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Cybersquatting violations

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An entire new industry of Internet marketing strategists and consultants has developed to provide services aimed at helping other businesses grow their online presence. However, when either the business or the Internet marketing strategist fails to take into consideration the legal infrastructure, whatever gains the business may achieve with their e-commerce business may be wiped out by damages and a judgment or settlement due to neglecting the legal signposts.

There are a number of elements to the e-commerce legal infrastructure. One such legal element is the Anticybersquatting Consumer Protection Act (ACPA). Even though ACPA was signed into law in 1999, many businesses and Internet marketing strategists fail to take into consideration the damages that can flow from cybersquatting violations.

ACPA provides protection, with some exceptions, for trademark owners, owners of a personal name protected as a mark and names of living people. It also provides a method to deal with the characteristic of anonymity available on the Internet, whereby domain name registrants are not always who or what they appear to be in the registration. A violation of ACPA can result in a court ordering injunctive relief such as forfeiture or cancellation of the domain name or transfer of the domain name, as well as actual damages and profits, or statutory damages of up to $100,000 a domain name. This liability extends to the registrant or that authorized licensee.

Out of a number of cybersquatting complaints by some well-known brands under ACPA, some have resulted in victories for the trademark owners and some have not.

In a recent decision by the 11th U.S. Circuit Court of Appeals, the court reviewed a scenario where a company relied upon an Internet marketing company to acquire some 4,000 domain names and create a number of mini-websites, or microsites, which incorporated trademarks of others in the domain names as part of their Internet marketing strategy. In *Pensacola Motor Sales Inc., d.b.a. Bob Tyler Toyota vs. Eastern Shore Toyota, LLC* (11th Cir. 2012), two car dealerships squared-off over allegations that boiled down to an application and interpretation of ACPA. In Pensacola the owner of the defendant, Eastern Shore, attended a dealer's conference where, as the court states, he was introduced to an "…Internet marketing expert" who "…offered to help the dealers revamp their websites and spruce up their technology systems."

Advanced Dealer Systems (ADS), "…pitched two Internet marketing strategies…" to Eastern Shore's owner, "… one defensive and the other offensive." The defensive strategy was for Eastern Shore, under ADS' guidance, to buy and hold desirable domain names to keep them out of competitors' hands. However, those defensive strategy domain names would not be operational. The offensive strategy proposed involved the creation of a large number of microsites. By simply entering domain names into the software program and clicking a button, he could instantly mass produce microsites for Eastern Shore, each one using a name related in some way to the car business, for example, 2009camry.com. Those microsites would either automatically redirect users who clicked on them to Eastern Shore's official websites or they would display a one-page website advertising Eastern Shore.

Several of those domain names and microsites included references to the plaintiff's (Bob Tyler Toyota ("BTT")) marks. A general manager for Toyota's southeastern division informed the owner of Eastern Shore who immediately notified ADS to disable the microsites. A few days later Eastern Shore received a demand letter from BTT's attorney threatening to file a lawsuit under ACPA unless Eastern Shore agreed to pay his client $250,000 within seven days. Within 24 hours after receipt of the demand letter, all of the microsites infringing on BTT's marks were disabled. However, a couple of months later BTT's attorney sent another letter to Eastern Shore "… demanding the return of the domain names and a $1 million payment." About a week later BTT filed a lawsuit. After a trial by jury and an appeal, the 11th Circuit rendered its decision affirming the jury's findings under ACPA that the defendant violated ACPA and also qualified for the protection of the act's safe harbor provision because it had a reasonable belief that the "use of the domain name[s] was a fair use or otherwise lawful." 15 U.S.C. §1125(d)(1) (B)(ii).

Although the 11th Circuit states, "[T]hose answers are inconsistent because a defendant who falls within the scope of the safe harbor provision necessarily lacks the bad faith intent to profit that is necessary to violate the statute. *See* id. §1125(d)(1)(A)," the court held that BTT waived any argument that the verdict was inconsistent by not objecting before the jury was discharged. The court listed the nine factors identified in ACPA that a court may consider when determining whether a domain name infringer had a "bad faith intent to profit" from a trademark and notes that the factors are "not limited to" these nine factors.

Those trying to improve their Internet marketing strategy and those providing strategies need to be mindful of the legal infrastructure to avoid damages.