

## MOVING BEYOND *NEW KIDS* AND *CENTURY 21*: A NEW TEST FOR NOMINATIVE FAIR USE IN THE DOMAIN NAME CONTEXT<sup>♦</sup>

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### INTRODUCTION

On July 8, 2010, the U.S. Court of Appeals for the Ninth Circuit handed down its decision in the case of *Toyota Motor Sales, U.S.A., Inc. v. Tabari*.<sup>1</sup> Farzad and Lisa Tabari owned and operated Fast Imports,<sup>2</sup> an auto-brokerage service used by prospective car buyers to facilitate the purchase or lease of their desired vehicle “from the dealer offering the best combination of location, availability and price.”<sup>3</sup> The Tabaris specialized in arranging the purchase of Lexus vehicles,<sup>4</sup> so the couple had chosen domain names<sup>5</sup> for Fast Imports’s websites that reflected this fact, namely

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<sup>1</sup> 610 F.3d 1171 (9th Cir. 2010).

<sup>2</sup> *Id.* at 1181.

<sup>3</sup> *Id.* at 1174.

<sup>4</sup> *Id.* at 1181.

<sup>5</sup> A domain name is the unique address that identifies a particular website. 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:72 (4th ed. 2010). Each domain name contains a top level domain and a second level domain. *Id.* “The top level domain is the domain name’s suffix” and broadly indicates what type of website will be found at a given web address (i.e., “.edu” for schools, “.com” for commercial entities). *Sporty’s Farm L.L.C. v. Sportsman’s Market, Inc.*, 202 F.3d 489, 492 (2d Cir. 2000). “The ‘second level domain’ is that part of the domain name that pinpoints” a particular website. MCCARTHY, *supra* § 25:72. This Note focuses on the use

“buy-a-lexus.com” and “buyorleaselexus.com.”<sup>6</sup> Toyota<sup>7</sup> was rankled by this unauthorized use of their LEXUS mark, so they asked the Tabaris to stop using these domain names,<sup>8</sup> when the Tabaris declined to do so, Toyota filed a trademark infringement suit against them.<sup>9</sup>

The United States District Court for the Central District of California found in favor of Toyota and “ordered the Tabaris to cease using their domain names,”<sup>10</sup> but the Ninth Circuit vacated the judgment.<sup>11</sup> In an opinion written by Chief Judge Kozinski, the court of appeals held that the Tabaris had a right to use the LEXUS mark in their domain names under the doctrine of nominative fair use.<sup>12</sup>

The phrase “nominative fair use” has been applied to describe a circumstance where “a defendant has used the plaintiff’s mark to describe the plaintiff’s product, *even if the defendant’s ultimate goal is to describe his own product.*”<sup>13</sup> The *Tabari* decision is notable because it represents one of the first instances in which the nominative fair use doctrine has been applied in the domain name context.<sup>14</sup> Partially this is due to the newness of both the nominative fair use doctrine and the domain name system: the former was initially articulated by the Ninth Circuit in 1992,<sup>15</sup> while the latter has only been in existence since 1985.<sup>16</sup> Additionally, the existence of the Anticybersquatting Consumer Protection Act (“ACPA”),<sup>17</sup> which was passed in 1999,<sup>18</sup> has given markholders a specialized tool with which to combat the

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of trademarks in second level domains.

<sup>6</sup> *Tabari*, 610 F.3d at 1175. The Tabaris also employed “copyrighted photography of Lexus vehicles” and a Lexus logo that was a registered trademark of Lexus on their websites. *Id.* These features were deleted by the Tabaris after Toyota complained about their use. *Id.*

<sup>7</sup> “Toyota Motor Sales U.S.A. . . . is the exclusive distributor of Lexus vehicles in the United States . . .” *Id.*

<sup>8</sup> According to the brief filed by Toyota in the Ninth Circuit, “Toyota’s outside counsel” sent Fast Imports multiple cease-and-desist letters, via both regular mail and e-mail. Brief for Appellee at 13, *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010) (No. 07-55344).

<sup>9</sup> *Tabari*, 610 F.3d at 1175.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 1185.

<sup>12</sup> *Id.* at 1182.

<sup>13</sup> *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002).

<sup>14</sup> In *PACCAR Inc. v. Telescan Technologies, L.L.C.*, 319 F.3d 243 (6th Cir. 2003), the Sixth Circuit applied the Ninth Circuit’s nominative fair use analysis from *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302 (9th Cir. 1992), to the facts of that case, in which defendant Telescan employed plaintiff PACCAR’s trademarks as part of the domain names of websites owned by Telescan. *PACCAR*, 319 F.3d at 247, 256. However, the analysis in *PACCAR* constituted mere dicta since the court in its decision explicitly refused to recognize the nominative fair use doctrine. *Id.* at 256.

<sup>15</sup> See *New Kids*, 971 F.2d 302.

<sup>16</sup> *History of the Internet Domain Name*, DOMAINAVENUE.COM, [http://www.domainavenue.com/faq\\_history.htm](http://www.domainavenue.com/faq_history.htm) (last visited Oct. 14, 2011).

<sup>17</sup> 15 U.S.C. § 1125(d) (2006).

<sup>18</sup> See *Sporty’s Farm L.L.C. v. Sportsman’s Market, Inc.*, 202 F.3d 489, 492 (2d Cir. 2000).

unauthorized use of marks in domain names over the last decade-plus.<sup>19</sup> A third reason for the novelty of the issue presented in *Tabari* has to do with the reluctance of the majority of the federal intermediate appellate courts to embrace the doctrine of nominative fair use. Thus far, only the Third Circuit<sup>20</sup> and the Fifth Circuit have joined the Ninth Circuit in employing the doctrine,<sup>21</sup> while other circuits have “referred to the doctrine, albeit without adopting or rejecting it.”<sup>22</sup>

As more and more business is conducted via the Internet,<sup>23</sup> it is highly likely that entrepreneurs who either specialize in selling a particular brand of goods or services or aid consumers in the purchase of such goods or services will want to employ domain names for their websites that reflect this characteristic. It is thus easy to anticipate situations such as the one that confronted the *Tabaris* arising with increasing frequency in the near future. This is problematic where such entrepreneurs are using another’s trademark in a domain name, without permission, in the course of legitimate business activity that does not result in harm to the markholder by causing confusion as to the source of the goods or services at issue. These entrepreneurs should be able to use marks in a nominative manner without fear of liability. However, as the unsettled state of the law in this area makes clear, there is still uncertainty as to what approach should be employed in addressing a defendant’s claim of nominative fair use. In addition, the fact that most federal intermediate appellate courts do not employ the doctrine of nominative fair use<sup>24</sup> adds to the risk for entrepreneurs engaging in legitimate unauthorized trademark uses, as what is considered a permissible nominative fair use in one circuit may be

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<sup>19</sup> See *infra* notes 77–90 and accompanying text for a full discussion of the ACPA.

<sup>20</sup> See MCCARTHY, *supra* note 5, § 23:11.

