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# The Digital Trademark Right: A Troubling New Extraterritorial Reach of United States Law

Xuan-Thao N. Nguyen

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# THE DIGITAL TRADEMARK RIGHT: A TROUBLING NEW EXTRATERRITORIAL REACH OF UNITED STATES LAW

XUAN-THAO N. NGUYEN\*

*The Anticybersquatting Consumer Protection Act authorizes the development of the digital trademark right. Under this new right, a trademark owner can petition a domestic court to transfer a foreign registrant's domain name to the trademark owner. The trademark owner does not need to travel to the foreign land for the litigation or to petition a foreign court for enforcement of the domestic court's decision. The property transfer order has a global effect, enjoining the foreign registrant from further use of its property in its home country. Is such extraterritorial extension of national law permissible? Does the new digital trademark right undermine international efforts attempting to resolve international domain name disputes? This Article addresses these questions.*

INTRODUCTION .....	484
I. THE EXTRATERRITORIAL APPLICATION OF THE LANHAM ACT PRIOR TO THE ANTICYBERSQUATTING PROTECTION ACT .....	488
A. <i>Bulova and the Extraterritorial Application of the Lanham Act</i> .....	488
B. <i>Post-Bulova Trend</i> .....	495
II. THE BORDERLESS ELECTRONIC CHALLENGE: DOMAIN NAMES VS. TRADEMARK RIGHTS .....	500
A. <i>Domain Names</i> .....	501
B. <i>Application of the Lanham Act to Domain Names</i> .....	506

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III.	DOMESTIC RESPONSE TO THE ELECTRONIC BORDERLESS CHALLENGE: NATIONAL DIGITAL TRADEMARK RIGHT .....	507
A.	<i>The Limited Protection of Trademarks in Cyberspace Prior to the ACPA</i> .....	508
B.	<i>ACPA—Arming Trademark Owners with a New “Digital Trademark Right”</i> .....	510
1.	In Personam Jurisdiction.....	510
2.	No Contacts, No Problem—In Rem Jurisdiction.....	511
C.	<i>Application of the ACPA to Trademark Disputes Regarding Domain Names</i> .....	514
IV.	THE MANIFESTATION OF THE DIGITAL TRADEMARK RIGHT THROUGH IN REM CYBERJURISDICTION .....	519
A.	<i>Neither Digital nor Physical Contact Needed</i> .....	519
1.	In Rem Actions Before Cyberspace .....	522
2.	In Rem Actions in Cyberspace.....	524
B.	<i>The Official Registry for In Rem Extraterritorial Reach</i> ....	529
C.	<i>The Formation of an In Rem Court by Default</i> .....	535
V.	NATIONAL LAW COLLIDES WITH INTERNATIONAL TRADEMARK PRINCIPLES IN CYBERSPACE .....	540
A.	<i>Ignoring the Paris Convention</i> .....	540
B.	<i>Reaching Beyond Bulova</i> .....	544
C.	<i>Discounting the Principle of Jurisdiction to Prescribe</i> .....	550
D.	<i>Disregard of International Comity</i> .....	552
E.	<i>Global Imposition of the U.S.-Based Digital Trademark Right</i> .....	556
F.	<i>Alternative Approaches</i> .....	559
1.	Litigating Disputes in the Foreign Registrant’s Home Country.....	559
a.	<i>Convenience of Location</i> .....	559
b.	<i>Favorable Law</i> .....	560
2.	Enforcement of Decisions Under the UDRP.....	560
	CONCLUSION .....	565

## INTRODUCTION

Imagine you own an Internet company headquartered in the United States. You obtained your domain name from a registrar in your home state and have never traveled to the Far East for business purposes. You are happy that you have survived the dot.com crash. Then, you receive a call from your attorney, informing you that your domain name has been named as a defendant in a lawsuit in China. You ask your attorney to repeat herself. Your domain name is the defendant, not you. The plaintiff in the suit alleges that your domain

name violates his rights because your domain name is similar to his trademark in China. You send your attorney to China to investigate and defend your property rights in the domain name. The Chinese court rules that your domain name violates the plaintiff's trademark right and, therefore, pursuant to new Chinese legislation, orders a domain name registrar in China to transfer your domain name to the plaintiff.

