

## Internet Outlaws: Knowingly Placing Ads on Parked Domain Names Invokes Contributory Trademark Liability

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# **Internet Outlaws: Knowingly Placing Ads on Parked Domain Names Invokes Contributory Trademark Liability**

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## INTRODUCTION

A theory of trademark liability for domain name registrants—who register domain names that incorporate registered trademarks they do not own—is clearly established in the United States. However, it is also clearly established that registrars, who govern the distribution of domain names, have no liability when domain names are used for illegal activity.

While the liability of these two essential parties related to website registration is clear, to date, little research exists regarding whether the parties that actually facilitate the monetization of trademark-infringing website registration are somehow liable for intellectual property infringement themselves. Drawing on the established frameworks holding registrants liable for online trademark violations in the United States, this Comment encourages

a framework of contributory trademark liability for “advertisement parkers” (“ad parkers”), those organizations that facilitate revenue generation through the placement of advertisements on parked, cybersquatted domain names.

In examining whether the advertisers paying for links on parked, cybersquatted pages are contributorily liable for trademark infringement, this Comment examines relevant case law, from *Lockheed Martin Corp. v. Network Solutions, Inc.*, to *Tiffany, Inc. v. eBay, Inc.*, as well as relevant federal statutes. First, I address trademark law in the United States generally; second, I evaluate trademarks, trademark infringement, and contributory trademark infringement in an online context; and third, I argue that contributory trademark infringement should apply to organizations that facilitate ad placement on parked, cybersquatted domain names.

## I. TRADEMARKS AND THE INTERNET

### A. Trademark Law

It is a “traditionally accepted premise that the only legally relevant function of a trademark is to impart information as to the source or sponsorship of the product.”<sup>1</sup> However, trademark law is now used not only to protect the source of an item against confusion, but also to protect against a range of harms, especially online, including dilution of a source’s true identity in the marketplace through the registration of domain names.

In the United States, trademarks are often protected online by invoking rights provided by the Federal Trademark Dilution Act of 1995,<sup>2</sup> which has now been incorporated into the United States’ Anti-Cybersquatting Consumer Protection Act<sup>3</sup> (“ACPA”) within the Lanham Act.<sup>4</sup>

Two types of trademark claims are raised in domain name disputes: trademark infringement and trademark dilution.<sup>5</sup> A mark owner may complain of *infringement* if the mark is being used by someone other than the owner in a way that is likely to cause confusion among consumers.<sup>6</sup> In trademark *dilution* claims, the trademark owner does not have to prove likelihood of

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1. *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir.1968).

2. 15 U.S.C. § 1125(c) (2006).

3. *Id.* § 1125(d).

4. *Id.* §§ 1051–1141. Trademark infringement under the Lanham Act requires (1) “use” of the mark “in commerce” and (2) proof of a likelihood of confusion among consumers. *See id.* § 1125(a). The Lanham Act, however, does not apply specifically to online trademark infringement and is not generally applied in this Comment.

5. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:77 (4th ed. 20112) (explaining that cybersquatting is subject to both classic dilution claims under § 1125(c) and ACPA claims under § 1125(d)).

6. 15 U.S.C. § 1125(a) (2006).

confusion among consumers, but does have to show dilution of the distinctive source-identifying quality of the mark.<sup>7</sup> To qualify as dilution, the mark must be “famous,” defined as having achieved fame among the general public (in other words, the mark is instantly recognizable in a source-identifying way by the general public); and the use must have diluted the quality of the mark by blurring or tarnishing the mark through association with other things that are not associated with the mark owner’s products or services.<sup>8</sup>

Trademark dilution is significantly more difficult to show because of the requirement that the mark is famous; few brands reach that level of recognition. The focus of cybersquatting and parking advertisements on particular domain names is to capitalize on the value of the mark, not to use the mark to encourage the purchase or advertisement of other products not associated with the mark. Therefore, this paper focuses solely on trademark infringement.

