Recent Trademark Cases Examine Reverse Domain Name Hijacking

by
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Introduction

Trademark owners seeking to challenge domain name owners can use either a regular court (typically a federal district court) or the administrative "court" run by Network Solutions, Inc. ("NSI"), the government contractor that administers all domain names ending in COM, NET, or ORG. The outcome of a domain name dispute can fall anywhere along a spectrum, at one end courts have granted strong remedies against domain name owners, (hereinafter "strong remedies" cases), and at the other end there are courts which have held that a domain name owner, who has registered with NSI a common or generic dictionary word that is used by many companies, has done nothing illegal (hereinafter "innocent domain name owner" cases).

The earliest district court decisions on the merits were all at the "strong remedies" end of the spectrum. The best known are the "Toeppen cases,"[1] which arose when the defendant, Dennis Toeppen, registered about two hundred domain names, many of them matching trademarks that were unique or coined or both. He made no secret of his interest in selling each of these names to the respective trademark owner. Another example is the case of *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*,[2] in which the defendant offered pornography on a web site having a name matching a well-known childrens' game, and was enjoined. In each of these cases, the district court gave sweeping remedies to the trademark-asserting plaintiff.[3] In the one appealed case the sweeping remedies were upheld on appeal.[4] These cases, together with the *Actmedia* case,[5] became a string-cite which

1. *See* Panavision Intern., L.P. v. Toeppen, 945 F. Supp. 1296 (C.D. Cal. 1996), *also available at* <http://zeus.bna.com/e-law/cases/pana1.html>. Intermatic Inc. v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996), *also available at* <http://zeus.bna.com/e-law/cases/intermat.html>.

2. 40 USPQ2d 1479, (W.D.Wash., 1996), *available in* 1996 WL 84853.

3. *See* Panavision LP v. Toeppen, 945 F. Supp. at 1306; *Intermatic*, 947 F. Supp. at 1229, 1241; *Hasbro*, 40 USPQ2d at 1480.

4. *See* Panavision Intern., L.P. v. Toeppen, 141 F.3d 1316, 46 USPQ2d 1511 (9th Cir., 1998).

5. *See* Actmedia, Inc. v. Active Media Int'l Inc., 1996 WL 466527 (N.D.Ill., 1996). The *Actmedia* case, though reported as if it were a court opinion, is merely a consent judgment that was "so ordered" by the judge. *See id.*

was plugged into virtually every domain-name-related cease-and-desist letter.

For every highly visible "strong remedies" case in which the trademark owner chose to go to federal court, there have been dozens of unpublicized cases in which the challenger went to NSI's "court" instead. Challengers choose the NSI "court" because NSI is likely to side with the challenger and against its customer, the domain name owner,[6] regardless of the actual merits of the challenge. When NSI makes its decision to side with the challenger, it sends a "30-day letter" to the domain name owner in which it announces that the domain name will be cut off in 30 days.[7]

Three recent cases have reached the merits in which domain name owners, faced with NSI decisions in favor of challengers, brought court actions to block NSI cutoffs. In each of these cases (*epix.com*, *cds.com*, and *dci.com*),[8] a court reversed NSI's decision and ruled that the domain name owner was innocent of any wrongdoing and was entitled to keep its domain name. These three cases are the subject of this article.

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6. For a challenger who has satisfied the several conditions of the NSI policy (e.g. the trademark matches the disputed domain name), the only circumstance in which NSI will not automatically side with the challenger is the extremely rare case in which the domain name owner already has a trademark registration. This almost never happens in real life because normally the would-be challenger checks, before bringing an NSI challenge, to see if the domain name owner has a trademark registration, and does not bother to bring the challenge in that event. Thus the real-life result is almost always that NSI sides with the challenger, regardless of the actual of the dispute. See *Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute Policy*, 7 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 73 (1996), draft available at <http://www.patents.com/nsi/iip.sht>.

7. The only way a domain name owner may avert this result is by: (1) suing to block the cutoff, (2) agreeing to let the domain name be cut off in 90 days, (3) giving up the domain name to the challenger, or (4) producing a trademark registration matching the domain name. *See* <http://www.networksolutions.com/legal/disputepolicy.html> (last modified Feb. 25, 1998).