<sup>21</sup> The Fifth Circuit has adopted a modified version of the Ninth Circuit’s *New Kids* nominative fair use test, see *infra* notes 27–40 and accompanying text, which omits the first prong of that test. *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 546, 546 n.13 (5th Cir. 1998) (“In order to avail itself of the shield of nominative use, the defendant (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder”), *abrogated, in part, by* *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001).

<sup>22</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir. 2010). The First Circuit has also taken the Second Circuit’s approach. See *Universal Comm’n Sys., Inc. v. Lycos, Inc.*, 478 F.3d 413, 424 (1st Cir. 2007). See *infra* note 35 and accompanying text for the Ninth Circuit’s nominative fair use test. The Sixth Circuit has completely rejected the doctrine of nominative fair use. See *supra* note 14.

<sup>23</sup> Forrester, a business and technology research company, *About Forrester*, FORRESTER, [http://www.forrester.com/FactSheet?cm\\_re=Navigation\\_010710\\_-about\\_forrester\\_tab\\_-about\\_forrester](http://www.forrester.com/FactSheet?cm_re=Navigation_010710_-about_forrester_tab_-about_forrester) (last visited Oct. 27, 2011), forecast that “‘online retail sales in the U.S. [would] increase 11.98% [in 2011] compared with 2010, to \$197.3 billion from \$176.2 billion.” Rafael Solorzano, *Forecast of eCommerce Sales in 2011 and Beyond*, Fortune 3 Blog, FORTUNE3 (Jan. 27, 2011), <http://www.fortune3.com/blog/2011/01/e-commerce-sales-2011/>.

<sup>24</sup> See *supra* notes 20–22 and accompanying text.

an impermissible confusing use giving rise to liability elsewhere.<sup>25</sup> The existence of the ACPA, with its incorporation of a bad faith test<sup>26</sup> for determining whether a defendant has engaged in cybersquatting, only serves to further muddy the waters in this area.

This Note attempts to determine the proper standard for courts to employ in analyzing a nominative fair use defense raised in response to an infringement suit where the defendant has used the plaintiff's trademark in his or her domain name to describe the plaintiff's goods or services, even if the defendant's ultimate aim is to describe its own good or service. It explores whether a replacement of the current nominative fair use tests with the good faith/bad faith analysis found in the ACPA would provide courts with a better method for determining which unauthorized users of a trademark in a domain name should be allowed to do so and which should be held liable. Part I provides a brief description of the current Ninth Circuit and Third Circuit tests for nominative fair use, as well as the ACPA. Part II discusses the example of the unauthorized use of an event's trademark in a domain name by the operator of a website whose services relate to multiple events, including the one designated by the mark at issue, to demonstrate why a new nominative fair use test is needed in the domain name context. Part III consists of a short discussion of the importance of harm to the markholder in trademark law and why a focus on such harm is relevant in crafting a new test for nominative fair use in the domain name context. Part IV provides a proposed new test to be used in analyzing claims of nominative fair use in the domain name context. This exploration will demonstrate the need for a new nominative fair use test to be employed in such situations that replaces both the traditional multifactor "likelihood of confusion" test and the three-element nominative fair use inquiries of the Ninth and Third Circuits with the ACPA good-faith/bad-faith factors. This new test was inspired by the insight that if there is no showing under the ACPA that a defendant has acted in bad faith, then it is at the very least questionable whether the plaintiff should be able to bring a trademark infringement claim.

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<sup>25</sup> See Peter M. Brody & Alexandra J. Roberts, *What's in a Domain Name? Nominative Fair Use Online After Toyota v. Tabari*, 100 TRADEMARK REP. 1290, 1292 (2010).

<sup>26</sup> 15 U.S.C. § 1125(d)(1)(B)(i) (2006).

I. THE NINTH CIRCUIT AND THIRD CIRCUIT NOMINATIVE FAIR USE TESTS

A. *The Ninth Circuit Test*

The doctrine of nominative fair use was born in the Ninth Circuit's 1992 decision in *New Kids on the Block v. News America Publishing, Inc.*<sup>27</sup> The case stemmed from advertisements printed in the newspaper *USA Today* and the periodical *The Star* inviting readers to participate in polls run by those publications in which the reader would answer questions about the members of the pop group New Kids on the Block.<sup>28</sup> Each of these ads contained the phrase "New Kids on the Block," which was a trademark held by the group.<sup>29</sup> In order to cast a vote in one of the polls, readers had to dial a 900 number, for which they had to pay a charge.<sup>30</sup> New Kids on the Block, which operated its own 900 numbers for use by its fans, sued the publishers of *USA Today* and *The Star*, alleging, *inter alia*, trademark infringement.<sup>31</sup>

In deciding in favor of the publishers, the court coined the phrase "nominative fair use" as the name for a scenario where the defendant engages in a commercial use of the plaintiff's trademark in a descriptive sense<sup>32</sup> to refer to the plaintiff's goods or services because the trademark is "the only word reasonably available to describe" the good or service.<sup>33</sup> Chief Judge Kozinski reasoned that this type of use "lies outside the strictures of trademark law: Because it does not implicate the source-identification function that is the purpose of trademark, it does not constitute unfair competition; such use is fair because it does not imply sponsorship or endorsement by the trademark holder."<sup>34</sup> In order to avail itself of this new doctrine, a defendant had to prove that its use met the three following requirements:

- 1) the product or service in question must be one not readily identifiable without use of the trademark;
- 2) only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and,
- 3) the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the

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<sup>27</sup> 971 F.2d 302 (9th Cir. 1992).

<sup>28</sup> *Id.* at 304.

<sup>29</sup> *See id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *See id.* at 306–08.

<sup>33</sup> *Id.* at 308.

<sup>34</sup> *Id.*

trademark holder.<sup>35</sup>

The Ninth Circuit made one key change to the nominative fair use doctrine in *Tabari*, shifting the burden of proving likelihood of confusion in response to the U.S. Supreme Court's decision in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*<sup>36</sup> In that case, the Court clarified where the burden of proving likelihood of confusion lay when the defendant raised a descriptive fair use defense, holding that in such a case the plaintiff still must bear "the burden of proving likelihood of confusion . . . and the fair use defendant has no free-standing need to show confusion unlikely . . . ."<sup>37</sup> In addition, the Court stated that "some possibility of consumer confusion must be compatible with fair use . . . ."<sup>38</sup>

The Ninth Circuit had previously held in *Brother Records, Inc. v. Jardine* that "the nominative fair use defense shifts to the defendant the burden of proving no likelihood of confusion,"<sup>39</sup> but this was no longer permissible under *KP Permanent*. As a result, the Ninth Circuit held in *Tabari* that a defendant who wanted to make a nominative fair use claim merely had to "show that it used the mark to refer to the trademarked good . . . [and] [t]he burden [would] then revert[] to the plaintiff to show a likelihood of confusion."<sup>40</sup>

### B. *The Third Circuit Test*

After *New Kids*, the nominative fair use doctrine remained substantially the same for the next thirteen years, undergoing only minor tweaks during that time frame.<sup>41</sup> Then, in 2005, the state of the doctrine was called into question when the Third Circuit adopted its own nominative fair use test in *Century 21 Real Estate Corp. v. LendingTree, Inc.*<sup>42</sup> Defendant LendingTree operated a "real estate referral service"<sup>43</sup> via its website. The site allowed prospective homebuyers to find real estate brokers who were members of LendingTree's referral network and sold homes in

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<sup>35</sup> *Id.*

<sup>36</sup> 543 U.S. 111 (2004).

