

**INTELLECTUAL PROPERTY TRANSACTIONS:
What You Need to Know About Patents,
Trademarks, Copyrights, and Trade Secrets**

by

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I. Overview Of Intellectual Property Laws

A. Comparisons, Part A

	What does it protect?	What's required	How do you get it?	How long does it last?
Provisional Patent Application 35 U.S.C. § 111(b)	Allows disclosure without losing foreign rights	A cover sheet and the inventor's disclosure	Mail it in	1 year
Utility Patent 35 U.S.C. §§ 1-376	Functional features of process, machine, manufactured item or composition of matter.	New and "non-obvious"	Issued by only Patent and Trademark Office	20 years from the date of filing your application.
Design Patent 35 U.S.C. §§ 171-173	Nonfunctional aspects of ornamental designs for articles of manufacture	New and "non-obvious". Must NOT be functional	Issued by only Patent and Trademark Office	14 years from the date the federal government grants the patent.
Trademark, Service Mark 15 U.S.C. §§ 1051-1127, TEX. BUS. & COM. CODE ANN. § 16	Words, names, symbols, or devices	Used to identify and distinguish goods or services	Adoption & use (sometimes secondary meaning required). Federal or state registration: application and compliance with statutes.	Common Law: As long as properly used as a mark. Federal Reg.: 10 years (if formalities complied with) Renewable for 10-year periods.
Domain Name	Exact spelling of your website	Spelling variation	Register it	As long as you pay the registrar

	What does it protect?	What's required	How do you get it?	How long does it last?
Trade Dress 15 U.S.C. § 1125(a)	Overall impression of nonfunctional product or service features	Used to identify and distinguish goods or services	Adoption & use and either inherent distinctive-ness or secondary meaning required.	As long as properly used.
Copyright 17 U.S.C. §§ 101-914	Writings (including computer programs), photos, music, labels, works of art, architectural drawings	Originality	Automatic upon creation, but to get statutory damages & attorney fees you must have registered your claim with the Register of Copyrights before infringement began.	Copyrighted 1964-1978: 75 years. Copyrighted 1978 or later: By named author: life of author plus 70 years; By employer or unnamed author: earlier of 120 years from creation or 95 years from publication.
Trade Secret No federal or Texas statute	Secrets	Confidentiality agreements and obvious security measures	Invent, or compile from private or even public sources	Until breach of agreement, state court lawsuit, or you tell someone

B. Comparisons, Part B

	Gov't fees	Atty hours	Test for infringement	Example
Provisional Patent Application 35 U.S.C. § 111(b)	\$200.	None	Not possible to infringe; no “protection” from infringement	
Utility Patent 35 U.S.C. §§ 1-376	Apply, search, exam: \$1,000 issue: \$1,400 3.5 yrs: \$900 7.5 yrs: \$2,300 11.5 yrs: \$3,800	25-60	Making, using, or offering to sell in the U.S. devices embodying the claimed invention?	Edison's light bulb U.S. Pat. No. 223,898
Design Patent 35 U.S.C. §§ 171-173	Apply, search, exam: \$430 issue: \$800	2-6	Designs look alike to eye of ordinary observer?	Tennis racket with Texas head
Trademark, Service Mark 15 U.S.C. §§ 1051-1127, TEX. BUS. & COM. CODE ANN. § 16	apply: \$375 per class affidavit of continued use: \$300 per class renew every 10 years: \$400 per class	1 1 1	Likelihood of confusion? or: Likely to dilute a famous mark's distinctive quality?	AAA [®] Galleria [□]
Domain Name	\$150 for 10 years	None	Infringes or violates rights of any third party?	www.HeadleyIPLaw.com

	Gov't fees	Atty hours	Test for infringement	Example
Trade Dress 15 U.S.C. § 1125(a)	None.	None.	Likelihood of confusion among relevant purchasers?	<i>Two Pesos, Inc. v. Taco Cabana Inc.</i> , 112 S. Ct. 2753 (1992).
Copyright Registration 17 U.S.C. §§ 101-914	\$45.00	1	Substantial portion copied? & Access to the original and substantially similar to the original?	Regarding fair use: <i>American Geophysical Union v. Texaco, Inc.</i> , 37 F.3d 881 (2d Cir. 1994).
Trade Secret No federal or Texas statute	None	None	Misappropriation? (usually circumstantial evidence)	The Coca-Cola [®] formula

II. INTELLECTUAL PROPERTY TRAPS TO AVOID

A. Personal Jurisdiction: Your Client's Texas-based Website Created Personal Jurisdiction in Alaska.

Recall that the Due Process Clause of the 14th Amendment prohibits the deprivation of property or liberty without due process of law. In *International Shoe* the issues were

“(1) whether, within the limitations of the due process clause of the Fourteenth Amendment, appellant, a Delaware corporation, has by its activities in the State of Washington rendered itself amenable to proceedings in the courts of that state to recover unpaid contributions to the state unemployment compensation fund exacted by state statutes, . . . , and (2) whether the state can exact those contributions consistently with the due process clause of the Fourteenth Amendment.”

The undisputed facts were:

Appellant is a Delaware corporation, having its principal place of business in St. Louis, Missouri, and is engaged in the manufacture and sale of shoes and other footwear. It maintains places of business in several states, other than Washington, at which its manufacturing is carried on and from which its merchandise is distributed interstate through several sales units or branches located outside the State of Washington.

Appellant has no office in Washington and makes no contracts either for sale or purchase of merchandise there. It maintains no stock of merchandise in that state and makes there no deliveries of goods in intrastate commerce. During the years from 1937 to 1940, now in question, appellant employed eleven to thirteen salesmen under direct supervision and control of sales managers located in St. Louis. These salesmen resided in Washington; their principal activities were confined to that state; and they were compensated by commissions based upon the amount of their sales. The commissions for each year totaled more than \$31,000. Appellant supplies its salesmen with a line of samples, each consisting of one shoe of a pair, which [326 U.S. 310, 314] they display to prospective purchasers. On occasion they rent permanent sample rooms, for exhibiting samples, in business buildings, or rent rooms in hotels or business buildings temporarily for that purpose. The cost of such rentals is reimbursed by appellant.

The authority of the salesmen is limited to exhibiting their samples and soliciting orders from prospective buyers, at prices and on terms fixed by appellant. The salesmen transmit the orders to appellant's office in St. Louis for acceptance or rejection, and when accepted the merchandise for filling the orders is shipped f.o.b. from points outside Washington to the purchasers within the state. All the merchandise shipped into Washington is invoiced at the place of shipment from which collections are made. No salesman has authority to enter into contracts or to make collections.

The Supreme Court held that due process requires “minimum contacts” between the defendant and the forum such that “the maintenance of the suit does not offend traditional notions of fair play and substantial justice”,¹ and thus held that the State of Washington could collect unemployment taxes from International Shoe.

In *World-Wide Volkswagen Corp* the Supreme Court held that for personal jurisdiction, due process requires that “the defendant's conduct and connection with the forum State are such that he should reasonably anticipate being haled into court there.”²

The issue in *World-Wide* was:

“The issue before us is whether, consistently with the Due Process Clause of the Fourteenth Amendment, an Oklahoma court may exercise in personam jurisdiction over a nonresident automobile retailer and its wholesale distributor in a products-liability action, when the defendants' only connection with Oklahoma is the fact that an automobile sold in New York to New York residents became involved in an accident in Oklahoma.”

The Supreme Court held that there could be no personal jurisdiction in such case.

The business described in a business plan for just about any .com company would probably give any court in the United States personal jurisdiction over the company. So, your client might want to consider that, when it estimates its legal fees in its business plan. Also, as part of any “click” agreement on the website, your client might want to include statements that 1) only Your State law applies, 2) only courts in Your County, Your State, have personal jurisdiction over the company, and 3) venue is proper only in Your County, Your State.

Let’s take a brief survey of the status of the law in the Fifth Circuit on personal jurisdiction and the Internet, beginning in 1999.

1999

Fifth Circuit

Mink v. AAAA Development LLC There are two possible types of personal jurisdiction over a defendant: general and specific jurisdiction. The Fifth Circuit, in this case arising out of the Southern District of Texas, held that there was no personal jurisdiction over the defendant who operated a web site, stating that personal jurisdiction depends on the “nature and quality of commercial activity that an entity conducts over the Internet.”³

“Specific jurisdiction exists when the nonresident defendant's contacts with the forum state arise from, or are directly related to, the cause of action. *See id.* (citing *Helicopteros*

¹ *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

² *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

³ *Mink v. AAAA Development LLC*, 190 F.3d 333, 52 U.S.P.Q.2d (BNA) 1218 (5th Cir. 1999) (adopting the reasoning of *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997)).

Nacionales de Columbia, S.A. v. Hall, 466 U.S. 408, 414 n.8 (1984)). General jurisdiction exists when a defendant's contacts with the forum state are unrelated to the cause of action but are 'continuous and systematic.' Because we conclude that Mink has not established any contacts directly related to the cause of action required for specific jurisdiction, we turn to the question of whether general jurisdiction has been established.

"At the one end of the spectrum, there are situations where a defendant clearly does business over the Internet by entering into contracts with residents of other states which "involve the knowing and repeated transmission of computer files over the Internet..." *Zippo*, 952 F. Supp. at 1124. In this situation, personal jurisdiction is proper. *See id.* (citing *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir. 1996)). At the other end of the spectrum, there are situations where a defendant merely establishes a passive website that does nothing more than advertise on the Internet. With passive websites, personal jurisdiction is not appropriate. *See id.* (citing *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295 (S.D.N.Y. 1996), *aff'd*, 126 F.3d 25 (2d Cir. 1997)). In the middle of the spectrum, there are situations where a defendant has a website that allows a user to exchange information with a host computer. In this middle ground, "the exercise of jurisdiction is determined by the level of interactivity and commercial nature of the exchange of information that occurs on the Website." *Id.* (citing *Maritz Inc. v. Cybergold Inc.*, 947 F. Supp. 1328 (E.D. Mo. 1996)). We find that the reasoning of *Zippo* is persuasive and adopt it in this Circuit.

"AAAA maintains a website that posts information about its products and services. While the website provides users with a printable mail-in order form, AAAA's toll-free telephone number, a mailing address and an electronic mail ("e-mail") address, orders are not taken through AAAA's website. This does not classify the website as anything more than passive advertisement which is not grounds for the exercise of personal jurisdiction."

Revell v. Lidov Revell sued Lidov, a Massachusetts resident, and Columbia University (in New York City) in Texas, for defamation arising out of Lidov's authorship of an article that he posted on an internet bulletin board hosted by Columbia. Lidov's article concerned the terrorist bombing of Pan Am Flight 103, which exploded over Lockerbie, Scotland, in 1988. The article singled out Revell, then Associate Deputy Director of the FBI, accusing him of complicity in the conspiracy and cover-up of a willful failure to stop the bombing despite clear advance warnings.

The Fifth Circuit distinguished its prior holding in *Mink*, stating "because even repeated contacts with forum residents by a foreign defendant may not constitute the requisite substantial, continuous and systematic contacts required for a finding of general jurisdiction—in other words, while it may be doing business *with* Texas, it is not doing business *in* Texas." "Irrespective of the sliding scale, the question of general jurisdiction is not difficult here. Though the maintenance of a website is, in a sense, a continuous presence everywhere in the world, the cited contacts of Columbia with Texas are not in any way 'substantial'."

On the issue of specific personal jurisdiction, the Court distinguished the Supreme Court *Calder v. Jones* case, stating, “We find several distinctions between this case and *Calder*—insurmountable hurdles to the exercise of personal jurisdiction by Texas courts. First, the article written by Lidov about Revell contains no reference to Texas, nor does it refer to the Texas activities of Revell, and it was not directed at Texas readers as distinguished from readers in other states. ... We also find instructive the defamation decisions of the Sixth, Third, and Fourth Circuits in *Reynolds v. International Amateur Athletic Federation*, *Remick v. Manfredy*, and *Young v. New Haven Advocate*, respectively.”⁴

E.D. La.

Planet Beach Franchising Corp. v. C3ubit Inc. Plaintiffs, Planet Beach Franchising Corporation and Planet Beach Tanning Salons, Inc., are Louisiana corporations in the business of franchising tanning salons. Defendant TanToday.com operated a website on which users shared information and news related to the tanning salon industry. Bruce Schoenfelder, also a defendant, was TanToday.com's sole managing officer. Schoenfelder resides in Pennsylvania. TanToday.com is a Pennsylvania corporation that is operated and managed by Schoenfelder in Pennsylvania. It was undisputed that defendants have no officers, employees or property in Louisiana. It was also undisputed that defendants have never entered into or performed a contract or other transaction with a Louisiana citizen or business.

About May 22, 2002, defendants posted an article on their website entitled: "SCOOP: Planet Beach - the DEATH Of A Franchising Chain?" In the article, defendants stated that “we are alerting the ENTIRE INDUSTRY of a meltdown, and warning everyone with business dealings with Planet Beach to review your status, your arrangements, and hunker down.”

Plaintiffs sued. On defendant’s motion to dismiss, the court found specific jurisdiction over the defendants “because they committed an act outside of the forum that allegedly caused a tortious injury within the forum, and the harm suffered was intended or highly likely to follow from defendants' acts. The presence of these key elements, along with the fact that defendants drew from sources in the forum, placed phone calls to the forum, and obtained an electronic copy of plaintiffs' registered trademark from a server located in the forum, are enough to establish defendants' minimum contacts with the forum.”

N.D. Tex.

Carrot Bunch Co. v. Computer Friends Inc. An interactive Web site that provided for online ordering of goods, combined with evidence of actual sales to forum residents, constituted sufficient minimum contacts to support an exercise of specific personal jurisdiction. Judge Buchmeyer found the case to be similar to *American Eyewear Inc. v. Peeper's Sunglasses and Accessories Inc.*, 106 F.Supp. 2d 895 (N.D. Tex. 2000) (involving actual sales), and different from *People Solutions Inc. v. People Solutions Inc.*, 2000 U.S. Dist. LEXIS 10444 (N.D. Tex. 2000) (no actual sales).

“Defendant requests transfer to federal district court in Oregon. This transfer is unwarranted. In the Fifth Circuit, a plaintiff is generally entitled to choose the forum. *See Peteet*

⁴ *Revell v. Lidov*, 317 F.3d 467 (5th Cir. 2002).

v. Dow Chemical Co., 868 F.2d 1428, 1436 (5th Cir. 1989). For this reason, courts “should not transfer venue where the result will be merely to shift the expense and inconvenience from one party to the other.” *Enserch Int’l Exploration, Inc. v. Attock Oil Co.*, 656 F.Supp. 1162, 1167 n.15 (N.D.Tex. 1987).”

“Transferring venue to Oregon will simply shift the inconvenience of litigating outside of one’s home state from Defendants to Plaintiff. Under such circumstances, Plaintiff’s choice of forum trumps. The importance of Plaintiff’s selection of forum is increased in this case because its principal place of business is in the Northern District of Texas. *See e.g., Nat’l Group Underwriters, Inc. v. Southern Sec. Life Ins. Co.*, 2001 U.S. Dist. LEXIS 18969, *5 (N.D.Tex. 2001) (Citing *Continental Airlines, Inc. v. American Airlines, Inc.*, 805 F.Supp. 1392, 1396 (S.D.Tex.1992)).”

A recent case out of the Ninth Circuit is instructive for how NOT to waste your money suing someone outside the U.S.:

Ninth Circuit

***Pebble Beach Co. v. Caddy*⁵**

Caddy, a dual citizen of the United States and the United Kingdom, occupies and runs a three-room bed and breakfast, restaurant, and bar located in southern England. Caddy's business operation is located on a cliff overlooking the pebbly beaches of England's south shore, in a town called Bar-ton-on-Sea. The name of Caddy's operation is "Pebble Beach," which, given its location, is no surprise. Caddy advertises his services, which do not include a golf course, at his website, www.pebblebeach-uk.com. Caddy's website includes general information about the accommodations he provides, including lodging rates in pounds sterling, a menu, and a wine list. The website is not interactive. Visitors to the website who have questions about Caddy's services may fill out an on-line inquiry form. However, the website does not have a reservation system, nor does it allow potential guests to book rooms or pay for services on-line.

Except for a brief time when Caddy worked at a restaurant in Carmel, California, his domicile has been in the United Kingdom.

The Ninth Circuit held that Caddy 1) did not purposefully avail himself of the privilege of conducting activities in California, or the United States as a whole, and (2) did not purposefully direct his activities toward either of those two forums.

⁵ 453 F.3d 1151 (9th Cir. 2006) (affirming the district court’s 1) dismissal of a trademark infringement complaint for lack of personal jurisdiction, and denial of Pebble Beach's motion to conduct additional jurisdictional discovery).

B. Patents

1. Inventor or Attorney Not Registered

The law allows the inventor to file his own patent application with the federal government. However, if the inventor has assigned his patent application to his own corporation, then unless the inventor has passed the federal government's "patent agent" exam, and is registered with the federal government as a patent agent, he may not legally file the patent application. Similarly, if the start-up company's favorite attorney is not registered with the federal government as a patent attorney, it is illegal for him to file a patent application for his client. In addition to all the arcane rules that you must follow in writing the patent application, there are also a lot of bases on which the federal government can permanently reject, or "trash", your carefully written patent application. Here are a few of those bases.

2. Invention Already Described 35 U.S.C. § 102(a)

The test for lack of novelty ("anticipation") is strict identity.⁶ "Invalidity for anticipation requires that all of the elements and limitations of the claim are found within a single prior art reference. There must be no difference between the claimed invention and the reference disclosure, as viewed by a person of ordinary skill in the field of the invention."⁷ Anticipation requires the presence in a single prior art disclosure of all elements and limitations of a claimed invention arranged as they are in the claim.⁸ A reference which excludes a claimed element does not anticipate.⁹ Prior art may include U.S. patents, printed publications or other public uses. For an invention to be anticipated by a printed publication, the publication itself must enable someone to practice the invention.¹⁰ "The use for which the [anticipatory] apparatus was intended is irrelevant, if it could be employed without change for the purposes of the patent; the statute authorizes the patenting of machines, not of their uses."¹¹

⁶ *Diversitech Corp. v. Century Steps, Inc.*, 850 F.2d 675, 677, 7 U.S.P.Q.2d 1315, 1317 (Fed. Cir. 1988); *Leinoff v. Louis Milona & Sons, Inc.*, 726 F.2d 734 (Fed. Cir. 1984); *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760 (Fed. Cir. 1983).

⁷ *Scripps Clinic & Research Foundation v. Genentech, Inc.*, 927 F.2d 1565, 18 U.S.P.Q.2d 1001 (Fed. Cir. 1991) (reversing a grant of partial summary judgment of invalidity of claims 24, 26, and 27 for anticipation, citing *Carella v. Starlight Archery and Pro Line Co.*, 804 F.2d 135, 138, 231 U.S.P.Q. 644, 646 (Fed. Cir. 1986); *RCA Corp. v. Applied Digital Data Systems, Inc.*, 730 F.2d 1440, 1444, 221 U.S.P.Q. 385, 388 (Fed. Cir. 1984)).

⁸ *Leinoff v. Louis Milona & Sons, Inc.*, 726 F.2d 734 (Fed. Cir. 1984); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542 (Fed. Cir. 1983); *Studiengesellschaft Kohle, GmbH v. Dart Industries, Inc.*, 726 F.2d 724 (Fed. Cir. 1984); *But cf. Akzo N.V. v. United States Int'l Trade Comm'n*, 808 F.2d 1471, 1479 & n.11, 1 U.S.P.Q.2d 1241, 1245 & n.11 (Fed. Cir. 1986), *cert. denied*, 482 U.S. 909 (1987) (not an "ipsissimis verbis" test).

⁹ *Jamesbury Corp. v. Litton Industrial Products, Inc.*, 756 F.2d 1556, 1563 (Fed. Cir. 1985); *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760, 771-72 (Fed. Cir. 1983).

¹⁰ *Reading & Bates Construction Co. v. Baker Energy Resources Corp.*, 748 F.2d 645 (Fed. Cir. 1984).

¹¹ *Labounty Manufacturing, Inc. v. United States Int'l Trade Comm'n*, 958 F.2d 1066, 1072, 22 USPQ2d 1025, 1029 (Fed. Cir. 1992) (affirming a finding of unenforceability due to inequitable conduct, quoting *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823, 828 (2d Cir. 1928)).

3. Grace period In U.S. Ended 35 U.S.C. § 102(b)

"An inventor loses his right to a patent if he has placed his invention `in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.' To invalidate a patent under the on sale bar, the party asserting the bar must demonstrate by clear and convincing evidence `that there was a definite sale or offer to sell more than one year before the application for the subject patent, and that the subject matter of the sale or offer to sell fully anticipated the claimed invention or would have rendered the claimed invention obvious by its addition to the prior art.'"¹²

"The on-sale bar applies when two conditions are satisfied before the critical date. First, the product must be the subject of a commercial offer for sale. ... "Second, the invention must be ready for patenting. That condition may be satisfied in at least two ways: by proof of reduction to practice before the critical date; or by proof that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention."¹³

4. The Applicant Is Not The Inventor 35 U.S.C. § 102(f)

Section 102(f) provides, in pertinent part, as follows:

A person shall be entitled to a patent unless --

- (f) he did not himself invent the subject matter sought to be patented

To invalidate a patent for derivation of invention, a party must demonstrate that the named inventor in the patent acquired knowledge of the claimed invention from another, or at least so much of the claimed invention as would have made it obvious to one of ordinary skill in the art."¹⁴

"[W]hat a patent attorney does or does not have in his possession when he drafts and files a patent application is not relevant in evaluating dates of invention."¹⁵

¹² *Ferag AG v. Quipp Inc.*, 33 U.S.P.Q.2d 1512 (Fed. Cir. 1995) (reversing a finding of validity of a re-examined patent, under § 102 (b)) (quoting *UMC Elec. Co. v. United States*, 816 F.2d 647, 656, 2 USPQ2d 1465, 1472 (Fed.Cir.1987)).

¹³ *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 48 USPQ2d 1641 (1998).

¹⁴ *New England Braiding Co. v. A.W. Chesterton Co.*, 23 USPQ2d 1622 (Fed. Cir. 1992) (affirming the denial of a preliminary injunction, because the named inventor appeared to have derived the invention from someone else).

¹⁵ *Innovative Scuba Concepts, Inc. v. Feder Industries, Inc.*, 31 USPQ2d 1132 (Fed. Cir. 1994) (reversing and remanding a finding of invalidity under 35 U.S.C. § 102(g) of a patent covering an adjustable strap for use with a diver's face mask).

It is elementary that inventorship and ownership are separate issues..... [I]nventorship is a question of who actually invented the subject matter claimed in a patent. Ownership, however, is a question of who owns legal title to the subject matter claimed in a patent, patents having the attributes of personal property."¹⁶ "Who ultimately possesses ownership rights in that subject matter has no bearing whatsoever on the question of who actually invented that subject matter."¹⁷

5. Invention Not Properly Described In The Patent Application 35 U.S.C. § 112

"[T]he test for sufficiency of support in a parent application is whether the disclosure of the application relied upon `reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter.'"¹⁸

"This court in *Wilder* (and the CCPA before it) clearly recognized, and we hereby reaffirm, that 35 USC 112, first paragraph, requires a `written description of the invention' which is separate and distinct from the enablement requirement. The purpose of the `written description' requirement is broader than to merely explain how to `make and use'; the applicant must also convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of *the invention*. The invention is, for purposes of the `written description' inquiry, *whatever is now claimed*."¹⁹

The patent must be written in such a way to pass the test of "enablement". The test of enablement is whether one reasonably skilled in the art could make or use the invention from the disclosure in the patent, coupled with information known in the art, without undue experimentation. The patent may be enabling even though some experimentation is necessary.²⁰

A patent specification must "set forth the best mode contemplated by the inventor of carrying out his invention." 35 U.S.C. § 112. "The purpose of the best mode requirement is to restrain inventors from applying for a patent while at the same time *concealing* from the public preferred embodiments of their inventions which they have in fact conceived."²¹

"[I]f the inventor develops or knows of a particular method of making which substantially improves the operation or effectiveness of his invention, failure to disclose such peripheral

¹⁶ *Beech Aircraft Corp. v. EDO Corporation*, 990 F.2d 1237, 1248, 26 USPQ2d 1572, 1582 (Fed. Cir. 1993) (Citations omitted).

¹⁷ *Sewall v. Walters*, 30 USPQ2d 1356 (Fed. Cir. 1994) (affirming the award of the subject matter of the sole count in issue to Walters on the basis that he was the sole inventor of that subject matter).

¹⁸ *Ralston Purina Co. v. Far-Mar-Co, Inc.*, 772 F.2d 1570, 1575, 227 U.S.P.Q. 177, 179 (Fed. Cir. 1985) (quoting *In re Kaslow*, 707 F.2d 1366, 1375, 217 U.S.P.Q. 1089, 1096 (Fed. Cir. 1983)).

¹⁹ *Vas-Cath Inc. v. Mahurkar*, 19 USPQ2d 1111 (Fed. Cir. 1991) (reversing a summary judgment of invalidity under 35 U.S.C. 102 (b) of a utility patent, based on a finding of an insufficient description in a parent design application).

²⁰ *United States v. Telectronics, Inc.*, 857 F.2d 778, 785, 8 U.S.P.Q.2d 1217, 1223 (Fed. Cir. 1988), *cert. denied*, 109 S. Ct. 1954 (1989).