### *B. Traditional Contributory Infringement*

This paper specifically addresses on contributory trademark infringement, as advertisers may be liable due to the infringing nature of the domain names upon which their advertisements are placed. However, in the United States, contributory trademark liability was developed pre-Internet, and similar to the online implementation of the general trademark liability framework, courts initially struggled to establish a bright line rule for contributory infringement on the Internet. A standard for Internet cases is still evolving, but the frameworks used to govern online disputes tend to incorporate an evaluation of bad faith.<sup>9</sup>

In *Inwood Laboratories v. Ives Laboratories*, the Supreme Court of the United States established the rule for contributory trademark infringement liability.<sup>10</sup> If a party “intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the [party] is contributorially responsible for any harm done as a result of the deceit.”<sup>11</sup> In *Hard Rock Cafe Licensing Corp. v. Concession Servs.*, the Seventh Circuit extended the *Inwood* rule to landlord relationships, holding that a landlord is responsible for infringement by its tenants if it knows or has reason to know the

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7. *Id.* § 1125(c).

8. *Id.*

9. See generally Stacey L. Dogan, “We Know It When We See It”: *Intermediary Trademark Liability and the Internet*, 2011 STAN. TECH L. REV. 7, 8 (discussing the role that good faith and bad faith play in recent Internet trademark liability cases).

10. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

11. *Id.* at 854.

infringement is occurring.<sup>12</sup>

## II. ONLINE TRADEMARK INFRINGEMENT: DIRECT AND CONTRIBUTORY INFRINGEMENT ONLINE

### A. Trademarks within the Online Context

A domain name is an online address for a website, purchased by a domain name registrant and distributed by a domain name registrar.<sup>13</sup> The Internet Corporation for Assigned Names and Numbers (“ICANN”) oversees domain name registrars.<sup>14</sup> “[H]aving a known or deducible domain name is important to companies seeking to do business on the Internet, as well as important to consumers who want to locate those businesses’ web sites.”<sup>15</sup> However, most businesses use the ‘.com’ top-level domain name, prompting users to “intuitively try to find businesses by typing in the corporate or trade name as the second-level domain.”<sup>16</sup> Some savvy users of Internet technology exploit consumers’ instinctual behavior for financial gain. Often, these sophisticated users capitalize on well-known trademarks to lure naïve users to visit revenue-generating websites with little or no information about the intended website or business.

### B. Trademark Infringement Online

Two specific types of online trademark infringement exist.<sup>17</sup> *Cybersquatting* is the act of registering a domain name that contains a trademarked term with the intention of selling the domain name to the owner of the trademark at an unjustly bloated price.<sup>18</sup> *Typosquatting* occurs when a party registers a domain name that includes an intentionally misspelled

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12. Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1148–49 (7th Cir. 1992).

13. Petroliam Nasional Berhad v. GoDaddy.com, No. C 09 5939 PJH, 2012 WL 10532, at \*1–2 (N.D. Cal. Jan. 3, 2012).

14. *Id.* at \*2. “Go Daddy and all other registrars are accredited by the Internet Corporation for Assigned Names and Numbers (“ICANN”), the international non-profit corporation that has been designated by the United States government to manage and coordinate domain names and IP addresses.” *Id.*

15. Panavision Int’l v. Toeppen, 945 F. Supp. 1296, 1299 (C.D. Cal. 1996), *aff’d*, 141 F.3d 1316 (9th Cir. 1998).

16. Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 952 (C.D. Cal. 1997), *aff’d*, 194 F.3d 980 (9th Cir. 1999).

17. Domain names that criticize or parody trademarked terms are not trademark infringement, as long as the domain name does not solely consist of the trademarked term. *See* Taubman Co. v. Webfeats, 319 F.3d 770, 778 (6th Cir. 2003).

18. 15 U.S.C. § 1125(d) (2006); *see also* Toeppen, 141 F.3d at 1326–27.

famous trademark to capitalize on the recognition of the mark.<sup>19</sup> Typosquatting earns money for the domain name registrant when the registrant places links on the *parked* site—a website composed of a placeholder page with little content—to earn a fraction of a cent per click or per view for the squatter and/or the organization that facilitates the link placement.<sup>20</sup> Both cybersquatting and typosquatting can be significant income-generators, especially for large-scale squatters who buy and place ads on parked infringing sites by the hundreds.<sup>21</sup> For the purposes of this paper, and for simplicity, typosquatting is incorporated into the cybersquatting umbrella, as “cybersquatting” is sometimes used to refer to the general practice of making money off a trademark-infringing domain name.

