites. Examples of Web sites selling products relating to Porsche include “ALLPORSCHE.COM” and “CALPORSCHE.COM” which are Web sites that are not affiliated with, sponsored by, or approved of by Porsche.¹⁶ These sites sell parts and accessories for Porsche automobiles and used Porsche automobiles. An example of a web site that sells non-Porsche related games and toys is “PORSCHE-CARRERA.COM.”¹⁷

3. Cyberpirates and Cybersquatters

Many individuals or entities register famous trademarks or variations of famous trademarks, such as “PORSCHE,” without the consent of the trademark holders for the purpose of selling them to potential users or to extort money from the trademark holder. For example, the domain name “PORSCHEPARTS.COM” is currently being offered for sale by the Namebase Group, 1355 Stratford Court, Suite 21, Del Mar, California 92014. We received an advertisement for the sale of this domain name which reads:

¹⁶ At the time of publication, <http://www.allporsch.com> and <http://www.calporsche.com> do not have a DNS entry and are inaccessible via the Internet.

¹⁷ At the time of publication <http://www.porsche-carrera.com> does not have a DNS entry and is inaccessible via the Internet.
FAMOUS TRADEMARK HOLDERS ON THE INTERNET

P.S. Don't forget, even if you have a web site address in which you have built equity, the domain: www.porschefparts.com could be a referring page to your site. This would direct world wide traffic to your site and could be extremely valuable to you. Also, even if you sell parts for other badges, this web address would increase your porsche [sic] business.

When one goes to the web site http://www.thebestdomains.com one is confronted with the following:

What's in a name? ASK COCA-COLA!! A domain name is your own Internet address. This address, should say it all. When advertising it should be catchy and easily recognizable like all your other advertising. There are 15,000 NEW addresses registered every day. When those addresses listed below are gone THEY'RE GONE it will be even harder. REMEMBER your Internet address IS a business asset and has value. All these addresses listed below WILL go up in value. You should be able to deduct these costs of purchase from your tax.

Several domain names using "PORSCHE" are being advertised on the bestdomains.com site including 911PORSCHE.COM, Porsche DO I NEED TO SAY ANYTHING, $60,911.20

The domain names discussed above are only a few examples of the hundreds of unauthorized domain names over which Porsche has been battling for several years.

II

Flaws Of The Present Registration And Dispute Resolution System

Based on Porsche's experience, we find that the present NSI registration and dispute resolution system has several flaws. First, famous trademark holders are not provided with any protection against domain names that use variations of their famous trademarks. Second, the registration process does not require applicants to provide correct and accurate information regarding their names, addresses, etc., or provide for service of process in domain name dispute litigation.

18. A copy of this solicitation letter is on file with the author.
20. Id.
Third, the present system does not require that disputes be resolved in one particular jurisdiction, where all disputes can be joined together and the court has both personal and subject matter jurisdiction. In order to addresses these flaws, several protections must be provided. First, the certification required by NSI must be strengthened. Second, a database needs to be created so that single, comprehensive searches can be conducted. Third, anonymity in the registration of domain names should not be allowed. Fourth, top-level domains should not be expanded until appropriate safeguards are in place. Finally, registrars should adopt procedures to permanently cancel domain names that have been found to dilute or infringe famous trademarks.

A. Protection For Variations On Famous Trademarks

Without question, domain names such as PORSCH.COM or PORSCHECAR.COM, which are hardcore pornographic sites, misappropriate and capitalize on the reputation and good will of the trademark "PORSCHE." Porsche asked NSI to cancel these registrations pursuant to NSI's Domain Name Dispute Policy.\(^2\)\(^2\) NSI replied that, because these domain names were not identical to the trademark "PORSCHE," NSI would not cancel these registrations — even though NSI acknowledged that these domain names were capitalizing on the good will of Porsche. Unquestionably, such domain names and the pornography associated with such sites dilute and tarnish the trademark "PORSCHE." "The purpose of dilution law is 'to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.'"\(^2\)\(^3\)