²¹ *Wahl Instruments, Inc. v. Acvious, Inc.*, 950 F.2d 1575, 1580, 21 USPQ2d 1123, 1127 (Fed. Cir. 1991) (reversing-in-part, vacating-in-part, and remanding a grant of summary judgment of invalidity for failure to disclose the best mode of making a clear, solid, plastic body having a layer of thermochromic material embedded in it).

development may well lead to invalidation. [citation omitted] On the other hand, an inventor is not required to supply "production" specifications. [citation omitted] Under our case law, there is no mechanical rule that a best mode violation occurs because the inventor failed to disclose particular manufacturing procedures beyond the information sufficient for enablement. One must look at the scope of the invention, the skill in the art, the evidence as to the inventor's belief, and all of the circumstances in order to evaluate whether the inventor's failure to disclose particulars of manufacture gives rise to an inference that he concealed information which one of ordinary skill in the art would not know." *Id.*

"[T]here is no *per se* requirement to provide names for sources of materials absent evidence that the name of the source would not be known or easily available." *Id.* "[T]he best mode requirement does not require an inventor to disclose production details so long as the means to carry out the invention are disclosed."²² "This includes providing supplier/trade name information where it is not needed, i.e., where such information would be mere surplusage -- an addition to the generic description." "Such supplier/trade name information must be provided only when a skilled artisan could not practice the best mode of the claimed invention absent this information." *Id.*

6. The Inventor Lost the Race 35 U.S.C. § 102(g)

Section 102(g) provides that a person is entitled to a patent unless "before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it." Section 102(g) applies not only in the context of an interference, but it also applies in a patent infringement action to show the invalidity of the patent asserted.²³ "[A] junior party [has] the burden of proof in the interference to show priority by a preponderance of the evidence."²⁴ "To prove a reduction to practice, an applicant must show that the embodiment relied upon as evidence of priority actually worked for its intended purpose."²⁵

7. Employee Still Owns The Invention

In this situation, the government may grant you a patent, for which you paid \$20,000 in attorneys' fees, only for your client to later discover that its ex-employee owns it! "The general rule is that **an individual owns the patent rights** to the subject matter of which he is an

²² *Transco Prods. Inc. v. Performance Contracting, Inc.*, 32 USPQ2d 1077 (Fed. Cir. 1994) (reversing a finding of invalidity, holding that the district court erred as a matter of law in holding that an applicant must update the best mode disclosure upon the filing of a continuing application containing no new matter, for a patent directed to thermal insulation for vessels and piping within nuclear power plants) (citing *Wahl Instruments, Inc. v. Acvious, Inc.*, 950 F.2d 1575, 1580, 21 USPQ2d 1123, 1127 (Fed. Cir. 1991); *In re Gay*, 309 F.2d at 774, 135 USPQ at 316).

²³ *New Idea Farm Equipment Corp. v. Sperry Corp.*, 16 USPQ2d 1424 (Fed. Cir. 1990).

²⁴ *Holmwood v. Sugavanam*, 20 USPQ2d 1712 (Fed. Cir. 1991) (reversing the Board's award of priority to the senior party, and citing *Morgan v. Hirsch*, 728 F.2d 1449, 1451, 221 U.S.P.Q. 193, 194 (Fed. Cir. 1984).

²⁵ *Holmwood v. Sugavanam*, 20 USPQ2d 1712 (Fed. Cir. 1991) (reversing the Board's award of priority to the senior party, and quoting *Newkirk v. Lulejian*, 825 F.2d 1581, 1582, 3 U.S.P.Q.2d 1793, 1794 (Fed. Cir. 1987).

inventor, even though he conceived it or reduced it to practice in the course of his employment.”²⁶

“There are two exceptions to this rule:

first, an employer owns an employee's invention if the employee is a party to an express contract to that effect;

second, where an employee is hired to invent something or solve a particular problem, the property of the invention related to this effort may belong to the employer.” *Id.*

a. The unwilling employee:

“In 1989, Unisys initiated six patent applications related to the sorter. Banks was listed as co-inventor on three of them without his consent or knowledge. Unisys asked him to sign the patent forms and represented that he would be paid for each one. However, Unisys did not explain the importance of the patents. Banks signed three separate declarations and patent assignments, but Unisys later told him he would be paid nothing. ... Banks filed suit, claiming that Unisys made misrepresentations that induced him to assign his patent rights.”

b. Does the contract have to be written?

An implied-in-fact contract is an agreement “founded upon a meeting of the minds, which, although not embodied in an express contract, is inferred, as a fact from conduct of the parties showing, in the light of the surrounding circumstances, their tacit understanding. ... When applying the ‘employed to invent’ exception, a court must examine the employment relationship at the time of the inventive work to determine if the parties entered an implied-in-fact contract to assign patent rights.”²⁷

c. Was there an implied-in-fact contract?

“This evidence, at least when viewed in the light most favorable to Banks, creates a genuine issue of material fact about whether there was a meeting of the minds necessary for an implied-in-fact contract.”

Although Unisys points to evidence that suggests that Banks was hired to invent an image camera system, a reasonable inference from Banks' failure to sign the agreements presented to him by Unisys, as well as from the failure of Unisys to pursue the signing of

²⁶ *Banks v. Unisys Corp.*, 228 F.3d 1357, 56 USPQ2d 1222 (Fed. Cir. 2000).

²⁷ *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, 407, 38 USPQ2d 1695, 1698 (Fed. Cir. 1996), *cert. denied*, 519 U.S. 1009 (1996) (quoting *Baltimore & Ohio R.R. v. United States*, 261 U.S. 592, 597 (1923)).

these agreements, is that Unisys acquiesced to Banks' refusal to convey ownership of his inventions, and thus an implied-in-fact-contract to assign inventive rights was not formed. Summary judgment was inappropriate.”²⁸

8. Attempted to extend the monopoly beyond the scope or life of the patent

Patent misuse is an affirmative defense.²⁹ To prove misuse, the alleged infringer must show that the patentee has impermissibly broadened the “physical or temporal scope” of the patent grant with anticompetitive effect.³⁰ Although a violation of the antitrust laws may constitute patent misuse, patent misuse may be proven more easily than an antitrust violation.³¹

9. Assumed that the licensee had no right to challenge the validity of the patent

A licensee may challenge the validity of the licensed patent in a contract or infringement action, despite any express or implied agreement to the contrary.³²

“Patent infringement disputes do arise from license agreements. *See, e.g., United States Valves, Inc. v. Dray*, 212 F.3d 1368, 54 USPQ2d 1834 (Fed. Cir. 2000); *Dow Chem. Co. v. United States*, 226 F.3d 1334, 56 USPQ2d 1014 (Fed. Cir. 2000). There may be an issue, as here, of whether certain goods are covered by the licensed patents; or the licensee may elect to challenge the validity of the licensed patents. *See, e.g., Engel Indus., Inc. v. Lockformer Co.*, 166 F.3d 1379, 49 USPQ2d 1618 (Fed. Cir. 1999); *Studiengesellschaft Kohle M.B.H. v. Shell Oil Co.*, 112 F.3d 1561, 42 USPQ2d 1674 (Fed. Cir. 1997).”³³

10. Forgot to pay the “taxes” to maintain the patent, and so the patent “died”.

Generally speaking, patents last twenty (20) years from the date that the application is filed for the patent. However, the patent owner must pay taxes, called maintenance fees, three times during the life of the patent, and each time the taxes increase significantly. Failure to pay

²⁸ *Banks v. Unisys Corp.*, 228 F.3d 1357, 56 USPQ2d 1222 (Fed. Cir. 2000).

²⁹ *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604, 617 (Fed. Cir.), *cert. denied*, 105 S. Ct. 516 (1984).

³⁰ *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 343 (1971).

³¹ *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 89 S. Ct. 1562 (1969).

³² *Texas Instruments Inc. v. Tessera, Inc.*, 231 F.3d 1325, 56 USPQ2d 1674 (Fed. Cir. 2000).

³³ *Id.* at 1331.

the taxes causes the patent to “expire”, although it can be revived by paying penalty fees in addition to the taxes.

11. Assumed that as a licensee, it could sue an infringer for patent infringement.

“The right to sue for infringement is ordinarily an incident of legal title to the patent. A licensee may obtain sufficient rights in the patent to be entitled to seek relief from infringement, but to do so, it ordinarily must join the patent owner. And a bare licensee, who has no right to exclude others from making, using, or selling the licensed products, has no legally recognized interest that entitles it to bring or join an infringement action.”³⁴ **“[A] right to sue clause cannot negate the requirement that, for co-plaintiff standing, a licensee must have beneficial ownership of some of the patentee’s proprietary rights.”**³⁵

A non-exclusive licensee of a patent has no standing to sue for infringement.³⁶ An exclusive use licensee may be joined as a co-plaintiff by the patent owner.³⁷ An exclusive vendor of a product under a patent can be a co-plaintiff in a patent infringement suit.³⁸ Furthermore, when the non-exclusive sole licensee “has been shown to be directly damaged by an infringer in a two supplier market, and when the nexus between the sole licensee and the patentee is so clearly defined as here, the sole licensee must be recognized as the real party in interest” and be allowed to join as a co-plaintiff.³⁹ “To be an exclusive licensee for standing

³⁴ *Abbott Labs. v. Diamedix Corp.*, 47 F.3d 1128, 33 U.S.P.Q.2D 1771 (Fed. Cir. 1995) (reversing the denial of the patent owner’s motion to intervene, in a case where the plaintiff was the exclusive licensee, subject to retained rights, including a limited right to make, use, and sell products embodying the patented inventions, a right to bring suit on the patents if the exclusive licensee declined to do so, and the right to prevent the exclusive licensee from assigning its rights under the license to any party other than a successor in business, for patents relating to immunoassay systems used to test blood for the presence of the hepatitis virus) (citing *Arachnid, Inc. v. Merit Indus. Inc.*, 939 F.2d at 1579 & n. 7, 19 USPQ2d at 1517 & n. 7 (one seeking damages for infringement ordinarily must have legal title to the patent during the infringement, but an exclusive licensee may join an infringement suit as co-plaintiff with patentee); *Kalman v. Berlyn Corp.*, 914 F.2d 1473, 1481-82, 16 USPQ2d 1093, 1099-1100 (Fed. Cir.1990) (non-exclusive licensee has no standing to sue for infringement); *Weinar v. Rollform Inc.*, 744 F.2d 797, 806-07, 223 USPQ 369, 374-75 (Fed. Cir.1984) (licensee with exclusive right to sell licensed products may sue for and obtain relief from infringement in conjunction with patent owner), cert. denied, 470 U.S. 1084 (1985)) (distinguishing *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 20 USPQ2d 1045 (Fed. Cir.1991)).

³⁵ *Ortho Pharmaceutical Corp. v. Genetics Inst.*, 52 F.3d 1026, 34 U.S.P.Q.2d 1444, 1450 (Fed. Cir. 1995) (affirming the dismissal of Ortho’s suit because Ortho was a nonexclusive licensee).

³⁶ *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891).

³⁷ *Duplan Corp. v. Deering Milliken Research Corp.* 522 F.2d 809, 186 U.S.P.Q. 369 (4th Cir. 1975).

³⁸ *Weinar v. Rollform Inc.*, 744 F.2d 797, 807, 223 U.S.P.Q. 369, 374 (Fed. Cir. 1984), cert. denied, 470 U.S. 1084 (1985).

³⁹ *Kalman v. Berlyn Corp.*, 914 F.2d 1473, 16 U.S.P.Q.2d 1093 (Fed. Cir. 1990)

purposes, a party must have received, not only the right to practice the invention within a given territory, but also the patentee's express or implied promise that others shall be excluded from practicing the invention within that territory as well.”⁴⁰

12. Assumed that they could make repairs and reconstructions without infringing the patent

The Supreme Court has held that

the “maintenance of the 'use of the whole' of the patented combination through replacement of a spent, unpatented element does not constitute reconstruction.”

and

reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to “in fact make a whole new article,” after the entity, viewed as a whole, has become spent. In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented device. Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property. [Citations omitted.]⁴¹

“A purchaser's right to use a patented device does not extend to reconstructing it, for reconstruction is deemed analogous to construction of a new device. However, repair is permissible.”⁴² “The repair doctrine is an extension of the implied right of a purchaser or licensee to use the patented item if it has been validly purchased or licensed from the patentee or from one authorized by the patentee. [citation omitted] That right to use includes the right to purchase repair parts and to repair the patented item. ... [A]n authorized seller [is] not necessary for the repair doctrine to apply.”⁴³

⁴⁰ *Rite-Hite Corp. v. Kelley Co.*, 35 U.S.P.Q.2d 1065, 1074 (Fed. Cir. 1995) (vacating the trial court’s award of damages to certain independent sales organizations as co-plaintiffs).

⁴¹ *Aro Mfg. Co. v. Convertible Top Replacement Co., Inc.*, 365 U.S. 336, 345-46 (1961).

⁴² *Mallinckrodt, Inc. v. Medipart, Inc.*, 24 USPQ2d 1173 (Fed. Cir. 1992) (vacating a preliminary injunction enjoining a patentee from attaching notices to its devices, which notices stated in part that anything other than a single use constitutes patent infringement) (citing *Lummus Industries, Inc. v. D.M.&E. Corp.*, 862 F.2d 267, 272, 8 USPQ2d 1983, 1986 (Fed. Cir. 1988)).

⁴³ *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 21 USPQ2d 1321 (Fed. Cir. 1991) (affirming the denial of motions for JNOV and for a new trial).

“It is impracticable, as well as unwise, to attempt to lay down any rule on this subject, owing to the number and infinite variety of patented inventions.”⁴⁴

“[W]hen it is neither practical nor feasible to continue using an element that is intended to be replaced, that element is effectively spent,” and the user may replace it without infringing the patent.⁴⁵

C. Trademarks and Domain Names

1. Assumed That Availability As A Corporate Name Equals Availability As A Trademark.

When you or your client makes that assumption, you usually also fail to conduct a “trademark availability search” before using a name. You can do a 90% search yourself in a few minutes on the U.S.P.T.O.’s website, or you can pay several hundred dollars to get a search done that includes that search and several other searches, including searches of telephone books and industry directories.

2. Failed to Apply For Federal Registration.

Federal registration of a trademark or service mark, in addition to giving you evidentiary and procedural advantages in a lawsuit, also allows you to request a domain name registrar to transfer a domain name of an unregistered trademark to you. For domain name disputes, see <http://www.icann.org/dndr/udrp/policy.htm>

3. Used Competitor’s Trademark as Domain Name.

The “Internet Corporation for Assigned Names and Numbers” (“ICANN”) is a non-profit corporation formed in 1998. The U.S. government has recognized it as the technical coordinator of the Internet’s domain name system. You can visit its website at www.icann.org. If your client uses another’s trademark as a domain name, it may receive an email from one of the international arbitration panels, informing your client that someone wishes to cancel the domain name registration. Or, if a “cybersquatter” uses your client’s trademark as a domain name, then

⁴⁴ *FMC Corp. v. Up-right, Inc.*, 30 USPQ2d 1361 (Fed. Cir. 1994) (affirming a judgment of no contributory infringement, holding that “replacement of the worn-out parts in the picking heads at issue in this case did not constitute impermissible reconstruction of the patented grape harvesters”) (quoting *Goodyear Shoe Machinery Co. v. Jackson*, 112 F. 146, 150 (1st Cir. 1901)).

⁴⁵ *Sage Prods., Inc. v. Devon Indus., Inc.*, 45 F.3d 1575, 1578, 33 USPQ 2d 1765, 1767 (Fed. Cir. January 26, 1995.) (affirming the grant of a motion for partial summary judgment that Devon did not contributorily infringe or induce infringement of Sage's reissue patent, directed to a disposal system for sharp medical products, comprising an outer enclosure, which may be mounted on a wall, and a cooperating, removable inner container.)

your client can either sue the cybersquatter in the courts of the country that has personal jurisdiction over the cybersquatter, or can sue via one of the international arbitration panels specifically established for domain name disputes.

4. Failed To Use International Arbitration Panels For Domain Name Disputes.

First, a few definitions, which you can find at various places, including http://en.wikipedia.org/wiki/Main_Page, and at <http://gnso.icann.org/drafts/pdp-dec05-draft-fr.htm#glosdef>.

Words	Definitions
Domain Name System	On the Internet , the domain name system (DNS) stores and associates many types of information with domain names ; most importantly, it translates domain names (computer hostnames) to IP addresses . It also lists mail exchange servers accepting e-mail for each domain. In providing a worldwide keyword -based redirection service, DNS is an essential component of contemporary Internet use.
Root server	<p>A root nameserver is a DNS server that answers requests for the root namespace domain, and redirects requests for a particular top-level domain to that TLD's nameservers. Although any local implementation of DNS can implement its own private root nameservers, the term "root nameserver" is generally used to describe the thirteen well-known root nameservers that implement the root namespace domain for the Internet's official global implementation of the Domain Name System. (Most of these are in the United States.)</p> <p>All domain names on the Internet can be regarded as ending in a full stop character e.g. "en.wikipedia.org.". This final dot is generally implied rather than explicit, as modern DNS software does not actually require that the final dot be included when attempting to translate a domain name to an IP address. The empty string after the final dot is called the root domain, and all other domains (i.e. .com, .org, .net, etc.) are contained within the root domain.</p> <p>http://en.wikipedia.org/wiki/Root_server</p>
ICANN	<p>The Internet Corporation for Assigned Names and Numbers (ICANN) is an internationally organized, non-profit corporation that has responsibility for Internet Protocol (IP) address space allocation, protocol identifier assignment, generic (gTLD) and country code (ccTLD) Top-Level Domain name system management, and root server system management functions. These services were originally performed under U.S. Government contract by the Internet Assigned Numbers Authority (IANA) and other entities. ICANN now performs the IANA function.</p> <p>As a private-public partnership, ICANN is dedicated to preserving the operational stability of the Internet; to promoting competition; to achieving broad representation of global Internet communities; and to developing policy</p>

Words	Definitions
	<p>appropriate to its mission through bottom-up, consensus-based processes.</p> <p>ICANN is responsible for coordinating the management of the technical elements of the DNS to ensure universal resolvability so that all users of the Internet can find all valid addresses. It does this by overseeing the distribution of unique technical identifiers used in the Internet's operations, and delegation of Top-Level Domain names (such as .com, .info, etc.).</p> <p>Other issues of concern to Internet users, such as the rules for financial transactions, Internet content control, unsolicited commercial email (spam), and data protection are outside the range of ICANN's mission of technical coordination.</p> <p>Ensuring predictable results from any place on the Internet is called "universal resolvability." It is a critical design feature of the Domain Name System, one that makes the Internet the helpful, global resource that it is today. Without it, the same domain name might map to different Internet locations under different circumstances, which would only cause confusion.</p>
<p>The Generic Names Supporting Organization (GNSO) of ICANN</p>	<p>The successor to the responsibilities of the Domain Name Supporting Organization that relate to the generic top-level domains. ICANN's by-laws outline three supporting organizations, of which the GNSO belongs. The SOs help to promote the development of Internet policy and encourage diverse and international participation in the technical management of the Internet. Each SO names three Directors to the ICANN Board.</p>

From ICANN's website comes the following:

ICANN Welcomes Participation

Participation in ICANN is open to all who have an interest in global Internet policy as it relates to ICANN's mission of technical coordination. ICANN provides many online forums which are accessible through ICANN's website, and the Supporting Organizations and Advisory Committees have active mailing lists for participants. Additionally, ICANN holds public meetings throughout the year. Recent meetings have been held in Bucharest, Montreal, Shanghai, Rio de Janeiro, and Accra. For more information on the Supporting Organizations and Advisory Committees, please refer to their websites:

Address Supporting Organization (ASO) - www.aso.icann.org

Country Code Domain Name Supporting Organization (CCNSO) - www.ccnso.icann.org

Generic Names Supporting Organization (GNSO) - www.gnsso.icann.org

At-Large Advisory Committee - www.alac.icann.org

Governmental Advisory Committee - www.gac.icann.org

More information on ICANN can be found on ICANN's website: <http://www.icann.org>

As of April 2007, here are the existing generic top level domain names:

TLD	Introduced	Sponsored/ Un-sponsored	Purpose	Sponsor/ Operator
.aero	2001	Sponsored	Air-transport industry	Societe Internationale de Telecommunications Aeronautiques SC, (SITA)
.biz	2001	Un-sponsored	Businesses	NeuLevel
.cat	2005	Sponsored	Catalan linguistic & cultural community	Fundació puntCAT
.com	1995	Un-sponsored	Unrestricted (but intended for commercial registrants)	VeriSign, Inc.
.coop	2001	Sponsored	Cooperatives	DotCooperation, LLC
.edu	1995	Sponsored	United States educational institutions	EDUCAUSE
.gov	1995	Sponsored	United States government	US General Services Administration
.info	2001	Un-sponsored	Unrestricted use	Afilias Limited
.int	1998	Un-sponsored	Organizations established by international treaties between governments	Internet Assigned Numbers Authority
.jobs	2005	Sponsored	International community of	Employ Media LLC

			human resource managers	
.mil	1995	Sponsored	United States military	US DoD Network Information Center
.mobi	2005	Sponsored	Mobile content providers and users community	mTLD Top Level Domain, LTD.
.museum	2001	Sponsored	Museums	Museum Domain Management Association, (MuseDoma)
.name	2001	Unsponsored	For registration by individuals	Global Name Registry, LTD
.net	1995	Unsponsored	Unrestricted (but intended for network providers, etc.)	VeriSign, Inc.
.org	1995	Unsponsored	Unrestricted (but intended for organizations that do not fit elsewhere)	Public Interest Registry. Until 31 December 2002, .org was operated by VeriSign Global Registry Services.
.pro	2002	Unsponsored	Accountants, lawyers, physicians, and other professionals	RegistryPro, LTD
.tel	2006	Sponsored		Telnic Ltd.
.travel	2005	Sponsored	Travel and tourism community	Tralliance Corporation

ICANN's GNSO is currently developing policy recommendations for introduction of additional generic top level domain names ("gTLD's"). The GNSO website stated the following in April 2007:

Principle 1	New generic top-level domains (gTLDs) must be introduced in an orderly, timely and predictable way.
Principle 2	Some new generic top-level domains may be internationalised domain names (IDNs) subject to the approval of IDNs being available in the root.
Principle 3	The reasons for introducing new top-level domains include that there is demand from potential applicants for new top-level domains in both ASCII and IDN formats and that the new TLD process promotes competition, consumer choice and geographical and service-provider diversity.

In its meeting on November 1, 2008, the GNSO is scheduled to discuss the “New gTLD Implementation details”. It is anticipated by many that at least 50 new gTLD’s will be introduced in the second quarter of 2009.