Placing ads on parked domain names is effective for two reasons. First, once a domain name has been purchased, links may be “parked” on a placeholder page to monetize the domain before the developed site is complete and advertised to the public.<sup>22</sup> Second, domain names may be purchased solely for the purpose of posting parked links and generating revenue on a pay-per-click basis.<sup>23</sup> This paper argues that when the second method is performed on cybersquatted domain names, the organization that

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19. Leonard D. DuBoff and Christy O. King, *Legal Practice Tips: Cyber Troubles: Resolving Domain Name Disputes*, 65 OR. ST. B. BULL. 33, 33 (2005); see also *Shields v. Zuccarini*, 254 F.3d 476, 483 (3d Cir. 2001); *Green v. Fornario*, 486 F.3d 100, 103 n.5 (3d Cir. 2007).

20. Christopher G. Clark, *The Truth in Domain Names Act of 2003 and a Preventative Measure to Combat Typosquatting*, 89 CORNELL L. REV. 1476, 1480–81 (2004).

21. See Elizabeth M. Flanagan, Note, *No Free Parking: Obtaining Relief from Trademark-Infringing Domain Name Parking*, 92 MINN. L. REV. 498, 499 (2007); see also ‘*Cybersquatters: Invading Big Names’ Domains*, CNN (Sept. 25, 2000), <http://archives.cnn.com/2000/TECH/computing/09/06/internet.domains/index.html>; *Toeppen*, 141 F.3d at 1319.

22. Robert L. Mitchell, *How Cybersquatters Tarnish Brand Names*, PCWORLD (Sept. 9, 2009), [http://www.peworld.com/article/171601/how\\_cybersquatters\\_tarnish\\_brand\\_names.html](http://www.peworld.com/article/171601/how_cybersquatters_tarnish_brand_names.html).

23. It is important to understand the functionality of pay-per-click advertising before evaluating the liability of companies that facilitate link parking on cybersquatted domain names. According to Sedo, a website hosting company, the amount of revenue generated by a particular parked domain depends on the quality of the domain name (for example, one-word domain names are more likely to be visited, as opposed to phrases that make up the second-level domain name); the traffic to the site (many parking services prohibit actively soliciting traffic once the page is parked), see *Sedo Help and FAQ Center*, SEDO (April 7, 2012, 10:27 AM), <http://sedo.com/faq/faq.php?&faqid=693&language=us&partnerid=38758>; and the selection of proper keywords associated with the domain name, which dictates the types of advertisements that are parked on the page. “Keywords are sold through an auction-based format in which more competitive keywords have better associated Earnings per Click (EPC), and bid prices update frequently based on demand.” See *Sedo Help and FAQ Center*, SEDO (November 13, 2012, 6:51 PM) <http://sedo.com/faq/faq.php?tracked=1&partnerid=30269&language=us>. As long as the parked domain name is receiving traffic, it is likely that the advertisements on the parked page are being clicked. Typically, parking services deposit a percentage of the total generated revenue from clicks in the domain name registrant’s bank account monthly through Paypal or a similar service.

facilitates the link placement on the parked pages (the “ad parker”) should be held liable for contributory trademark infringement.

Often, “[s]urfing to these Web pages leads site visitors to a screen chock full of pay-per-click advertisements and little meaningful content.”<sup>24</sup> However, legitimate uses of domain name parking exist—for example, when a registrant owns the domain name and all related marks or services and is not capitalizing on another’s mark or creative content. Further, ad parking can serve to monetize a domain name or provide helpful links to potential customers before a fully functioning site has been published. However, this Comment addresses the contributory trademark liability of ad parkers that *do* capitalize on existing marks owned by others.

Cybersquatted sites with parked advertisements constitute trademark violations and consequently pose significant problems for two groups: (1) trademark owners; and (2) potential customers of the trademarked business. First, trademark owners are unable to have a specific, definite source for goods and services online, unable to control their brand, and unable to develop an effective ongoing relationship with customers.<sup>25</sup> “When the . . . [cybersquatted] domain name experiences a high volume of traffic, the benefits of retaining the domain name grow as the profits from the advertising revenue increase,”<sup>26</sup> giving the owner of the domain name little incentive to sell the domain name, even at an inflated price, to the owner of the trademark. At the same time, the revenue encourages the mass-registration of trademarked domain names by cybersquatters to increase advertising revenue generation potential.

Second, naïve users may be confused by parked, cybersquatted domain names and unable to reach the intended website because of the interference. An argument can be made that parked domain names with ads provide alternative sources for the same types of products; however, the overwhelming misleading nature of trademark violations and cybersquatted domain names creates a system that undermines well-recognized brands.