Holders of famous trademarks need protection against the registration of domain names that misappropriate and capitalize on a mark's reputation and good will, even when the domain name is a variation of that famous trademark. Procedures must be put in place to allow famous trademark

\(^{22}\) See id.
holders to apply for famous trademark holder. Under such a system, the registrar would be required to notify famous trademark holders of all applications for a domain name that included a variation of their trademark, and the famous trademark holder would be permitted to object to any such registration. Additionally, most famous trademark holders would likely be willing to indemnify the registrar against claims for the registrar’s refusal to register a domain which infringes or dilutes a famous trademark. Finally, a waiting period of sixty days should be adopted, after the applications for domain names are published in a register, in order that trademark holders can object to domain names which might infringe or dilute their trademarks.

B. Application Information Requirements

Porsche’s first experience with domain name litigation occurred in 1996, when Porsche discovered that PORSCHE.COM and several similar domain names had been registered by Heinz Porsche Langeneckert Consulting of New York, a subsidiary of The Zone One Group Ltd. This name was completely fictitious, and the mailing address and telephone number given for this entity were also fictitious. Porsche was contacted by Mr. Lee X. Chen who offered to transfer PORSCHE.COM to Porsche for a substantial payment plus an ongoing monthly payment of $2,400.

Porsche attempted to send several letters to Mr. Chen and/or Heinz Porsche Langeneckert Consulting of New York at the address on the NSI application. These letters were all returned. Porsche then filed suit against Mr. Chen, Heinz Porsche Langeneckert Consulting, and NSI in the United States District Court of the Eastern District of Virginia. Porsche was unable to serve Mr. Chen with legal process because the information that Mr. Chen had provided to NSI was incorrect.

Finally, Porsche and another company, whose trademark had been pirated by Mr. Chen, hired a private investigator to locate Mr. Chen and these fictitious entities. Service of process was finally effected upon Mr. Chen’s father after Porsche had spent several thousand dollars in unsuccessfully

locating Mr. Chen. The district court determined that notice of the lawsuit sent to Mr. Chen's address provided to NSI, Mr. Chen's e-mail address provided to NSI, the facsimile number provided to NSI, and the service of process on Mr. Chen's father was sufficient for the court to enter both a preliminary and permanent injunction.\textsuperscript{25} The domain name was then transferred to Porsche. If a policy had been in place that automatically cancelled a domain name registration upon receipt of information indicating that the registrant's identifying information was false, this lawsuit would have been unnecessary and Porsche would have saved several thousand dollars.

Porsche believes that several of the registrants for the Porsche domain names, listed as defendants in Porsche's \textit{in rem} lawsuit, have provided fraudulent or incorrect information to NSI. For example, Porsche has attempted to contact several of these entities by mail and the mail has been returned to sender. Other defendants have set up offshore corporations to register the domain names so that Porsche will be unable to effect service of process on these entities. Several domain names (e.g., PORSCHE944.COM, PORSCHE993.COM, PORSCHE996.COM)\textsuperscript{26} are registered by a United States entity that has set up an offshore shell corporation in Honduras to make service of process difficult, if not impossible.

To avoid problems of fictitious addresses and offshore shell corporations designed to make service of process difficult, applicants should be required to agree, in their domain name registration agreement, to appoint the registrar of domain names, the registry, the newly formed Internet Corporation, or other such entities as the registered agent for service of process. The agreement should specify that the appointed agent for service of process is simply required to forward any legal service of process to the applicant, at the address set forth in the application, by regular mail. The applicants should also be required to keep current all information submitted in connection with a domain name registration application.