In 2008 ICANN began testing the use of eleven new internationalized domain names. See <http://www.iana.org/domains/idn-test/>:

Domain	Domain (A-label)	Language	Script
رابتخا	XN--KGBECHTV	Arabic	Arabic
یشیامزآ	XN--HGBK6AJ7F53BBA	Persian	Arabic
测试	XN--0ZWM56D	Chinese	Han (Simplified variant)
測試	XN--G6W251D	Chinese	Han (Traditional variant)
испытание	XN--80AKHBYKNJ4F	Russian	Cyrillic
□□□□□□□□	XN--11B5BS3A9AJ6G	Hindi	Devanagari (Nagari)
δοκιμή	XN--JXALPDLF	Greek, Modern (1453-)	Greek
테스트	XN--9T4B11YI5A	Korean	Hangul (Hangül, Hangeul)
טעסט	XN--DEBA0AD	Yiddish	Hebrew
テスト	XN--ZCKZAH	Japanese	Katakana
□□□□□□□□	XN--HLCJ6AYA9ESC7A	Tamil	Tamil

In addition to the continuing increase in generic TLD’s (and the internationalized domain names currently being tested in 2008), there are also several hundred country codes that serve as TLD’s:

ac – Ascension Island	.am – Armenia	.aw – Aruba
.ad – Andorra	.an – Netherlands	.ax – Aland Islands
.ae – United Arab Emirates	Antilles	.az – Azerbaijan
.af – Afghanistan	.ao – Angola	.ba – Bosnia and Herzegovina
.ag – Antigua and Barbuda	.aq – Antarctica	.bb – Barbados
.ai – Anguilla	.ar – Argentina	.bd – Bangladesh
.al – Albania	.as – American Samoa	.be – Belgium
	.at – Austria	.bf – Burkina Faso
	.au – Australia	

.bg – Bulgaria	.dz – Algeria	.ht – Haiti
.bh – Bahrain	.ec – Ecuador	.hu – Hungary
.bi – Burundi	.ee – Estonia	.id – Indonesia
.bj – Benin	.eg – Egypt	.ie – Ireland
.bm – Bermuda	.eh – Western Sahara	.il – Israel
.bn – Brunei	.er – Eritrea	.im – Isle of Man
Darussalam	.es – Spain	.in – India
.bo – Bolivia	.et – Ethiopia	.io – British Indian
.br – Brazil	.eu – European Union	Ocean Territory
.bs – Bahamas	.fi – Finland	.iq – Iraq
.bt – Bhutan	.fj – Fiji	.ir – Iran, Islamic
.bv – Bouvet Island	.fk – Falkland Islands	Republic of
.bw – Botswana	(Malvinas)	.is – Iceland
.by – Belarus	.fm – Micronesia,	.it – Italy
.bz – Belize	Federated States of	.je – Jersey
.ca – Canada	.fo – Faroe Islands	.jm – Jamaica
.cc – Cocos (Keeling)	.fr – France	.jo – Jordan
Islands	.ga – Gabon	.jp – Japan
.cd – Congo, The	.gb – United Kingdom	.ke – Kenya
Democratic Republic of	.gd – Grenada	.kg – Kyrgyzstan
the	.ge – Georgia	.kh – Cambodia
.cf – Central African	.gf – French Guiana	.ki – Kiribati
Republic	.gg – Guernsey	.km – Comoros
.cg – Congo, Republic	.gh – Ghana	.kn – Saint Kitts and
of	.gi – Gibraltar	Nevis
.ch – Switzerland	.gl – Greenland	.kp – Korea,
.ci – Cote d'Ivoire	.gm – Gambia	Democratic People's
.ck – Cook Islands	.gn – Guinea	Republic
.cl – Chile	.gp – Guadeloupe	.kr – Korea, Republic
.cm – Cameroon	.gq – Equatorial	of
.cn – China	Guinea	.kw – Kuwait
.co – Colombia	.gr – Greece	.ky – Cayman Islands
.cr – Costa Rica	.gs – South Georgia	.kz – Kazakhstan
.cu – Cuba	and the South Sandwich	.la – Lao People's
.cv – Cape Verde	Islands	Democratic Republic
.cx – Christmas Island	.gt – Guatemala	.lb – Lebanon
.cy – Cyprus	.gu – Guam	.lc – Saint Lucia
.cz – Czech Republic	.gw – Guinea-Bissau	.li – Liechtenstein
.de – Germany	.gy – Guyana	.lk – Sri Lanka
.dj – Djibouti	.hk – Hong Kong	.lr – Liberia
.dk – Denmark	.hm – Heard and	.ls – Lesotho
.dm – Dominica	McDonald Islands	.lt – Lithuania
.do – Dominican	.hn – Honduras	.lu – Luxembourg
Republic	.hr – Croatia/Hrvatska	.lv – Latvia

.ly – Libyan Arab Jamahiriya	.pg – Papua New Guinea	.sz – Swaziland
.ma – Morocco	.ph – Philippines	.tc – Turks and Caicos Islands
.mc – Monaco	.pk – Pakistan	.td – Chad
.md – Moldova, Republic of	.pl – Poland	.tf – French Southern Territories
.me – Montenegro	.pm – Saint Pierre and Miquelon	.tg – Togo
.mg – Madagascar	.pn – Pitcairn Island	.th – Thailand
.mh – Marshall Islands	.pr – Puerto Rico	.tj – Tajikistan
.mk – Macedonia, The Former Yugoslav Republic of	.ps – Palestinian Territory, Occupied	.tk – Tokelau
.ml – Mali	.pt – Portugal	.tl – Timor-Leste
.mm – Myanmar	.pw – Palau	.tm – Turkmenistan
.mn – Mongolia	.py – Paraguay	.tn – Tunisia
.mo – Macao	.qa – Qatar	.to – Tonga
.mp – Northern Mariana Islands	.re – Reunion Island	.tp – East Timor
.mq – Martinique	.ro – Romania	.tr – Turkey
.mr – Mauritania	.rs – Serbia	.tt – Trinidad and Tobago
.ms – Montserrat	.ru – Russian Federation	.tv – Tuvalu
.mt – Malta	.rw – Rwanda	.tw – Taiwan
.mu – Mauritius	.sa – Saudi Arabia	.tz – Tanzania
.mv – Maldives	.sb – Solomon Islands	.ua – Ukraine
.mw – Malawi	.sc – Seychelles	.ug – Uganda
.mx – Mexico	.sd – Sudan	.uk – United Kingdom
.my – Malaysia	.se – Sweden	.um – United States Minor Outlying Islands
.mz – Mozambique	.sg – Singapore	.us – United States
.na – Namibia	.sh – Saint Helena	.uy – Uruguay
.nc – New Caledonia	.si – Slovenia	.uz – Uzbekistan
.ne – Niger	.sj – Svalbard and Jan Mayen Islands	.va – Holy See (Vatican City State)
.nf – Norfolk Island	.sk – Slovak Republic	.vc – Saint Vincent and the Grenadines
.ng – Nigeria	.sl – Sierra Leone	.ve – Venezuela
.ni – Nicaragua	.sm – San Marino	.vg – Virgin Islands, British
.nl – Netherlands	.sn – Senegal	.vi – Virgin Islands, U.S.
.no – Norway	.so – Somalia	.vn – Vietnam
.np – Nepal	.sr – Suriname	.vu – Vanuatu
.nr – Nauru	.st – Sao Tome and Principe	.wf – Wallis and Futuna Islands
.nu – Niue	.su – Soviet Union (being phased out)	.ws – Samoa
.nz – New Zealand	.sv – El Salvador	.ye – Yemen
.om – Oman	.sy – Syrian Arab Republic	
.pa – Panama		
.pe – Peru		
.pf – French Polynesia		

.yt – Mayotte
.yu – Yugoslavia
.za – South Africa
.zm – Zambia
.zw – Zimbabwe

a. ICANN'S Domain Name Dispute Resolution Policy Controls ONLY the Generic TLD's.

According to ICANN's website in April 2007, "ICANN implemented a Uniform Domain Name Dispute Resolution Policy (UDRP), which has been used to resolve more than 5000 disputes over the rights to domain names. The UDRP is designed to be efficient and cost effective." Also, "The Uniform Domain-Name Dispute Resolution Policy (UDRP) has been adopted by ICANN-accredited registrars in all gTLDs (.aero, .biz, .cat, .com, .coop, .info, .jobs, .mobi, .museum, .name, .net, .org, .pro, .tel and .travel). Dispute proceedings arising from alleged abusive registrations of domain names (for example, cybersquatting) may be initiated by a holder of trademark rights. The UDRP is a policy between a registrar and its customer and is included in registration agreements for all ICANN-accredited registrars."

You can find the UDRP at <http://www.icann.org/udrp/>. The UDRP requires the aggrieved party to show: 1) the domain name is identical or confusingly similar to the aggrieved party's mark; 2) the domain name holder has no legitimate rights or interests; **and** 3) bad faith on the part of the domain name holder. The European Commission later adopted the UDRP for its policy on .eu domain name disputes, with one important distinction: the third element listed above is not additional, but rather alternative.

ICANN has four approved arbitration organizations. From the ICANN website in September 2008 comes the following (<http://www.icann.org/en/dndr/udrp/approved-providers.htm>):

Complaints under the [Uniform Dispute Resolution Policy](#) may be submitted to any approved dispute-resolution service provider listed below. Each provider follows the [Rules for Uniform Domain Name Dispute Resolution Policy](#) as well as its own supplemental rules. To go to the web site of a provider, click on its name below:

- [Asian Domain Name Dispute Resolution Centre](#) [ADNDRC] (approved effective 28 February 2002). It has three offices:
 - [Beijing](#) click [here](#) to see its supplemental rules.
 - [Hong Kong](#) click [here](#) to see its supplemental rules.
 - [Seoul](#) click [here](#) to see its supplemental rules.
- [The National Arbitration Forum](#) [NAF] (approved effective 23 December 1999). Click [here](#) to see its supplemental rules.
- [World Intellectual Property Organization](#) [WIPO] (approved effective 1 December 1999). Click [here](#) to see its supplemental rules.
- [The Czech Arbitration Court](#) (CAC) has been approved in January 2008 as a UDRP provider and plans to start accepting Complaints before the end of 2008. More information about the CAC and its operation can be found on www.adr.eu.

Also from the WIPO website comes this explanation of what resolution the litigants can expect to receive:

A domain name is either **cancelled**, **transferred**, or **sustained** (i.e., the complaint is denied and the respondent keeps the domain name). Some examples of cases that received significant media attention include juliaroberts.com and jimihendrix.com, which were transferred to the individuals or their families. A complaint involving sting.com, filed by the singer known as Sting, was denied for a variety of reasons, principally that the domain name registrant was also known by the same nickname, as well as the fact that the name is a common word in the English language and is not necessarily an exclusive trademark.

There are no monetary damages applied in UDRP domain name disputes, and no injunctive relief is available. The accredited domain name registrars - which have agreed to abide by the UDRP - implement a decision after a period of ten days, unless the decision is appealed in that time.

The resolutions offered by WIPO are mandatory in the sense that accredited registrars are bound to take the necessary steps to enforce a decision, such as transferring the name concerned. **However, under the UDRP, either party retains the option to take the dispute to a court of competent jurisdiction for independent resolution.** (emphasis added)

The list of country code top-level domains that have agreements with ICANN can be found at: <http://www.icann.org/cctlds/agreements.html>. Unfortunately, in September 2008 the number was only about forty-three, although another nine countries had signed a "Sponsorship Agreement", and seven others had signed a "Memorandum of Understanding".

The problem with the enormous increase in new domain names is that it increases the opportunities for people with evil intent to hurt your trademarks, your brands, and to hurt your attempts to properly increase your company's domain name registrations. The following definitions may give you some idea of the magnitude of the problem that you face in protecting your company's intellectual property on the Internet:

Term	Definition
Parking page	contains advertising and/or links determined to be relevant to the name or to certain associated search terms, for which the domain-name registrant has made pay-per-click arrangements with advertisers.
Domain name tasting	the practice of registering a domain name and placing pay-per-click ads on it for five days (or less) in an effort to gauge whether the ads will make more than the annual cost of the domain.

Term	Definition
	<p>If the ads are projected to make more than the cost price of the domain (\$6 for a dotcom), the domain is retained. But if it looks likely to make less than that sum over the course of a year, the domain is dropped, with full use made of the five-day "grace period" to avoid incurring a fee.</p> <p>The five-day grace period was originally introduced to give people a fall-back in case they registered the wrong domain by mistake (a misspelling for example). If returned within five days, there is no charge for a domain.</p> <p>In January 2007 the top 10 domain tasters accounted for 95% of all deleted .com and .net domain names —or 45,450,897 domain names out of 47,824,131 total deletes</p>
Domain Name Front Running	<p>An opportunity for a party to obtain some form of insider information regarding an Internet user's preference for registering a domain name and to use this opportunity to preemptively register that domain name. In this scenario, "insider information" is information gathered from the monitoring of one or more attempts by an Internet user to check the availability of a domain name.</p> <p>On January 8, 2008, Network Solutions, Inc. (NSI) introduced a revision in their domain name registration service whereby if someone used their service to check the availability of a name, if the name was available but the user did not purchase it, NSI would reserve it for four (4) days. NSI described this as a service to its customers that is intended to prevent domain name front runners from registering the name following an availability check.</p>

b. The European Union's Domain Name Dispute Resolution Policy Controls ONLY the .eu And Five Country Code TLD's.

The European Commission selected EURid to operate the .eu top level domain. EURid is a not-for-profit organization, established in Belgium. EURid was established in a partnership between the operators of the country-code top level domain registries for Belgium (.be), Italy (.it) and Sweden (.se). Later the registry for .si (Slovenia) and .cz (Czech Republic) joined as members. EURid has its headquarters in Diegem, Belgium and a regional office in Stockholm,

and is in the process of setting up regional offices in Prague and Italy to support four geographical regions to provide support in local languages for .eu registrars and registrants in the European Union. The EURid website is <http://www.eurid.eu/>. In March, 2007, there were several hundred accredited registrars for the .eu domain, including about 200 in the U.S., but only one was in Houston. About 150 of those listed as being in the United States were located in either Oregon or Washington. What's with that??

EURid offers an Alternative Dispute Resolution (ADR) for resolving disputes about .eu domain names. The ADR is facilitated by the Prague-based Arbitration Court in the Czech Republic. It administers ADR Proceedings in line with the Public Policy Rules for .eu of the European Commission (EC Regulation 874/2004). On the website of the Czech arbitration Court (www.adr.eu) you will find the ADR rules, fees and all other relevant information. ADR proceedings are carried out in the language selected by the holder of the disputed domain name.

One of my clients recently received an email from a cybersquatter, who had a domain name ending in .eu, using one of my client's famous marks. Because the TLD was .eu, we could not use the UDRP of ICANN; we had to arbitrate under the ADR rules, and the first big issue was "In what language will the arbitration be?" The ADR rules require that if you are not happy with the language that the cybersquatter selected when he registered your trademark as a domain name, then before you file your complaint, you must first file a request to change the language to be the language that you desire. That request initiates a "Language Trial".

The EU ADR presents an easier burden of proof for the aggrieved party, as compared to the UDRP. You must show: 1) the domain name is identical or confusingly similar to the aggrieved party's mark; **and either** 2) the domain name holder has no legitimate rights or interests; **or** 2) bad faith on the part of the domain name holder.

Although it would be interesting to detail all the various problems encountered in issuing new gTLD's, this paper is not about the mere history of Internet domain names, but rather the history of Internet domain name disputes.

5. Did Not Use The ACPA To Get Rid Of A Cybersquatter.

Effective November 29, 1999, we have a law that allows you to sue the actual domain name, rather than the owner of the domain name. (Earlier in 1999, Porsche had tried and failed to sue 128 domain names, when Porsche could not find the owners of those names.) The "Anticybersquatting Consumer Protection Act" ("ACPA") gives remedies against one who with bad faith uses another's trademark as her own domain name. After this law passed, and Porsche appealed its dismissal by the district court, the appeals court vacated the dismissal. *See below*, under the year 2000 cases.

The ACPA is found at 15 U.S.C. 1125(d). The elements include: a bad faith intent to profit, by one who registers, traffics in, or uses a name which is identical or confusingly similar to, or dilutes, a famous mark. The ACPA added to the laws of infringement and dilution by making it possible to find liability without regard to the goods or services of the parties.

(d) Cyberpiracy prevention

(1)

(A) 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 non-exhaustive list of factors to be considered in deciding whether the defendant had a bad faith intent include:

1. the trademark or other intellectual property rights of the person, if any, in the domain name;
2. 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;
3. the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
4. the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
5. 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;
6. 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;
7. 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;
8. 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 time of registration of such domain names, without regard to the goods or services of the parties; and

9. 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 this section.

Most of these factors are easily measurable, except for numbers 4, 5, and 9. Thus, factors 4, 5, and 9 are the ones that occupy the attention of many courts.

The ACPA allows in rem actions against the domain name, in the judicial district of the registrar or registry, if 1) the domain name infringes or dilutes, and 2) in personam jurisdiction is impossible, or, with due diligence the plaintiff can't find the defendant after sending snail mail and e-mail, and publishing a notice if the court requires it. . In September 2008, there were over 900 accredited registrars. You can see the list at: <http://www.icann.org/registrars/accredited-list.html>. The most popular ones are NSI, located in Virginia, and register.com, located in New York.

The following are some ACPA cases that I found to be somewhat interesting.

a. First Circuit

2001

*Northern Light Tech., Inc. v. Northern Lights Club*⁴⁶ Plaintiff registered its “northernlight.com” domain name in September, 1996, and began operating its NORTHERN LIGHT search engine at that domain name in August, 1997. Defendant is a one-person unincorporated association owned by Jeff Burgar, the contact person for several thousand domain names. Burgar has been associated with many vanity e-mail services, including FlairMail.com, which register and license domain names as part of e-mail addresses. Defendant registered the domain name “northernlights.com” in October, 1996, and began using it as a vanity e-mail address shortly thereafter.

In April, 1999, defendant began using the “northernlights.com” domain name as an Internet search site. In addition, that site provided a list of businesses using the name “Northern Light,” including plaintiff’s search engine, and provided links to various sites, including the FlairMail site. Plaintiff’s search site began receiving several thousand referrals per day from defendant’s search site.

Plaintiff obtained a preliminary injunction, requiring defendant to post a specified disclaimer on defendant’s search site. The First Circuit affirmed, noting the defendant’s “well-established pattern of registering multiple domain names containing famous trademarks, such as [rollingstones.com](http://www.rollingstones.com), [evinrude.com](http://www.evinrude.com), and [givenchy.com](http://www.givenchy.com).” The First Circuit speculated in a footnote that the defendant “likely hoped to cash in on the confusion surrounding the sponsorship of the websites by finding famous trademark holders willing to pay defendants to end the diversion of Internet traffic from their website to defendants’ sites.”

*Sallen v. Corinthians Licenciamentos*⁴⁷ After losing control of the domain name “corinthians.com” in a UDRP proceeding, the registrant of the domain name sued to recover control from the Brazilian licensee of the soccer team Corinthiao. The First Circuit held that a

⁴⁶ 236 F.3d 57, 57 USPQ2d 1277 (1st Cir. 2001) (affirming a preliminary injunction that required defendant to post a disclaimer on defendant’s search site).

⁴⁷ 273 F.3d 14 (1st Cir. 2001).

domain name registrant who lost an arbitration proceeding under the UDRP can sue under the ACPA to reclaim the domain name.

2002

D. Mass.

*Toronto Dominion Bank v. Karpachev*⁴⁸ The intentional use of confusingly similar domain names, incorporating misspellings and alternative spellings of the plaintiff's mark, to draw customers away from the plaintiff's own web site to a critical web site, was bad faith under the ACPA. The use of those domain names was evidence of an intent to "tarnish or damage" the plaintiff's mark.

b. Second Circuit

2000

*Sporty's Farm L.L.C. v. Sportsman's Market Inc.*⁴⁹ The first appellate ruling on the ACPA has an interesting procedural posture: the ACPA came into existence while the appeal was pending. Arthur Hollander's company Omega started an aviation catalog in late 1994 or early 1995 and soon thereafter registered the domain name sportys.com with Network Solutions, Inc. (NSI). Nine months later, Omega formed a subsidiary called Sporty's Farm, and sold it the rights to sportys.com. Sporty's Farm marketed Christmas trees on the website. Hollander was an aviator who had been receiving aviation equipment catalogs entitled "Sporty's" from a company called Sportsman's.

Sportsman's had registered the trademark sporty's with the U.S. Patent and Trademark Office (PTO) in 1985. "Sporty's" is on the cover of all of its catalogs, its toll free phone number is 1-800-Sporty's, and it spends \$10 million annually to advertise the "Sporty's" logo. In March 1996, Sportsman's realized that Hollander had registered its trademark as a domain name, and contacted him. Sporty's Farm quickly instituted a declaratory action to secure its rights to the name. Sportsman's counterclaimed, and won at the trial court level on a trademark dilution claim. The court issued an injunction requiring Sporty's Farm to give up the domain name, but ruled that no damages were available because Omega did not exhibit a willful intent to dilute the Sportsman's trademark.

The Second Circuit asked the parties to brief the applicability of the ACPA. Deciding that the ACPA was applicable, the Second Circuit also found that the elements were present to show that the ACPA had been violated: (1) Sporty's is a "distinctive" mark; (2) the marks Sporty's and sportys.com are "confusingly similar"; and (3) Hollander had a bad faith intent to profit. *Id.* at 1573. The court pointed out that Sporty's Farm did not acquire the domain name from its parent company Omega, or use the website, until after litigation had commenced, the domain name did not contain the name of the company that registered it (Omega), and most importantly, Omega planned to directly compete with Sportsman's. Further, the court accused Hollander and Omega of creating Sporty's Farm only so that it might "keep the name away from Sportsman's." The court was particularly not amused by Hollander's story that he picked the name "Sporty's Farm" from the name of the land that Omega operated on, "Spotty's Farm", which name allegedly came from the name of the childhood dog of Omega's CEO Ralph

⁴⁸ 188 F. Supp. 2d 110 (D. Mass. 2002).

⁴⁹ 53 U.S.P.Q.2d 1570 (2d Cir. 2000), *cert. denied*, 120 S. Ct. 2719 (2000).

Michael, “Spotty”. The court noted that there was no evidence that Hollander even knew Michael’s dog Spotty when Hollander registered the domain name.

Cello Holdings, L.L.C. v. Lawrence-Dahl Companies⁵⁰ Plaintiff Cello had used the “Cello” mark to market high-end stereo systems since 1985, and registered the “Cello” in 1995. In 1997 the defendant registered numerous domain names, including gotmilk.com, stereo.com, and cello.com. The defendant offered to sell cello.com to the plaintiff for \$5,000. Cello sued in 1997. Both parties moved for summary judgment. In 1999, the court asked for briefing in view of the *ACPA*, and the *Sporty’s* case.

The court found that “Cello” was “famous” only in the limited market of purchasers that spend \$20,000-\$500,000 for audio equipment. The court also found that “Cello” was widely used as part of registered marks owned by third parties. Because the defendant tried to register “guitar.com,” “drums.com,” and “violin.com”, the court held that it was not clear that he acted with bad faith, although he did intend to profit. Regarding dilution, the court held that Cello’s customers “are not likely to be confused.” The court denied cross-motions for summary judgment.

2002

Mattel Inc. v. barbie-club.com. A court may obtain in rem jurisdiction over a domain name only in a district in which the domain name registrar or other domain-name authority is located. The 57 domain names that Mattel sued had mostly been registered with domain name registrars located in Maryland, Virginia, and California. Mattel brought its suit in the U.S. District Court for the Southern District of New York, and then sought for “registrar’s certificates” for the domain names to be deposited with the district court, hoping by that trick to get in rem jurisdiction in New York over all the 57 names. No such luck.

2003

Storey v. Cello Holdings LLC⁵¹ “Because a domain-name registrant’s claim under §1114(2)(D)(v) does not involve review of a UDRP decision, the district court’s inquiry should have been on Cello’s right in the Instant Action to contest the lawfulness of Storey’s use of “cello.com” directly under the *ACPA*.”

c. Third Circuit

2001

Shields v. Zuccarini⁵² Newly-discovered political or moral purposes in creating a website will not suffice to counter a charge of cybersquatting. Plaintiff Joseph Shields creates and sells cartoons that are printed on shirts, and sells other “Joe Cartoon” items that are sold at gift stores. He exhibits and sells his works (such as his “frog blender” and “lemmings competing

⁵⁰ 89 F. Supp. 2d 464, 54 U.S.P.Q.2d 1645 (S.D.N.Y. March 30, 2000).

⁵¹ 68 USPQ2d 1641 (2nd Cir. 2003) (vacating a judgment that had ordered a re-transfer of the domain name “cello.com” back to Storey, after a UDRP decision had ordered that the domain name “cello.com” be transferred to Cello).

⁵² 54 U.S.P.Q.2d 1166, 1168 (E.D. Pa. 2000), *affirmed*, 59 U.S.P.Q.2d 1207 (3rd Cir. 2001).

for diving medals,” which Judge Dalzell refers to as “rather cute”) on his website www.joecartoon.com.

Zuccarini registered the domain sites joescartoon.com, joecarton.com, joescartons.com, joescartoons.com, and cartoonjoe.com, filling them with paid advertisements for credit card companies and other websites. Once litigation ensued, Zuccarini changed the content radically: now web-surfers saw a message extolling the evils of Joe Cartoon. Zuccarini claimed that the sites were registered not in bad faith, but to wage a political protest against Shields’ work because it “desensitizes children to killing animals, [and] makes it seem like great fun and games.”⁵³

Despite Zuccarini’s purported newfound moral indignation, the district court found that he acted with a bad faith intent to profit. The court noted that if Zuccarini was so mortified by Joe Cartoon’s treatment of animals, he probably wouldn’t maintain some of the other domain names that he owns, including www.sexwithanimal.com and www.girlwithanimal.com.

On appeal, the Third Circuit rejected Zuccarini’s contention that registering domain names that are intentional misspellings of distinctive or famous names are not actionable under the ACPA, stating, that a “reasonable interpretation of conduct covered by the phrase ‘confusingly similar’ is the intentional registration of domain names that are misspellings of distinctive or famous names, causing an Internet user who makes a slight spelling or typing error to reach an unintended site.”⁵⁴

2003

Schmidheiny v. Weber, No. 02-1668 Under the ACPA, a plaintiff may sue to transfer a domain name registration even when it was originally registered prior to the effective date of the statute, if it was re-registered with a new registrar after the law took effect. “[W]e conclude that the language of the statute does not limit the word ‘registration’ to the narrow concept of ‘creation registration’.”

d. Fourth Circuit

2000

*Porsche Cars North America Inc. v. allporsche.com*⁵⁵ On June 9, 2000, the Fourth Circuit vacated the dismissal of the lower court, in light of the newly-enacted ACPA, and remanded the case to the district court for further proceedings. Some of the defendants might actually have legitimate purposes. What do you think? Here’s a partial list:

offering repair - Porscheservice.com
advertising used cars - Usedporsche.com
running enthusiasts’ club -Porschephiles.org
selling accessories - Porscheaccessories.com
selling books - Porsche-books.com

⁵³ *Id.* at 1168.

⁵⁴ *Shields*, 59 U.S.P.Q.2d at 1212.

⁵⁵ 215 F.3d. 1320 (4th Cir. 2000).

On August 23, 2002, the Fourth Circuit vacated part of the new order, and affirmed another part of the new order.⁵⁶

Caesars World v. Caesars-Palace.com⁵⁷ Plaintiff Caesars World brought an action against domain names containing numerous derivatives of its trademark. Defendants filed a motion to dismiss, contending, *inter alia*, that the in rem provisions of the ACPA are unconstitutional. The court denied the motion, ruling that minimum contacts are necessary for a court to have valid jurisdiction over a defendant only when the underlying cause of action is unrelated to the property which is located in the forum state. Here the property, that is, the domain name, is not only related to the cause of action but is its entire subject matter. Accordingly, it is unnecessary for minimum contacts to meet personal jurisdiction standards.