<sup>37</sup> *Id.* at 121.

<sup>38</sup> *Id.* *KP Permanent* involved a claim of "the statutory affirmative defense of fair use," *id.* at 115, under 15 U.S.C. § 1115(b)(4) (2006).

<sup>39</sup> *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 909 n.5 (9th Cir. 2003).

<sup>40</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1183 (9th Cir. 2010).

<sup>41</sup> For example, the explicit declaration in *Cairns* that the nominative fair use analysis is available when, in its use of the plaintiff's trademark, "the defendant's ultimate goal is to describe [its] own product." *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002); see also *supra* note 13 and accompanying text.

<sup>42</sup> 425 F.3d 211 (3d Cir. 2005).

<sup>43</sup> *Id.* at 215.

neighborhoods where the would-be purchasers desired to live.<sup>44</sup> Among these brokers were franchisees of Century 21, Coldwell Banker, and ERA.<sup>45</sup> LendingTree used the franchisors' marks without authorization on its website, which led the three real estate companies to file a trademark infringement suit.<sup>46</sup> In response, LendingTree claimed that its display of plaintiffs' marks on its website represented a nominative fair use.<sup>47</sup> The district court ruled that LendingTree's "use of [plaintiffs'] names was likely to cause consumer confusion [and] that the nominative [fair] use defense did not shield [LendingTree] in this instance."<sup>48</sup> As a result, the district court granted plaintiffs' motion for a preliminary injunction preventing LendingTree from using, *inter alia*, plaintiffs' marks on its website.<sup>49</sup> The Third Circuit reversed, and in doing so wrought significant changes to the landscape of nominative fair use.<sup>50</sup>

The Third Circuit's decision to craft a new test for nominative fair use in *Century 21* was mainly driven by the U.S. Supreme Court's *KP Permanent* holding from the previous year.<sup>51</sup> The Third Circuit analyzed the *New Kids* test through the lens of *KP Permanent* and decided that the *New Kids* test improperly "relieve[d] the plaintiff of the burden of proving . . . [a] likelihood of confusion . . ."<sup>52</sup> The Third Circuit's new test for nominative fair use was designed to ensure that this burden was placed on the plaintiff throughout a trademark infringement suit in which a nominative fair use claim was made.

The test announced by the *Century 21* court is a two-part inquiry that incorporates much of the *New Kids* test in the second half of its analysis. First, "the plaintiff must . . . prove that confusion is likely due to the defendant's use of plaintiff's mark . . ."<sup>53</sup> This analysis is performed using a modified version of the Third Circuit's ordinary ten-factor test for likelihood of confusion (known as the *Lapp* factors).<sup>54</sup> The first two *Lapp* factors,

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<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.* at 215–16.

<sup>47</sup> *Id.* at 214.

<sup>48</sup> *Id.* at 216.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* at 232.

<sup>51</sup> See *supra* notes 36–38 for a description of the Supreme Court's holding in *KP Permanent*.

<sup>52</sup> *Century 21*, 425 F.3d at 221. Most notably, Judge Fisher, concurring in the result but dissenting from the majority's reasoning in *Century 21*, quoted the Ninth Circuit as saying, in a case where it applied the *New Kids* test, that the employment of the doctrine of nominative fair use "shifts to the defendant the burden of proving no likelihood of confusion." *Id.* at 235 (Fisher, C.J., concurring in part and dissenting in part) (quoting *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 909 n.5 (9th Cir. 2003)).

<sup>53</sup> *Id.* at 222.

<sup>54</sup> *Id.* at 224. The test was given this name because the version currently used was stated in

addressing the “degree of similarity between the owner’s mark and the alleged infringing mark”<sup>55</sup> and the “strength of the owner’s mark,”<sup>56</sup> would not be used in a nominative fair use case because those factors “would indicate a likelihood of confusion in a case such as this one simply *because* the mark is being employed in a nominative manner.”<sup>57</sup> Some or all of the remaining eight *Lapp* factors would then be used in order to determine whether the defendant’s use of the plaintiff’s mark or marks in a given case created a likelihood of confusion.<sup>58</sup> However, the *Century 21* court focused this modified likelihood of confusion inquiry more narrowly by stating that four of the remaining eight *Lapp* factors represented “the essence of the inquiry,”<sup>59</sup> with the other four factors merely capable of “prov[ing] useful in certain contexts.”<sup>60</sup> The four essential factors are:

- 1) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase;
- 2) the length of time the defendant has used the mark without evidence of actual confusion;
- 3) the intent of the defendant in adopting the mark; and
- 4) the evidence of actual confusion.<sup>61</sup>

If the plaintiff succeeds in demonstrating a likelihood of confusion under the modified *Lapp* analysis, the defendant may then raise the affirmative defense of nominative fair use, for which the defendant bears the burden of proof.<sup>62</sup> In analyzing whether the defendant’s claim of this defense is valid, the court looks at three factors:

- 1) Is the use of plaintiff’s mark necessary to describe (1) plaintiff’s product or service and (2) defendant’s product or service?
- 2) Is only so much of the plaintiff’s mark used as is necessary to describe plaintiff’s products or services?

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*Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460 (3d Cir. 1983).

<sup>55</sup> *Century 21*, 425 F.3d at 224.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* The use of *Lapp* factors (1) and (2) would thus indicate a likelihood of confusion “where no likelihood of confusion may actually exist.” *Id.*

<sup>58</sup> *Id.* at 225.

<sup>59</sup> *Id.* at 226.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* at 225–26. The decision of which *Lapp* factors to employ as part of the nominative fair use test is left to the discretion of the District Court that is hearing the case. *Id.* at 226.

<sup>62</sup> *Id.* at 222.



3) Does the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services?<sup>63</sup>

"If each of these questions can be answered in the affirmative, the use will be considered a fair one, regardless of whether likelihood of confusion exists."<sup>64</sup> Under this test, a defendant may be able to successfully assert the nominative fair use defense despite findings of bad intent on the part of the defendant and a likelihood of confusion from the defendant's use of the plaintiff's mark, as long as the defendant proves that such use "is reasonably limited[,] . . . necessary,"<sup>65</sup> and reflective of the actual relationship between plaintiff and defendant's products or services.