Now, substitute the United States for China in the previous example and welcome to the digital trademark right<sup>1</sup>—a national law with extraterritorial reach.

The expansion of the Internet and e-commerce in the 1990s justified the creation of new laws relating to intellectual property.<sup>2</sup> The rapid growth of borderless, electronic commerce brought new development and challenges to trademark law and trademark owners, particularly in the areas of protection,<sup>3</sup> enforcement,<sup>4</sup> and branding in the new medium of electronic communication and commerce.<sup>5</sup> The

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1. Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, Title III, 113 Stat. 1501A-545 (1999) (codified at 15 U.S.C. § 1125(d) (2000)) [hereinafter ACPA]. The ACPA amends the Lanham Act—the federal trademark and unfair competition law. See Lanham Act, ch. 540, Pub. L. No. 79-489, 60 Stat. 427, 427-46 (1946) (codified at 15 U.S.C. §§ 1051-1129 (2000)).

2. See JESSICA LITMAN AMHERST, *DIGITAL COPYRIGHT* 27-34 (2001) (providing a thoughtful critique of the digital copyright regime embodied in the Digital Millennium Copyright Act of 1998).

3. See generally Gregory D. Phillips, *Necessary Protections for Famous Trademark Holders on the Internet*, 21 HASTINGS COMM. & ENT. L.J. 635, 637-41 (1999) (discussing problems faced by famous trademark holders in cyberspace); Todd W. Krieger, Note, *Internet Domain Names and Trademarks: Strategies for Protecting Brand Names in Cyberspace*, 32 SUFFOLK U. L. REV. 47, 62-64 (1998) (discussing strategies to protect trademarks in cyberspace). The phenomenon is not confined to the United States, however. The European Union has also created new laws relating to intellectual property. For example, the European Union adopted a directive on digital copyright protection providing, among other things, protection against the circumvention of technological measures designed to protect copyrighted works. See Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society, 2001 O.J. (L 167) 10, available at [http://europa.eu.int/information\\_society/topics/multi/digital\\_rights/doc/directive\\_copyright\\_en.pdf](http://europa.eu.int/information_society/topics/multi/digital_rights/doc/directive_copyright_en.pdf) (on file with the North Carolina Law Review); Grace Bergen, *The Napster Case: The Whole World is Listening*, 15 TRANSNAT'L LAW. 259, 270 (2002) (stating that the European Union's digital copyright directive mirrors the U.S. Digital Millennium Copyright Act).

4. See Puneet Singh, *Gateway Pages: A Solution to the Domain Name Conflict?*, 91 TRADEMARK REP. 1226, 1227 (2001) (analyzing the trademark-domain name conflict in digital commerce). See generally Dale M. Cendali, *Legal Developments in Trademark Law and the Internet*, 661 PLI/PAT 259 (2001) (identifying various trademark problems online).

5. See Eric Goldman & Candice Lee, *Understanding Internet Co-Branding Deals*, 16 SANTA CLARA COMPUTER & HIGH TECH. L.J. 65 (1999) (explaining co-branding

most profound change in trademark jurisprudence, however, has been the development of the digital trademark right.

The Anticybersquatting Protection Act ("ACPA") authorizes the development of the digital trademark right. Under the digital trademark right, a trademark owner can petition a U.S. court to transfer a foreign national's domain name to the trademark owner<sup>6</sup> despite the fact that the foreign national has never transacted business in any forum within the United States to the trademark owner. The court's property transfer order is tantamount to enjoining the foreign national's conduct extraterritorially.<sup>7</sup> The extraterritorial reach erodes fundamental principles of trademark law and has serious international implications.<sup>8</sup> Further, within the development of the new right, the District Court of the Eastern District of Virginia is being transformed into an international tribunal that unilaterally adjudicates multinational property rights in domain names.