Lucent Technologies, Inc. v. LucentSucks.Com⁵⁸ Lucent (a telephone equipment company) notified defendant lucentSucks.com (a porn site) of its intent to sue. Eight days later, Lucent filed an in rem action under the ACPA. The court dismissed the suit, stating that Lucent had not shown due diligence in searching for the defendant. In dicta, the court stated that if the defendant website were parody or critical commentary, the plaintiff's case would be seriously undermined.

2001

Virtual Works, Inc. v. Volkswagen of America, Inc.⁵⁹ Virtual Works was an Internet service provider unaffiliated with defendant Volkswagen. Virtual Works registered the domain name vw.net with Network Solutions Inc. ("NSI").

For the next two years, Virtual Works used the vw.net domain name in connection with the operation of its ISP business. After aggressive actions by Virtual Works, Volkswagen responded by invoking NSI's dispute resolution procedure, and challenging Virtual Works' right to the domain name.

Virtual Works then sued for a declaratory judgment confirming its rights to the vw.net domain name. Volkswagen counterclaimed for violation of the ACPA, infringement, and dilution. The district court granted Volkswagen's motion for summary judgment.

The Fourth Circuit affirmed, relying on "(1) the famousness of the VW mark; (2) the similarity of vw.net to the VW mark; [and] (3) the admission that Virtual Works never once did business as VW nor identified itself as such". In addition, the Fourth Circuit ruled that two pieces of evidence showed that Virtual Works had bad faith: 1) "Virtual Works chose vw.net over other domain names not just because 'vw' reflected the company's own initials, but also because it foresaw the ability to profit from the natural association of vw.net and the VW mark", and 2) Virtual Works had threatened to auction the site to the highest bidder if Volkswagen did not elect to purchase it.

⁵⁶ *Porsche Cars North America, Inc. v. Porsche.net*, 302 F.2d 248 (4th Cir. 2002).

⁵⁷ 112 F.Supp.2d 502, 54 U.S.P.Q.2d 1121 (E.D. Va. 2000).

⁵⁸ 95 F. Supp. 2d 528, 54 U.S.P.Q.2d 1653 (E.D. Va. 2000).

⁵⁹ 238 F.3d 264, 268 (4th Cir.2001) (affirming a judgment requiring plaintiff to give the domain name "vw.net" to Volkswagen).

People For Ethical Treatment of Animals (PETA) v. Doughney⁶⁰ The Fourth Circuit found that he had “made statements on his website and in the press recommending that PETA attempt to 'settle' with him and 'make him an offer’”, and that he had “registered other domain names that [were] identical or similar to the marks or names of other famous people and organizations.”⁶¹

V&S Vin & Sprit Aktiebolag v. Hanson⁶² The court denied the Australian defendants' motion to dismiss a Swedish corporation's action for infringement of trademark ABSOLUT, cybersquatting, and dilution, on grounds of forum non conveniens grounds, stating, “A trademark holder seeking to enforce its U.S. – registered marks against infringing domain name registrants should not be penalized in the exercise of those rights merely because the parties involved are not United States citizens.”.

2002

Harrods Ltd. v. 60 Internet domain names⁶³ In rem suits against Internet domain names do not violate due process by permitting suits in which the defendant does not have minimum contacts with the forum. In proving bad faith registration under the anticybersquatting law, the plaintiff's evidence must meet merely the preponderance of the evidence standard, not the higher standard of clear and convincing evidence. The in rem provision applies both to ACPA suits and also to claims of trademark infringement and dilution.

2003

Barcelona.com Inc. v. Excelentisimo Ayuntamiento de Barcelona⁶⁴ (reversing the judgment of the district court denying Bcom, Inc. relief under the ACPA, vacating its memorandum opinion and its order to transfer the domain name "barcelona.com" to the Barcelona City Council, and remanding for further proceedings to grant the appropriate relief under §1114(2)(D)(v)).

The defendant, the city council of Barcelona, Spain (the Ayuntamiento de Barcelona), had brought an action under the UDRP to get the domain name registration for barcelona.com from Joan Nogueras Cobo and his wife, Concepcio Riera Llena, residents of Spain. An administrative arbitration panel of WIPO ordered the transfer of the domain name registration to the city. However, the clever husband and wife team had already formed a corporation under the laws of Delaware, Barcelona.com Inc., and had transferred ownership of the registration to it. Therefore, Barcelona.com Inc. sued in the Eastern District of Virginia, asking for a declaratory judgment that its registration of the domain name was not unlawful.

⁶⁰ 263 F.3d 359 (4th Cir. 2001) (finding bad faith intent to profit, even though defendant had done no commercial activity on his website).

⁶¹ *Id.* at 369.

⁶² 60 USPQ2d 1310 (E.D. Va. 2001).

⁶³ 302 F.3d 214 (4th Cir. 2002). *See also Porsche Cars North America, Inc. v. Porsche.net*, 302 F.2d 248 (4th Cir. 2002).

⁶⁴ 67 U.S.P.Q.2d 1025 (4th Cir. 2003).

The district court ordered the transfer of the domain name to the city of Barcelona. The Fourth Circuit reversed and vacated the judgment, stating that the plain text of the ACPA demands application of the U.S. Trademark law, not Spanish law, and that proper application of Spanish law would also have resulted in the husband/wife team keeping their domain name, because the city council could not claim trademark rights to the purely geographical descriptive term “Barcelona”.

"When we apply the Lanham Act, not Spanish law, in determining whether Bcom, Inc.'s registration and use of 'barcelona.com' is unlawful, the ineluctable conclusion follows that Bcom, Inc.'s registration and use of the name 'Barcelona' is not unlawful."

Hawes v. Network Solutions, Inc. and L’Oreal, S.A.⁶⁵ In April 1999, Hawes registered the domain name “lorealcomplaints.com” with Network Solutions, Inc. (“NSI”) in Herndon, Virginia, and, as required by NSI, signed a Domain Name Registration Agreement. Sometime after Hawes registered his domain name, L’Oreal sued Hawes in a French court, alleging infringement of L’Oreal’s French trademarks, because of his domain name. Upon learning of this French litigation, NSI transmitted a “Registrar Certificate” for the domain name to counsel for L’Oreal in Paris, tendering control and authority over the registration of the domain name to the French court, in accordance with Network Solutions’ “standard service agreement with its registrants and the dispute policy incorporated therein.”

Hawes failed to appear before the French court, so the court entered judgment in favor of L’Oreal, and ordered the domain name to be transferred to L’Oreal. NSI transferred the name to L’Oreal, so Hawes sued NSI and L’Oreal under the ACPA, asking for a declaration that his use of the domain name was lawful, and asking that it be transferred back to him. The district court dismissed the case on several grounds, including that it possessed discretion under the Declaratory Judgment Act to decline to grant declaratory relief. The Fourth Circuit vacated the dismissal as to L’Oreal, and held that although a district court possesses discretion in deciding whether to grant a declaratory judgment under 28 U.S.C. § 2201, the Declaratory Judgment Act, “a district court possesses no similar discretion in adjudicating an action brought under 15 U.S.C. § 1114(2)(D)(v), in which Congress created a new and independent cause of action and, unlike in § 2201, used no language indicating that a district court may exercise discretion regarding whether to grant declaratory relief.”

E.D. Va.

Globalsantafe Corp. v. globalsantafe.com⁶⁶ Global Marine Inc. and Santa Fe International Corp. decided in 2001 to merge into a new company Globalsantafe Corp. Less than one day after the announced merger, the Korean domain name registrar, Hangan, registered the domain name globalsantafe.com for Jongsun Park. That domain name was transferred to Fanmore Corp., a Korean entity, with Jong Ha Park listed as the contact.

In October 2001, Global Marine and Santa Fe filed an in rem action against the globalsantafe.com domain name under the ACPA. In November 2001, the companies’ merger became effective, and the new Globalsantafe filed a trademark application for

⁶⁵ 337 F.3d 377 (4th Cir. 2003).

⁶⁶ No. 01-1541-A, (E.D. Va. 2/5/03).

GLOBALSANTAFE. The Korean registrar deposited the domain name certificate with the district court, but the registrant failed to appear in court to defend its right to use the domain name.

The court ordered the domain name registry VeriSign to transfer the domain name to Globalsantafe, and later extended that order to the Korean registrar. In September 2002, Park obtained from a court in Korea an injunction barring the Korean registrar from transferring the domain name as ordered by the U.S. district court. Globalsantafe moved for an amended judgment to direct Verisign to cancel the infringing domain name until it is transferred to Globalsantafe.

The court noted that cancellation of a domain name can be achieved by 1) the registrar's cancellation order to the registry, 2) by the registry's disabling of the domain name by placing it on "hold" status, or 3) by the registry's unilateral act of deleting the registration information without the cooperation of the registrar. Verisign's contractual agreements with ICANN and Hangan may not limit Globalsantafe's trademark rights and remedies under the Lanham Act and the ACPA:

To be sure, it is normally appropriate to direct a cancellation order primarily at the current domain name registrar and to direct that cancellation proceed through the usual channels. However, in situations, where, as here, such an order has proven ineffective at achieving cancellation, it becomes necessary to direct the registry to act unilaterally to carry out the cancellation remedy authorized under the ACPA. In this regard, a court is not limited merely to the disabling procedure envisioned by Verisign's contractual agreements, but may also order the registry to delete completely a domain name registration pursuant to the court's order, just as the registry would in response to a registrar's request. Indeed, in order to vindicate the purposes of the ACPA, disabling alone in many cases may not be sufficient, for it does not oust the cybersquatter from his perch, but rather allows the cybersquatter to remain in possession of the name in violation of the trademark holder's rights.

Because Globalsantafe requested only an amendment of the order to direct Verisign to cancel the domain name by disabling it, the court decided that it did not have to decide whether complete cancellation of the domain name by Verisign was appropriate. The court ordered Verisign not to cancel, but to disable, the domain name by eliminating the domain name IP address from its database.

The court further ruled that there was no basis for abstention on comity grounds because: (1) the U.S. and Korean proceedings were not concurrent; (2) the foreign court proceeding was intended to frustrate the judgment of the U.S. court; and (3) the U.S. judgment supported significant trademark policies under U.S. law.

The court noted "there is a significant gap in the ACPA's trademark enforcement regime for domain names registered under top-level domain names, such as the foreign country code domain names, whose registry is located outside the United States."

E.D. Va.

America Online Inc. v. aol.org⁶⁷ AOL held the U.S. registrations for the marks AOL and AOL.COM. AOL sued under the in rem provisions of the ACPA. The court issued an order directing the registrar, OnlineNIC, a company based in China, to execute the transfer. However, the registrar instead transferred the registration to another registrar, Netpia.com Inc., based in South Korea. Meanwhile, the registrant had also been changed twice and was now under a presumably fictitious name and controlled by a Korean entity.

AOL then requested an order directing Public Interest Registry to execute the transfer. Public Interest Registry, a Pennsylvania corporation headquartered in Reston, Va., is the operator of the .org registry, a function it took over from Verisign Global Registry Services Inc. at the beginning of the year, under a contract with the ICANN.

Following his prior ruling in the *Globalsantafe* case, Judge Ellis stated, “These jurisdictional provisions weigh strongly against any notion that the transfer and cancellation remedies authorized by the ACPA ... are somehow limited to orders directed at registrar, but not registries. ... Congress deliberately and sensibly provided for jurisdiction where the registry is located so there would be no doubt that courts had the power to direct the registry to carry out the authorized ACPA remedies of transfer and cancellation. ... By choosing to register a domain name in the popular ‘.org’ top-level domain, these foreign registrants deliberately chose to use a top-level domain controlled by a United States registry. ... They chose, in effect, to play Internet ball in American cyberspace.” The court issued the transfer order.

2004

Retail Servs., Inc. v. Freebies Pub.⁶⁸ Customer relationship management services company sued a trademark owner seeking a declaration that service company’s “freebie.com” domain name did not constitute infringement or cybersquatting of trademark owner’s stylized “Freebies” trademark. The Fourth Circuit looked to the ACPA in analyzing whether a stated cause of action under the ACPA exists if the trademark in question is found to be generic, and thus not capable of trademark protection. In doing so, the Court stated that “a prerequisite for bringing a claim under the ACPA is establishing the existence of a valid trademark and ownership of that mark”.

2005

Lamparello v. Jerry Falwell Ministries⁶⁹ The court reversed a holding of trademark infringement based on the use of a domain name spelled “Fallwell”, rejecting the “initial interest confusion” analysis, and following the 5th Circuit to find no cybersquatting because the defendant had no intent to make a profit).

⁶⁷ No. 02-1116-A, (E.D. Va. 4/23/03).

⁶⁸ Nos. 03-1272 and 03-1317, 2004 WL 771417 (4th Cir. April 13, 2004) (affirming a declaratory judgment of no infringement, and of no cybersquatting).

⁶⁹ No. 04-2011 (4th Cir. August 24, 2005).

e. Fifth Circuit

2002

*Ernest and Julio Gallo Winery v. Spider Webs Ltd.*⁷⁰ The plaintiff, Ernest and Julio Gallo Winery, had registered the federal trademark ERNEST & JULIO GALLO in 1964. The defendants—Spider Webs Ltd. and its principals—ran an operation whose business was to “develop” domain names. They registered more than 2,000 names, including about 300 that included trademarks of existing companies, including the domain name ernestandjuliogallo.com. The defendants argued that they were merely holding on to ernestandjuliogallo.com with a plan to sell it should the federal anticybersquatting statute be declared unconstitutional. The Fifth Circuit held that such was evidence of bad faith.

2004

*TMI Inc. v. Maxwell*⁷¹ Maxwell, an unhappy home-buyer, registered “trendmakerhome.com”, and used the website as a gripe site. He also included on the website a place called a “Treasure Chest” for readers to share and obtain information about contractors and tradespeople who had done good work, and admitted that he had added that section to attract people to read his gripes about TMI. During the year of the site's existence, the Treasure Chest only contained one name, that of a man who had performed some work for Maxwell. The site did not contain any paid advertisements. The Fifth Circuit ruled that although some e-mail intended for TMI was sent to Maxwell's site, because did not charge money for viewing the Treasure Chest portion of his site, and had no advertising or links to other sites, his site was not “commercial”, and thus there was no liability under the ACPA nor under the dilution statutes. In a footnote, the Fifth Circuit incorrectly distinguished a contrary holding on the issue of “commercial use” of trademarks in *United We Stand America, Inc. v. United We Stand, America New York, Inc.*, 128 F.3d 86, 89-90 [44 USPQ2d 1351] (2d Cir. 1997), stating that such case did not “involve either the anti-dilution provision or ACPA and is, thus, irrelevant to the determination of whether these two sections require commercial use”.

f. Sixth Circuit

2003

*Ford Motor Company v. Catalanotte*⁷² Catalanotte, a Ford employee since 1978, registered “fordworld.com” in 1997, and three years later offered to sell it to Ford. Catalanotte’s lawyer argued that because Catalanotte registered the domain name before the date of enactment of the ACPA (November 29, 1999), the district court incorrectly awarded damages to Ford. However, the Sixth Circuit found that because Catalanotte offered to sell the domain name to Ford after November 29, 1999, such offer was “trafficking in” the domain name after the enactment date, and thus the district court correctly awarded damages.

⁷⁰ 286 F.3d 270 (5th Cir. 2002).

⁷¹ 70 USPQ2d 1630 (5th Cir. 2004) (reversing and rendering a judgment of \$40,000 in statutory damages, and \$40,000 in attorneys fees).

⁷² 342 F.3d 543, 68 U.S.P.Q.2d 1050 (6th Cir. 2003) (affirming an award of \$5,000 and injunctive relief under the ACPA).

2004

In *Lucas Nursery and Landscaping v. Michelle Grosse*⁷³ (March 5, 2004), the Sixth Circuit affirmed a grant of summary judgment to Grosse, who had started a website www.lucasnursery.com to complain about the plaintiff. The Sixth Circuit expressly refused to consider “whether the ACPA covers non-commercial activity”, focusing instead on whether there was “bad faith intent to profit”, even though the statutory “bad faith” factors 4 and 5 clearly refer to commercial activity:

4. the person's bona fide **noncommercial** or fair use of the mark in a site accessible under the domain name;
5. 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

(emphasis added) However, the Sixth Circuit did say, “The fourth factor cuts in Grosse's favor because the site was used for noncommercial purposes.” Also, the court pointed out that the nursery did not have a website.

In conclusion, the Sixth Circuit stated:

Although Grosse's actions would arguably satisfy three of the four aforementioned factors, she does not fall within the factor that we consider central to a finding of bad faith. **She did not register multiple web sites; she only registered one.** Further, it is not clear to this Court that the presence of simply one factor that indicates a bad faith intent to profit, without more, can satisfy an imposition of liability within the meaning of the **ACPA**. The role of the reviewing court is not simply to add factors and place them in particular categories, without making some sense of what motivates the conduct at issue. The factors are given to courts as a guide, not as a substitute for careful thinking about whether the conduct at issue is motivated by a bad faith intent to profit. Perhaps most important to our conclusion are, Grosse's actions, which seem to have been undertaken in the spirit of informing fellow consumers about the practices of a landscaping company that she believed had performed inferior work on her yard. One of the **ACPA's** main objectives is the protection of consumers from slick internet peddlers who trade on the names and reputations of established brands. The practice of informing fellow consumers of one's experience with a particular service provider is surely not inconsistent with this ideal (emphasis added).⁷⁴

⁷³ 342 F.3d 543, 68 U.S.P.Q.2d 1050 (6th Cir. 2003) (affirming an award of \$5,000 and injunctive relief under the ACPA).

⁷⁴ *Id.*

g. Seventh Circuit

2002

*Ty Inc. v. Perryman*⁷⁵ Ms. Ruth Perryman operated a website www.bargainbeanies.com where she sold “second-hand beanbag stuffed animals, primarily but not exclusively Ty's Beanie Babies.” The Seventh Circuit held that there was no dilution, and no violation of the ACPA, but that there could be confusion by Perryman’s calling other plush toys “other beanies”, stating that such was a “misdescription, in fact false advertising, and supports the last prohibition in the injunction, the prohibition against using ‘Beanie’ or ‘Beanies’ ‘in connection with any non-Ty products.’”

Eighth Circuit

2004

*Coca-Cola Co. v. Purdy*⁷⁶ Purdy, a pro-life advocate, registered domain names such as drinkcoke.org, mycoke-cola.com, mymcdonalds.com, mypepsi.org, and my-washingtonpost.com. Purdy linked the domain names to abortionismurder.com. He also linked my-washingtonpost.com to a Web site that mimicked the appearance of the actual washingtonpost.com Web site. The site displayed statements such as "The Washington Post proclaims 'Abortion is Murder' " and "Things Don't Always Go Better With Coke. Abortion is Murder -- 'The Real Thing' ", as well as images of aborted fetuses and links to Purdy's anti-abortion Web site.

After receiving requests to stop from the trademark owners, Purdy offered to give up the my-washingtonpost.com domain name if the Washington Post would publish one of Purdy's writings on its editorial page. He then registered more domain names, and began using the E-mail address dontkillyourbaby@washingtonpost.cc. Despite a court order forbidding him to use those domain names, and ordering him to transfer those names to the trademark owners, Purdy registered a further 60 domain names. The judge found Purdy in contempt. The court issued a second order prohibiting Purdy from using the names in question, and ordering him to transfer the domain name registrations. Purdy then registered more domain names, and the court issued a supplemental contempt order imposing fines.

As is usual in these cases, Purdy argued that there was no evidence that he had the requisite bad faith intent to profit. The 8th Circuit considered the nine statutory factors regarding a defendant’s alleged bad faith intent to profit. In so doing, the Court stated:

“The fact that confusion about a website's source or sponsorship could be resolved by visiting the website is not relevant to whether the domain name itself is identical or confusingly similar to a plaintiff's mark. . . . Moreover, the record indicates that Purdy intended to capitalize on the similarity between his domain names and plaintiffs' marks to attract unwitting Internet users to antiabortion websites. . . .

⁷⁵ 306 F.3d 509, 64 U.S.P.Q.2d 1689 (7th Cir. 2002) (vacating a summary judgment and injunction against the defendant, and remanding).

⁷⁶ Nos. 02-2894 etc. (8th Cir. 9/1/04) (affirming preliminary injunctions and dismissing appeals of a contempt order and sanctions, for lack of jurisdiction).

Furthermore, the record shows that just days after Purdy began registering and using the domain names at issue in this case, he apparently offered to stop using the Washington Post domain names in exchange for space on the editorial page in that newspaper. A proposal to exchange domain names for valuable consideration is not insignificant in respect to the issue of bad faith intent to profit.

The 8th Circuit distinguished *Lucas Nursery* and *TMI*, stating that “[n]either customer in those cases had registered multiple infringing domain names or offered to transfer the names in exchange for valuable consideration. Neither had linked the names to websites about issues other than the company’s business or to websites that solicited donations or sold merchandise.”

Purdy argued that the First Amendment entitled him to use the domain names at issue to attract Internet users to websites containing political expression and criticism of the plaintiffs. The Court held, “While Purdy has the right to express his message over the Internet, he has not shown that the First Amendment protects his appropriation of plaintiffs’ marks in order to spread his protest message by confusing Internet users into thinking that they are entering one of the plaintiffs’ websites.”

h. Ninth Circuit

2002

*Nissan Motor Co. v. Nissan Computer Corp.*⁷⁷ The purchase of search engine keywords (“Nissan” and “Nissan.com” from search engine operators) that are identical to Internet domain names registered by another party does not violate any trademark-related rights belonging to the domain name registrant.

C.D. Cal.

Nissan Motor Co. v. Nissan Computer Corp. Nissan Computer obtained the Internet domain names nissan.com and nissan.net. Nissan Motor sued Nissan Computer in 1999 for trademark infringement, dilution, and cybersquatting. Nissan Computer Corp. is a North Carolina company, incorporated in 1991 by its president, Uzi Nissan, to sell and service computers.

In March, 2000, the court rejected Nissan Computer’s motion to dismiss for lack of personal jurisdiction, and granted Nissan Motor’s motion for a preliminary injunction. In March, 2002, the court issued a partial summary judgment for Nissan Motor on its claims of infringement and cybersquatting.⁷⁸

The court quoted *Mattel Inc. v. MCA Records Inc.*⁷⁹, stating that the FTDA is not intended to prohibit or threaten “noncommercial expression, such as parody, satire, editorial and other forms of expression that are not a part of a commercial transaction.” However, the court

⁷⁷ 204 F.R.D. 460 (C.D. Cal. 2001); (original case: 89 F. Supp. 2d 1154 (C.D. Cal. 2000), *aff’d*, 246 F.3d 675 (9th Cir. 2002)).

⁷⁸ *Nissan Motor Co. v. Nissan Computer Corp.*, 180 F.Supp. 2d 1089, 61 U.S.P.Q.2d 1839 (C.D. Cal. 2002).

⁷⁹ 296 F.3d 894, 63 U.S.P.Q.2d 1715 (9th Cir. 2002).

held that the noncommercial exemption does not apply to critical commentary when the goodwill represented by the trademark is exploited to injure the trademark owner. Thus, the court granted Nissan Motor's motion for a permanent injunction, but limited the injunction to merely barring Mr. Uzi Nissan from using his websites nissan.com and nissan.net for commercial purposes, including any disparaging remarks or negative commentary about Nissan Motors.

2003

*Kremen v. Cohen, Network Solutions Inc., et al*⁸⁰. Kremen registered the domain name sex.com in 1994 without a written contract, and without having to pay anything for it. “Con man Stephen Cohen, meanwhile, was doing time for impersonating a bankruptcy lawyer. He, too, saw the potential of the domain name. Kremen had gotten it first, but that was only a minor impediment for a man of Cohen's boundless resource and bounded integrity.”

Stephen Cohen sent a forged letter to NSI that he claimed he received from Online Classifieds, Kremen's company, informing Cohen that Online Classifieds had fired Kremen, was no longer interested in the domain name, and consented to its transfer to Cohen. NSI accepted the letter as valid and transferred the domain name to Cohen. When Kremen complained, NSI told him it was too late to undue the transaction. Cohen went on to turn sex.com into a lucrative online porn empire. Kremen sued Cohen, and received a judgment of \$65 million. Cohen ignored the judgment, wired his money overseas, and went to Mexico to escape an arrest warrant.

“Then things started getting really bizarre. Kremen put up a ‘wanted’ poster on the sex.com site with a mug shot of Cohen, offering a \$50,000 reward to anyone who brought him to justice. Cohen's lawyers responded with a motion to vacate the arrest warrant. They reported that Cohen was under house arrest in Mexico and that gunfights between Mexican authorities and would-be bounty hunters seeking Kremen's reward money posed a threat to human life. The district court rejected this story as ‘implausible’ and denied the motion. Cohen, so far as the record shows, remains at large.”

Unable to reach Cohen, Kremen sued NSI for breach of contract, breach of third party contract, and conversion. The district court granted summary judgment in favor of Network Solutions on all claims. *Kremen v. Cohen*, 99 F. Supp. 2d 1168 (N.D. Cal. 2000). The Ninth Circuit affirmed no breach of contract, and no breach of a third party contract with the National Science Foundation. However, the Ninth Circuit disagreed with the district court's holding that intangible property was not subject to conversion, and instead held that “Kremen's domain name is protected by California conversion law”, and remanded the case.