Three factors contribute to “confusion” of consumers searching for a specific website, further exacerbated by widespread cybersquatting and ad parking practices. First, an Internet user is likely to type in the domain name by making assumptions, like that “.com” means the domain name is for a business, and “.org” means a domain name is for a nonprofit organization. If

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24. Press Release, Microsoft, Microsoft Launches Enforcement Campaign Targeting Web Site “Cybersquatters” Who Use Online Ads (August 22, 2006), <http://www.microsoft.com/presspass/features/2006/aug06/08-22domaindefense.mspx>.

25. *Flanagan*, *supra* note 21, at 500.

26. *Id.* at 506.

the user is not successful in arriving at the desired online destination, she may stop looking for the correct site.<sup>27</sup> Second, the delay between typing a domain name into a browser and the appearance of the page in the browser may confuse naïve Internet users and make it less likely that a user would understand that the site at which they arrived is not the intended site.<sup>28</sup> Some users may not realize that they have not reached the desired page,<sup>29</sup> especially if a cybersquatted domain name has links that are similar to content that would be encountered on the desired site.<sup>30</sup> Finally, potential customers of the trademark owner, and especially those who are naïve Internet users, are likely to follow any of the links on the cybersquatted domain name, resulting in revenue generation for the trademark infringer and in potentially more dire consequences, like theft of the customer's identity through phishing.<sup>31</sup>

Organizations that provide ad parking services are most often domain name registrars, like GoDaddy or Sedo, although a domain name registrant does not have to host its website with the specific company to use the company's parking service. These registrars work with advertising vendors to place parked advertisements on the cybersquatted pages. It is possible to target the advertisements based on the associated trademark's business, but not all parkers choose to do this.<sup>32</sup> Another well-known advertising tool, Google AdSense, used to offer a parking service, but in the policy about those services, Google set out a complaint procedure for trademark violations and waived responsibility for those violations as a result of cybersquatted domain names.<sup>33</sup>

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27. Jon H. Oram, Comment, *The Costs of Confusion in Cyberspace*, 107 YALE L.J. 869, 870 n.15. (1997) (citing *Planned Parenthood Federation of America v. Bucci*, No. 97 Civ. 0629 (KMW), 1997 WL 133313, at \*4 (S.D.N.Y. March 24, 1997).

28. *Bucci*, 1997 WL 133313, at \*8.

29. *Bucci*, 1997 WL 133313, at \*8.

30. In *Bucci*, the United States District Court for the Southern District of New York found that a website text on a cybersquatted domain name that was confusingly similar to the targeted webpage was sufficiently confusing for users to justify liability. *Id.* at \*9, \*11.

31. "The highest proportion of the squatting sites—15%—led to advertising sites . . . 12% were found to be IT & hosting pages—suggesting that they have been registered with the intention of being held onto and sold at a profit . . . [5.1% of the sites] were categorized by Sophos as cybercrime or adult." *80% of Mistyped URLs Lead To Typosquatting Sites: Sophos Study*, EFYTIMES.COM (last updated December 19, 2011), <http://efytimes.com/e1/75441/fullnews.htm>.

32. For example, <http://www.northwesternmutual.com> (omitting the "s" in the correctly-spelled domain name) has advertisements for whole life insurance, car insurance, and home warranties, among others.

33. Domain Name Parking, GOOGLE.COM (January 21, 2011, 10:22 AM) <http://www.google.com/domainpark>. Post-April 2012, Google instituted policies that prevent the use of their services for squatting generally. For example, Google must approve the domain name format, content, and structure before it allows its ads to be placed on the site; and it exempts violations of intellectual property rights from its indemnification provisions. *See*

### 1. To What Parties is Online Trademark Liability Subscribed?

Registrars are typically not liable for trademark infringement stemming from domain name disputes, but domain name registrants often are responsible for registering a domain name with infringing characteristics, as illustrated below. However, registrants often supply false contact information (which is also illegal) so that it is impossible to track an infringing registrant to charge him with infringement.<sup>34</sup>

Advertisers that place links on infringing websites typically are established businesses with valid contact information and a business model that makes money off of trademark infringement. Therefore, when registrants are unavailable, advertisers may be the only viable targets for trademark enforcement. This idea is further explored in Part III.