8. *See* Interstellar Starship Services Ltd. v. Epix, Inc., 983 F. Supp. 1331 (D. Ore. 1997) (*epix.com*); CD Solutions, Inc. v. Tooker, 15 F. Supp. 2d 986 (D. Ore. 1998) (*cds.com*); Data Concepts, Inc. v. Digital Consulting, Inc., 150 F.3d 620 (6th Cir. 1998) (*dci.com*).

I
EPIX.COM

The first reversal of an NSI decision by a district court was *Interstellar Starship Services, Ltd. v. Epix, Inc.*[9] The domain name owner Interstellar Starship Services, Ltd. ("Interstellar"), located in Oregon, registered the *epix.com* Internet domain name in January of 1995, and used it to promote theater groups, including a group that performed the Rocky Horror Picture Show.[10] Epix, Inc. ("Epix"), the Massachusetts-based challenger, had a trademark registration[11] dating from 1984, for "epix" as related to circuit boards and image processing software.[12] The mark is not unique; for example, a Los Angeles company has the mark registered for men's and women's sportswear,[13] and a Minnesota company has the mark registered for medical apparatus.[14]

In 1996, some twelve years after obtaining its trademark registration, Epix tried to obtain the *epix.com* domain name, only to find out that Interstellar had registered it in 1995. Epix then presumably did a trademark search, discovered that Interstellar lacked a trademark registration – thus ensuring that NSI would take the side of the challenger – and asked NSI to cut off Interstellar's domain name. NSI sent Interstellar a 30-day letter.[15]

Interstellar filed suit in a federal district court to block NSI's plans.[16] The court noted that promoting a theater group is much different than selling electronic circuit boards and software, and ruled that the domain name owner was not

9. 983 F. Supp. 1331, 45 USPQ2d 1304 (D. Ore. 1997), *also available at* <http://zeus.bna.com/e-law/cases/epix.html>.

10. *See id.*

11. US trademark reg. No. 1,618,449.

12. The opinion in the *Epix* case is silent as to why Epix, which adopted the Epix trademark in 1984, waited twelve years to try to obtain the *epix.com* domain name. It would certainly have been possible for Epix to act sooner. For example, IBM obtained *ibm.com* in 1986, and Harvard University obtained *harvard.edu* in 1985.

13. US Reg. No. 1,953,466.

14. US Reg. No. 1,292,027.

15. *See Interstellar*, 983 F. Supp. at 1333.

16. *See id.*

infringing any rights of the challenger.[17] Interstellar got to keep the *epix.com* domain name and was awarded costs[18] but not attorney's fees.[19]

II
CDS.COM

The second case decided in favor of a domain name owner that reversed NSI involved the domain name *cds.com*. A company called CD Solutions that sells compact discs selected the domain name *cds.com* when it established an Internet presence in February of 1996. Some eight years earlier, a company called CDS Networks (its name CDS stands for "Commercial Documentation Services") had started using the mark "CDS."[20] In 1997 CDS networks tried to register the *cds.com* domain name but found it was already taken.[21] CDS Networks did not go to judicial court, but instead selected NSI's "court." As usual, NSI ruled in favor of the challenger and mailed a 30-day letter to CD Solutions.[22]

CDS Networks is just one of the twelve companies which holds a U.S. trademark registration for "CDS." CDS Networks' trademark registration is for "printing and desktop publishing for others." Other companies have registered the trademark "CDS" for such goods and services as circuit board design and layout services, capitation services, computer programming for others, circulating fluid bed dry scrubbing systems, computers, jewelry, laboratory equipment, diagnosing operating parameters of a centrifugal machine, cardiovascular catheters and stents, delivery and storage of chemicals, and underwriting and administering dental health care programs.

Common sense suggests that none of these twelve users of the mark "CDS" ought to be entitled to take away the *cds.com* domain name from the others. Common sense also

17. *See id.* at 1336-37.

18. *See* 1998 U.S. Dist. LEXIS 3163, 1998 WL 117929.