2005

⁸⁰ No. 01-15899 (9th Cir. 7/25/03).

*Bosley Medical Institute Inc. v. Kremer*⁸¹ The Ninth Circuit at first appeared to rule again in favor of “First Amendment” cybersquatters when it stated: (it’s a long quote, but the puns are worth it)

Defendant Michael Kremer was dissatisfied with the hair restoration services provided to him by the Bosley Medical Institute, Inc. In a bald-faced effort to get even, Kremer started a website at www.BosleyMedical.com, which, to put it mildly, was uncomplimentary of the Bosley Medical Institute. The problem is that “Bosley Medical” is the registered trademark of the Bosley Medical Institute, Inc., which brought suit against Kremer for trademark infringement and like claims. Kremer argues that noncommercial use of the mark is not actionable as infringement under the Lanham Act. Bosley responds that Kremer is splitting hairs.

Like the district court, we agree with Kremer. We hold today that the noncommercial use of a trademark as the domain name of a website — the subject of which is consumer commentary about the products and services represented by the mark — does not constitute infringement under the Lanham Act.

Fortunately for trademark owners, the Ninth Circuit then held that such use **could** violate the ACPA, and followed the Eighth Circuit to correct the prior faulty thinking by the Fifth and Sixth Circuits:

The ACPA makes it clear that “use” is only one possible way to violate the Act (“registers, traffics in, or uses”). Allowing a cybersquatter to register the domain name with a bad faith intent to profit but get around the law by making noncommercial use of the mark would run counter to the purpose of the Act. “[T]he use of a domain name in connection with a site that makes a noncommercial or fair use of the mark does not necessarily mean that the domain name registrant lacked bad faith.”⁸²

2006

*Pebble Beach Company v. Caddy*⁸³

The Ninth Circuit, in a trademark infringement suit brought by the operator of the Pebble Beach golf resort, refused to take personal jurisdiction over a British bed and breakfast that used the term “Pebble Beach” in its passive website advertising and in its domain name. The Court held that these were not acts aimed at the state of California. In so ruling, the Court clarified the Calder “effects test” for personal jurisdiction, holding that expressly aiming at the forum state was required. For similar reasons, the Court also held that the defendant’s acts were insufficient to subject him to personal jurisdiction under the federal long-arm rule. The Court noted that although the bed and breakfast operator had formerly lived in California and was familiar with the golf resort, he was not a cybersquatter trying to obtain money from the resort’s operator, and did not write a letter to force the resort operator to act.

⁸¹ 74 U.S.P.Q.2d 1280, 1282 (9th Cir. 2005).

⁸² 72 U.S.P.Q.2d at 1287, quoting from *Coca-Cola Co. v. Purdy*, 382 F.3d 774, 778, 72 U.S.P.Q.2d 1305 (8th Cir. 2004).

⁸³ *Pebble Beach Company v. Caddy*, 453 F.3d 1151 (9th Circuit, July 12, 2006).

Tenth Circuit

2008

*Utah Lighthouse Ministry v. FAIR*⁸⁴

The Tenth Circuit found the facts to be as follows:

Jerald and Sandra Tanner founded UTLM in 1982 to critique the Church of Jesus Christ of Latter-day Saints (LDS Church). In support of its mission, UTLM sells books at both a brick-and-mortar bookstore in Utah and through an online bookstore at the official UTLM website, www.utlm.org.

The Foundation for Apologetic Information and Research (FAIR) is a volunteer organization that responds to criticisms of the LDS Church. FAIR's website also has an online bookstore, and both FAIR and UTLM provide online publications on the subject of the LDS Church. The publications in the two bookstores overlap by thirty titles. Defendant-Appellee Allen Wyatt is the vice president and webmaster for FAIR. In November 2003, Wyatt created a website parodying the UTLM website--the Wyatt website is similar in appearance but has different, though suggestively parallel, content.

... The design elements are similar, including the image of a lighthouse with black and white barbershop stripes. However, the words "Destroy, Mislead, and Deceive" are written across the stripes on the Wyatt website. Prominent text on the Wyatt website consists of a slight modification of the language located in the same position on the UTLM website. For example, the UTLM website states: "Welcome to the Official Website of the Utah Lighthouse Ministry, founded by Jerald and Sandra Tanner." In comparison, the Wyatt website states: "Welcome to an official website about the Utah Lighthouse Ministry, which was founded by Jerald and Sandra Tanner." (emphasis added.) The Wyatt website does not have any kind of disclaimer that it is not associated with UTLM.

The Wyatt website contains no advertising and offers no goods or services for sale. The Wyatt website includes sixteen external hyperlinks. Eleven of these hyperlinks point to the website of an organization at Brigham Young University. Three hyperlinks point to articles on the FAIR website that are critical of the Tanners, and another takes viewers directly to the FAIR homepage. The other external hyperlink is to the website of the LDS Church.

Wyatt, through his company Discovery Computing, Inc., registered ten domain names, each of which directed visitors to the Wyatt website. The domain names are combinations of "Utah Lighthouse Ministry," "Sandra Tanner," "Gerald Tanner," "Jerald Tanner," and ".com" and ".org." Wyatt first publicized the Wyatt website to FAIR members in April 2004. Wyatt ceased operation of the website and began to transfer the domain names to UTLM in April 2005.

⁸⁴ *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research, (FAIR)*, 527 F.3d 1045 (10th Cir. 2008).

Although the Court found no likelihood of confusion, it did find, in a *de novo* review of the district court's ACPA ruling, that the second element of the cybersquatting claim is easily satisfied, as the domain names utahlighthouse.com and utahlighthouse.org are virtually identical to the trademark with the minor exceptions of spacing between "Utah" and "Lighthouse," and the addition of .com and .org. However, because (1) there was no evidence "of the distinctiveness of the mark at the time that Wyatt registered the domain names", (2) there was no offer to sell a domain name at an "extortionate price", (3) no diversion of customers, and (4) a reasonable belief that parody made the use of the domain names legal, the Court ruled that the grant of summary judgment on the ACPA claim was proper.

6. Was Overly-Aggressive In Asking For Cancellation Of A Domain Name

In January, 2001, the WIPO labeled at least two overly aggressive attempts to cancel domain names as "reverse domain name hijacking". Unfortunately, the UDRP has no provisions to compensate rightful owners for their costs in defending against reverse domain name hijacking.

WIPO Arbitration Panel

Deutsche Welle v. Diamondware Ltd. WIPO Administrative Panel Decision, Panelists Willoughby, Bettinger, and Cabell, Case No. D 2000-1202, January 2, 2001. In July, 2000, Deutsche Welle (a radio & TV broadcaster) sued Diamondware Ltd. (software developer) under the UDRP to cancel the registration of dw.com, which the Arizonians had registered in 1994. On January 2, 2001, WIPO refused to cancel the domain name registration, calling the Germans' actions "reverse domain name hijacking".

<http://arbitrator.wipo.int/domains/decisions/word/2000/d2000-1202.doc>

Goldline Int'l v. Gold Line, WIPO Administrative Panel Decision, Panelists Bernstein, Kelly, and Limbury, Case No. D2000-1151, January 4, 2001. Goldline Int'l (a coin dealer) sued Gold Line (provider of Internet community services) under the UDRP to cancel goldline.com, which Gold Line had registered in 1997. Gold Line had even added a disclaimer to its website after the coin dealer griped. On January 4, 2001, WIPO refused to cancel the domain name registration, calling the coin dealer's actions "reverse domain name hijacking".

<http://arbitrator.wipo.int/domains/decisions/word/2000/d2000-1151.doc>

Loren Stocker, Managing Director for Del Mar Internet noted, "Egregious behavior like that of Goldline International goes unpunished thanks to a flawed ICANN policy. Am I now to defend myself against the 40 other trademark holders?"

G.A. Modafine S.A. v. Mani.Com, WIPO Administrative Panel Decision, Panelists Hon. Sir Ian Barker, Reinhard Schanda, and David Perkins, Case No. D2001-0388, May 30, 2001. Modafine owns the mark "MANI". Suresh Mani of Quincy, MA in 1998 developed the concept of creating a website to locate and foster communications with and among the dispersed members and descendants of the "mani" family from northern India (now Pakistan) by offering them free e-mail services. He then purchased the domain name "mani.com" (which had been

registered by another party) for the sum of \$1,000 in December, 1998. In January, 1999, he directed a web programmer to create a website located at the “mani.com” URL through which he would offer free e-mail services to all members and descendants of the “Mani” family. The panel dismissed the complaint. <http://arbitrator.wipo.int/domains/decisions/word/2001/d2001-0388.doc>

G.A. Modefine S.A. v. Anand Ramnath Mani, WIPO Administrative Panel Decision, Nick Gardner, Sole Panelist, Case No. D2001-0537, July 20, 2001. Modefine owns the mark “ARMANI”. Canadian graphic designer Mani had used “armani.com” since 1994 as an email address. Modefine offered him \$750 and an Armani suit, but Mani refused, offering instead to change his email address to merely “amani.com”. The WIPO judge Nick Gardner said Modefine had “been guilty of abusing the process”, and ruled that Mani could keep his domain name. <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0537.html>

Domain Name Rights Coalition (<http://www.domain-name.org/>)

The Domain Name Rights Coalition (<http://www.domain-name.org/>) represents small businesses and Internet users in domain name disputes with trademark holders. The President, Mikki Barry, advises clients threatened by trademark owners to file a petition to cancel with the Trademark Office. His web page originally stated: “Have you received a threat from a trademark owner who wants you to give them your domain name? See our summary page on the NSI dispute policy and a quick overview of your possible rights to stop reverse domain name hijacking.” As of June 12, 2002, it stated, “Have you received a threat from a trademark owner who wants you to give them your domain name? See our quick overview of your possible rights to stop reverse domain name hijacking.”

7. Used Competitor’s Trademarks As Meta-Tags.

Don’t use others’ trademarks or names as metatags, header tags, or underline tags in your website.

a. Seventh Circuit

2000

*Eli Lilly & Co. v. Natural Answers Inc.*⁸⁵ “The second fact probative of Natural Answers' wrongful intent is its references to PROZAC® in the source codes of its website. The clear intent of this effort, whether or not it was successful, was to divert Internet users searching for information on PROZAC® to Natural Answers' website [citing *Brookfield Communications* and *New York State Soc. of Certified Public Accountants*]. Because Natural Answers' wrongful intent is so obvious, we weigh it heavily.”

⁸⁵ 233 F.3d 456, 464, 56 U.S.P.Q.2d 1942 (7th Cir. 2000) (affirming the district court's preliminary injunction).

2002

Promatek Industries Ltd. v. Equitrac Corp.⁸⁶ In October the Court modified its August slip opinion by replacing a sentence with the following: “The problem here is not that Equitrac, which repairs Promatek products, used Promatek's trademark in its metatag, but that it used that trademark in a way calculated to deceive consumers into thinking that Equitrac was Promatek.” In an added footnote the Court stated: “It is not the case that trademarks can never appear in metatags, but that they may only do so where a legitimate use of the trademark is being made.”

2003

N.D. III

International Star Registry of Illinois, Ltd. v. Bowman-Haight Ventures, Inc.⁸⁷ The International Star Registry provides a service of assigning a requested name to a distant star. Plaintiff claimed ownership in the trademarks STAR REGISTRY and INTERNATIONAL STAR REGISTRY. Defendant operated a website offering similar services, and put on its website meta tags with the phrase “star registry”. Plaintiff sued, and defendant moved for summary judgment on plaintiff’s damages claims, arguing that the plaintiff lost no revenue because defendant’s use of “star registry” in a meta tag should not, in theory, generate any higher ranking Internet search results than if defendant had merely used “star” and “registry” as separate keywords within the meta tag. Defendant argued that there could be no damages where the same result would be achieved regardless of whether defendant made a permissible or impermissible use of the terms. The court accepted the plaintiff’s evidence to the contrary, and denied summary judgment.

b. Ninth Circuit

1999

Brookfield Communications, Inc. v. West Coast Entertainment Corp.⁸⁸ The Ninth Circuit has followed its California trademark commentator, McCarthy, in his position on “initial interest confusion”:

“Nevertheless, West Coast's use of ‘moviebuff.com’ in metatags will still result in what is known as initial interest confusion.”

“Consistently with Dr. Seuss, the Second Circuit, and the cases which have addressed trademark infringement through metatags use, we conclude that the Lanham Act bars West Coast from including in its metatags any term confusingly similar with Brookfield's mark. ... Unlike the defendant in Holiday Inns, however, West Coast was not a passive figure; instead, it acted affirmatively in placing Brookfield's trademark in the metatags of its web site, thereby creating the initial interest confusion”.⁸⁹

⁸⁶ 300 F.3d 808 (7th Cir. 2002).

⁸⁷ No. 01 C 4687 (N.D. Ill. 07/09/03).

⁸⁸ 174 F.3d 1036, 50 U.S.P.Q.2d 1545, 1564 (9th Cir. 1999) (reversing the denial of a preliminary injunction, and distinguishing *Playboy Enterprises, Inc. v. Welles*, 7 F. Supp. 2d 1098 (S.D. Cal. 1998), *aff'd*, 162 F.3d 1169 (9th Cir. 1998)).

⁸⁹ *Id.* at 1566.

“Preliminary injunctive relief is appropriate here to prevent irreparable injury to Brookfield's interests in its trademark ‘MovieBuff’ and to promote the public interest in protecting trademarks generally as well. ... When a firm uses a competitor's trademark in the domain name of its web site, users are likely to be confused as to its source or sponsorship. Similarly, using a competitor's trademark in the metatags of such web site is likely to cause what we have described as initial interest confusion. These forms of confusion are exactly what the trademark laws are designed to prevent.”⁹⁰

2002

N.D. Cal.

*J.K. Harris v. Kassel*⁹¹ While the defendants’ use of plaintiff’s trade name in links to other Web pages and in disseminating truthful information about Harris was nominative fair use, the use of “header tags” and “underline tags” around sentences containing the plaintiff’s trade name was not necessary to reasonably identify it, and therefore was likely to cause initial interest confusion.

2003

*Horphag Research Ltd. v. Pellegrini d/b/a Healthdiscovery.com*⁹²; *Horphag Research Ltd. v. Garcia d/b/a Healthierlife.com*⁹³ Horphag Research Ltd. is the holder of the trademark Pycnogenol for use in connection with a pine bark extract product. The defendant, Larry Garcia, operated a website having the domain name healthierlife.com, through which he sold pharmaceutical products, including a product that competed with Pycnogenol. The website, in comparing its product to the plaintiff’s product, repeatedly used the term “Pycnogenol” in its content and in its metatags. It also labeled its competing product as “Masquelier’s: the original French Pycnogenol.”

The Ninth Circuit affirmed a finding of infringement, stating, “By using the mark so pervasively, not just in the text of his websites but also in the meta-tags used to link others to his websites, Garcia exceeds any measure of reasonable necessity in using the Pycnogenol mark.” “Moreover, the constant use of Horphag’s Pycnogenol trademark and variants thereof, such as ‘the Original French Pycnogenol,’ likely suggests that Horphag sponsors or is associated with Garcia’s websites and products.”

N.D. Cal.

*J.K. Harris v. Kassel*⁹⁴ The court vacated its March 22, 2002, preliminary injunction order, substituting a new order withdrawing its analysis of the nominative fair use issue under *New Kids on the Block v. News America Publishing Co.*, 971 F.2d 302 (9th Cir. 1992). It reversed its prior ruling that some of the taxes.com Web site’s uses of the J.K. Harris trademark--especially in “header tags” and “underline” tags--were unreasonable. “Similarly, while the evidence submitted to the Court demonstrates that Defendants often made the J.K. Harris name

⁹⁰ *Id.* at 1567.

⁹¹ 2002 WL 1303124 (N.D. Cal. March 22, 2002).

⁹² No. 01-56733 (9th Cir. 5/9/03).

⁹³ No. 02-55142 (9th Cir. 5/9/03).

⁹⁴ 253 F. Supp. 2d 1120; 2003 U.S. Dist. LEXIS 6022; 66 U.S.P.Q.2D (BNA) 1455.

visually obvious, this is not unreasonable, because criticizing J.K. Harris was one of the primary objectives of the web pages. ... Thus, Defendants' referential use of the J.K. Harris trade name, even though frequent and obvious, satisfies the second prong of the *New Kids on the Block* Test."

2003

W.D. Wash.

*Flow Control Industries Inc. v. AMHI Inc.*⁹⁵ The parties are competitors in manufacturing valves. Flow Control put AMHI's federally registered trademark "AMFLO" and the word "amflow" as metatags on Flow Control's website. In retaliation, AMHI put Flow Control's trademarks, including "SKOFLO" as metatags on its website; and it also registered the domain name skoflo.com, and linked that address to its own website. The parties sued each other, and Flow Control moved for summary judgment on its claims of infringement and cybersquatting.

The court found trademark infringement (via "initial interest confusion", even though the customers were sophisticated) and cybersquatting. The court stated: "Defendants do not dispute, however, that the customer base for their products is quite small, such that one or two customers lost or gained per year would make a real difference to the parties. ... In short, defendants used plaintiff's mark in such a way as to divert people looking for SKOFLO products to the A&H Web site, thereby improperly benefiting from the goodwill that plaintiff developed in its mark."

D. Copyrights

The general rule is that the employer owns all copyrights in a creative work, if it was a work prepared by an employee, within the scope of his or her employment. Of course, that rule implies a few traps for the unwary.

1. Creator Was Not An Employee

"In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished."⁹⁶

"We turn, finally, to an application of section 101 to Reid's production of [the Nativity sculpture.] In determining whether a hired party is an employee under the general common law of agency, we consider the hiring party's right to control the manner and means by which the product is accomplished. Among the other factors relevant to this inquiry are

⁹⁵ No. C02-1101L (W.D. Wash. 3/12/03).

⁹⁶ *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 109 S. Ct. 2166, 2178 (1989), *citing* *Hilton Int'l Co. v. NLRB*, 690 F.2d 318, 320 (2d Cir. 1982) ; *NLRB v. Maine Caterers, Inc.*, 654 F.2d 131, 133 (1st Cir. 1981), *cert. denied*, 455 U.S. 940 (1982) ; Restatement (Second) of Agency § 220(1).

the skill required;
the source of the instrumentalities and tools;
the location of the work;
the duration of the relationship between the parties;
whether the hiring party has the right to assign additional projects to the hired party;
the extent of the hired party's discretion over when and how long to work;
the method of payment;
the hired party's role in hiring and paying assistants;
whether the work is part of the regular business of the hiring party;
whether the hiring party is in business;
the provision of employee benefits; and
the tax treatment of the hired party.

See Restatement [(Second) of Agency] section 220(2) (setting forth a nonexhaustive list of factors relevant to determining whether a hired party is an employee). No one of these factors is determinative.”⁹⁷

Later interpretation by the 2d Circuit:

“(1) the hiring party's right to control the manner and means of creation;
(2) the skill required;
(3) the provision of employee benefits;
(4) the tax treatment of the hired party; and
(5) whether the hiring party has the right to assign additional projects to the hired party.”⁹⁸

Not listed by the 2d Circuit, but listed by the Supreme Court:

the source of the instrumentalities and tools;
the location of the work;
the duration of the relationship between the parties;
the extent of the hired party's discretion over when and how long to work;
the method of payment;
the hired party's role in hiring and paying assistants;
whether the work is part of the regular business of the hiring party;
whether the hiring party is in business.

2. Outside Employee's Job Scope

Inside the employee's job scope:

⁹⁷ *Id.*

⁹⁸ *Aymes v. Bonelli*, 980 F.2d 857, 861 (2d Cir. 1992). See also *Hi-Tech Video Prods., Inc. v. Capital Cities/ABC, Inc.*, 58 F.3d 1093, 1096-97 (6th Cir. 1995).

It is of the kind of work he is employed to perform;
It occurs substantially within authorized work hours and space;
It is actuated, at least in part, by a purpose to serve the employer.⁹⁹

3. Creator Did Not Assign Copyrights To Employer

If the work was done by someone not an employee, or by an employee, but outside her scope of work, then if the employer does not get an assignment of the copyrights in the creative work, the employer can be sued for statutory damages (up to \$150,000 per work copied without written permission) and attorneys' fees.

E. Trade Secrets, Non-Competition Covenants, and Tortious Interference

1. Ex-Manager Violated Fiduciary Duties

An employee in a managerial position has a fiduciary duty of good faith, honesty and loyalty to his employer. That employer may recover damages from such employee to the extent that the fiduciary duty is violated.¹⁰⁰ There is an implied obligation on the part of an employee to refrain from acts which have a tendency to injure an employer's business, interest, or reputation.¹⁰¹ Moreover, corporate fiduciaries, by virtue of their authority, privileges and trust, have a strict obligation of loyalty to their corporation.¹⁰²

⁹⁹ *Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909 (2d Cir. 1974) (earlier version of Superman created prior to commencement of employment relationship held not owned by employer). See *Scherr v. Universal Match Corp.*, 417 F.2d 497 (2d Cir. 1969), cert. denied, 397 U.S. 936 (1970).

Hays v. Sony Corp. of Am., 847 F.2d 412, 416 (7th Cir. 1988) ("it is widely believed that the 1976 Act abolished the teacher exemption"), citing Dreyfuss, *The Creative Employee and the Copyright Act of 1976*, 54 U. Chi. L. Rev. 590 (1987). See also Reichman, *Computer Programs as Applied Scientific Know-How: Implications of Copyright Protection for Commercialized University Research*, 42 *Vanderbilt L. Rev.* 639, 675 (1989). In dictum, Hays expressed a preference for continuing to recognize professorial copyright ownership, based on policy grounds. 847 F.2d at 417.

Vanderhurst v. Colorado Mountain College Dist., 16 F. Supp.2d 1297, 1307 (D. Colo. 1998) (claim by a discharged professor of veterinary technology dismissed, holding that his outline constituted a work for hire).

¹⁰⁰ *Poe v. Hutchins*, 737 S.W.2d 574, 584 (Tex. App.--Dallas 1987, writ ref'd n.r.e.). See also *Seward v. Union Pump Co.*, 428 F. Supp. 161, 167 (S.D. Tex. 1977).

¹⁰¹ *U.S. v. Gagan*, 821 F.2d 1002, 1009 fn.3 (5th Cir. 1987), cert. denied, 484 U.S. 1005 (1988); *Watts v. St. Mary's Hall, Inc.*, 662 S.W.2d 55 (Tex. App.--San Antonio [4th Dist.] 1981, writ ref'd n.r.e.); *Advance Ross Elec. Corp. v. Green*, 624 S.W.2d 316 (Tex. App.--Tyler 1981), cert. denied, 458 U.S. 1108 (1982); *Associated Milk Producers v. Nelson*, 624 S.W.2d 920 (Tex. Civ. App.--Houston [14th Dist.] 1981, writ ref'd n.r.e.); *Turner v. Byers*, 562 S.W.2d 507 (Tex. Civ. App.--El Paso 1978, writ ref'd n.r.e.); *Wildman v. Ritter*, 469 S.W.2d 446 (Tex. Civ. App.--Tyler 1971, writ ref'd n.r.e.); *Royal Oak Stave Company v. Groce*, 113 S.W.2d 315 (Tex. Civ. App.--Galveston 1937, writ dism'd).

¹⁰² *International Bankers Life Ins. Co. v. Holloway*, 368 S.W.2d 567, 576 (Tex. 1963).

Fiduciaries must exercise an "extreme measure of candor, unselfishness, and good faith."¹⁰³ Corporate fiduciaries "have no more right to divert corporate opportunities and make them their own than they have to appropriate corporate property."¹⁰⁴

"[W]hen an employee uses his official position to gain a business opportunity which belongs to his employer or when he actually competes for customers while still employed ... a legal wrong will have occurred."¹⁰⁵ The court found the former employees had not committed such actions and a legal wrong had thus not occurred. The two employees in *M P I, Inc.* had no contractual obligations not to compete with their employer. There was no evidence that any of the employees' pretermination conduct in *M P I, Inc.* detrimentally impacted their performance as employees of M P I, Inc.

Former employees may not use to their own advantage, and their former employer's detriment, confidential information or trade secrets acquired or imparted to them during the course of employment.¹⁰⁶ Injunctive relief is the appropriate remedy to prohibit a former employee from using this confidential information to solicit the former employer's clients.¹⁰⁷

Implicit in an officer or directors' fiduciary duty to the company is that they should not exercise their powers to serve any personal financial gain at the expense of the corporation or the stockholders.¹⁰⁸ Transactions in which they receive personal gain in their dealings with the corporation are subject to the closest examination.¹⁰⁹

2. Employment Agreement Had A Specific Term

In a few cases involving attempts to enforce covenants not to compete, the promisee has also attempted to assert a claim for tortious interference against a former employee's new employer or an entity with which the promisor contracted in violation of the covenant not to compete. In those cases, a lack of success in enforcing the covenant has uniformly resulted in a failure of the tortious interference claim.

A claim for tortious interference requires four elements: (1) there was a contract subject to interference, (2) the act of interference was willful and intentional, (3) the intentional act was a proximate cause of plaintiff's damages, and (4) actual damage or loss occurred.¹¹⁰ Texas courts

¹⁰³ *Holloway*, 368 S.W. 2d at 577; *State Banking Board v. Valley National Bank*, 604 S.W.2d 415, 417 (Tex. Civ. App.--Austin 1980, writ ref'd n.r.e.)("the fiduciary relationship requires a high degree of care and loyalty").