#### *a. Registrars: Universally Protected from Trademark Liability under U.S. Law*

Certain U.S. laws and other rules prohibit the imposition of trademark liability on domain name registrars.<sup>35</sup> The function of a registrar is to sell a user the right to own a certain address for a certain amount of time.<sup>36</sup> Registrars are regulated by registries, organizations that allocate groups of top-level domain names to registrars.<sup>37</sup> The registries are regulated by the Internet Corporation for Assigned Names and Numbers (“ICANN”), which governs domain name and Internet Protocol (“IP”) address use around the world and which implements a non-binding arbitration process for domain name trademark disputes,<sup>38</sup> an alternative to resolution by U.S. law. ICANN requires each registrar and registrant of any domain name to agree to the Uniform Dispute Resolution Policy (“UDRP”) before it may engage in the

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<https://www.google.com/adsense/localized-terms> and <https://developers.google.com/custom-search-ads/terms>.

34. *See generally* U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-06-165, INTERNET MANAGEMENT: PREVALENCE OF FALSE CONTACT INFORMATION FOR REGISTERED DOMAIN NAMES (2005), available at <http://www.gao.gov/new.items/d06165.pdf>.

35. “The 1999 Anti-Cybersquatting Act inserted a new section 32(2)(D) in the Lanham Act, limiting the liability of and remedies against, domain name registrars.” MCCARTHY, *supra* note 5, at § 25:73.40 (footnote omitted); *see also* 15 U.S.C. § 1125(d)(2)(D)(ii) (2006) (“The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief . . . except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.”).

36. INFORMATION FOR REGISTRARS AND REGISTRANTS, <http://www.icann.org/en/resources/registrars> (last visited April 1, 2013).

37. *Id.*

38. INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS, <http://www.icann.org/> (last visited February 2, 2013).

sale of a domain name.<sup>39</sup> When a domain name registrant submits a complaint under the UDRP, he must certify that he agrees that his “claims and remedies concerning the registration of the domain name, the dispute, or the dispute’s resolution shall be solely against the domain-name holder and waives all such claims and remedies against” the registrar, the registry administrator, and the Internet Corporation for Assigned Names and Numbers.<sup>40</sup>

Even though UDRP arbitration decisions are not binding in U.S. courts, this policy is still relevant because it governs the behavior of registrars and registrants in the United States or affecting United States businesses. According to U.S. courts, the “UDRP specifically prohibits registrars from becoming involved in disputes over domain name ownership.”<sup>41</sup>

The ACPA includes a provision that “[t]he domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.”<sup>42</sup> However, if the registrar is found to have acted in bad faith in a civil action, like in the cases below, immunity is waived.<sup>43</sup>

Finally, cases that apply directly to contributory trademark infringement online, like *Lockheed Martin Corp. v. Network Solutions, Inc.*, have held that registrars do not have liability for the actions of cybersquatters<sup>44</sup> because registrars do not control the actions of the registrants once the domain name is purchased.<sup>45</sup>

*b. Registrants: Traditionally Held Liable for Trademark Infringement for Cybersquatting*

As long as a registrant intends to profit from the registration of a domain name that contains another’s trademark, and does so in bad faith, he will almost always be held liable for trademark infringement.

The flagship case concerning Cybersquatting is *Panavision v. Toeppen*.<sup>46</sup>

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39. *Id.*

40. *Rules for the Uniform Dispute Resolution Policy*, §3(b)(xiv), ICANN (Oct. 30, 2009), available at <http://www.icann.org/en/dndr/udrp/uniform-rules.htm>.

41. *Petroliaam Nasional Berhad v. GoDaddy.com*, No. C095939 PJH, 2012 WL 10532, at \*4 (N.D. Cal. Jan. 3, 2012).

42. 15 U.S.C. § 1125(d)(2)(D)(ii) (2006).

43. *Id.* § 1125(d).

44. The above rule assumes that the registrars themselves are not providing parked, ad-filled pages. See, e.g., *Tiffany (NJ), Inc. v. eBay, Inc.*, 600 F.3d 93, 107 (2nd Cir. 2010).

45. *Id.* at 107.