However, the *Century 21* opinion creating this new nominative fair use test was not a unanimous one. Judge Fisher, who joined the majority in reversing the district court's grant of an injunction to plaintiffs, disagreed with his colleagues regarding the test to be used in analyzing claims of nominative fair use.<sup>66</sup> Judge Fisher argued that it was error for the majority to assume that nominative fair use must consist of an affirmative defense,<sup>67</sup> and that instead the doctrine should be treated the way it is approached by the Ninth Circuit: as a replacement for the ordinary multifactor likelihood of confusion inquiry in circumstances where a defendant claims that its use of the plaintiff's mark was nominative.<sup>68</sup> Judge Fisher contended that the majority's nominative fair use inquiry is simply a likelihood of confusion test that examines the defendant's "intent as shown through the defendant's purpose, prominence, and truthfulness [with regards to its use of] plaintiffs' marks."<sup>69</sup> As such, according to Judge Fisher, it represents an unallowable "shift[] [of] the burden of negating confusion"<sup>70</sup> onto the defendant in violation of *KP Permanent*. In addition, based on precedent from both the Third Circuit and the Supreme Court, Judge Fisher concluded that nominative fair use "is nothing more than a likelihood of confusion inquiry"<sup>71</sup> and thus can only occur when there is no

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<sup>63</sup> *Id.* at 228. The use of the plaintiff's mark does not have to be "indispensable" in order for the defendant to satisfy Factor 1. *Id.* at 229. Instead, the defendant is only required to show that it would be "significantly more difficult" for the defendant to describe the plaintiff's product or service if the defendant could not use the plaintiff's mark. *Id.*

<sup>64</sup> *Id.* at 232.

<sup>65</sup> *Id.* at 230.

<sup>66</sup> *Id.* at 232 (Fisher, J. concurring in part and dissenting in part).

<sup>67</sup> *Id.* at 233.

<sup>68</sup> *Id.* at 233-34.

<sup>69</sup> *Id.* at 242.

<sup>70</sup> *Id.* at 238.

<sup>71</sup> *Id.*

likelihood of confusion.<sup>72</sup> To solve these problems, Judge Fisher proposed his own nominative fair use test, which consists of a modified likelihood-of-confusion inquiry performed using *Lapp* factors three through ten with slightly altered wording:

- 1) The price of the goods or services and other factors indicative of the care and attention expected of consumers when making a purchase;
- 2) The length of time the defendant has used the mark without evidence of actual confusion arising;
- 3) The intent of the defendant in using the mark;
- 4) The evidence of actual confusion;
- 5) Whether the goods or services, competing or not competing, are marketed through the same channels of trade and advertised through the same media;
- 6) The extent to which the targets of the parties' sales efforts are the same;
- 7) The relationship of the goods or services in the minds of consumers, whether because of the near-identity of the products or services, the similarity of function, or other factors; [and]
- 8) Other facts suggesting that the consuming public might expect the prior owner to provide both products or services, or expect the prior owner to provide a product or service in the defendant's market, or expect that the prior owner is likely to expand into the defendant's market.<sup>73</sup>

A defendant can only succeed in proving his or her claim of nominative fair use if the plaintiff fails to prove a likelihood of confusion under this test.<sup>74</sup> However, neither the Third Circuit nor any other federal court of appeals has adopted Judge Fisher's proposed test in the five-plus years since he announced it in *Century 21*.

Since 2005, there have been no reported decisions from any federal court of appeals applying the Third Circuit's nominative fair use test.<sup>75</sup> It is nonetheless possible that the influence of *Century 21* was felt in the Ninth Circuit's statement in *Toyota Motor*

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<sup>72</sup> See *id.* at 233.

<sup>73</sup> *Id.* at 248–49.

<sup>74</sup> See *id.* at 233.

<sup>75</sup> A number of district court cases, almost all from courts located within the Third Circuit, have applied the Third Circuit's nominative fair use test. *E.g.*, *David's Bridal, Inc. v. House of Brides, Inc.*, No. 06-5660 (SRC), 2010 WL 323306 (D. N.J. Jan. 20, 2010); *Buying for the Home, L.L.C. v. Humble Abode, L.L.C.*, 459 F. Supp. 2d 310 (D. N.J. 2006); *Commerce Bancorp, L.L.C. v. Hill*, No. 08-5628 (RBK/KMW), 2010 WL 2545166 (D. N.J. June 18, 2010).

*Sales v. Tabari* that, pursuant to *KP Permanent*, “the burden [is on] the plaintiff to show a likelihood of confusion”<sup>76</sup> in a nominative fair use case.

### C. THE ACPA

Congress passed the Anticybersquatting Consumer Protection Act in 1999.<sup>77</sup> The ACPA was passed in order

to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as “cybersquatting.”<sup>78</sup>

In particular, the statute was targeted at cybersquatters who registered domain names in bulk, reserving hundreds or thousands of domain names that were either identical or very similar to trademarks, with the intent of selling them to the markholders.<sup>79</sup> This statute creates liability for any person who, with

(i) a bad faith intent to profit from [a] mark<sup>80</sup> . . . (ii) registers, traffics in, or uses a domain name that—<sup>81</sup>

(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;<sup>82</sup>

(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<sup>83</sup>

(III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36.<sup>84</sup>

The ACPA provides a list of “nine nonexhaustive factors” for

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<sup>76</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1183 (9th Cir. 2010). Interestingly, *Century 21* is not cited in *Tabari*.

<sup>77</sup> MCCARTHY, *supra* note 5, § 25:78. The ACPA can be found at 15 U.S.C. § 1125(d) (2006).

<sup>78</sup> S. REP. NO. 106-140, at 4 (1999).

<sup>79</sup> *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806, 809–10 (6th Cir. 2004).

<sup>80</sup> 15 U.S.C. § 1125(d)(1)(A)(i) (2006).

<sup>81</sup> *Id.* § 1125(d)(1)(A)(ii).

<sup>82</sup> *Id.* § 1125(d)(1)(A)(ii)(I).

<sup>83</sup> *Id.* § 1125(d)(1)(A)(ii)(II).

<sup>84</sup> *Id.* § 1125(d)(1)(A)(ii)(III). Liability under the ACPA does not depend on the sale of particular goods or services by either the plaintiff or the alleged cybersquatter. *Id.* § 1125(d)(1)(A).

courts to consider in determining whether a defendant possessed the requisite “bad faith intent” to be held liable under the statute.<sup>85</sup> Among other things, these factors explore whether the defendant previously employed the domain name at issue “in connection with the bona fide offering of any goods or services,”<sup>86</sup> and any “bona fide noncommercial or fair use of the mark”<sup>87</sup> made by the defendant on a site located at the relevant domain name. Additionally, a factor analyzing whether or not the alleged cybersquatter offered to transfer ownership of the domain name “to the mark owner or any third party for financial gain” without either actually using or having a plan to use the domain name for commercial activity has proved particularly important in cases applying the ACPA.<sup>88</sup> If “the court determines that the [defendant] believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful,”<sup>89</sup> the defendant will not be liable under the ACPA. This is known as the “reasonable belief” defense.<sup>90</sup>

## II. THE HOTEL BOOKER: A SIGN THAT A NEW TEST IS NEEDED

The need for a new nominative fair use test for the domain name context is demonstrated most clearly by *United States Olympic Committee v. Bachand*.<sup>91</sup> *Bachand* was decided under the Uniform Domain Name Dispute Resolution Policy (“UDRP”)<sup>92</sup> and not under the Lanham Act,<sup>93</sup> but the fact pattern is one that could easily occur in a trademark infringement suit and, in fact, some

<sup>85</sup> MCCARTHY, *supra* note 5, § 25:78. Courts are free to (and do) consider other factors besides these nine in deciding the issue of bad faith in ACPA cases, and they do not have to use all of the factors in each case. See *Lamparello v. Falwell*, 420 F.3d 309, 319–20 (4th Cir. 2005). “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.” *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806, 811 (6th Cir. 2004).