The ACPA's new digital trademark right represents a unilateral imposition of domestic U.S. law on foreign nations.<sup>9</sup> As such, this new digital trademark law raises several questions. How, if at all, for example, is the extraterritorial extension of the digital trademark right permissible? More specifically, does a U.S. court have jurisdiction to adjudicate the rights in domain names held by foreign nationals who have never transacted business in any forum in the United States? Furthermore, has the ACPA transformed the Eastern District of Virginia into the default venue to adjudicate property rights in all domain names—somewhat of an international tribunal? All of this begs the ultimate question: whether the ACPA's new digital trademark right is in conflict with international principles of trademark territoriality,<sup>10</sup> international comity,<sup>11</sup> and jurisdiction to

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practices on the Internet and how fees are generated from various co-branding structures); Xuan-Thao N. Nguyen, *Shifting the Paradigm in E-commerce: Move Over Inherently Distinctive Trademarks—The E-brand, I-brand and Generic Domain Names Ascending to Power?*, 50 AM. U. L. REV. 937, 952–58 (2001) (analyzing the use of generic trademarks as a branding method in electronic commerce).

6. ACPA, 113 Stat. 1501A (1999) (codified at 15 U.S.C. § 1125(d) (2000)). Although the ACPA can be used to transfer the domain names of U.S. citizens, this Article's discussion is confined to the application of the ACPA to foreign nsationals.

7. See *infra* note 402 and accompanying text.

8. See *infra* Section V.

9. See *infra* note 403 and accompanying text.

10. Trademark territoriality provides that each "trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark." 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:1, at 29-4 to 29-5 (2000) [hereinafter MCCARTHY].

prescribe<sup>12</sup> and will undermine international efforts to resolve multinational domain name disputes? This Article addresses these burgeoning questions.

This Article argues that the new digital trademark right unilaterally expands U.S. trademark rights beyond the permissible boundary of the territoriality doctrine and transforms such rights into a universally recognized trademark right. The discussion will proceed as follows, Section I examines the limited extraterritorial application of the Lanham Act before the arrival of borderless, electronic commerce.

Section II focuses on the shift in the medium of commerce and the clash of domain names with trademark rights. The role of domain names and the global accessibility to domain names provide benefits to trademark holders and cyber-entrepreneurs, and simultaneously invites abusive cybersquatting activities on the Internet.

Section III analyzes the new law, examining the legislative history to ascertain its purposes. How the new law authorizes the development of the digital trademark right through the in rem provision will be identified and critiqued in Section IV. In addition to examining the manifestation of the digital trademark right, Section IV focuses on the by-product of the new right, the formation of a default in rem cyberjurisdiction court and its transformation to an

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11. Black's Law Dictionary defines "comity" as, *inter alia*, "a willingness to grant a privilege, not as a matter of right, but out of deference and good will." BLACK'S LAW DICTIONARY 139 (5th ed. 1983). The definition explains that comity is a "[r]ecognition that one sovereignty allows within its territory to the legislative, executive, or judicial act of another sovereignty, having due regard to rights of its own citizen." *Id.* Further, the principle of "comity" is that "courts of one state or jurisdiction will give effect to laws and judicial decisions of another state or jurisdiction, not as a matter of obligation but out of deference and mutual respect." *Id.* Likewise, the Third Restatement of the Foreign Relations Law of the United States indicates that:

Comity, in the legal sense, is neither a matter of absolute obligation, on the one hand, nor of mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience and to the rights of its own citizens or of other persons who are under the protection of its laws.

RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW OF THE UNITED STATES § 101 cmt. e (1986) [hereinafter RESTATEMENT (THIRD)] (quoting *Hilton v. Guyot*, 159 U.S. 113, 163-64 (1895)).

12. The Restatement, in discussing jurisdiction to prescribe, notes that:

Under international law, a state is subject to limitations on (a) jurisdiction to prescribe, i.e., to make its law applicable to the activities, relations, or status of persons, or the interest of persons in things, whether by legislation, by executive act or order, by administrative rule or regulation, or by determination of a court.

RESTATEMENT (THIRD), *supra* note 11, §§ 401 & 401(a).

international tribunal for adjudicating foreign nationals' proper rights in domain names.