46. *Panavision Int’l. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

Toeppen registered hundreds of domain names containing trademarks and attempted to sell the domain names to the trademark owners for a profit.<sup>47</sup> The Ninth Circuit held that, because Toeppen's intended use of the domain names was a "use in commerce" and prevented the mark owners from using their marks to further their brand, he was subject to liability under the Federal Trademark Dilution Act.<sup>48</sup>

Modifying *Toeppen* to apply to typosquatting, in *Shields v. Zuccarini*, the Third Circuit determined that the registration of domain names that were misspellings of trademarked terms was a violation of the ACPA because the misspellings were "confusingly similar" to the mark.<sup>49</sup> Zuccarini capitalized on the popularity of Shields' website by registering several domain names that were common misspellings of Shields' domain name.<sup>50</sup> Zuccarini coded the website to allow users to escape only once they had clicked on a variety of advertisements, earning Zuccarini money.<sup>51</sup> Based on this pay-per-click scheme, the Third Circuit held that Zuccarini possessed bad faith intent to profit.<sup>52</sup>

### C. Contributory Trademark Infringement Online

Internet-specific cases, however, address the degree of control of the supplier over the means of infringement,<sup>53</sup> and, following in line with cases addressing registrant trademark liability,<sup>54</sup> sometimes include an additional factor of bad faith.

In *Lockheed Martin Corp. v. Network Solutions, Inc.*, the Ninth Circuit held that Network Solutions, a domain name registrar, was not contributorily liable for a cybersquatter's actions in registering a domain name that infringed on Lockheed Martin's trademarks.<sup>55</sup> The court determined that "[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark permits the expansion of *Inwood's* 'supplies a product' requirement for contributory infringement,"<sup>56</sup> in adopting a modified *Hard Rock* landlord test.

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47. *Id.* at 1319.

48. *Id.* at 1324–27; *see also* 15 U.S.C. § 1125(c) (2006).

49. *Shields v. Zuccarini*, 254 F.3d 476, 486 (3rd Cir. 2001).

50. *Id.* at 484.

51. *Id.*

52. *Id.*

53. Jason Kessler, Comment, *Correcting the Standard for Contributory Trademark Liability over the Internet*, 39 COLUM. J.L. SOC. PROBS. 375, 377 (2006).

54. *See, e.g., Panavision Int'l. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

55. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 987 (9th Cir. 1999).

56. *Id.* at 984.

The degree of control over the infringing activity or a “material contribution” to the infringement may also be used to determine contributory trademark liability online.<sup>57</sup>

In *Tiffany, Inc. v. eBay, Inc.*, the Second Circuit further specified the *Inwood* holding in cases dealing with online marketplaces, so that the alleged contributor’s knowledge of the infringement must be particular, not generalized.<sup>58</sup> The Second Circuit held that eBay’s general knowledge of infringement of seller’s trademark on its website did not impose on eBay an affirmative duty to remedy the problem.<sup>59</sup> Therefore, eBay was not liable for contributory trademark infringement for allowing vendors to sell products infringing on Tiffany’s marks.<sup>60</sup>

Although *Tiffany, Inc.* is now the standard for online contributory trademark infringement, the same standard does not apply to ad parkers’ liability because, first, the degree of specificity of knowledge is different and second, the scope of eBay’s business is different from the scope of parkers’ business.

While advertisers may place links on hundreds of parked pages, the content of the links may be specifically targeted to each particular page.<sup>61</sup> Each link on an infringing domain name is likely tailored to the particular trademark targeted by that domain name.<sup>62</sup> If a life insurance company’s trademark is incorporated into the domain name, for example, the advertising links are typically insurance quotes, term life insurance policies, retirement accounts, and other similar fake products designed to capture consumer information and generate revenue. eBay did not tailor information to the particular vendors’ products or pages within the marketplace.<sup>63</sup> However, the placement of specific advertisements based on the subject of the trademark indicates a level of knowledge of infringement beyond that of simply facilitating an online service where anyone may post information.

eBay provided the forum and users chose to post products, some of which were infringing.<sup>64</sup> The eBay platform itself was not illegal. However, an ad parker’s business model *depends* on the infringing domain name registrar providing the forum—the parked page—and the ad parker makes the

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57. *Fare Deals, Ltd. v. World Choice Travel.com, Inc.*, 180 F. Supp. 2d 678, 687–91 (D. Md. 2001).

58. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107 (2nd Cir. 2010).

59. *Id.* at 114.

60. *Id.*

61. *See supra* note 32 and accompanying text.

62. *Id.*

63. *Tiffany, Inc.*, 600 F.3d at 114.

64. *Id.*

infringement profitable.

Even from a public policy standpoint, the law should discourage making money off infringement. The ad parker-provided profitability is what keeps domain name cybersquatters in business. If a trademark owner cannot find a cybersquatter due to faulty contact information in the domain name ownership records, the organizations that allow the cybersquatter to make money from the infringement should be held liable for contributory trademark infringement, at the very least.