<sup>86</sup> 15 U.S.C. § 1125(d)(1)(B)(i)(III) (2006).

<sup>87</sup> *Id.* § 1125(d)(1)(B)(i)(IV).

<sup>88</sup> *Id.* § 1125(d)(1)(B)(i)(VI). This factor also addresses whether the defendant has engaged in “prior conduct indicating a pattern” of attempts to benefit financially from transferring a domain name that includes a trademark. *Id.* The full list of ACPA bad faith factors can be found at 15 U.S.C. § 1125(d)(1)(B)(i)(I)-(IX).

<sup>89</sup> *Id.* § 1125(d)(1)(B)(ii).

<sup>90</sup> MCCARTHY, *supra* note 5, § 25:78.

<sup>91</sup> 2009 WL 5380017 (Dec. 22, 2009).

<sup>92</sup> The UDRP is a dispute resolution policy that all individuals and entities must submit themselves to as a condition of purchasing a domain name in certain top-level domains (*i.e.*, .biz, .com, .info, .name, .net, and .org). MCCARTHY, *supra* note 5, § 25:74.75. It is meant to be “a simple, quick and inexpensive method of determining if a domain name has been the subject of cybersquatting.” *Id.* When a markholder files “an administrative complaint against an alleged cybersquatter,” a panel consisting of either one or three people hears the dispute and renders a decision. *Id.* If a markholder succeeds in proving that a domain name registrant is engaged in cybersquatting using its mark, the domain name at issue will either be canceled or transferred to the markholder. *Id.*

<sup>93</sup> 15 U.S.C. §§ 1051–1141n (2002). “The Lanham Act is the federal trademark statute.” Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1687 n.2 (1999).

form of nominative fair use analysis was applied as part of the WIPO Arbitration and Mediation Center panelist's analysis. In *Bachand*, the United States Olympic Committee ("USOC") filed an administrative complaint against Alan Bachand, the owner of the domain name *olympicsbesthotels.com*, which contained the USOC's OLYMPIC mark.<sup>94</sup> Bachand used the website located at that domain name to operate a business "offer[ing] online booking for hotels, condominiums, and other lodgings in connection with the 2010, 2012, and 2014 Olympic games," in addition to a number of other American major professional sporting events.<sup>95</sup> The USOC claimed that the *olympicsbesthotels.com* domain name was "confusingly similar to its registered OLYMPIC mark and that [Bachand] ha[d] no [legitimate] rights or [] interests in the name[,] . . . [and] that the Domain Name was registered and used in a bad-faith attempt to mislead Internet users . . . as to source or affiliation, for [Bachand's] commercial gain."<sup>96</sup> The single panelist who decided the case held that *olympicsbesthotels.com* was confusingly similar to the USOC's OLYMPIC mark, that Bachand had no rights or legitimate interests in the domain name, that *olympicsbesthotels.com* was not used in connection with a bona fide offering of goods or services, and that Bachand had registered and used the domain name in bad faith.<sup>97</sup> As a result, Bachand was required to transfer the *olympicsbesthotels.com* domain name to the USOC.<sup>98</sup>

*Bachand* is obviously not perfectly analogous to the raising of a nominative fair use defense in a trademark infringement suit under the Lanham Act. First, it involves the use of a mark, OLYMPIC, that holds a special place within American trademark law, as evidence of a likelihood of confusion is not required in order to prove infringement of the mark.<sup>99</sup> More importantly, the case was decided under the UDRP, a standard that differs somewhat from the likelihood of confusion standard under the Lanham Act.<sup>100</sup> However, the UDRP standard does bear some

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<sup>94</sup> *Bachand*, 2009 WL 5380017, at \*1–2.

<sup>95</sup> *Id.* at \*2.

<sup>96</sup> *Id.* at \*3.

<sup>97</sup> *Id.* at \*4–5.

<sup>98</sup> *Id.*

<sup>99</sup> *Id.* at \*2.

<sup>100</sup> Under the UDRP, a complainant must prove that the domain name that is the subject of the complaint is "identical or confusingly similar" to the complainant's valid trademark, that the respondent "has no rights or legitimate interests in respect of the domain name," and that the "domain name has been registered and is being used in bad faith." *Uniform Domain Name Dispute Resolution Policy*, ¶ 4(a)(iii), ICANN.COM, <http://www.icann.org/en/dndr/udrp/policy.htm> (last visited Oct. 7, 2011). A nonexclusive list of four factors is provided for the complainant to use in proving that the respondent registered and used the domain name in bad faith. *Id.*

significant similarities to the likelihood of confusion standard, most notably the requirement that the complainant must prove that the domain name at issue is “identical or confusingly similar to a trademark or service mark in which [it] has rights”<sup>101</sup> and the complainant’s ability to offer evidence demonstrating that the respondent employed the domain name to

intentionally attempt[] to attract, for commercial gain, Internet users to [his or her] website or other on-line location, by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement of [his or her] web site or location or of a product or service on your website or location.<sup>102</sup>

These similarities, along with the fact that such a scenario could easily become the subject of a trademark infringement suit, allow *Bachand* to be transported to the context of a Lanham Act infringement suit in order to show why a new nominative fair use test is needed in the domain name context.

In *Bachand*, the panelist concluded that because *olympicbesthotels.com* includes the whole OLYMPIC mark while adding only a plural “s” and a generic word, “hotels,” the domain name was confusingly similar to the OLYMPIC mark.<sup>103</sup> The multifactor likelihood of confusion test applied to claims of trademark infringement under the Lanham Act includes the “degree of similarity between the owner’s mark and the alleged infringing mark”<sup>104</sup> as one of the factors, a heavy weight that would be placed on the scale toward a finding of infringement. Additionally, as the Third Circuit observed in *Century 21*, employment of not only the similarity of the marks factor but also the factor analyzing the “strength of the owner’s mark . . . . would indicate a likelihood of confusion in a case”<sup>105</sup> of possible nominative fair use “simply *because* the mark is being employed in a nominative manner.”<sup>106</sup> As a result, the application of the traditional Lanham Act “likelihood of confusion” test would likely result in a finding of infringement here. In addition, as part of his analysis of whether *Bachand* had used his domain name in connection with a bona fide offering of goods or services, the panelist stated that:

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<sup>101</sup>*Id.*

<sup>102</sup>*Id.*

<sup>103</sup> *United States Olympic Committee v. Bachand*, No. D2009-1452, 2009 WL 5380017 (Dec. 22, 2009).