¹⁰⁴ *Canion v. Texas Cycle Supply, Inc.*, 537 S.W.2d 510, 513 (Tex. Civ. App.--Austin 1976, writ ref'd n.r.e.).

¹⁰⁵ *M P I, Inc. v. Dupree*, 596 S.W.2d 251, 254 (Tex. App. -- Fort Worth 1980, writ ref'd n.r.e.) (former employees who formed a competing business while still employed with M P I).

¹⁰⁶ *Rugen v. Interactive Bus. Sys., Inc.*, 864 S.W.2d 548, 551 (Tex. App.--Dallas 1993, no writ).

¹⁰⁷ *Id.*

¹⁰⁸ *Southwest Livestock & Trucking Co. v. Dooley*, 884 S.W.2d 805, 809 (Tex. App.--San Antonio 1994, writ denied).

¹⁰⁹ *GNG Gas Sys. v. Dean*, 921 S.W.2d 421 (Tex. App.--Amarillo 1996, writ denied) ("[W]hen a corporate officer of director diverts assets of the corporation to his own use, he breaches a fiduciary duty of loyalty to the corporation and the transaction is presumptively fraudulent and void as being against public policy...").

¹¹⁰ *Armentariz v. Mora*, 553 S.W.2d 400, 404 (Tex. Civ. App -- El Paso 1977, writ ref'd n.r.e); *Friendswood Dev. Co. v. McDade + Co.*, 926 S.W.2d 280, 282 (Tex. 1996).

look to a valid contract first to settle a dispute. If the contract is unambiguous, the court can determine the parties' rights and obligations under the agreement as a matter of law.¹¹¹

The most relevant element is the existence of a valid contract subject to interference.¹¹² An unenforceable contract will serve as the basis for a claim for tortious interference if the contract is not void. *Clements* concerned an action for tortious interference with a real estate listing agreement that was unenforceable under the statute of frauds, but was not void or illegal, nor was there any public policy opposing its performance.¹¹³

An employment agreement with a covenant not to compete clause could form the basis for a tortious interference claim depending on whether the employment contract is at-will or for a specific term. In 1989, the Texas Legislature passed the Covenants Not To Compete Act.¹¹⁴ Under the Act, a covenant is valid if the following requirements are met: (1) the covenant must be ancillary or part of an otherwise enforceable agreement, and (2) the restrictions as to time, geographic area and scope of activity must be reasonable and cannot "impose a greater restraint than is necessary to protect the goodwill or other business interest" of the employer.¹¹⁵ A court will reform the covenant if one of the restrictions is found to be unreasonable.¹¹⁶

An employment agreement for a specific term may fulfill the ancillary requirement. An employment contract at-will--one in which the employer retains the right to terminate the employee at any time--is not an otherwise enforceable agreement.¹¹⁷ In order for the covenant to be ancillary to an otherwise enforceable agreement, (1) the consideration given by the employer in the otherwise enforceable agreement must give rise to the employer's interest in restraining the employee from competing; and (2) the covenant must be designed to enforce the employee's consideration or return promise in the otherwise enforceable agreement.¹¹⁸

3. Ex-Employer Gave Valuable Trade Secrets

In *Light*, an at-will employee sued her employer and claimed the covenant not to compete she had signed was unenforceable. The court held an enforceable agreement existed because the employer promised to provide necessary specialized training to the employee immediately upon signing the employment agreement in exchange for the employee giving 14 days notice to terminate employment and providing an inventory of all property.¹¹⁹ The court also ruled, however, that the covenant was not ancillary to the agreement. The covenant was void because it was not designed to enforce the employee's return promises.¹²⁰ Instead, it was designed to enforce an agreement not to disclose confidential information after termination. Thus, if the

¹¹¹ *ACS Investors, Inc. v. McLaughlin*, 943 S.W.2d 426, 430 (Tex. 1997).

¹¹² *Steinmetz & Assoc., Inc. v. Crow*, 700 S.W.2d 276, 277 n.1 (Tex. App. -- San Antonio 1985, writ ref'd n.r.e.).

¹¹³ *Clements v. Withers*, 437 S.W.2d 818, 821 (Tex. 1969).

¹¹⁴ TEX. BUS. & COM. CODE ANN. §15.50 (Vernon Supp. 1997).

¹¹⁵ *Id.*

¹¹⁶ TEX. BUS. & COM. CODE ANN. §15.51(c) (Vernon Supp. 1997).

¹¹⁷ *Zep Mfg. Co. v. Harthcock*, 824 S.W.2d 654, 659 (Tex. App.--Dallas 1992, no writ).

¹¹⁸ *Light v. Centel Cellular Co. of Texas*, 883 S.W.2d 642, 647 (Tex. 1994).

¹¹⁹ *Id.* at 645-46.

¹²⁰ *Id.* at 647.

employer had given the employee the confidential information in return for a promise not to disclose, then the covenant would have been ancillary to an otherwise enforceable agreement.¹²¹

4. Ex-Employee Took Negative Knowledge

A trade secret may be a device or process which is patentable; but it need not be that. Novelty and invention are not requisites for a trade secret as they are for patentability. It may be a device or process which is clearly anticipated in the prior art or one which is merely a mechanical improvement that a good mechanic can make.¹²²

"Knowing what not to do often leads automatically to knowing what to do."¹²³

5. Combination of Known Elements Taken Was Unique

Even if every element of the trade secret is known in the industry, a unique combination of those elements may be accorded trade secret protection.¹²⁴

F. FTC Regulations Affecting Internet Usage

1. Shared Customers' Personal Information With Third Parties

2000

F.T.C. v. Toysmart.Com, LLC. On July 7, 2000, the Federal Trade Commission sued Toysmart.com, LLC, and Toysmart.com, Inc., a failed Internet retailer of children's toys, in the United States District Court for the District of Massachusetts, seeking injunctive and declaratory relief to prevent the sale of confidential, personal customer information collected on the company Web site in violation of its own privacy policy. The complaint alleged that Toysmart, a Delaware company located in Waltham, Massachusetts, that is now in bankruptcy, had violated Section 5 of the FTC Act by misrepresenting to consumers that personal information would never be shared with third parties, and then disclosing, selling, or offering that information for sale. "Even failing dot-coms must abide by their promise to protect the privacy rights of their

¹²¹ *Id.* at 647 n. 14.

¹²² *K & G Oil Tool & Service Co. v. G & G Fishing Tool Service*, 158 Tex. 594, 314 S.W.2d 782, 789, *cert. denied*, 358 U.S. 898 (1958) (magnetic fishing tool, even though secrets could be learned by disassembling device, judgment for lessor because lessee broke its promise not to disassemble it).

¹²³ *Metallurgical Industries Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1203 (5th Cir. 1986) (negative knowledge possessed by the plaintiffs as to what would not improve the performance of a furnace held to be a protectable trade secret).

¹²⁴ *See Metallurgical Indus., Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1202 (5th Cir. 1986) (modifications to furnace through installation of well-known manufactured devices can be trade secret); *Sikes v. McGraw-Edison Co.*, 665 F.2d 731, 736 (5th Cir.) (improvement to lightweight grasscutter was trade secret), *cert. denied*, 458 U.S. 1108 (1982).

customers,” said Chairman Robert Pitofsky. “The FTC seeks to ensure these promises are kept.” The State of Texas’ motion to intervene was denied.¹²⁵

2. Collected personal information from children under 13 without parental consent

The Children's Online Privacy Protection Act of 1998¹²⁶ became effective on April 21, 2000. The FTC enforces this law. This law protects children’s privacy by giving parents the tools to control what information is collected from their children online. Under the Act’s implementing Rule (codified at 16 C.F.R. § 312, <http://www.ftc.gov/os/1999/9910/64fr59888.pdf>), operators of commercial websites and online services directed to or knowingly collecting personal information from children under 13 must: (1) notify parents of their information practices; (2) obtain verifiable parental consent before collecting a child’s personal information; (3) give parents a choice as to whether their child’s information will be disclosed to third parties; (4) provide parents access to their child’s information; (5) let parents prevent further use of collected information; (6) not require a child to provide more information than is reasonably necessary to participate in an activity; and (7) maintain the confidentiality, security, and integrity of the information. <http://www.ftc.gov/ogc/coppa1.htm>, <http://www.ftc.gov/opa/1999/9910/childfinal.htm>

In order to encourage active industry self-regulation, the Act also includes a “safe harbor” provision allowing industry groups and others to request Commission approval of self-regulatory guidelines to govern participating websites’ compliance with the Rule.

2001

On April 21, 2001, the FTC announced the following:

“The FTC charged Monarch Services, Inc. and Girls Life, Inc., operators of www.girlslife.com; Bigmailbox.com, Inc., and Nolan Quan, operators of www.bigmailbox.com; and Looksmart Ltd., operator of www.insidetheweb.com with illegally collecting personally identifying information from children under 13 years of age without parental consent, in violation of the COPPA Rule. To settle the FTC charges, the companies together will pay a total of \$100,000 in civil penalties for their COPPA violations. In addition to the requirement that these companies comply with COPPA in connection with any future online collection of personally identifying information from children under 13, the settlements require the operators to delete all personally identifying information collected from children online at any time since the Rule’s effective date. These cases mark the first civil penalty cases the FTC has brought under the COPPA Rule.” <http://www.ftc.gov/opa/2001/04/girlslife.htm>

¹²⁵ *F.T.C. v. Toysmart.com, LLC*, 2000 WL 1523287 (D. Mass. 2000).

¹²⁶ “COPPA”, 15 U.S.C. § 6501-6504.

2002

On April 22, 2002, the second anniversary of the Children's Online Privacy Protection Rule, the Federal Trade Commission announced its sixth COPPA enforcement case, together with new initiatives designed to enhance compliance with the law.

“The Ohio Art Company, manufacturer of the Etch-A-Sketch drawing toy, will pay \$35,000 to settle Federal Trade Commission charges that it violated the Children's Online Privacy Protection Rule by collecting personal information from children on its [www.etch-a-sketch](http://www.etch-a-sketch.com) Web site without first obtaining parental consent. The settlement also bars future violations of the COPPA Rule. This is the FTC's sixth COPPA law enforcement case.”

“The FTC alleges that The Ohio Art Company collected personal information from children registering for "Etchy's Birthday Club." The site collected the names, mailing addresses, e-mail addresses, age, and date of birth from children who wanted to qualify to win an Etch-A-Sketch toy on their birthday. The FTC charged that the company merely directed children to "get your parent or guardian's permission first," and then collected the information without first obtaining parental consent as required by the law. In addition, the FTC alleged that the company collected more information from children than was reasonably necessary for children to participate in the "birthday club" activity, and that the site's privacy policy statement did not clearly or completely disclose all of its information collection practices or make certain disclosures required by COPPA. The site also failed to provide parents the opportunity to review the personal information collected from their children and to inform them of their ability to prevent the further collection and use of this information, the FTC alleged.”
<http://www.ftc.gov/opa/2002/04/coppaanniv.htm>

3. Hijacked or Mousetrapped Internet Surfers

“Hijacking” works in the following way. Surfers who look for a site but misspell its Web address or invert a term - using cartoonjoe.com, for example, rather than joecartoon.com - are taken to a site to which they had not intended to go.

“Mousetrapping” is using special programming code at a website to obstruct surfers’ ability to close their browser or go back to the previous page. Clicks on the “close” or “back” buttons causes new windows to open.

2002

E.D. Pa.

Federal Trade Commission v. Zuccarini. On September 25, 2001, the Federal Trade Commission sued John Zuccarini under 15 U.S.C. § 45(a) for hijacking and mousetrapping. The complaint charged that Zuccarini had set up more than 5,500 websites, using common misspellings of famous names like Victoria’s Secret and the Wall Street Journal. (Zuccarini had websites with 41 variations on the name of Britney Spears.) By misspelling a web address, Internet surfers were taken to one of Zuccarini’s websites, where they then were bombarded with

a rapid series of windows displaying ads for goods and services ranging from Internet gambling to pornography. In some cases, the legitimate Web site the consumer was attempting to access also was launched, so consumers thought the hailstorm of ads to which they were being exposed was from a legitimate Web site. After one FTC staff member closed out of 32 separate windows, leaving just two windows on the task bar, he selected the “back” button, only to watch the same seven windows that initiated the blitz erupt on his screen, and the cybertrap began anew.

The Court entered a permanent injunction, barring the defendant from: redirecting or obstructing consumers on the Internet in connection with the advertising, promoting, offering for sale, selling, or providing any goods or services on the Internet, the World Wide Web or any Web page or Web site; and launching the Web sites of others without their permission. Zuccarini was ordered to pay \$1,897,166. The court also ordered certain bookkeeping and record-keeping requirements to allow the FTC to monitor the defendant's compliance with the court's order.¹²⁷

4. Committed Other Unfair or Deceptive Acts

Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits “unfair or deceptive acts or practices in or affecting commerce”. The FTC has pursued entities for using the Internet for such activities as:

selling fraudulent “kits” to become paralegals;¹²⁸

a multi-level marketing scheme involving the sale of a work-from-home business opportunity called a “Web Pak”;¹²⁹ and

billing telephone line subscribers for Internet access, whether or not they actually accessed or authorized access to pornographers' web sites.¹³⁰

¹²⁷ *F.T.C. v. Zuccarini*, 2002 WL 1378421, 2002-1 Trade Cases P 73,690 (E.D. Pa. 2002).

¹²⁸ *F.T.C. v. Para-Link Int'l, Inc.*, 2001 WL 1701537, 2001-2 Trade Cases P 73,507 (M.D. Fla. 2001).

¹²⁹ *F.T.C. v. Skybiz.com, Inc.*, 2001 WL 1673645, 2001-2 Trade Cases P 73,496 (N.D. Okla. 2001).

¹³⁰ *F.T.C. v. Verity Int'l, Ltd.*, 194 F.Supp.2d 270, 2002-2 Trade Cases P 73,722 (S.D.N.Y. 2002).

G. Internet Crimes With Parallel Civil Causes of Action

A good lawyer should be aware of these Internet crimes for at least two reasons: first, to counsel your clients against walking too close to the edge of the abyss, and second, to gain insight from the DOJ's prosecution of certain Internet crimes that have parallel civil causes of action.

The federal government has a website devoted to crimes on the Internet: www.cybercrime.gov. This website is maintained by the U.S. Department of Justice, Criminal Division, Computer Crime & Intellectual Property Section ("CCIPS").

1. Computer Fraud And Abuse 18 U.S.C. § 1030

The Computer Fraud And Abuse statute, 18 U.S.C. § 1030, makes it a crime, among other things, if anyone "knowingly causes the transmission of a program, information, code, or command, and as a result of such conduct, intentionally causes damage without authorization, to a protected computer." 18 U.S.C. § 1030a)(5). Subsection (5)(A)(i) prohibits anyone from knowingly damaging a computer (without authorization) while subsection (5)(A)(ii) prohibits unauthorized users from causing damage recklessly and subsection (5)(A)(iii) from causing damage negligently.

Section 1030(g) allows for civil actions by "any person who suffers damage or loss by reason of a violation of this section" to obtain "compensatory damages and injunctive relief or other equitable relief".

The USA PATRIOT Act, enacted on October 26, 2001, essentially adopted the Ninth Circuit's 2000 *Middleton* definition of loss in 18 U.S.C. § 1030(e)(11). The term "loss" was then defined by that statute to include "any reasonable cost to any victim, including the cost of responding to an offense, conducting a damage assessment, and restoring the data, program, system or information to its condition prior to the offense, and any revenue lost, cost incurred, or other consequential damages incurred because of interruption of service."

a. First Circuit

2001

EF Cultural Travel BV v. Explorica¹³¹ Once the defendant's expert "scraped" all of the plaintiff's prices off of the plaintiff's website, it sent a spreadsheet containing EF's pricing information to Explorica, which then systematically undercut EF's prices. The district court granted a preliminary injunction. On appeal, the court held that use of

¹³¹ 274 F.3d 577 (1st Cir. 2001) (awarding costs of assessing damage).

the "scraper" program "exceeded authorized access" within the meaning of the CFAA, assuming that the program's speed and efficiency depended on the executive's breach of his confidentiality agreement with his former employer.

b. Second Circuit

2001

United States v. Ivanov¹³² Section 1030(a)(7) does not require proof that the defendant delayed or obstructed commerce. The defendant hacked into the victim's network and obtained root access to the victim's servers. He then proposed that the victim hire him as a "security expert" to prevent further security breaches, including the deletion of all of the files on the server.

2002

U.S. v. Harris¹³³ The defendant was arrested after she gained access to her employer's computer without authorization, in order to obtain the Social Security numbers of individuals who were the targets of a credit-card fraud scheme. Pursuant to a plea agreement, she waived indictment, and pled guilty to a one-count information accusing her of violating 18 U.S.C. § 1030(a)(2)(B). On appeal from her sentence, the Second Circuit held that the district court did not meet the requirement of an affirmative act or statement allowing an inference that the district court had considered the defendant's ability to pay restitution.

2004

Register.com, Inc. v. Verio, Inc.¹³⁴ A company created an automated program to access its competitor's web server—a publicly available computer—in violation of the competitor's terms of use. Even though the company that created the automated program did not circumvent any security feature and could lawfully have accessed the site if it did so without using automated programs, the court held that this activity constituted "unauthorized access" for purposes of section 1030(a)(5).¹³⁵

I.M.S. Inquiry Management Systems v. Berkshire Information Systems¹³⁶
The allegation, that the integrity of copyrighted data system was impaired by defendant's copying it, was sufficient to plead cause of action under CFAA.

c. Third Circuit

2001

U.S. v. Lloyd¹³⁷ The government alleged that Lloyd, an Omega employee, planted a computer "time bomb" in the central file server of Omega's computer network

¹³² 175 F.Supp.2d 367 (D. Conn. 2001) (proving that the threat was transmitted in interstate or foreign commerce is sufficient).

¹³³ 302 F.3d 72 (2nd Cir. 2002).

¹³⁴ 126 F.Supp.2d 238 (S.D.N.Y. 2000), *aff'd*, 356 F.3d 393 (2d Cir. 2004).

¹³⁵ *Id.* at 251-52.

¹³⁶ 307 F.Supp.2d 521, 525-26 (S.D.N.Y. 2004).

¹³⁷ 269 F.3d 228 (3d Cir. 2001).

while employed there, and that the "time bomb" detonated after he was fired from the company. A jury convicted him on one count of computer sabotage, a violation of the CFAA. After one of the jurors advised the court that she had learned from the media during the course of deliberations about off-site computer sabotage, the district court granted Lloyd's motion for a new trial. The government appealed. The Third Circuit found no evidence to suggest that Lloyd was prejudiced substantially by a juror's exposure to the story of the "Love Bug" virus, and concluded that the district court abused its discretion in granting a new trial

2006

HUB Group, Inc. v. Clancy¹³⁸ Downloading an employer's customer database to a thumb drive for use at a future employer created sufficient damage to state a claim under the CFAA.

d. Fourth Circuit

2002

U.S. v. Sullivan¹³⁹ Sullivan, a computer programmer, upon getting upset with his employer, Lance, Inc., inserted a computer code (a "logic bomb") into the software he had prepared for Lance. The code was designed to disable a communication function in Lance's hand-held computers. Sullivan then quit without telling anyone about the bomb. The bomb went off about four months later, disabling 824 hand-held computers used by Lance's sales representatives to communicate with the headquarters. Shortly thereafter, when confronted by the FBI, Sullivan confessed to planting the bomb. Sullivan was convicted for intentionally causing damage to a protected computer in violation of 18 U.S.C. § 1030(a)(5)(A). He appealed the admission of evidence seized from his home, and the denial of his motion for judgment of acquittal. In an unpublished opinion, the Fourth Circuit held that evidence seized from his home computer properly came in under Federal Rule of Evidence 404(b) to show "proof of motive, opportunity, intent, preparation, plan, knowledge, identity, or absence of mistake or accident."

e. Fifth Circuit

2006

*Fiber Sys. Int'l v. Roehrs*¹⁴⁰

In *Roehrs*, the Fifth Circuit confirmed an expanded view of causes of action available under the Computer Fraud and Abuse Act, 18 U.S.C. § 1030 (the "CFAA"). The dispute involved an hostile family struggle over control of fiber-optic business. The principal parties were Plaintiffs Michael Roehrs/Fiber Systems International, Inc. ("FSI") and Defendants Daniel Roehrs/Optical Cabling Systems

¹³⁸ 2006 WL 208684 (E.D. Pa. 2006).

¹³⁹ 40 Fed.Appx. 740, 2002 WL 312773 (4th Cir. 2002).

¹⁴⁰ 470 F.3d 1150 (5th Cir. 2006).

("OCS"). An earlier dispute between the parties was settled with an agreement for FSI to buy out Daniel Roehrs and other minority shareholders' stake in the company. In this case, FSI sued OCS and other individual defendants for violations of the CFFA, which criminalizes acts relating to fraudulent or damaging conduct involving computer use. FSI argued that defendants "stole FSI's confidential business and proprietary information and trade secrets, without authorization, from FSI's computers," misappropriated and stole FSI's computer equipment, and used and disseminated the wrongfully obtained information through the new company that they formed [OCS]. FSI sought damages and injunctive relief under the CFAA. In response, Defendants (OCS as well as the individual defendants) filed a defamation counterclaim against FSI for falsely accusing them of being thieves.

Among the issues on appeal was the district court's determination that the CFAA's § 1030(a)(4) did not create a civil cause of action. The defendants argued, and the district court agreed, that a civil cause of action did not exist based on the language of the CFAA's damage provision (18 U.S.C. § 1030(g)) which states: Any person who suffers damage or loss by reason of a violation of this section may maintain a civil action against the violator to obtain compensatory damages and injunctive relief or other equitable relief. A civil action for a violation of this section may be brought only if the conduct involves one of the factors set forth in clause (i), (ii), (iii), (iv), or (v) of subsection (a)(5)(B) The district court interpreted this provision narrowly to mean that only a subsection (a)(5) violation resulted in civil liability.

The Fifth Circuit disagreed, holding that while § 1030(g) refers only to subsection (a)(5), it does not limit CFAA civil suits to subsection (a)(5) violations. Instead, all that is required to maintain a CFAA civil suit is a finding of conduct that violates one of the factors set forth in subsection (a)(5)(B); under the Court's analysis, a section 1030(a)(4) violation could include a violation of one of these factors. In doing so, the court noted that this interpretation as to the scope of civil suits available under the CFAA was consistent with previous decisions of the Third and Ninth Circuits.

2007

Hewlett-Packard Co. v. Byd:sign, Inc.¹⁴¹ The individual defendants were at one time either employees or contractors working for HP or for one of its predecessors, Compaq Computer Corporation. HP alleged that they conspired to use their positions of trust and confidence at HP to obtain trade secrets and other proprietary information from HP and then illegally funneled those secrets, and HP's corporate opportunities, to an enterprise founded by several of them. HP further alleged that the defendants acted without authorization, or exceeded their authorized access, when they used HP's

¹⁴¹ 2007 U.S. Dist. LEXIS 5323 (E.D. Tex. 2007) (denying defendants' motion to dismiss HP's CFAA claims).

computers to further their fraudulent scheme against HP, and attempted to "scrub" their computers, thereby damaging or deleting HP information.

United States v. Phillips¹⁴²

Phillips entered the University of Texas at Austin ("UT") in 2001 and was admitted to the Department of Computer Sciences in 2003. Like all incoming UT students, Phillips signed UT's "acceptable use" computer policy, in which he agreed not to perform port scans using his university computer account. Nonetheless, only a few weeks after matriculating, Phillips began using various programs designed to scan computer networks and steal encrypted data and passwords. He succeeded in infiltrating hundreds of computers, including machines belonging to other UT students, private businesses, U.S. Government agencies, and the British Armed Services webserver. In a matter of months, Phillips amassed a veritable informational goldmine by stealing and cataloguing a wide variety of personal and proprietary data, such as credit card numbers, bank account information, student financial aid statements, birth records, passwords, and Social Security numbers.

"Port scanning" is a technique used by computer hackers by which an individual sends requests via a worm or other program to various networked computer ports in an effort to ascertain whether particular machines have vulnerabilities that would leave them susceptible to external intrusion. Often used as an initial step in launching an attack on another computer or transmitting a virus, port scanning is a relatively unsophisticated, but highly effective, reconnaissance method, likened at trial by UT's information technology chief as the electronic equivalent of "rattling doorknobs" to see if easy access can be gained to a room.

The scans, however, were soon discovered by UT's Information Security Office ("ISO"), which informed Phillips on three separate occasions that his computer had been detected port scanning hundreds of thousands of external computers for vulnerabilities. Despite several instructions to stop, Phillips continued to scan and infiltrate computers within and without the UT system, daily adding to his database of stolen information.

At around the time ISO issued its first warning in early 2002, Phillips designed a computer program expressly for the purpose of hacking into the UT system via a portal known as the "TXClass Learning Central: A Complete Training Resource for UT Faculty and Staff." TXClass was a "secure" server operated by UT and used by faculty and staff as a resource for enrollment in professional education courses. Authorized users gained access to their TXClass accounts by typing their Social Security numbers in a field on the TXClass website's log-on page. Phillips exploited the vulnerability inherent in this log-on protocol by transmitting a

¹⁴² 477 F.3d 215 (5th Cir. 2007) (affirming his conviction for intentionally accessing a protected computer without authorization and recklessly causing damage in excess of \$ 5,000).