Section V critiques the extraterritorial reach of the digital trademark right in the context of international law, principles of trademark territoriality as embraced by the Paris Convention, jurisdiction to prescribe, and international comity. Section V also analyzes how the new right reaches beyond the jurisdictional limitations imposed for fifty years in trademark jurisprudence, and the global implications of the new right in the nascent borderless, electronic commerce.

After analyzing the potential violations of established United States trademark jurisprudence and international law principles, as well as various other undesirable implications of the ACPA's new digital trademark right, Section VI explores alternative methods of resolving international disputes relating to trademarks and domain names. The Article concludes that, at this juncture, because trademarks are leaning toward universality, an international regime may resolve such disputes and avoid problems stemming from applying national law in international context.

#### I. THE EXTRATERRITORIAL APPLICATION OF THE LANHAM ACT PRIOR TO THE ANTICYBERSQUATTING PROTECTION ACT

##### A. *Bulova and the Extraterritorial Application of the Lanham Act*

Trademarks are valuable corporate property.<sup>13</sup> Trademarks function as source identifiers, assisting consumers to purchase products or services without incurring independent research costs.<sup>14</sup>

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13. See, e.g., Russell L. Parr, *The Value of Trademarks*, in ALI-ABA, TRADEMARKS, COPYRIGHTS AND UNFAIR COMPETITION FOR THE GENERAL PRACTITIONER, C913 ALI-ABA 229, 235 (1994) (stating the trademark "Marlboro" has been valued at \$65 billion); *Industry Calls for Stiffer Enforcement of Anti-Counterfeiting Laws Abroad*, 44 PAT. TRADEMARK & COPYRIGHT J. (BNA) 585, 586 (October 1, 1992) (noting that the trademark "Coca-Cola" has been valued at \$24 billion); see also Rudolf Rayle, *The Trend Towards Enhancing Trademark Owners' Right—A Comparative Study of U.S. and German Trademark Law*, 7 J. INTELL. PROP. L. 227, 232 (2000) (stating that trademarks "became business assets and today are maybe the most valuable asset on a company's balance sheet" and noting that Coca-Cola valued at \$84 billion, Microsoft at \$57 billion, and IBM at \$47 billion); John V. Tait, *Trademark Regulations and Commercial Speech Doctrine: Focusing on the Regulatory Objective to Classify Speech for the First Amendment Analysis*, 67 FORDHAM L. REV. 897, 937 (1998) (noting the Nike trademark is valued at \$7.3 billion).

14. See *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 305 n.2 (9th Cir. 1992) ("In economic terms, trademarks reduce consumer search costs by informing people that trademarked products come from the same source."); see also 1 MCCARTHY,

Legal protection for trademarks is territorial;<sup>15</sup> that is, trademark rights exist in each country solely according to that country's law.<sup>16</sup> In the United States, the statutory scheme governing trademark rights is commonly known as the Lanham Act.<sup>17</sup>

Under the Lanham Act, an owner of a protected trademark has the exclusive right to use the trademark in commerce, benefits from the goodwill associated with the trademark, and prevents others from using a trademark that may cause a likelihood of consumer confusion as to the source of the trademarked goods or services.<sup>18</sup> Courts interpreting the Lanham Act, consistently with the trademark territoriality doctrine, generally have confined the trademark owner's rights to the United States.<sup>19</sup> In other words, the trademark owner can only initiate an action against a defendant for using a similar trademark on goods or services in U.S. commerce.<sup>20</sup> Thus far, the territoriality doctrine has served as a constraint on the extraterritorial application of the Lanham Act.

The territoriality doctrine states that a trademark is treated as having an independent existence in each nation in which it is recognized as a protected trademark.<sup>21</sup> As a byproduct of this

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*supra* note 10, §§ 2.4–2.5 (discussing the search costs reducing function of trademarks); William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268–70 (1987) (explaining how trademarks reduce search costs). See generally Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 969–75 (2001) (reviewing the evolution of trademark function from a source-identifying to a quality-identifying function).