19. *See* 42 USPQ2d 1156, 1998 U.S.Dist.Lexis 3070, 1998 WL 117930.

20. *See* US trademark reg. No. 2,006,249.

21. The opinion is silent as to why CDS Networks waited some nine years before trying to obtain the *cds.com* domain name.

22. *See* CD Solutions, Inc. v. Tooker, 15 F. Supp.2d 986, 988 (D. Ore. 1998).

suggests that a generic use of the letters "CDs" to refer to compact discs should not constitute infringement of anyone's trademark rights. And indeed the court concluded that the domain name owner was not doing anything wrong and that "[a]ny encumbrance attached to this domain name *cds.com* as a result of [challenger's] actions must be removed immediately,"[23] presumably a reference to the challenger's request to NSI to cut off the domain name. The court ruled that a generic use of the letters "CDs" referring to compact discs could not possibly infringe the rights of the challenger whose trademark is for "printing and desktop publishing for others."[24]

In its ruling, the court stated that "[u]nlike a patent or copyright, a trademark does not confer on its owner any rights. There is no prohibition against the use of trademarks or service marks as domain names. Only uses that infringe or dilute an owner's trademark or service mark are prohibited."[25] The court found that "'CDS' or 'cds' are the initials of defendants' businesses, and as such are *descriptive* of these businesses. . . . While 'CDS' may have acquired a slight secondary meaning with their consumers . . . the mark itself now denotes a term in common usage, and *is not entitled to protection as a strong mark.*"[26] The court said the following about the trademark: "Defendants now seek to expand the scope of this mark's protection to preclude the use of 'CDS' in reference to compact disk products and services, and this renders the mark invalid as being generic."[27]

It is instructive to look at what happened from the challenger's point of view. Before bringing its NSI challenge, the challenger held a trademark registration that was enforceable. As a consequence of the district court's published decision, if CDS Networks were to assert its trademark against anybody, the accused infringer could point to the district court opinion calling the mark "a term in common usage," a mark that "is not entitled to protection as a strong mark," and a mark that is "invalid as being generic."

23. *See* CD Solutions v. Tooker, Civ. No. 97-793-HA, J. at 2 (D. Ore. 1998).
24. *See id.*
25. 47 USPQ2d at 1758.
26. Id. (emphasis added).
27. Id. at 1759.

In retrospect, it might have been better for CDS Networks' trademark rights if it had not challenged the *cds.com* domain name.

III
DCI.COM

The third and most recent consideration of an NSI decision came from the Court of Appeals for the Sixth Circuit in *Data Concepts Inc. v. Digital Consulting Inc.*[28] In 1993 a company called Data Concepts Inc. ("Data Concepts") decided to obtain a domain name, and selected *dci.com* using the company's three initials. Another company called Digital Consulting Inc. ("Digital Consulting") had registered its three initials "DCI" as a trademark in 1987.[29] In 1996, nine years later, Digital Consulting tried to obtain *dci.com* but found that it was three years too late. Digital Consulting brought a challenge in NSI's "court." As usual, NSI sided with the challenger and sent a 30-day letter to Data Concepts.

Data Concepts filed suit, asking a federal district court to order NSI not to cut off the domain name, and to rule that Data Concepts was not violating any legal rights of Digital Consulting.[30] NSI canceled its stated plan of cutting off the domain name and was let out of the case with a promise that it would comply with later court orders.[31]

The case was referred to a magistrate who concluded that the domain name owner was a wrongdoer under the Lanham Act and recommended that the *dci.com* domain name be given over to the challenger.[32] Apparently, the magistrate did not take into account the long period of time during which the *dci.com* domain name had been in use without any infringement having occurred,[33] and gave no significance to the domain name owner's showing that hundreds of companies had the initials "DCI", and that many companies

28. 150 F3d 620, 47 USPQ2d 1672 (6th Cir.1998).

29. US trademark reg. no. 1,471,005.

30. *See Data Concepts*, 150 F.3d at 622.

31. *See id.* at 623.