"brute-force attack" program, which automatically transmitted to the website as many as six Social Security numbers per second, at least some of which would correspond to those of authorized TXClass users.

"Brute-force attack" is term of art in computer science used to describe a program designed to decode encrypted data by generating a large number of passwords.

Initially, Phillips selected ranges of Social Security numbers for individuals born in Texas, but he refined the brute-force attack to include only numbers assigned to the ten most populous Texas counties. When the program hit a valid Social Security number and obtained access to TXClass, it automatically extracted personal information corresponding to that number from the TXClass database and, in effect, provided Phillips a "back door" into UT's main server and unified database. Over a fourteen-month period, Phillips thus gained access to a mother lode of data about more than 45,000 current and prospective students, donors, and alumni.

Phillips's actions hurt the UT computer system. The brute-force attack program proved so invasive -- increasing the usual monthly number of unique requests received by TXClass from approximately 20,000 to as many as 1,200,000 -- that it caused the UT computer system to crash several times in early 2003. Hundreds of UT web applications became temporarily inaccessible, including the university's online library, payroll, accounting, admissions, and medical records. UT spent over \$ 122,000 to assess the damage and \$ 60,000 to notify victims that their personal information and Social Security numbers had been illicitly obtained.

After discovering the incursions, UT contacted the Secret Service, and the investigation led to Phillips. Phillips admitted that he designed the brute-force attack program to obtain data about individuals from the UT system, but he disavowed that he intended to use or sell the information.

f. Seventh Circuit

2000

YourNetDating v. Mitchell¹⁴³ The court granted a temporary restraining order, when defendant had installed code on the plaintiff's web server that diverted certain users of plaintiff's website to a pornography website.

2006

International Airport Centers, L.L.C. v. Citrin¹⁴⁴ A civil complaint stated a claim when it alleged that the defendant copied a secure-erasure program to his (company-issued) laptop, and even said in dicta that it made no difference if the

¹⁴³ 88 F.Supp.2d 870, 871 (N.D. Ill. 2000).

¹⁴⁴ 440 F.3d 418, 419-20 (7th Cir. 2006).

defendant copied the program over an Internet connection, from an external disk drive, or an internal disk drive.

g. Eighth Circuit

2006

United States v. Millot¹⁴⁵ In 2000, Millot worked as a systems analyst in the Information Access Management Group for Aventis Pharmaceuticals. In October of 2000, Aventis Pharmaceuticals outsourced its security functions to IBM. Millot was not offered a job with IBM, and left employment with Aventis in September 2000. When he left employment, he kept the SecureID card he had previously assigned to an ex-employee Fromm. On December 16, 2000, he used the SecureID card and the Fromm account to log onto the Aventis system and delete an account. The person whose account he deleted was the manager of Technical Services for Aventis. Although IBM was able to rebuild the account within a matter of hours, the affected person continued to experience problems with his account for the following three weeks. Investigators later traced the unauthorized remote access back to Millot's personal internet access account, and Millot confessed to what he had done.

h. Ninth Circuit

2000

Shurgard Storage Centers, Inc. v. Safeguard Self Storage, Inc.¹⁴⁶ A self-storage company hired away a key employee of its main competitor. Before the employee left to take his new job, he emailed copies of computer files containing trade secrets to his new employer. In support of a motion for summary judgment as to the section 1030(a)(5) count, the defendant argued that the plaintiff's computer system had suffered no "damage" as a consequence of a mere copying of files by the disloyal employee. The court, however, found the term "integrity" contextually ambiguous, and held that the employee did in fact impair the integrity of the data on the system—even though no data was "physically changed or erased" in the process—when he accessed a computer system without authorization to collect trade secrets.

United States v. Middleton¹⁴⁷ In this case, part of the damage consisted of a user increasing his permissions on a computer system without authorization.

¹⁴⁵ 433 F.3d 1057 (8th Cir. 2006) (affirming a sentence under the CFAA of three months imprisonment, three months home detention, three years supervised release, a \$5,000 fine, and restitution in the amount of \$20,350).

¹⁴⁶ 119 F.Supp.2d 1121, 1126-27 (W.D. Wash. 2000) (accessing and copying private data may cause damage to the data under the CFAA).

¹⁴⁷ 231 F.3d 1207, 1213-14 (9th Cir. 2000).

2004

Theofel v. Farey-Jones¹⁴⁸

During the course of commercial litigation between Integrated Capital Associates (ICA) and Farey-Jones, Farey-Jones ordered his lawyer to subpoena ICA's ISP and obtain a number of emails. Upon receipt of the subpoena, ICA's ISP posted a sampling of ICA emails on its website, many of which were privileged and personal. ICA employees then filed a civil suit against Farey-Jones and his counsel claiming, inter alia, violation of the Wiretap Act and the Computer Fraud and Abuse Act.

Regarding the Wiretap Act, the Ninth Circuit reiterated that Konop applies to only "acquisition contemporaneous with transmission" and held that Congress did not intend the term "intercept" to apply to electronic communications in electronic storage. The Court upheld the district court's dismissal of the Wiretap claim.

Under the Computer Fraud and Abuse Act, the Ninth Circuit held that the Act's civil remedies extend to "[a]ny person who suffers damage or loss by reason of a violation of this section." The district court had dismissed the Computer Fraud and Abuse Act claims on the theory that the Act does not apply to "unauthorized use of a third party's computer." The Ninth Circuit instead interpreted the Act broadly to include harm suffered by individuals other than the computer's owner, particularly if they have rights to data stored on the computer.

2. Electronic Communications Privacy Act, Wiretap Act, Stored Communications Act, & Communications Act.

The 1986 Electronic Communications Privacy Act ("ECPA") modified the Wiretap Act 18 U.S.C. §§ 2510-2521. It prohibits the intentional interception of "any wire, oral, or electronic communication". Section 2512(1)(b) criminalizes the manufacture, assembly, possession, or sale of so-called "Pirate Access Devices" in interstate or foreign commerce. **Section 2520(a) provides for civil actions by "any person whose wire, oral, or electronic communication is intercepted, disclosed, or intentionally used in violation of" the ECPA.**

The ECPA also modified the Stored Communications Act, 18 U.S.C. §§ 2701-2710. This is also known as the "Stored Wire and Electronic Communications and Transactional Records Access Act" ("SECTRA"). It prohibits the intentional unauthorized access of "a wire or electronic communication while it is in electronic storage in such system". SECTRA explicitly creates a private cause of action as follows: "[A]ny . . . person aggrieved by any violation of this chapter . . . may, in a civil action, recover from the person or entity . . . which engaged in that violation such relief as may be appropriate." 18 U.S.C. § 2707(a).

The Communications Act, 47 U.S.C. § 605, provides a civil remedy for the unauthorized use or publication of various wire or radio communications, including encrypted satellite broadcasts..

¹⁴⁸ 359 F.3d 1066 (9th Cir. 2004) (affirming dismissal of a Wiretap Act claim, and reversing a dismissal with prejudice of a Computer Fraud and Abuse Act claim, with instructions to dismiss with leave to amend to allege damages or loss).

a. First Circuit

1993

Williams v. Poulos¹⁴⁹ The court rejected a “good faith” defense where the defendant mistakenly believed his use and disclosure was authorized by the statute.

2003

In re Pharmatrak Inc. Privacy Litigation¹⁵⁰ The First Circuit reversed the lower court, citing precedent that consent under the ECPA “should not casually be inferred,”¹⁵¹ and that the circumstances must convincingly show “actual consent rather than a constructive consent”.¹⁵² The First Circuit also ruled that Pharmatrak clearly “intercepted” communications under the ECPA: “The acquisition by Pharmatrak was contemporaneous with the transmission by the Internet users to the pharmaceutical companies.” Pharmatrak’s NETcompare code was “effectively an automatic routing program. ... It was code that automatically duplicated part of the communication between a user and the pharmaceutical clients and sent this information to a third party (Pharmatrak).”

2005

U.S. v. Councilman¹⁵³ Councilman was vice-president of Interloc, which acted as an ISP, and which intercepted and copied certain incoming e-mails. The court stated that “electronic communication” as used in the Wiretap Act includes communications that are in “transient electronic storage that is intrinsic to the communication process”. Therefore, the court held, interception of an e-mail message that is in such storage is an offense under the Wiretap Act.

b. Second Circuit

2002

Specht v. Netscape Communications¹⁵⁴ Internet users and website operator sued, alleging that Netscape’s “SmartDownload plug-in” software program, made available on Netscape’s website for free downloading, invaded plaintiffs’ privacy by clandestinely transmitting personal information to Netscape when plaintiffs employed the plug-in program to browse the Internet. Netscape moved to compel arbitration, and to stay the court proceedings. The court denied the motion. On appeal, the Second Circuit affirmed, holding, in part, that

whether defendants violated plaintiffs’ rights under the Electronic Communications Privacy Act and the Computer Fraud and Abuse Act—involves

¹⁴⁹ 11 F.3d 271, 285 (1st Cir. 1993).

¹⁵⁰ 220 F.Supp.2d 4 (1st Cir. 2003).

¹⁵¹ *Griggs-Ryan v. Smith*, 904 F.2d 112, 117-118 (1st Cir. 1990).

¹⁵² *Williams v. Poulos*, 11 F.3d 271, 281-282 (1st Cir. 1993).

¹⁵³ 418 F.3d 67 (1st Cir. 2005) (en banc, reversing the First Circuit’s panel decision in 2004).

¹⁵⁴ 306 F.3d 17 (2d Cir. 2002).

matters that are clearly collateral to the Communicator license agreement. ... the Communicator license agreement governed disputes concerning Netscape's browser programs only, not disputes concerning a plug-in program like SmartDownload.

c. Third Circuit

2005

DirecTV Inc. v. Pepe¹⁵⁵ The defendants allegedly pirated encrypted satellite television broadcasts. DIRECTV did not appeal the District Court's denials of its claims under § 2512, rooted in defendants' mere purchase or possession of unauthorized interception devices. The Third Circuit expressed no opinion as to the merits of District Court's denial of the § 2512 claims.

d. Fourth Circuit

2000

United States v. Simons¹⁵⁶ A network banner alerting the user that communications on the network are monitored and intercepted may be used to demonstrate that a user furnished consent to intercept communications on that network.

e. Fifth Circuit

1976

United States v. Turk¹⁵⁷ "Interception" must be contemporaneous with transmission of the communication.

1994

Steve Jackson Games v. U.S. Secret Service¹⁵⁸ "Interception" does not refer to stored electronic communications, because the definition of electronic communications does not mention "storage". In dicta, the Court stated that the ECPA doesn't prohibit retrieving stored electronic communications.

2000

Peavy v. WFAA-TV, Inc.¹⁵⁹ Although a defendant must have intended to intercept a covered communication, he or she need not have specifically intended to violate the Wiretap Act. In other words, a mistake of law is not a defense to a Wiretap

¹⁵⁵ 431 F.3d 162, 78 U.S.P.Q.2d 1612 (3rd Cir. 2005) (reversing the judgment of the district court that no private right of action exists under 18 U.S.C. § 2520(a) for violations of 18 U.S.C. § 2511(1)(a), and remanding).

¹⁵⁶ 206 F.3d 392, 398 (4th Cir. 2000).

¹⁵⁷ 526 F. 2d 654 (5th Cir. 1976).

¹⁵⁸ 36 F. 3d 457 (5th Cir. 1994).

¹⁵⁹ 221 F.3d 158, 178-79 (5th Cir. 2000).

Act charge. The First Amendment does not create a general defense to Wiretap Act violations for media.

Peavy v. Harman¹⁶⁰ “Use” requires some “active employment of the contents of the illegally intercepted communication for some purpose.” Thus, “use” does not include mere listening to intercepted conversations.

2007

McEwen v. SourceResources.com¹⁶¹ Plaintiffs are all former employees of Xtria, LLC. Plaintiffs alleged that Xtria hired Childs, a private investigator, to learn whether they had inappropriate commercial contacts with Xtria's employees or customers. As part of this investigation, Plaintiffs believe that Childs employed Source to obtain their cell phone records, including, at a minimum, the numbers each Plaintiff dialed from his or her cell phone, without consent. Judge Atlas held that “the records at issue, that is, phone numbers Plaintiffs dialed and the dates of calls, are encompassed by the definition of “electronic communication” under § 2510(12).”

f. Sixth Circuit

1999

Dorris v. Absher¹⁶² “Use” does not include mere listening to intercepted conversations.

g. Seventh Circuit

2000

United States v. Andreas¹⁶³ For purposes of claiming the “consent” exception, government employees are not considered to be “acting under color of law” merely because they are government employees. Whether a government employee is acting under color of law under the wiretap statute depends on whether the individual was acting under the government's direction when conducting the interception.

2002

Muick v. Glenayre Elecs.¹⁶⁴ A network banner alerting the user that communications on the network are monitored and intercepted may be used to demonstrate that a user furnished consent to intercept communications on that network.

¹⁶⁰ 37 F. Supp. 2d 495, 513 (N.D. Tex. 1999), aff'd in part and reversed in part, 221 F.3d 258 (5th Cir. 2000).

¹⁶¹ No. H-06-2530, U.S. Dist. LEXIS 10156 (S.D. Tex. February 13, 2007) (denying defendants' motion to dismiss based on SECTRA allegedly not covering the illegal acquisition of mere telephone numbers and dates of calls).

¹⁶² 179 F.3d 420, 426 (6th Cir. 1999).

¹⁶³ 216 F.3d 645, 660 (7th Cir. 2000).

¹⁶⁴ 280 F.3d 741, 743 (7th Cir. 2002).

2003

Doe v. GTE Corp.¹⁶⁵ College athletes sued an ISP (and also the perpetrators (not located), and college officials (safely protected by a qualified immunity)) for providing internet access and web hosting to sellers of a video of the unclothed athletes that had been illicitly taken in college locker rooms. The athletes claimed that the ISP aided and abetted the illicit photographers in their illegal enterprise by providing the website, and by providing access to sell the videos. The Seventh Circuit said that 18 U.S.C. 2511 should not be read to implicitly create secondary liability. Additionally, the Court noted that the ISP did not satisfy the normal understanding of an abettor, in that the ISP did not have a desire to promote the wrongful venture's success. The Court likened the athletes' argument to holding a newspaper liable for advertising by a massage parlor that is a front for prostitution. Since the ISP did not have a reason to believe the activity was illegal, nor were the services sold (web hosting and bandwidth access) such that the ISP should know the buyer had no legal use for them, there could be no liability as an aider or abettor.

2006

McCready v. eBay, Inc.¹⁶⁶ McCready operated an online business in which he bought and sold various items through several accounts he had registered with eBay. Several eBay users used eBay's Feedback Forum to complain that McCready failed to deliver the goods he sold, or delivered goods of lower quality than he had advertised. After investigating the claims, eBay suspended McCready's accounts, and advised him that he would be reinstated if he reimbursed the claimants. In response, McCready embarked on retaliatory litigation. In this lawsuit, one of many, McCready claimed that eBay's production of documents in compliance with a subpoena in a Michigan case violated the ECPA and the Stored Communications Act. The district court dismissed McCready's claims under Rule 12(b)(6). Good faith reliance on a subpoena is a complete defense to actions brought under the ECPA and SCA. 18 U.S.C. §§ 2520(d)(1) & 2707(e). The Seventh Circuit found that there was "no indication that eBay acted in any fashion other than good faith". The Seventh Circuit, after reviewing all the frivolous lawsuits and frivolous motions filed by McCready, stated:

McCready is hereby ordered to show cause within 30 days why he should not be required to pay \$2,500 to this court's clerk. Should McCready fail to respond or merely attempt to reargue his case, then the \$2,500 sanction will be imposed and McCready will be barred from filing, with appropriate exceptions, any paper in all federal courts in this circuit for no less than two years.

¹⁶⁵ 347 F.3d 655 (7th Cir. 2003) (affirming dismissal).

¹⁶⁶ 453 F.3d 882 (7th Cir. 2006) (affirming a dismissal of two lawsuits, and ordering McCready to show cause why he should not be sanctioned for his abuse of process).

h. Eighth Circuit

1996

Reynolds v. Spears¹⁶⁷ Reliance on incorrect advice from a law enforcement officer is not a defense. “Use” does not include mere listening to intercepted conversations.¹⁶⁸

i. Ninth Circuit

1993

United States v. Mullins¹⁶⁹ The need to monitor misuse of computer system justified interception of electronic communications pursuant to subsection 2511(2)(a)(i).

1999

Sussman v. ABC, Inc.¹⁷⁰ The First Amendment does not create a general defense to Wiretap Act violations for media.

2001

Konop v. Hawaiian Airlines¹⁷¹ Konop, an airline pilot, maintained a website that criticized the airline. He protected it with passwords, that he gave to only friends, mostly pilots. An airline V.P. accessed the website using another pilot’s password. On January 8, 2001, the Ninth Circuit found liability under the ECPA, holding that “intercept” had the same meaning for wire or electronic communications. However, on August 28, 2001, the Ninth Circuit withdrew its opinion. Then, in August, 2002, the Ninth Circuit held that the employer did not “intercept” the website’s contents in violation of the Wiretap Act, reversing the district court’s judgment with respect to Konop’s claims under the Stored Communications Act.¹⁷²

2004

Theofel v. Farey-Jones¹⁷³

During the course of commercial litigation between Integrated Capital Associates (ICA) and Farey-Jones, Farey-Jones ordered his lawyer to subpoena ICA’s ISP and obtain a number of emails. Upon receipt of the subpoena, ICA’s ISP posted a sampling of ICA emails on its website, many of which were privileged and personal. ICA employees then filed a civil suit against Farey-Jones and his counsel claiming, inter alia, violation of the Wiretap Act and the Computer Fraud and Abuse Act.

¹⁶⁷ 93 F.3d 428, 435-36 (8th Cir. 1996).

¹⁶⁸ *Id.* at 432-33.

¹⁶⁹ 992 F.2d 1472, 1478 (9th Cir. 1993).

¹⁷⁰ 186 F.3d 1200 (9th Cir. 1999).

¹⁷¹ 236 F.3d 1035 (9th Cir. 2001) (withdrawn, 262 F3d. 972 (9th Cir. August 28, 2001).

¹⁷² *Konop v. Hawaiian Airlines, Inc.*, 302 F.3d 868, (9th Cir. 2002).

¹⁷³ 359 F.3d 1066 (9th Cir. 2004) (affirming dismissal of a Wiretap Act claim, and reversing a dismissal with prejudice of a Computer Fraud and Abuse Act claim, with instructions to dismiss with leave to amend to allege damages or loss).

Regarding the Wiretap Act, the Ninth Circuit reiterated that Konop applies to only “acquisition contemporaneous with transmission” and held that Congress did not intend the term “intercept” to apply to electronic communications in electronic storage. The Court upheld the district court’s dismissal of the Wiretap claim.

Under the Computer Fraud and Abuse Act, the Ninth Circuit held that the Act’s civil remedies extend to “[a]ny person who suffers damage or loss by reason of a violation of this section.” The district court had dismissed the Computer Fraud and Abuse Act claims on the theory that the Act does not apply to “unauthorized use of a third party’s computer.” The Ninth Circuit instead interpreted the Act broadly to include harm suffered by individuals other than the computer’s owner, particularly if they have rights to data stored on the computer.

2006

Freeman v. DirecTV, Inc.¹⁷⁴ Gray operated a number of web sites from his home in British Columbia, Canada, offering information relating to the pirating of the DirecTV signal. The Supreme Court of British Columbia granted DirecTV an injunction and an order entitling DirecTV to seize Gray's computers and the data contained therein, and the order allowed for "any and all evidence seized or delivered up pursuant to the order [to] be used in subsequent civil proceedings commenced by DirecTV against any third party, including, but not limited to proceedings against [Gray's] customers, suppliers, members, and subscribers."

Earlier in 2003, DirecTV had sued Lawrence Freeman for distributing illegal signal theft devices. During the litigation against Freeman, in response to initial discovery requests, DirecTV produced portions of the information gathered at Gray's residence. This information included the content of communications posted on electronic message boards accessed through Gray's web sites. On March 16, 2004, DirecTV and Freeman settled the lawsuit, and signed a settlement agreement and release.

On April 5, 2004, Freeman and Michael Scherer filed a class action against DirecTV. In an amended complaint, Scherer claimed that he, like Freeman, was a participant on the message boards and web sites run by Gray. Freeman and Scherer asserted that the sharing of data from Gray to DirecTV was not authorized by the Canadian court because DirecTV had agreed that the evidence would be in custody of the independent solicitor instead of DirecTV's solicitors, and that it was only released pursuant to the agreement between Gray and DirecTV. Freeman and Scherer claimed further that because there was a subsequent agreement between Gray and DirecTV that allowed DirecTV to receive the data from the independent solicitor, DirecTV conspired with and aided and abetted Gray in the disclosure of the stored communications in violation of 18 U.S.C. § 2702.

¹⁷⁴ No. 457 F.3d 1001 (9th Cir. 2006) (affirming dismissal of the claims of a group of satellite signal pirates against DirecTV, because 18 U.S.C. § 2702 does not provide a basis for asserting conspiracy and aiding and abetting claims.).

The Ninth Circuit held, “We reject Freeman and Scherer's to read implicitly into these statutory provisions claims for conspiracy or aiding and abetting. In addition to being contrary to the plain language of §§ 2702 and 2707, such an implied interpretation is not supported by legislative history or case law.”

j. Tenth Circuit

1991

Heggy v. Heggy¹⁷⁵ The court rejected a "good faith" defense based upon a mistake of law.

1992

Thompson v. Dulaney¹⁷⁶ A “defendant may be presumed to know the law”.

2002

United States v. Angevine¹⁷⁷ A network banner alerting the user that communications on the network are monitored and intercepted may be used to demonstrate that a user furnished consent to intercept communications on that network.

k. Eleventh Circuit

2003

U.S. v. Steiger¹⁷⁸ Steiger was convicted on a number of counts involving the sexual exploitation of minors. An anonymous source provided the FBI and the Montgomery, Alabama, Police Department with photos of Steiger's activities, his name, IP address, and checking account records, along with information on the specific folders on Steiger's computer where the photos were kept. The anonymous source also informed the authorities that Steiger was either a physician or paramedic. The anonymous source obtained this information using a Trojan Horse posted on a pornography website. On appeal, Steiger claimed that the information obtained by the source was inadmissible under the Wiretap Act. The Eleventh Circuit held that the anonymous source did not “intercept” any electronic communications in violation of the Wiretap Act. The Court relied on the 9th and 5th Circuits' narrow definition of “intercept” as requiring contemporaneous acquisition of the electronic communications. The Court found no contemporaneous acquisitions here as a result of the anonymous source's use of the Trojan Horse. The Court also held that hacking into a home computer does not by itself implicate “Unlawful Access to Stored Communications” (18 U.S.C. § 2701), because a home computer does not provide an electronic communication service (“ECS”) to others.

¹⁷⁵ 944 F.2d 1537, 1541-42 (10th Cir. 1991).

¹⁷⁶ 970 F.2d 744, 749 (10th Cir. 1992).

¹⁷⁷ 281 F.3d 1130, 1133 (10th Cir. 2002).

¹⁷⁸ 318 F.3d 1039 (11th Cir. 2003) (confirming a conviction).

3. Spamming: Federal & State Laws

Here are a couple of terms that you will see in this area:

“forged spamming” spamming using non-existent domain names

“domain-name hijacking” spamming using an unsuspecting server

The federal CAN-SPAM Act of 2003 became effective January 1, 2004. Parts of it are shown below.

Chapter 47 of title 18, United States Code, was amended by adding at the end the following new section:

SEC. 3. DEFINITIONS.

In this Act:

(11) INTERNET ACCESS SERVICE.—The term “Internet access service” has the meaning given that term in section 231(e)(4) of the Communications Act of 1934 (47 U.S.C. 231(e)(4)).

§ 231. Restriction of access by minors to materials commercially distributed by means of World Wide Web that are harmful to minors

(e) Definitions

For purposes of this subsection,^[1] the following definitions shall apply:

(4) Internet access service

The term “Internet access service” means a service that enables users to access content, information, electronic mail, or other services offered over the Internet, and may also include access to proprietary content, information, and other services as part of a package of services offered to consumers. Such term does not include telecommunications services.

(12) PROCURE.—The term “procure”, when used with respect to the initiation of a commercial electronic mail message, means intentionally to pay or provide other consideration to, or induce, another person to initiate such a message on one’s behalf.

Sec. 1037. Fraud and related activity in connection with electronic mail

`(a) IN GENERAL- Whoever, in or affecting interstate or foreign commerce, knowingly—

`(1) accesses a protected computer without authorization, and intentionally initiates the transmission of multiple commercial electronic mail messages from or through such computer,

`(2) uses a protected computer to relay or retransmit multiple commercial electronic mail messages, with the intent to deceive or mislead recipients, or any Internet access service, as to the origin of such messages,

`(3) materially falsifies header information in multiple commercial electronic mail messages and intentionally initiates the transmission of such messages,

`(4) registers, using information that materially falsifies the identity of the actual registrant, for five or more electronic mail accounts or online user accounts or two or more domain names, and intentionally initiates the transmission of multiple commercial electronic mail messages from any combination of such accounts or domain names, or

`(5) falsely represents oneself to be the registrant or the legitimate successor in interest to the registrant of 5 or more Internet Protocol addresses, and intentionally initiates the transmission of multiple commercial electronic mail messages from such addresses,

or conspires to do so, shall be punished as provided in subsection (b).