15. See *Person's Co. v. Christman*, 900 F.2d 1565, 1568 (Fed. Cir. 1990) (“The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme.”).

16. See *id.*; *British-American Tobacco Co. v. Phillip Morris, Inc.*, 2000 TTAB LEXIS 390, at \*9 (Trademark & Trial App. Bd. June 14, 2000) (acknowledging the well-established doctrine of territoriality of trademark rights), *aff'd*, 2001 TTAB LEXIS 167 (Trademark Trial & App. Bd. Feb. 27, 2001); see also, e.g., *Buti v. Impresa Perosa, S.R.L.*, 935 F. Supp. 458, 459–60 (S.D.N.Y. 1996) (ruling that mere advertising efforts of the Milan “Fashion Café” in the United States failed to constitute “use in commerce” under the Lanham Act because such advertising only had an impact on commerce in Milan), *aff'd*, 139 F.3d 98 (2d Cir. 1998).

17. See 15 U.S.C. §§ 1051–1129 (2000); 1 MCCARTHY, *supra* note 10, §§ 5:4–5:10, at 5-9 to 5-20. (reviewing the history of statutory trademark law).

18. See *infra* notes 21–22 and accompanying text (detailing the trademark territoriality doctrine).

19. See *infra* note 21 and accompanying text.

20. See *infra* note 21 and accompanying text.

21. 4 MCCARTHY, *supra* note 10, § 29:1, at 29-4 to 29-5 (explaining that, under the territoriality doctrine, a trademark has a separate legal existence in each territory in which the trademark is legally registered and recognized). “There are some exceptions to the doctrine of territoriality in U.S. law, such as famous trademarks, priority application filing status, registration of marks based on foreign filings and registrations and geographical



Balkanization of trademark rights, the territoriality principle dictates that the law of the country where consumers are likely to be confused as to the source of the goods, not where the trademark was affixed to the goods, will govern disputes pertaining to the trademark.<sup>22</sup> Therefore, under the territoriality principle, when litigating in a U.S. court trademark disputes that arose from conduct occurring in the United States, U.S. law will apply—the law of foreign nations, regardless of the citizenship of the parties, is irrelevant and inadmissible.<sup>23</sup> By the same token, when litigating in a foreign country trademark disputes that arose from conduct that occurred in the foreign country, that foreign country's law will apply, notwithstanding that the defendant might be a U.S. citizen.<sup>24</sup>

The territoriality principle is fundamental to trademark law and is based upon consideration of international comity, observance of national sovereignty, and an understanding of the difficulty of enforcement of domestic law extraterritorially.<sup>25</sup> Due to the increased globalization of commerce and communication, however, goods travel across national geographical borders with ease.<sup>26</sup>

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indications." *British-American Tobacco*, 2000 TTAB LEXIS 390, at \*12 (citing 4 MCCARTHY, *supra* note 10, § 29:1, at 29-4 to 29-5). These exceptions to the territoriality doctrine are created by international treaties and conventions to which the United States is a member. *See id.*; *see also* *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 633-34 (2d Cir. 1956) (discussing international convention relating to trademarks and unfair competition and how it applies to foreign nationals and U.S. citizens).

22. *See* 4 MCCARTHY, *supra* note 10, § 29:1, at 29-4 to 29-5 (noting trademark territoriality principle is also based on considerations of the place where the misrepresentation occurs, not where the plaintiff suffers a loss).

23. *See* *Person's Co. v. Christman*, 900 F.2d 1565, 1568-69 (Fed. Cir. 1990) (noting that the prior use of a trademark in Japan does not have any relevance in U.S. priority law); *Vanity Fair Mills*, 234 F.2d at 639 ("[F]oreign law confers no privilege in this country that our courts are bound to recognize. And when trademark rights within the United States are being litigated in an American court, the decisions of foreign courts concerning the respective trademark rights of the parties are irrelevant and inadmissible." (citation omitted)).

