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## COMMFAX

is a newsletter devoted to commercial law and intellectual property issues and published by Garan Lucow Miller, P.C.

This newsletter examines improper website domain names otherwise known as cybersquatting.

## INTERNET - CYBERSQUATTING

Internet use continues to grow unabated. As the number of internet users grows expediently, so do the types of uses.

One use that continues to grow in popularity involves voicing one's opinion, generally a negative one, about a product or service. News accounts are replete with stories about disgruntled customers criticizing a company by posting a website, allowing the disgruntled customer to reach thousands if not tens of thousands of individuals without expending much more than a little time constructing the site.

In the case of *Lucas Nursery v. Grosse*, 359 F.3d 806 (2004) Ms. Grosse did just that, construct a website in order to allow her to voice her displeasure with the services rendered by Lucas Nursery. Not only did Ms. Grosse post this website, she registered it under the domain name "lucasnursery.com". The web page was entitled "My Lucas Landscaping Experience". The web page set forth Ms. Grosse's experience with Lucas Nursery, how her requests to fix the problem were ignored and that she felt dissatisfied with attempts to express her displeasure with the Better Business Bureau.

Lucas Nursery subsequently learned of the website and had a cease and desist letter sent to Ms. Grosse. Initially, Ms. Grosse removed all content from the website. However, after contacting the Michigan Bureau of Commercial Services Licensing Division and U.S. Patent & Trademark Office, wherein she learned that name "Lucas Nursery" was not a registered mark, she once again

began posting her experience with Lucas Nursery at the website "lucasnursery.com". This resulted in a lawsuit being filed by Lucas Nursery wherein it was alleged that Ms. Grosse had violated the Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. §1125(d)(1)(A-D).

The United States District Court for the Eastern District of Michigan granted summary judgment in favor of Ms. Grosse. Lucas Nursery filed an appeal to the United States Court of Appeals, Sixth Circuit.

The central issue was whether Ms. Grosse had acted in bad faith, as required by the ACPA, by registering the domain name "lucasnursery.com", where she detailed her complaints about Lucas Nursery. In order to decide this pivotal issue, the court reviewed the history behind the ACPA.

Concerned over the "proliferation of cybersquatting - the Internet version of a land grab" prompted the enactment of

ACPA in 1999. Accompanying the Act was a report from the Senate which defined cybersquatters as those who:

1)"register well-known brand names as Internet domain names in order to extract payment from the rightful owners of the marks;"

2)"register well-known marks as domain names and warehouse those marks with the hope of selling them to the highest bidder;"

3)"register well-known marks to prey on consumer confusion by misusing the domain name to divert customers from the mark owner's site to the cybersquatter's own site;"

4)"target distinctive marks to defraud consumers, including to engage in counterfeiting activities." *Lucas Nursery* at 809.

"In order for liability to attach under the ACPA a court must conclude that the defendant's actions constitute "bad faith." *Id.* To determine whether bad faith existed, the court may look to the nine factors set forth in the Act itself. The Act provides guidance to the court by setting forth factors which may be considered when determining whether bad faith exists. The first four factors focus on: "whether the defendant has trademark or other rights in the domain name; the extent to

which the domain name consists of the defendant's legal name or other common name; any prior use of the domain name for the offering of goods and services; and the bona fide non-commercial use of the site." *Id.*

If a defendant can establish one or more of these factors exist, it is less likely that there will be a finding of bad faith, as these factors suggest there was a reasonable basis for the defendant to have registered the domain name in question. The existence/presence of one or more of the remaining factors supports a finding of bad faith on the part of defendant. These factors focus on: "whether defendant seeks to divert consumers from the mark holder's online location either in a way that could harm good will or tarnish or disparage the mark by creating a confusion regarding the sponsorship of the site; whether there has been an offer to transfer or sell the site for financial gain; whether the defendant provided misleading contact information when registering the domain name; and whether the defendant has acquired multiple domains which may be duplicative of the marks of others."

The court concluded that "the crucial elements of bad faith" involves an "intent to trade on the good will of other's mark". In other words, when determining whether bad faith

exists, the court is interested in whether the defendant is simply trafficking in the domain name to make a profit, either by attempting to sell the name back to the company in question or by diverting sales.

In the case of *Lucas Nursery* the court concluded that, inasmuch as Ms. Grosse had no intention of selling the name (was not trafficking in multiple domain names) and that Ms. Grosse was not diverting sales, inasmuch as Lucas Nursery did not maintain a website, she was not acting in bad faith. Specifically, the court found follows:

The factors are given to courts as a guide, not as 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.

The decision in *Lucas Nursery* does not, however, allow individuals to register domain names with impunity, simply because their intent is to express displeasure with a company. In those situations where the mark is famous, and more specifically registered with the U.S. Patent & Trademark Office, the holder of the mark will be able to obtain

an injunction on the use of the registered domain name and obtain damages as set forth under the Act.

The issue of cybersquatting often surfaces through the advertising injury provisions located in general commercial liability policies. Unless a specific exclusion exists regarding domain names or perhaps intentional acts, coverage is often found to exist, to the extent it is at least necessary to provide the defense under a Reservation of Rights.

After receiving an increasing number of requests to represent insureds and private businesses in intellectual property matters, Garan Luow Miller, P.C. formed an Intellectual Property Practice Group in 2000. This group, headed by Robert Goldstein and Timothy Jordan, extends GLM's general commercial-related practice and commitment to providing high quality legal representation to all facets of commercial litigation. Should you have any questions regarding cybersquatting or other intellectual property matters, please contact either Robert Goldstein or Timothy Jordan.