`(b) PENALTIES- The punishment for an offense under subsection (a) is--

`(1) a fine under this title, imprisonment for not more than 5 years, or both, if--

`(A) the offense is committed in furtherance of any felony under the laws of the United States or of any State; or

`(B) the defendant has previously been convicted under this section or section 1030, or under the law of any State for conduct involving the transmission of multiple commercial electronic mail messages or unauthorized access to a computer system;

`(2) a fine under this title, imprisonment for not more than 3 years, or both, if--

`(A) the offense is an offense under subsection (a)(1);

`(B) the offense is an offense under subsection (a)(4) and involved 20 or more falsified electronic mail or online user account registrations, or 10 or more falsified domain name registrations;

`(C) the volume of electronic mail messages transmitted in furtherance of the offense exceeded 2,500 during any 24-hour

period, 25,000 during any 30-day period, or 250,000 during any 1-year period;

`(D) the offense caused loss to one or more persons aggregating \$5,000 or more in value during any 1-year period;

`(E) as a result of the offense any individual committing the offense obtained anything of value aggregating \$5,000 or more during any 1-year period; or

`(F) the offense was undertaken by the defendant in concert with three or more other persons with respect to whom the defendant occupied a position of organizer or leader; and

`(3) a fine under this title or imprisonment for not more than 1 year, or both, in any other case.

`(c) FORFEITURE-

`(1) IN GENERAL- The court, in imposing sentence on a person who is convicted of an offense under this section, shall order that the defendant forfeit to the United States--

`(A) any property, real or personal, constituting or traceable to gross proceeds obtained from such offense; and

`(B) any equipment, software, or other technology used or intended to be used to commit or to facilitate the commission of such offense.

`(2) PROCEDURES- The procedures set forth in section 413 of the Controlled Substances Act (21 U.S.C. 853), other than subsection (d) of that section, and in Rule 32.2 of the Federal Rules of Criminal Procedure, shall apply to all stages of a criminal forfeiture proceeding under this section.

...

SEC. 5. OTHER PROTECTIONS FOR USERS OF COMMERCIAL ELECTRONIC MAIL.

(a) REQUIREMENTS FOR TRANSMISSION OF MESSAGES-

(1) PROHIBITION OF FALSE OR MISLEADING TRANSMISSION INFORMATION- It is unlawful for any person to initiate the transmission, to a protected computer, of a commercial electronic mail message, or a transactional or relationship message, that contains, or is accompanied by, header information that is materially false or materially misleading. For purposes of this paragraph--

(A) header information that is technically accurate but includes an originating electronic mail address, domain name, or Internet Protocol address the access to which for purposes of initiating the message was obtained by means of false or fraudulent pretenses or representations shall be considered materially misleading;

(B) a 'from' line (the line identifying or purporting to identify a person initiating the message) that accurately identifies any person

who initiated the message shall not be considered materially false or materially misleading; and

(C) header information shall be considered materially misleading if it fails to identify accurately a protected computer used to initiate the message because the person initiating the message knowingly uses another protected computer to relay or retransmit the message for purposes of disguising its origin.

(2) PROHIBITION OF DECEPTIVE SUBJECT HEADINGS- It is unlawful for any person to initiate the transmission to a protected computer of a commercial electronic mail message if such person has actual knowledge, or knowledge fairly implied on the basis of objective circumstances, that a subject heading of the message would be likely to mislead a recipient, acting reasonably under the circumstances, about a material fact regarding the contents or subject matter of the message (consistent with the criteria used in enforcement of section 5 of the Federal Trade Commission Act (15 U.S.C. 45)).

(3) Inclusion of return address or comparable mechanism in commercial electronic mail-

(A) IN GENERAL- It is unlawful for any person to initiate the transmission to a protected computer of a commercial electronic mail message that does not contain a functioning return electronic mail address or other Internet-based mechanism, clearly and conspicuously displayed, that--

(i) a recipient may use to submit, in a manner specified in the message, a reply electronic mail message or other form of Internet-based communication requesting not to receive future commercial electronic mail messages from that sender at the electronic mail address where the message was received; and

(ii) remains capable of receiving such messages or communications for no less than 30 days after the transmission of the original message.

(B) MORE DETAILED OPTIONS POSSIBLE- The person initiating a commercial electronic mail message may comply with subparagraph (A)(i) by providing the recipient a list or menu from which the recipient may choose the specific types of commercial electronic mail messages the recipient wants to receive or does not want to receive from the sender, if the list or menu includes an option under which the recipient may choose not to receive any commercial electronic mail messages from the sender.

(C) TEMPORARY INABILITY TO RECEIVE MESSAGES OR PROCESS REQUESTS- A return electronic mail address or other mechanism does not fail to satisfy the requirements of subparagraph (A) if it is unexpectedly and temporarily unable to receive messages or process requests due to a technical problem

beyond the control of the sender if the problem is corrected within a reasonable time period.

(4) PROHIBITION OF TRANSMISSION OF COMMERCIAL ELECTRONIC MAIL AFTER OBJECTION-

(A) IN GENERAL- If a recipient makes a request using a mechanism provided pursuant to paragraph (3) not to receive some or any commercial electronic mail messages from such sender, then it is unlawful--

(i) for the sender to initiate the transmission to the recipient, more than 10 business days after the receipt of such request, of a commercial electronic mail message that falls within the scope of the request;

(ii) for any person acting on behalf of the sender to initiate the transmission to the recipient, more than 10 business days after the receipt of such request, of a commercial electronic mail message with actual knowledge, or knowledge fairly implied on the basis of objective circumstances, that such message falls within the scope of the request;

(iii) for any person acting on behalf of the sender to assist in initiating the transmission to the recipient, through the provision or selection of addresses to which the message will be sent, of a commercial electronic mail message with actual knowledge, or knowledge fairly implied on the basis of objective circumstances, that such message would violate clause (i) or (ii); or

(iv) for the sender, or any other person who knows that the recipient has made such a request, to sell, lease, exchange, or otherwise transfer or release the electronic mail address of the recipient (including through any transaction or other transfer involving mailing lists bearing the electronic mail address of the recipient) for any purpose other than compliance with this Act or other provision of law.

(B) SUBSEQUENT AFFIRMATIVE CONSENT- A prohibition in subparagraph (A) does not apply if there is affirmative consent by the recipient subsequent to the request under subparagraph (A).

SEC. 7. ENFORCEMENT GENERALLY.

(g) Action by Provider of Internet Access Service-

(1) ACTION AUTHORIZED- A provider of Internet access service adversely affected by a violation of section 5(a)(1), 5(b), or 5(d), or a pattern or practice that violates paragraph (2), (3), (4), or (5) of section 5(a), may bring a civil action in any district court of the United States with jurisdiction over the defendant--

- (A) to enjoin further violation by the defendant; or
- (B) to recover damages in an amount equal to the greater of--
 - (i) actual monetary loss incurred by the provider of Internet access service as a result of such violation; or
 - (ii) the amount determined under paragraph (3).

(2) SPECIAL DEFINITION OF `PROCURE'- In any action brought under paragraph (1), this Act shall be applied as if the definition of the term `procure' in section 3(12) contained, after `behalf' the words `with actual knowledge, or by consciously avoiding knowing, whether such person is engaging, or will engage, in a pattern or practice that violates this Act'.

(3) STATUTORY DAMAGES-

(A) IN GENERAL- For purposes of paragraph (1)(B)(ii), the amount determined under this paragraph is the amount calculated by multiplying the number of violations (with each separately addressed unlawful message that is transmitted or attempted to be transmitted over the facilities of the provider of Internet access service, or that is transmitted or attempted to be transmitted to an electronic mail address obtained from the provider of Internet access service in violation of section 5(b)(1)(A)(i), treated as a separate violation) by--

- (i) up to \$100, in the case of a violation of section 5(a)(1); or
- (ii) up to \$25, in the case of any other violation of section 5.

(B) LIMITATION- For any violation of section 5 (other than section 5(a)(1)), the amount determined under subparagraph (A) may not exceed \$1,000,000.

(C) AGGRAVATED DAMAGES- The court may increase a damage award to an amount equal to not more than three times the amount otherwise available under this paragraph if--

- (i) the court determines that the defendant committed the violation willfully and knowingly; or
- (ii) the defendant's unlawful activity included one or more of the aggravated violations set forth in section 5(b).

(D) REDUCTION OF DAMAGES- In assessing damages under subparagraph (A), the court may consider whether--

- (i) the defendant has established and implemented, with due care, commercially reasonable practices and procedures designed to effectively prevent such violations; or
- (ii) the violation occurred despite commercially reasonable efforts to maintain compliance with the practices and procedures to which reference is made in clause (i).

(4) ATTORNEY FEES- In any action brought pursuant to paragraph (1), the court may, in its discretion, require an undertaking for the payment of the costs of such action, and assess reasonable costs, including reasonable attorneys' fees, against any party.

a. Fourth Circuit

2006

Omega World Travel Inc. v. Mummagraphics Inc.¹⁷⁹ Mummagraphics, Inc., a provider of online services, sought significant statutory damages from Omega World Travel, Inc., a Virginia-based travel agency. Mummagraphics alleged that Cruise.com (a wholly owned subsidiary of Omega) sent the messages in violation of the CAN-SPAM Act. The Fourth Circuit stated, “The CAN-SPAM Act preempts Mummagraphics' claims under Oklahoma's statutes. In addition, Mummagraphics failed to allege the material inaccuracies or pattern of failures to conform to opt-out requirements that is necessary to establish liability under the CAN-SPAM Act. The CANSPAM Act addresses ‘spam’ as a serious and pervasive problem, but it does not impose liability at the mere drop of a hat. ... Because Mummagraphics failed to submit any evidence that the receipt of eleven commercial e-mail messages placed a meaningful burden on the company's computer systems or even its other resources, summary judgment was appropriate on this counterclaim.”

2007

Aitken v. Communications Workers Of America¹⁸⁰ MCI and Verizon sued the Communications Workers of America for the misappropriation of the identities of certain plaintiffs -- twelve managers at Verizon -- for the purpose of sending pro-union, anti-Verizon emails to Verizon employees under the managers' names. Those emails falsely appeared to originate from the Verizon managers, and disparaged Verizon, while touting the benefits of unionization with the Communications Workers of America.

b. Fifth Circuit

2005

White Buffalo Ventures, LLC v. University of Texas¹⁸¹ White Buffalo operates several online dating services, including www.longhornsingles.com (still operating in September 2007), which targets students at the University of Texas at Austin. Pursuant to its internal anti-solicitation policy, UT blocked White Buffalo's attempts to send unsolicited bulk commercial email. White Buffalo sued to enjoin UT from excluding its

¹⁷⁹ 469 F.3d 348 (4th Cir. 2006) (affirming the district court's award of summary judgment to Omega on all of Mummagraphics' claims, and stating that a state cause of action for “immaterial” errors in header information was preempted by the CAN-SPAM act).

¹⁸⁰ 2007 U.S. Dist. LEXIS 51434; 182 L.R.R.M. 2334 (E.D. Va. 2007) (denying a motion to dismiss a CAN-SPAM Act claim).

¹⁸¹ No. 04-50362 (5th Cir. 2005).

incoming email. The district court denied the injunction. On cross-motions for summary judgment, the court granted UT's motion and denied White Buffalo's. The Fifth Circuit affirmed, agreeing that federal law (CAN-SPAM Act) did NOT preempt UT's internal anti-spam policy and that UT's policy did NOT violate the First Amendment.

c. Ninth Circuit

2004

C.D. Cal.

United States v. Tombros¹⁸² A Los Angeles-area resident pleaded guilty September 27, 2004, to violating the CAN SPAM Act, by driving around a neighborhood and using a wireless antennae attached to a laptop to find open, unencrypted wireless access points, and then sending thousands of spam messages advertising pornographic Web sites. This was the first conviction under the Act. Tombros faced a maximum possible sentence of three years in federal prison.

2007

U.S. v. Goodin¹⁸³ Goodin, a “phisher”, was sentenced to nearly six years in prison after the nation’s first CAN-SPAM jury trial conviction. Goodin was convicted of committing identity theft, credit card fraud, witness harassment and other offenses, and ordered to pay \$1,002,885.58 to the victims of his phishing scheme, including nearly \$1 million to Earthlink. The jury found that Goodin sent thousands of e-mails through an Earthlink Internet connection to America Online users that appeared to be from AOL’s billing department. The e-mails prompted the AOL customers to “update” their personal and credit card information on phony AOL webpages that Goodin controlled. Goodin then used his victims’ personal and credit card information to make unauthorized credit card purchases. It cost Earthlink nearly \$1 million to detect and combat Goodin’s phishing schemes.

MySpace, Inc. v. Sanford Wallace¹⁸⁴ Defendant has three dbs’s: freevegasclubs.com, realvegas-sins.com, and Feebleminded Productions. Defendant had created more than 11,000 similar MySpace profiles and 11,383 unique America Online email accounts to register those profiles. Defendant circumvented plaintiff’s unique-email-address registration requirement, and, by creating 11,000 unique profiles, defendant circumvented plaintiff’s daily limit on the number of messages that can be sent from any one profile in a single day. In total, defendant sent nearly 400,000 messages and posted 890,000 comments from 320,000 “hijacked” MySpace.com user accounts. Defendant also created “groups” on MySpace.com redirecting users to the Wallace Websites, including altering the MySpace “unsubscribe” link to point to the Wallace Websites rather than to actually allow members to unsubscribe, and he used

¹⁸² No. CR 04-1085 (C. D. Cal. 9/27/04).

¹⁸³ S.D. Cal. June 14, 2007.

¹⁸⁴ CV 07-1929-ABC, 2007 U.S. Dist. LEXIS 56814 (C.D. Cal. 2007) (granting-in-part plaintiff’s motion for a preliminary injunction).

software code to lay graphics containing links to the Wallace Websites over users' MySpace.com profiles. A final note: although defendant requested a bond of \$1 million, the Court ordered plaintiff to post a bond in the amount of only \$50,000.

MySpace, Inc. v. Globe.com, Inc¹⁸⁵ Defendant is a public company that provides internet-based communications services ("TGLO Products"). Defendant operates one or more websites under various domain names, including glochat.com, tglophone.com, glo-talk.com and digitalvoiceglo.com. Beginning in January 2006, Defendant set up at least 95 identical or virtually identical "dummy" MySpace profiles, with corresponding e-message accounts. Defendant used these accounts to send almost 400,000 unsolicited commercial e-messages marketing TGLO Products to MySpace users. The Court found liability under the following CAN-SPAM sections: 15 U.S.C. §§ 7704(a)(1), 7704(a)(5) and 7704(b)(1)(A)(ii).

Gordon v. Virtumundo, Inc.¹⁸⁶ The Court stated,

First, it is obvious that Plaintiffs are testing their luck at making their "spam business" extraordinarily lucrative by seeking statutory damages through a strategy of spam collection and serial litigation. ... The Court finds that Plaintiffs' instant law-suit is an excellent example of the ill-motivated, unreasonable, and frivolous type of lawsuit that justifies an award of attorneys' fees to Defendants under Fogerty. The context of this litigation and the context of Plaintiffs' overall litigation strategy, involving at least a dozen federal actions, indicate that Plaintiffs are motivated by the prospect of multi-million-dollar statutory damages awards in exchange for their relatively paltry spam-collection and spam-litigation costs.

Remarkably, it appears that Defendants' total request for compensation for 1,975.8 hours overstates the hours worked by 531.8 hours, which amounts to about 27% of the total hours requested.

The Court awarded to the defendants hourly attorneys' fees award of \$ 96,240.00, plus costs in the amount of \$ 15,200.00, although the requested amounts were much higher (spending 7 pages of the opinion on the merits of the case, and 11 pages calculating reasonable fees and costs)

Facebook, Inc., v. Connectu LLC¹⁸⁷ Facebook and ConnectU operate competing social networking websites on the Internet. Facebook contended that ConnectU accessed the Facebook website to collect "millions" of email addresses of Facebook, and then sent emails to those users soliciting their patronage.

¹⁸⁵ CV 06-3391-RGK, 2007 U.S. Dist. LEXIS 44143 (C.D. Cal. 2007) (granting-in-part plaintiff's motion for summary judgment under the CAN-SPAM act).

¹⁸⁶ 2007 U.S. Dist. LEXIS 55941 (W.D. Wash. 2007) (awarding attorneys' fees to the prevailing defendants).

¹⁸⁷ 489 F. Supp. 2d 1087 (N.D. Cal. 2007) (dismissing claims under California state law as being preempted by the CAN-SPAM act, and allowing other claims to be amended so as to fall under the CAN-SPAM act).

Phillips v. Netblue, Inc.¹⁸⁸ The Court stated, “Having determined that the CAN-SPAM Act's statutory damages provisions are meant to penalize the spammer as opposed to compensate the victims of spam, the Court concludes that the doctrine of mitigation of damages has no applicability to any determination regarding the award of such damages.”

d. Eleventh Circuit

N.D. Ga.

EarthLink Inc. v. Carmack¹⁸⁹ Carmack sent over 825 million e-mail messages to EarthLink subscribers in 2002, using 343 EarthLink accounts. Judge Thrash estimated the company's actual damages at more than \$2.7 million. The court trebled those damages after granting EarthLink's state and federal racketeering claims, and then doubled it again to \$16.4 million in total damages to “serve as a clear warning to Carmack,” ordered that the judgment will not be dischargeable in bankruptcy, and further ordered that in the event another ISP files a lawsuit against Carmack, the liquidated damages will be \$25,000 or \$2 per 1,000 e-mails sent, whichever is greater, as well as lost profit damages, attorney's fees, expenses, and costs. Individual or end-user claims will be \$1,000 per e-mail sent, as well as legal fees, expenses, and costs.

e. State Laws

As of November 18, 2003, David Sorkin's website <http://www.spamlaws.com/us.html> listed thirty-six states with anti-spam statutes.

California's anti-spam statute, Cal. Bus. & Prof. Code §17538.4, requires that California-based senders of unsolicited commercial e-mail messages, **or out-of-state senders of messages to California residents**, include the following information in any e-mail message sent to a person with whom they have no pre-existing business relationship:

a valid toll-free telephone number and/or e-mail address to which recipients may call or write and ask to be removed from future e-mail messages;

in the first text of the message, a notice to recipients informing them of the ability to be removed from future e-mail messages; and

in the subject header, "ADV:" as the first four characters.

¹⁸⁸ 2006 U.S. Dist. LEXIS 92573 (N.D. Cal. 2006) (denying defendant's motion to amend its answer to assert that plaintiffs failed to mitigate its damages).

¹⁸⁹ No. 02-CV-3041 (N.D. Ga. 2003).

Effective September 1, 2003, Texas has an anti-spam statute, that provides criminal and civil penalties, and a civil cause of action. 4 Business & Commerce Code § 46 “Electronic Mail Solicitation”. This statute prohibits sending an unsolicited e-mail that 1) falsifies electronic mail transmission information or other routing information, 2) contains false, deceptive, or misleading information in the subject line, or 3) uses another person's Internet domain name without the other person's consent.

The sender of spam (“a commercial electronic mail message sent without the consent of the recipient by a person with whom the recipient does not have an established business relationship”) must include at the beginning of the subject line “ADV:”. If the spam is sexual in nature, the sender must include at the beginning of the subject line “ADV: ADULT ADVERTISEMENT”. Failure to include “ADV: ADULT ADVERTISEMENT”, or sending obscene material, is a Class B misdemeanor. Violations of the statute subject the offender to a civil penalty in an amount not to exceed the lesser of: 1) \$10 for each unlawful message or action; or 2) \$25,000 for each day an unlawful message is received or an action is taken.

The statute further provides that any individual may sue a spammer for a false, misleading, or deceptive act or practice under Subchapter E, Chapter 17, and under § 46.008 for actual damages, including lost profits. A person who prevails in the action is entitled to reasonable attorney's fees and court costs. In lieu of actual damages, the plaintiff can choose to recover the lesser of: 1) \$10 for each unlawful message; or 2) \$25,000 for each day the unlawful message is received.

There is one trap for the unwary plaintiff. Under § 46.009, the plaintiff must notify the attorney general by sending a copy of the petition by registered or certified mail not later than the 30th day after the date the petition was filed, and at least 10 days before the date set for a hearing on the action. If the plaintiff fails to do so, he is liable to the state for a civil penalty in an amount not to exceed \$200 for each violation.

Three federal district courts, the Eastern District of Virginia, the Northern District of California, and the Southern District of Ohio, have held that under certain circumstances, spam constitutes the tort of “trespass to chattel.”¹⁹⁰

The following websites will help your client in fighting spam, without going to court:

www.declude.com	spam-fighting software products and free resources, such as a list of anti-spam databases
www.samspace.org	technical tools useful in fighting spam
www.spamhaus.org	real-time database of addresses of verified spammers, spam gangs and spam services register of known spam operations that have been thrown off

¹⁹⁰ *Verizon Online Services, Inc. v. Ralsky*, 203 F.Supp.2d 601 (E.D. Va. 2002); *America Online v. LCGM*, 46 F. Supp.2d 444, 451-52 (E.D. Va. 1998); *Hotmail Corp. v. Van Money Pie, Inc.*, 47 U.S.P.Q.2d 1020, 1022 (N.D. Cal. 1998); *CompuServe inc. v. Cyber-Promotions, Inc.*, 962 F. Supp. 1015, 1018 (S.D. Ohio 1997).

	ISPs
www.spamcon.org	forum for Internet users, administrators, marketers, anti-spam businesses and activists to collaborate and develop strategies

2003

New York

New York is actively prosecuting spammers. In the second week of May, 2003, Howard Carmack, the 'Buffalo Spammer' accused of sending more than 825 million unsolicited e-mails from illegal EarthLink accounts, was arrested and arraigned in New York on four felony and two misdemeanor counts. New York Attorney General Eliot Spitzer stated, "Spammers who forge documents and steal the identity of others to create their e-mail traffic will be prosecuted."

4. Texas Computer Crimes Statute 7 Texas Penal Code 33

This statute states in § 33.02, "Breach of Computer Security":

"(a) A person commits an offense if the person knowingly accesses a computer, computer network, or computer system without the effective consent of the owner."

Under the Texas Civil Practice and Remedies Code, section 143.001, "Cause of Action", a person can file a civil suit for this crime:

"(a) A person who is injured or whose property has been injured as a result of a violation under Chapter 33, Penal Code, has a civil cause of action if the conduct constituting the violation was committed knowingly or intentionally."

III. HELPFUL SOURCES

A. General information

American Intellectual Property Law Association: <http://www.aipla.org/>

Federal Register: www.access.gpo.gov/nara/index.html#fr

Legislation (Bills, Public Laws, Committee Reports, Congressional Record):
<http://thomas.loc.gov>

B. Patents

U.S. Patent Law (35 U.S.C.): <http://uscode.house.gov/search/criteria.shtml>

Appealed Court Decisions Regarding Patents:
Federal Circuit: <http://www.fedcir.gov/#opinions>

U.S. Federal Regulations re Patents: <http://www.access.gpo.gov/cgi-bin/cfrassemble.cgi?title=200237>

Or
<http://www.uspto.gov/web/offices/tac/tmlaw2.html>

Search for U.S. patents: <http://www.uspto.gov/>

Free pdf copies of U.S. patents: <http://www.pat2pdf.org/>

Fees charged by the patent office:
<http://www.uspto.gov/main/howtofees.htm>

U.S. Patent Office's Manual of Patent Examining Procedure:
www.uspto.gov/web/offices/pac/mpep/index.html
Hypertext version: <http://patents.ame.nd.edu/mpep/>

International patents: www.wipo.int

Search for international patent applications: <http://ipdl.wipo.int/>

European Patent Office: www.european-patent-office.org

Search for European patents:
<http://www.epoline.org/epoline/Epoline?language=EN&page=register&b=NS>

Japanese Patent Office: www.jpo-miti.go.jp

C. Trademarks

U.S. Trademark Law (15 U.S.C.): <http://uscode.house.gov/search/criteria.shtml>

Search for trademarks: <http://www.uspto.gov/>

Fees charged by the trademark office:
<http://www.uspto.gov/main/howtofees.htm>

U.S. Federal Regulations re Trademarks:
<http://www.access.gpo.gov/cgi-bin/cfrassemble.cgi?title=200237>
Or
<http://www.uspto.gov/web/offices/tac/tmlaw2.html>

Trademark Manual of Examining Procedure: www.uspto.gov/web/offices/tac/tmep

Domain name disputes; Internet Corporation for Assigned Names and Numbers (ICANN): www.icann.org

D. Copyrights

U.S. Copyright Laws (17 U.S.C.): <http://www.copyright.gov/title17>

Copyright Regulations: www.loc.gov/copyright/title37

U.S. Copyright Office: <http://www.copyright.gov/>

Search for copyrights: same

Copyright enforcers

Text & Images: Copyright Clearance Center: <http://www.copyright.com/>

Music: ASCAP: <http://www.ascap.com/>

BMI: <http://www.bmi.com/home.asp>

RIAA: <http://www.riaa.com>

Software: BSA: <http://www.bsa.org/>