<sup>104</sup> *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211, 224 (3d Cir. 2005).

<sup>105</sup>*Id.*

<sup>106</sup>*Id.*

[i]f the Respondent used the Domain Name for a website devoted to reselling the Complainant's products or services, it is conceivable that the use of the OLYMPIC mark in the Domain Name could be justified under United States . . . trademark law as a descriptive or nominative fair use of the mark.<sup>107</sup>

However, the panelist rejected the nominative fair use defense (albeit without stating a specific test that he used to apply it) on the grounds that Bachand was using his website to book hotel rooms for additional events besides the Olympics.<sup>108</sup> The panelist rested this holding on a previous decision under the UDRP where the owner of a domain name containing the ORANGE BOWL mark who used the domain name for a website that sold tickets for other events in addition to the Orange Bowl football game was found to have not engaged in a fair use because the owner had used the ORANGE BOWL mark in order to attract attention and not merely for descriptive purposes.<sup>109</sup>

The application of the current Ninth Circuit nominative fair use test to the facts of *Bachand* may also produce the same result. Bachand would likely meet the first two prongs of that test. The Olympic Games cannot be identified without the use of the OLYMPIC mark. Additionally, the use of a word mark in a domain name without the presence of any of the markholder's imagery or labels on the website, as well as the employment of a disclaimer on the site indicating that the company that operated it was not affiliated with the markholder, was held in *Tabari* not to constitute the use of more of the mark than necessary.<sup>110</sup> Here, Bachand had removed any Olympic logos and other terms from his site after the commencement of the UDRP action and had offered to put a disclaimer stating that his company was not sponsored by or affiliated with the Olympics throughout the site.<sup>111</sup> Furthermore, the *Tabari* court held the use of a mark in such a fashion did not indicate sponsorship or endorsement by the markholder. However, the fact that Bachand's use of the mark was not merely descriptive because his business provides hotel room booking services for events other than the Olympics is an issue that was not raised in *Tabari*. As a result, there is a risk that a federal court could rule the same way as the WIPO panelists in

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<sup>107</sup> *Bachand*, 2009 WL 5380017, at \*5.

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* (citing *The Orange Bowl Comm., Inc. v. Front and Center Tickets, Inc./Front and Center Entertainment*, 2005 WL 807318 (Jan. 20, 2005)).

<sup>110</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1181–82 (9th Cir. 2010).

<sup>111</sup> *Bachand*, 2009 WL 5380017, at \*3.

*Bachand* and the ORANGE BOWL case<sup>112</sup> did and hold that a use like Bachand's does not qualify for the nominative fair use defense because it is more than merely descriptive. This is problematic because entrepreneurs like Bachand should be able to use the marks of events in connection with which they provide services in the domain names of their websites since doing so does not appear to harm the markholder in any way. The concern over such unauthorized uses of marks in domain names is primarily that the markholder will be harmed by having business taken away from them by another party who attracts customers by using the markholder's mark. Here, though, an unauthorized user such as Bachand is not actually harming the markholder. The USOC does not operate a business that books hotel rooms,<sup>113</sup> so it does not appear that it is being financially harmed by Bachand's use of its mark in Bachand's domain name. Therefore, entrepreneurs like Bachand should be allowed to engage in the unauthorized use of a trademark in the domain name of a website used to operate a business that provides a service in connection with a trademark-described event, even when their business also involves the supply of that same service for other events.

### III. THE PROBLEM OF HARM

#### A. *Introduction to the Idea of Harm*

A question that comes to mind after reading *Toyota Motor Sales, U.S.A., Inc. v. Tabari* (although not explicitly stated in the case) is whether markholders in Toyota's position are actually harmed by the nominative use of their mark in domain names by businesspeople such as the Tabaris. The issue of harm to the markholder is critically important with regards to nominative fair use in the domain name context because of both the nature of marketing in the twenty-first century and the fact that a nominative fair use is one where it is necessary to employ a mark to describe a particular good or service since there is no other sensible way of providing a description.<sup>114</sup> It has become routine for businesses to market themselves using the Internet, and one element of that marketing is the domain name of the business's website. For a business that centers on another entity's trademark-protected good or service, the ability to use that trademark in the

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<sup>112</sup> *The Orange Bowl Comm., Inc. v. Front and Center Tickets, Inc./Front and Center Entertainment*, 2005 WL 807318 (Jan. 20, 2005).

<sup>113</sup> The USOC did "advertise[] 'host hotels' for various international amateur sports events promoted on its own website" at the time of this case. *Bachand*, 2009 WL 5380017, at \*4.

<sup>114</sup> *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).



business's advertising is crucial to its success.<sup>115</sup> For a mark where such use in a domain name could be considered a permissible nominative use, the importance to the unauthorized user's business of being able to employ the mark in a domain name indicates that harm to the markholder should be present before it can be possible that the unauthorized use constitutes infringement.

Additionally, one of the major purposes of both trademark law in general<sup>116</sup> and nominative fair use,<sup>117</sup> and the ACPA, in particular,<sup>118</sup> is to protect the markholder from harm wrought by the unauthorized, unfair use of its mark. Given this goal, it would only seem to further emphasize that the markholder in a case such as *Tabari* should have to have actually suffered some harm in order to be able to obtain relief against someone using its mark in a domain name without permission. However, it is not immediately clear that such markholders have actually suffered harm as a result of the allegedly nominative uses of their marks, or at least not in all circumstances where an unauthorized use of a mark took place within a domain name. A focus on harm to the markholder in crafting a nominative fair use test for the domain name context would thus prove useful in an attempt to ensure that those markholders who should be protected can remain secure in the use of their marks and that those unauthorized users whose uses should be permitted may engage in those uses without fear of litigation.

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<sup>115</sup> To take an example from the pre-Internet era, an auto-repair shop that specializes in Volkswagen vehicles would find it "difficult, if not impossible . . . to avoid altogether the use of the word 'Volkswagen' or its abbreviation 'VW,' which are the normal terms which, to the public at large, signify [Volkswagen's] cars." *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 352 (9th Cir. 1969).

<sup>116</sup> One of the goals of the Lanham Act is, "where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product[,] . . . [to] "protect[] [the] investment [of a trademark owner] from . . . misappropriation by pirates and cheats." S. REP. NO. 79-1333, at 3 (1946), *quoted in* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 782 n.15 (1992) (Stevens, J., concurring). Of course, one reason why "misappropriation [of a trademark] by pirates and cheats," *id.*, is something that a society would want to forbid is because such actions "deprive[] the [markholder] of the goodwill which he spent energy, time, and money to obtain." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 n.14 (1982).