### III. AD PARKER LIABILITY ONLINE

#### A. *Ad Parker Direct Infringement Liability*

Ultimately, it is unlikely that the ACPA would apply directly to ad parkers because the Act refers specifically to trademark infringement through use of domain names. Ad parkers instead capitalize on the already registered domain name to earn revenue by placing advertisements on the pages that earn cents-per-click or per-view.

However, the ACPA is the section of the Lanham Act dedicated to cybersquatting. It awards remedies for claims that show that the mark is famous *or* distinctive and was registered by the cybersquatter in bad faith.<sup>65</sup> The ACPA holds that a registrant is liable if (with no regard to similarity of goods/services of the parties) the registrant has (1) a bad faith intent to profit from that mark, and (2) “registers, traffics in, or uses a domain name” that is identical or confusingly similar to a distinctive mark or is identical, confusingly similar, or dilutive of a famous mark at the time of the domain name registration.<sup>66</sup> The ACPA lists nine non-exclusive factors that determine bad faith.<sup>67</sup>

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65. 15 U.S.C. § 1125(d) (2006).

66. *Id.*

67. *Id.* § 1125(d)(1)(B)(i). The nine non-exclusive factors that indicate bad faith are: (1) the registrant’s trademark or other intellectual property rights in the domain name; (2) whether the domain name contains the registrant’s legal or common name; (3) the registrant’s prior use of the domain name in connection with the bona fide offering of goods or services; (4) the registrant’s bona fide noncommercial or fair use of the mark in a site accessible by the domain name; (5) the registrant’s intent to divert customers from the mark owner’s online location that could harm the goodwill represented by the mark, for commercial gain or with the intent to tarnish or disparage the mark; (6) the registrant’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or a third party for financial gain, without having used the mark in a legitimate site; (7) the registrant’s providing misleading false contact information when applying for registration of the domain name; (8) the registrant’s registration or acquisition of multiple domain names that are identical or confusingly similar to marks of others; and (9) the extent to which the mark in the domain is distinctive or famous; *see also* *Sporty’s Farm v. Sportsman’s Market*, 202 F.3d 489, 498 (2d Cir. 2000).

The Eleventh Circuit held that bad faith intent to profit requires intent to sell the domain name or to divert traffic.<sup>68</sup> The Fourth Circuit held that where a domain name is used to offer different services initially, but then is changed to compete in the complainant's market, the registrant has used the domain name improperly under the ACPA.<sup>69</sup>

Although the ACPA bad faith factors apply to registrants of domain names and only concern cancellation or transfer of a domain name, ad parkers' tendency to enable cybersquatting by making it a profitable practice should also be evaluated by these same factors.<sup>70</sup> Under the ACPA, direct liability exists if a person has (1) a bad faith intent to profit from a mark, and (2) "registers, traffics in, or uses a domain name" that is identical or confusingly similar to a distinctive mark or is identical, confusingly similar, or dilutive of a famous mark at the time of the domain name registration.<sup>71</sup>

An ad parker's bad faith intent to profit, as per the ACPA, may be exhibited by: (1) his contribution to the registrant's bona fide *noncommercial or fair use* of the mark in a site accessible by the domain name<sup>72</sup>; (2) the registrant's *intent to divert customers* from the mark owner's online location that could harm the goodwill represented by the mark, for commercial gain or with the intent to tarnish or disparage the mark<sup>73</sup>; and (3) the registrant's registration or acquisition of multiple domain names that are *identical or confusingly similar* to marks of others.<sup>74</sup>

Secondly, ad parkers use a domain name under the definition in the ACPA because the success of their services depends on the identical or confusingly similar nature of the domain name and the ability of the domain name to draw visitors.

### B. Ad Parker Contributory Infringement Liability

While the actions of domain name parkers may be direct trademark infringement, the act of providing the structure to enable placement of revenue-generating advertisements on a cybersquatted domain name is far more likely to constitute contributory trademark infringement. Because the

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68. Southern Grouts & Motors, Inc. v. 3M Co., No. 07-61388-CIV, 2008 WL 4346798, at \*17(S.D. Fla. Sept. 17, 2008).

69. Newport News Holdings Corp. v. Virtual City Vision, Inc., 650 F.3d 423 (4th Cir. 2011) *cert. denied*, 132 S. Ct. 575, 181 L. Ed. 2d 425 (U.S. 2011).

70. Planned Parenthood Fed'n of America v. Bucci, 1997 WL 133313, at. (S.D.N.Y.).

71. 15 U.S.C. §1125(d) (2006).