24. *See* *Int'l Café, S.A.L. v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1279 (11th Cir. 2001) (ruling that the plaintiff had alleged that the defendant, a U.S. company, is infringing on the plaintiff's trademark rights in Lebanon and ruling that defendant's use of the trademark in Lebanon is subject to Lebanese law); *Vanity Fair Mills*, 234 F.2d at 639 ("Similarly, the rights and liabilities of United States citizens who compete with foreign nationals in their home countries are ordinarily to be determined by the appropriate foreign law.").

25. *See* *Vanity Fair Mills*, 234 F.2d at 639 (noting trademark territoriality is a fundamental principle "and is based upon practical considerations such as the difficulty of obtaining extraterritorial enforcement of domestic law, as well as on considerations of international comity and respect for national integrity").

26. *See generally* Melvin Simensky, *The New Role of Intellectual Property in Commercial Transactions*, 10 ENT. & SPORTS L. 5 (1992) (stating that the increase in new trade agreements allows goods and services bearing trademarks to flow more freely across

Consequently, goods bearing trademarks protected under the Lanham Act are sold outside the United States without the authorization of the trademark owners.<sup>27</sup> Because most foreign nations do not provide protection to trademarks under the same standard as in the Lanham Act, American trademark owners generally do not litigate trademark infringement actions in foreign nations.<sup>28</sup> Furthermore, American trademark owners and attorneys are most likely not familiar with the court system in foreign nations. Litigation in a foreign country can be very costly and, despite the added expense, the result is often uncertain.<sup>29</sup> Thus, American trademark owners logically look to domestic courts for protection against infringement activities occurring beyond the United States geographical boundaries.<sup>30</sup> In other words, American trademark owners seek domestic court orders that have extraterritorial effects.<sup>31</sup>

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national boundaries). Two examples of international agreements relating to trademarks are the Madrid Protocol and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"). See General Agreement on Tariffs and Trade—Multilateral Trade Negotiations (The Uruguay Round): Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Dec. 15, 1993, 33 I.L.M. 81 (1994); Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, adopted June 27, 1989, WIPO Pub. No. 204(E), available at <http://www.wipo.int/madrid/en/index.html> (on file with the North Carolina Law Review). See generally Bruce A. McDonald, *International Intellectual Property Rights*, 35 INT'L L. 465, 471–90 (2001) (reviewing recent international treaties and agreements relating to trademarks, copyrights, and patents); Joanna Schmidt-Szalewski, *The International Protection of Trademarks After the TRIPS Agreement*, 9 DUKE J. COMP. & INT'L LAW. 189, 206–12 (1998) (analyzing trademark protection under TRIPS and comparing such protection to the Paris Convention's provisions).

27. See William Richelieu, Note, *Gray Days Ahead?: The Impact of Quality King Distributors, Inc. v. L'Anza Research Int'l Inc.*, 27 PEPP. L. REV. 827, 827–29 (2000) (discussing the ease with which distributors move goods through international commerce and the substantial costs that manufacturers incur as a result of the movement).

28. See Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT'L L., 505, 506–07 (1997) (stating that U.S. intellectual property laws are more protective than the intellectual property laws of many other nations, and noting that U.S. courts have broad discovery rules and are likely to award large damages to the intellectual property holders).

29. See Lionel S. Sobel, *Pursuing the Home Court Advantage in International Trademark Litigation*, ENT. L. REP., Aug. 1997, at 4; see also John Fellas, *Important Doctrines and Tools of International Litigation*, 648 PLI/LIT 9, 26–117 (2001) (providing a comprehensive review of the issues for litigators to consider in international litigation); Mark P. Zimmet, *Ethics in International Commercial Litigation and Arbitration*, 648 PLI/LIT 539, 545–607 (2001) (discussing differences in ethics rules and issues in international litigation).