<sup>117</sup> The prongs of the nominative fair use tests clearly contemplate a similar type of harm as that discussed in the Senate Report and in *Inwood*. *See supra* note 116. The unauthorized use of a mark by another party in a manner that either was unnecessary to identify a particular product or service, used too much of a mark that was being employed for otherwise legitimate identification purposes, or was employed in such a way as to give the impression that this use was sponsored or endorsed by the markholder when it actually wasn't would also "deprive[] the [markholder] of the goodwill" built up in the mark by either using that goodwill to sell his or her own product or by making use of the mark in a way that harms its value. *Inwood*, 456 U.S. at 855 n.14.

<sup>118</sup> A cybersquatter whose actions create liability under the ACPA harms the markholder by either preventing the markholder from using its mark at all or making it spend money to acquire the domain name held by the cybersquatter. Both of these scenarios constitute a "depriv[ation] [to] the [markholder] of the goodwill" built up in the mark. *Id.*

#### IV. THE PROPOSED NEW TEST FOR NOMINATIVE FAIR USE IN THE DOMAIN NAME CONTEXT

Since the issues of good and bad faith are so important within trademark law,<sup>119</sup> this Note proposes a new test for nominative fair use in the domain name context that is crafted to achieve the goal of protecting those businesses that engage in good-faith uses of others' marks in domain names, while restraining those who engage in such uses in bad faith. More importantly, this new test also attempts to achieve two goals that are very important, yet not always easy to achieve simultaneously. This test seeks to prevent markholders from suffering harm due to unauthorized uses of their marks in domain names while simultaneously allowing law-abiding entrepreneurs whose businesses center on aiding consumers in purchasing goods, services, and services connected to events most easily identifiable by a trademark, to accurately and adequately market themselves via the Internet. Furthermore, this new test is superior to the existing tests for nominative fair use because it broadens the scope of the nominative fair use defense to ensure that the group of entrepreneurs who are providing services related to a specific good, service, or event identified by a trademark, and advertise their business over the Internet in a way that does not harm the markholder, can operate without opening themselves up to infringement liability. At this moment, the new test only extends protection to the class of unauthorized users of trademarks consisting of operators of businesses that provide a service in connection with certain events and who use the name of one of those events in the domain name of their website. However, as an increasing amount of business is conducted over the Internet in the twenty-first century, more businesses may engage in unauthorized uses of marks that deserve protection. This new test establishes a framework that will at least provide a model for courts to use in addressing any new unauthorized uses of trademarks in domain names brought about by new ways of doing business.

The new test for nominative fair use in the domain name context will apply in situations where a plaintiff files a trademark infringement suit and at least one of the plaintiff's claims is based on the defendant's unauthorized use of the plaintiff's mark in the defendant's domain name. In such situations, the new test

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<sup>119</sup> One way this is reflected is in the requirement in the ACPA that in order for a domain name owner to be held liable under the statute, a markholder must prove that the domain name owner "register[ed], traffic[ked] in, or use[d] a domain name that," 15 U.S.C. § 1125(d)(1)(A)(ii) (2006), is either "identical or confusingly similar to . . . [or, in the case of a famous mark], dilutive of" the markholder's mark, *id.* § 1125(d)(1)(A)(ii)(I)-(II), "with a bad faith intent to profit from that mark." *Id.* § 1125(d)(1)(A)(i).

replaces both the multifactor likelihood of confusion test and the two existing nominative fair use tests. This test will consist of eight of the nine ACPA good-faith/bad-faith factors. These factors are as follows:

- 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 and 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 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;
- 5) 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;
- 6) 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;
- 7) 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
- 8) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous . . . .<sup>120</sup>

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<sup>120</sup> *Id.* § 1125(d)(1)(B)(i)(I)–(III), (V)–(IX). “Famous” is defined as it is in the ACPA: [A] mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

Factor (IV), which addresses whether the person has engaged in a “bona fide noncommercial or fair use of the mark in a site accessible under the domain name,”<sup>121</sup> has been removed because it would be redundant when applied in a nominative fair use scenario, since the whole question here is whether or not the defendant has engaged in a fair use of the plaintiff’s mark. The fourth factor under this Note’s proposal is intended to be interpreted so that liability will be found primarily in the two scenarios that seem most troubling from a confusion-based harm perspective: (1) where the defendant intended its unauthorized use of the mark to steal business away from the markholder; and, (2) where the defendant’s domain name consisted solely of the mark at issue. The former scenario is one where the defendant’s use should not be permitted because there the defendant is engaging in behavior that is obviously likely to harm the markholder by unfairly causing the markholder to lose business. The latter scenario is one where the defendant should be enjoined from its use of the mark because he or she has engaged in a strongly deceptive use that seemingly could have no other purpose but to suggest sponsorship or endorsement by or affiliation with the markholder, and such a use should not be allowed for reasons of basic fairness. In addition, when a domain name consists of only a mark, there is a risk that a failure to find the markholder’s official website at that trademark-only domain name will lead to consumers giving up in their attempts to find that official website<sup>122</sup> or deciding not to purchase the markholder’s product or service based on what they see at that site.

These eight new factors will be balanced by the court in order to determine if the defendant used the plaintiff’s mark in its domain name(s) in bad faith. However, for the reasons mentioned above, the fourth factor is the most important one in the new test and should be given extra weight by judges in deciding such cases. If the court finds that the defendant’s use was in good faith, the plaintiff’s claim will fail and the defendant will not face liability for trademark infringement. Conversely, if

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(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised and publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

*Id.* § 1125(c)(2)(A)(i)–(iv).

<sup>121</sup> § 1125(d)(1)(B)(i)(IV).

<sup>122</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1178 (9th Cir. 2010).

the court finds that the defendant's use was in bad faith, the defendant's use will be declared infringing.

The ACPA factors were designed for the sole purpose of determining whether good faith or bad faith motivated a party that had registered a domain name containing a trademark that the party was using without authorization, so they cut right to the heart of the good-faith/bad-faith question. This question is of paramount importance because if there is no showing of bad faith on the part of the defendant under the ACPA factors, we should be skeptical about whether the plaintiff should be able to bring a trademark infringement claim. The reason for this is that when a defendant has engaged in a bad-faith unauthorized use of a mark in its domain name, it is much more likely that the markholder will have suffered confusion-based harm, and when the defendant has engaged in a good-faith use of a mark in its domain name, it is much less likely that the markholder will have suffered confusion-based harm. Because the defendant's good-faith or bad-faith use of the mark is such a strong indicator of whether the markholder will have suffered confusion-based harm, it is appropriate to use the ACPA factors, as modified above, as the standard to determine whether or not infringement has occurred when a defendant uses another party's mark in its domain name without authorization.