\textsuperscript{25} See id.
\textsuperscript{26} 944, 993, and 996 are Porsche model numbers.
Finally, registrars should not register domain names until payment in full has been made for the registration of the domain name. Porsche recently discovered that PORSCHEAG.COM had been registered by an individual who had failed to pay for the registration. Despite the lack of payment, NSI permitted registration of this domain name. If the registrars require advance payment, it would discourage improper registrations of domain names. NSI currently allows domain name registrations without payment in advance.\textsuperscript{27}

C. Requirement To Consent To The Jurisdiction Of The Court In Several Jurisdictions

As discussed above, cybersquatters and cyberpirates from around the globe have registered domain names that include variations of the Porsche trademarks. Some of these pirates and squatters have established offshore corporations in remote countries which makes it difficult and/or impossible for Porsche to assert claims and jurisdiction over these entities. If Porsche initiates litigation in the United States against a Honduran shell corporation, that corporation will raise jurisdictional defenses. To provide an effective method for resolving domain name disputes, applicants for domain names should be required to submit to the jurisdiction of several courts. Applicants and registrants should be required to submit themselves to the jurisdiction of the courts (1) where the registrar is located, (2) where the registry is located, (3) where the A root server\textsuperscript{28} is located, (4) where the newly formed Internet Corporation is located, and (5) wherever jurisdiction otherwise can be obtained.

D. Certification of Domain Names

The certification presently used by NSI should be strengthened. In applying for a domain name, an applicant should be required to certify that the domain name being applied for does not knowingly infringe or dilute the trademark rights of any third person or entity. In addition,


\textsuperscript{28} The A-root server is the computer that converts the domain name or alphanumeric designation to the Internet Protocol numbers recognized by computers.
the applicant should be required to certify that the domain name is not being registered for any improper or unlawful purpose including cyberpiracy, cybersquatting, and the warehousing of domain names.

E. **Database Unification**

Databases should be created so that single comprehensive searches can be conducted. Because Porsche domain names have been registered throughout the world under various country codes, it is difficult for Porsche to conduct a single, comprehensive search to ascertain the registrant of a domain name using the Porsche trademarks or variations of the Porsche trademarks. Databases must be created so that domain name applicants, trademark holders, and other interested persons can easily and gratuitously search for and obtain information regarding registered domain names.

F. **Anonymity**

Several groups have suggested that Internet registration information should be kept private and anonymous. The Internet is not like the telephone system where one can have an unlisted number and receive telephone calls. Rather, the Internet is a place where one actively displays a message, like a radio or television station. Nobody could make a credible argument that radio or television stations should be allowed to operate anonymously. Anonymity on the Internet would only encourage cyberabuse of all kinds. How would the creator of a world-famous computer software program or game be able to locate pirates who are selling pirated versions of his software or game from an anonymous web site? If one wants anonymity on the Internet similar to an unlisted telephone number, one need only register an anonymous e-mail address at the numerous e-mail providers who allow such anonymity.

G. **New Top-Level Domains**

Many proposals exist to expand top-level domains to include names such as: FILM, STORE, etc.\textsuperscript{29} Top-level

\textsuperscript{29}. See e.g., J. Postel, *New Registries and the Delegation of International Top
domains should not be expanded until rules, regulations, and laws are in place that deal with the various forms of cyberabuse. The expansion of top-level domains without such protections will simply exacerbate the present problems faced on the Internet.

H. Domain Name Retirement

Under NSI's current practices, when a famous trademark holder succeeds in having a domain name canceled because it infringes or dilutes a famous trademark, the famous trademark holder must either register the domain name itself or face the possibility that the domain name may be registered again by a new cyberpirate or cybersquatter. This system is impracticable for companies that are battling thousands of instances of cyberabuse. When a court orders that a domain name be canceled, the registrar should permanently delete such domain name, unless the holder of the trademark agrees to allow the domain name to be used.

III

New Judicial Methods For Dealing With Cyberabuse.

As technology advances and new property rights are created, traditional methods of fighting cyberabuse, trademark infringement, and dilution become ineffective and inadequate. Indeed, in its recently issued Interim Report on the Internet, WIPO noted:

Existing mechanisms for resolving conflicts between trademark owners and domain name holders are often viewed as expensive, cumbersome and ineffective. The sheer number of instances precludes many trademark owners from filing multiple suits in one or more national courts.  