30. See, e.g., *Atl. Richfield Co. v. Arco Globus Int'l Co.*, 150 F.3d 189, 190–91 (2d Cir. 1998) (determining whether the plaintiff, holder of the ARCO trademark, can enjoin the defendant from using 'Arco Globus International' in the Soviet Union); *Nintendo of Am., Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246, 248 (4th Cir. 1994) (pursuing a trademark action against the defendant for selling cartridges in Canada and Mexico); *Calvin Klein Indus.*,

Despite the efforts of American trademark owners, the Supreme Court in its 1952 decision in *Steele v. Bulova Watch Co.*,<sup>32</sup> held that the Lanham Act could govern extraterritorial trademark disputes when the acts constituting trademark infringement and unfair competition adversely affect United States commerce.<sup>33</sup> In that case, the plaintiff, Bulova Watch Co., sought to enjoin the use of its BULOVA trademark on watches sold in Mexico City.<sup>34</sup> The plaintiff had registered its trademark in the United States, but not in Mexico.<sup>35</sup> The defendant, an American citizen, purchased watch components in the United States and subsequently shipped them to Mexico, where the watches were assembled and affixed with the BULOVA trademark.<sup>36</sup> The district court dismissed the complaint with prejudice on the ground that it lacked jurisdiction to enjoin trademark infringement and acts of unfair competition consummated in Mexico by a citizen and resident of the United States.<sup>37</sup> The Fifth Circuit reversed, holding that the pleadings and evidence disclosed a

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Inc. v. BFK Hong Kong, Ltd., 714 F. Supp. 78, 78-79 (S.D.N.Y. 1989) (deciding whether the trademark holder can preliminarily enjoin the defendant from distributing and selling sportswear bearing the trademark in countries outside the United States where the trademark holder has a presence); Serge G. Avakian, Comment, *Global Unfair Competition in the Online Commerce Era*, 46 UCLA L. REV. 905, 913-16 (1999) (discussing *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, where the plaintiff, the trademark holder, sought an injunction against the defendant for the defendant's use of the 'Playmen' trademark on publications and products sold and distributed in the United States).

31. See, e.g., *Atl. Richfield Co.*, 150 F.3d at 192-94 (affirming the district court's ruling that the Lanham Act did not reach the defendant's allegedly infringing activities abroad because they lacked substantial effect on United States commerce); *Nintendo*, 34 F.3d at 249-51 (holding the extraterritorial trademark infringement conduct could not be enjoined under the U.S. law); *Reebok Int'l, Ltd. v. Marnatech Enter.*, 970 F.2d 552, 554 (9th Cir. 1992) (affirming the district court's injunction under the Lanham Act against defendant's conduct in Mexico).

32. 344 U.S. 280 (1952).

33. See *id.* at 285-87.

34. *Id.* at 281.

35. *Id.* at 285.

36. *Id.* at 282-85 (stating the defendant, a resident of San Antonio, was in the watch business first in the United States and later in Mexico, registered the Bulova trademark in Mexico, imported Swiss-made watches from Switzerland and the United States into Mexico, stamped the watches with the Bulova trademark, and distributed the spurious Bulova watches to retail jewelers in the Mexican border area where the watches subsequently entered the U.S. stream of commerce).

37. *Id.* at 282. (stating the district court's decision was based on its findings that the defendant had committed no illegal acts within the United States).

cause of action within the reach of the Lanham Act.<sup>38</sup> The defendant appealed to the Supreme Court.

The Court noted that the defendant's scheme injured the plaintiff's business reputation in the United States and abroad.<sup>39</sup> As a result of the defendant's distribution of watches bearing a spurious mark, the plaintiff had received numerous complaints from retail jewelers in Texas about the counterfeit BULOVA watches,<sup>40</sup> demonstrating that the defendant's conduct was not confined to Mexico; it affected the United States.<sup>41</sup> Because the Lanham Act holds liable in a civil action asserted by a trademark registrant any person who infringes a protected trademark in commerce lawfully regulated by Congress, the effects of defendant's conduct, though the conduct originated in Mexico, were felt in the United States and the conduct was, therefore within the scope of the Act.<sup>42</sup> Though acts of Congress generally do not extend beyond the boundaries of the United States unless a contrary legislative intent exists,<sup>43</sup> Congress, nevertheless, has the power to prescribe "standards of conduct for American citizens, may project the impact of its laws beyond the territorial boundaries of the United States."<sup>44</sup> Further, there is no international law preventing the United States from governing the conduct of its own citizens in a foreign nation.<sup>45</sup>

In addition, the Court found no conflict with Mexican sovereignty, as the defendant's BULOVA trademark registration in Mexico was nullified by the Supreme Court of Mexico.<sup>46</sup> Accordingly, the Court held that Congress intended the Lanham Act to reach such trademark-infringing conduct occurring outside the

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38. *Bulova Watch Co. v. Steele*, 194 F.2d 567, 570-72 (5th Cir. 1952) (reversing the district court's decision on the ground that the defendant's use of the Bulova trademark on watches caused sufficient effect on United States commerce).