32. The magistrate's report and recommendation may be found at <http://zeus.bna.com/e-law/cases/datacon.html>.

33. It will be recalled that the *dci.com* domain name was registered and first used in 1993, yet the challenger did nothing about it in 1993 or 1994 or 1995.

had trademark registrations for "DCI." The domain name owner appealed to the district court, but the judge adopted the magistrate's report and recommendation. Pursuant to court order the *dci.com* domain name was transferred to the challenger.[34]

Data Concepts, now no longer the owner of the *dci.com* domain name, appealed to the Sixth Circuit Court of Appeals.[35] The appellate court reviewed the eight trademark likelihood-of-confusion factors,[36] pointing out that the magistrate (and thus the district judge) had made numerous errors.[37] Regarding the first factor, strength of the mark, the court below had failed to take into account the evidence of numerous other users of the "DCI" mark.[38] The Sixth Circuit did its own research to find, for example, that there are many Internet domain names which incorporate the initials "DCI."[39]

The court of appeals stated that the court below had also incorrectly and inadequately analyzed the relatedness of services, the similarity of the marks, and the likely degree of purchaser care.[40] The court below had also wrongly inferred that Data Concepts had selected *dci.com* with knowledge of Digital Consulting, said the court of appeals, because "the record indicates that Data really was unaware of Digital at the time it decided to use DCI as part of its Internet

34. *See Data Concepts*, 150 F.3d at 623.
35. *See id.* at 622.
36. The eight likelihood of confusion factors are:
(1) the strength of the plaintiff's mark;
(2) the relatedness of the goods or services;
(3) the similarity of the marks;
(4) evidence of actual confusion;
(5) the marketing channels used;
(6) the likely degree of purchaser care;
(7) the defendant's intent in selecting the mark; and
(8) the likelihood of the expansion of the product lines.
Id. at 624 (*citing* Frisch's Restaurants, Inc. v. Elby's Big Boy, 670 F.2d 642, 648 (6th Cir.1982)).
37. *See id.* at 625-27.
38. *See id.* at 625.
39. *See id.* at 625 n. 2.
40. *See id.* at 625-26.

address."[41] For all these reasons, the court of appeals reversed and remanded.[42]

In a concurrence, one judge pointed out that not all domain names function as trademarks, and stated the belief "that there is a serious question regarding whether Data Concepts' use of the *dci.com* domain name constituted use of a trademark in the first place."[43]

One consequence of Digital Consulting's challenge is that a court of appeals has gone to some length to show how many other companies use the letters "DCI." If Digital Consulting ever asserts its trademark in the future against a third party, the accused infringer will be able to point to the importance given by the Sixth Circuit to those other uses of the letters "DCI." Therefore, the effect of the suit has been to weaken the trademark.

IV
Conclusion

These three cases illustrate what has come to be called "reverse domain name hijacking,"[44] in which a trademark owner covets an existing domain name and seeks to gain possession of the domain name by launching a challenge in NSI's "court," where the challenger almost always wins without consideration of the merits. These three cases

41. *Id.* at 626-27.

42. *See id.* at 627.

43. 47 USPQ2d at 1677.

44. *See* J. Theodore Smith, *"1-800-Ripoffs.com": Internet Domain Names Are the Telephone Numbers of Cyberspace*, 1997 U. ILL. L. REV. 1169, 1176 (1997); Ira S. Nathenson, *Showdown at the Domain Name Corral*, 58 U. PITT. L. REV. 911, 915 (1997); Adrian Wolff, *Pursuing Domain Name Pirates Into Uncharted Waters*, 34 SAN DIEGO L. REV. 1463, 1485 (1997); Danielle Weinberg Swartz, *The Limitations of Trademark Law in Addressing Domain Name Disputes*, 45 UCLA L. REV. 1487, 1494 (1998).

demonstrate that the innocent domain name owner who is prepared and able to fund a lawsuit can overcome the initial disadvantage created by NSI's policy b by having a judicial court consider the challenge on its merits. The *cds.com* and *dci.com* cases also warn the trademark owner who engages in reverse domain name hijacking that the outcome may be a court opinion which actually weakens their trademark rights.