72. *See, e.g.*, Lamparello v. Falwell, 420 F.3d 309, 314 (4th Cir. 2005).

73. *See, e.g.*, Toronto-Dominion Bank v. Karpachev, 188 F. Supp. 2d 110, 114 (D. Mass. 2002).

74. *See, e.g.*, Lahoti v. VeriCheck, Inc., 586 F.3d 1190, 1202 (9th Cir. 2009).

direct registration of the website is not performed by ad parkers themselves, the ad parkers are simply capitalizing on the already registered infringing domain name and the ad parkers' services are used to monetize the domain name; the ad parkers are not taking the initiative to register the infringing domain name themselves.

Although there is no current standard to evaluate liability for contributory trademark infringement online, an appropriate test is likely composed of factors drawn from offline contributory trademark liability and online trademark liability of registrars and registrants.

A potential test likely considers: (1) knowledge of the ad parker that it is supplying its services to one who is engaging in trademark infringement; (2) the degree of control the parker has over the means of infringement; (3) bad faith; and (4) harm to the trademark owner. In fact, this four-part analysis may even be more stringent than a court would require; however, the few standards that apply to this type of online infringement encourage a similar analysis. The four-part analysis may proceed as follows.

First, an ad parker offers its services with the intent that the services will be used to monetize domain names. Once an agreement is reached between the ad parker and the domain name registrant (usually through an online form completed by the registrant and the completion of several technical steps to provide the ad parker access to the domain name), the ad parker has constructive notice that the registrant is using its services.

It is likely specific knowledge of each domain name will not be required, as domain name ad parkers typically capitalize on thousands of sites at a time to accumulate the fractions of a cent into a substantial amount of revenue. The malicious nature of ad parker-facilitated advertisements on cybersquatted domain names dictates that general knowledge that an ad parker's services are being used is sufficient for this factor to fall in favor of liability.

Second, a cybersquatter typically has a significant amount of control over the types of advertisements placed on the domain name he owns. By extension, the ad parkers are able to effectively select the genre, or even the specific advertisements, that are shown on the cybersquatted domain name in response to the registrant's request. As such, this factor weighs heavily in favor of liability.

In fact, the more targeted the advertisements are to the genre of the original trademark (like parking life insurance ads on a cybersquatted domain name that uses a variation of a life insurance company's trademark), the more confusing the website is for naïve users, and the more revenue that is generated because of an elevated number of views or clicks.

Third, bad faith of parties is well established in circumstances involving

cybersquatted domain names, and certainly extends to the enabling actions of ad parkers.<sup>75</sup> Revenue generation through squatting would be more difficult were it not for the ad parkers' services. Ad parking additionally makes cybersquatting profitable, as there would be less incentive to engage in squatting if revenue generation were more difficult to achieve. Finally, the good faith uses of ad parking are severely limited, so this factor, too, falls in favor of liability.

The fourth factor, harm inflicted on the trademark owner, may be considered in the analysis, but creates a more stringent test if considered. While difficult to prove,<sup>76</sup> harm could be measured by the number of visitors to or clicks of links on a cybersquatted domain name, the ranking of cybersquatted domain names in search engines, lower sales of a product, or other evidence of trademark dilution. Public policy concerns, however, encourage flexibility when defining harm inflicted, and also may exclude this factor from the formal analysis.

#### CONCLUSION

Advertisement parkers that commit contributory trademark infringement, facilitate trademark infringement, and make cybersquatting profitable should be held liable to the full extent of the law.

Because current United States law does not contemplate this form of exploitation, imposing liability using the existing frameworks that apply to domain name registrars and registrants is essential. Online piracy is a severe concern, and will only grow in the future. Until further cases on point are resolved, and until law is codified, holding pirates accountable whenever possible by following the four-part analysis above, drawn from the Anti-Cybersquatting Protection Act and the Federal Trademark Dilution Act, is essential to protecting trademarks online.<sup>77</sup>

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75. *Shields v. Zuccarini*, 254 F. 3d 476 (3rd Cir. 2001); *Panavision Int'l v. Toeppen*, 945 F. Supp. 1296, 1299 (C.D. Cal. 1996), *aff'd*, 141 F.3d 1316 (9th Cir. 1998).

76. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

77. *10 Most Audacious Typosquatting Cases Ever*, (last visited February 2, 2013), <http://www.searchenginepeople.com/blog/tposquatting.html>.

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