Two examples will show the efficacy of this new test. The first is the case of *United States Olympic Committee v. Bachand*. In that case, Bachand operated a business booking hotel rooms to the Olympic Games and major American sporting events from a website with the domain name *olympicsbesthotels.com*.<sup>123</sup> Under the new ACPA factors nominative fair use test, Bachand will properly avoid liability and be able to continue operating his website at this domain name. Bachand presumably does not intend to steal business away from the markholder via his use of its mark in his website's domain name. The USOC is not in the business of booking hotel rooms for Olympic events, so it is not possible for Bachand to steal any business from the USOC. He is simply trying to attract people who are interested in attending the Olympic Games, among other events, to visit his website in the hopes that they will decide to use his hotel booking service. Furthermore, his domain name contains more than just the plaintiff's mark. As a result, the fourth factor weighs in his favor. Additionally, factors five through seven of the ACPA further aid Bachand because he has not engaged in any of the classic cybersquatting behaviors described by those factors. Therefore,

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<sup>123</sup> *United States Olympic Committee v. Bachand*, No. D2009-1452, 2009 WL 5380017 (Dec. 22, 2009).

application of this new nominative fair use test will properly allow users like Bachand to avoid infringement liability.

In a hypothetical scenario where the Tabaris had managed to register the *lexus.com* domain name itself, the new test works similarly well. The Tabaris have no “trademark or other intellectual property rights . . . in the domain name”<sup>124</sup>; “Lexus” is presumably neither “the legal name” nor “a name that is otherwise commonly used to identify”<sup>125</sup> either Farzad or Lisa Tabari; and, the Tabaris have made no “prior use . . . of the domain name in connection with the bona fide offering of any goods or services.”<sup>126</sup> Most importantly, by using a domain name that contains only the mark itself, the Tabaris have engaged in a deeply deceptive use that would be certain to cause “a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site.”<sup>127</sup> Additionally, in this case, consumers looking for the official Lexus website and who type in the *lexus.com* domain name may give up searching for the official site after reaching the Tabaris’ webpage, thus depriving Lexus of potential customers. Alternatively, consumers may believe that the Tabaris actually are Lexus, although that would harm Toyota in a more attenuated manner (i.e., if consumers fooled by the Tabaris’ domain name refused to buy Lexus vehicles because they thought the price was too high with the cost of the brokerage service included). Either way, consumers would be confused as to source, sponsorship, affiliation, or endorsement. These two possibilities were raised by Judge Kozinski in the majority opinion in *Tabari* as potential types of confusion that could be experienced by consumers when a party makes an unauthorized use of a mark in a domain name consisting solely of the mark.<sup>128</sup> This demonstrates that the new test would fall in line with *Tabari*’s understanding of what type of unauthorized use of marks in a domain name should be banned under trademark law. Even though new factors five through seven are not relevant to this analysis, there is still enough evidence, especially from new factor four, to ensure that the Tabaris’ bad-faith, harmful use in this scenario will not be permitted.

The ACPA factors provide all the protection that trademark owners legitimately need because they address all of the types of harm likely to be suffered from the unauthorized use of a mark in a domain name. If an unauthorized user employs a mark in the domain name of a nondisparaging commercial site that leads

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<sup>124</sup> *Id.* § 1125(d)(1)(B)(i)(I).

<sup>125</sup> *Id.* § 1125(d)(1)(B)(i)(II).

<sup>126</sup> *Id.* § 1125(d)(1)(B)(i)(III).

<sup>127</sup> *Id.* § 1125(d)(1)(B)(i)(V).

<sup>128</sup> *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010).

consumers to believe either that the unauthorized user is the markholder or that the markholder has no online presence, the markholder is protected by the “intent to divert consumers . . . for commercial gain . . . by creating a likelihood of confusion as to . . . source, sponsorship, affiliation, or endorsement”<sup>129</sup> language. If the unauthorized user employs the mark in the domain name of a site that denigrates the plaintiff and/or its products for purposes other than legitimate commentary of the type permitted in gripe sites,<sup>130</sup> the markholder can proceed against the unauthorized user under the “intent to divert consumers . . . with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to [] source, sponsorship, affiliation, or endorsement”<sup>131</sup> language.<sup>132</sup>

Additionally, the fifth factor, which addresses the domain name owner’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,”<sup>133</sup> directly addresses the paradigmatic example of cybersquatting. The sixth factor, which addresses dishonesty on the part of the domain name owner in registering the domain name at issue, and the seventh factor, which speaks to the typical cybersquatter strategy of acquiring multiple domain names that contain well-known marks, also aid the markholder in combating such an individual.<sup>134</sup>

#### CONCLUSION

In an era of widespread Internet commerce, the United

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<sup>129</sup> 15 U.S.C. § 1125(d)(1)(B)(i)(V).

<sup>130</sup> A gripe site is a website that is devoted to criticism of a particular company. Gripe sites are also commonly known as “sucks” sites because many of them have a domain name that consists of “a company trademark followed by ‘-sucks,’ as in ‘www.generalmotorssucks.com.’” MCCARTHY, *supra* note 5, § 25:76.

<sup>131</sup> 15 U.S.C. § 1125(d)(1)(B)(i)(V).

<sup>132</sup> This language addresses a potential claim by a plaintiff of dilution by tarnishment. An unauthorized use of a mark could result in dilution by tarnishment “where the effect of the defendant’s unauthorized use is to dilute by tarnishing or degrading positive associations of the mark and thus, to harm the reputation of the mark.” MCCARTHY, *supra* note 5, § 24:70. It is also possible for a markholder whose mark has been used in a domain name without its permission to file a dilution claim based on a theory of dilution by blurring. That is a claim stemming from an unauthorized use of a mark in a manner that does not cause confusion to consumers. *See id.*, § 24:67. The idea behind the theory of dilution by blurring is that “if customers or prospective customers see the plaintiff’s famous mark used by other persons in a non-confusing way to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be ‘diluted’ or weakened.” *Id.* Such a claim would arise in the domain name context if, for example, a manufacturer of baked goods sold those goods at a site with the domain name lexus.com. Because this Note is focused on confusion-based harm, there is no further discussion of dilution claims, as they are beyond the scope of this Note.

<sup>133</sup> *Id.* § 1125(d)(1)(B)(i)(VI).

<sup>134</sup> *Id.* § 1125(d)(1)(B)(i)(VII)–(VIII).

States legal system will have to undergo several changes in order to adapt to the new paradigm represented by the large-scale buying, selling, and advertising of goods and services on the Internet. Significantly, the online marketplace includes a number of businesses that specialize in aiding consumers in purchasing certain branded goods or services, which are invariably protected by trademarks. A domain name is a very important piece of online marketing and these broker-type businesses are best able to use such a marketing tool by putting the name of the good or service on which they focus in their domain name. As a result, it is very important for the legal system to develop a new tool to handle unauthorized uses of trademarks in domain names to avoid the placement of unnecessary obstacles in the path of these entrepreneurial brokers as well as to prevent confusion-based harm to the markholder. The new nominative fair use test for the domain context described in this Note is just such a tool. The test has been designed to give judges a new weapon in their arsenal with which to handle a type of dispute that projects to occur with increasing frequency over the next decade. This test, with its focus on confusion-based harm to the markholder, should allow judges to better focus on the issues of whether the unauthorized user is one who should be sanctioned and whether the markholder is one who should be protected. Ideally, it will help create a better, clearer, fairer system of online commerce.

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