As various forms of cyberabuse raise their ugly heads on the Internet, courts must be quick to recognize new causes of actions and new procedures to remedy such problems. Indeed


the United States Supreme Court recognized the need for courts to address new forms of property rights over fifty years ago in *Mullane v. Central Hanover Bank & Trust Co* a case involving the relatively new creation of the common trust fund. In that case, the Supreme Court allowed an *in rem* proceeding to be used and permitted alternative forms of notice with various aspects of this new creation.

The Court's holding with respect to the trust fund is equally applicable to the Internet. The United States Supreme Court noted that the "legal recognition and rise in economic importance of incorporeal and intangible forms of property" such as domain names on the Internet, "have upset the ancient simplicity of property law and the clarity of distinctions," and that "new forms of proceedings" such as an *in rem* lawsuit with relaxed notice and service of process requirements.

A recent case of first impression involved the issue of whether Internet domain names could be garnished and sold. Judge M. Langhorne Keith of the Nineteenth Judicial Circuit of Virginia, in *Umbro Int'l, Inc., v. 3263851 Canada, Inc.*, ruled that domain names are subject to garnishment.

At the end of his opinion, Judge Keith noted:

> Until Umbro's effort, domain names apparently have not been subjected to garnishment, but that is no reason to conclude that this new form of intellectual property is therefore immune.

Judge Keith then quoted Hardy Cross Dillard:

> The problem of shaping the new to the old, of reconciling the dual demands of stability and change, is surely congenial to legally trained minds. Just as our profession combines the theoretical and practical so also it furnishes insights into the perennial push of new demands pressing upon older interests. "History," to use Paul Freund's arresting phrase, "is itself a tension between heritage and heresy which law in its groping way seeks to mediate."


32. See id at 312.

33. *Id.*


35. See id. at 6.

36. *Id.*

37. See id. at 8 (quoting HARDY CROSS DILLARD, HARDY CROSS DILLARD: WRITINGS AND SPEECHES 41 (Daniel J. Meador ed., 1995)).
Legislation Is Needed To Deal With Cyberabuse

Just as Congress passed the Anti-Counterfeiting Act of 1984\(^{38}\) and the Dilution Act\(^{39}\), Congress must enact an E-Commerce Consumer Protection Act that will outlaw the various forms of cyberabuse. The public, consumers, and trademark owners would benefit greatly from anticyberabuse legislation designed to outlaw the egregious and abusive forms of theft and attempted consumer confusion that currently run rampant on the Internet. This legislation would protect against the piracy of trademarks, logos, products, images, books/articles, photos, movies, recordings, software, and secrets that represent billions of dollars in investment by our society. In the context of the problems faced by famous trademark holders on the Internet, such legislation should include:

- Clarification that cybersquatting and cyberpiracy are illegal activities that should not be permitted, despite the "first-come, first-serve" principle of domain name registration; A clear statement prohibiting cybersquatting and cyberpiracy will place pressure on ICANN, Registrars, and Registries to adopt practices and policies consistent with the law;
- Clear judicial remedies for trademark holders, including the availability of statutory damages as a deterrent for future cybersquatters, cyberpirates, and speculators;
- A statutory damages provision which would help defray trademark owners' continual monitoring and enforcement costs by encouraging efficient and effective litigation;
- A model anticyberabuse legislation, which if adopted in one country, could serve as model legislation for the rest of the world and could assist in global trademark harmonization efforts in the digital millenium.

\(^{38}\) 15 U.S.C § 1116(d) 1984.
V

Conclusion

As the Internet becomes the dominant player in the commercial world, the Internet must be tamed and subjected to the rules of the commercial world. Because the Internet is global in perspective, ICANN and the various legal systems and governments of the industrialized world are faced with unique new challenges to bring order to the chaos that now exists. This article sets forth some guidelines that might be useful in taming and civilized the Internet.