39. *Bulova*, 344 U.S. at 285-87 (finding the defendant's spurious Bulova watches filtered through the Mexican border into the United States where such watches competed with the plaintiff's genuine Bulova watches, reflecting adversely on the plaintiff's reputation in markets cultivated by years of advertising in the United States and abroad).

40. *Id.* at 285.

41. *Id.* at 286-87.

42. *Id.* at 285-89.

43. *Id.* at 285.

44. *Id.* at 282.

45. *Id.* at 285-86. The *Bulova* court noted that Justice Minton's rationale on an unfair competition case lent support to its interpretation of congressional intent under the Lanham Act. *Id.* at 286 (quoting *Branch v. Fed. Trade Comm'n*, 141 F.2d 31, 35 (7th Cir. 1944) ("Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, although some of the acts are done outside the territorial limits of the United States.")).

46. *Id.*

United States but having adverse effects on United States commerce.<sup>47</sup> The lower court's injunctive relief against defendant's infringing conduct in Mexico was proper.<sup>48</sup>

Essentially, *Bulova* dictates that extraterritorial application of the Lanham Act is permissible only in cases where the defendant is a United States citizen, the defendant's conduct—constituting either trademark infringement or unfair competition—though occurring in a foreign country affects United States commerce, and there is no conflict between U.S. law and the foreign nation's law resulting from the extraterritorial application of the Lanham Act.<sup>49</sup> When all of these requirements are satisfied, the court can extend the Lanham Act to govern the American defendant's conduct in the foreign country.<sup>50</sup>

*Bulova* signaled a judicial trend of extending the application of the Lanham Act extraterritorially. The decision shifted the inquiry from the place where the illegal conduct occurred to where the effects of the conduct radiated.<sup>51</sup> Indeed, lower courts follow *Bulova* in determining whether a specific circumstance would warrant subject matter jurisdiction over claims involving extraterritorial application of the Lanham Act and whether to issue an injunction prohibiting extraterritorial conduct that violates the Lanham Act and affects U.S. commerce.<sup>52</sup>

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47. See *id.* at 286–87.

48. *Id.* at 289.

49. See *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 643 (2d Cir. 1956) (analyzing the court's holding in *Bulova*).

50. See *id.* (explaining the *Bulova* rationale for the requirements).

51. As the *Bulova* Court noted, in an earlier case, *American Banana Co. v. United Fruit Co.*, the Court held that a violation of American laws could not be grounded on acts on foreign land. *Bulova*, 344 U.S. at 288 (discussing *American Banana Co. v. United Fruit Co.*, 213 U.S. 347 (1909)). The *Bulova* Court noted that the inquiry in *American Banana* was the locus of the defendant's conduct, the United Fruit Company's alleged monopolization of the banana import trade between Central American and the United States as seen through the defendant's alleged instigation of the Costa Rican government's seizure of the plaintiff's plantation and produce in Panama. *Id.* The *Bulova* Court read *American Banana* as not to "confer blanket immunity on trade practices which radiate unlawful consequences" to the United States, "merely because they were initiated or consummated outside the territorial limits of the United States." *Id.* Indeed, the *Bulova* Court distinguished its case from *American Banana* because the defendant's conduct in *Bulova* radiated effects that reached the United States and were unlawful under the law of the United States. *Id.* Accordingly, *Bulova* began extraterritoriality application with an inquiry focusing on the effects of the defendant's conduct radiated. *Id.*

52. See, e.g., *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250–51 (4th Cir. 1994) (applying the *Bulova/Vanity Fair* test in determining whether to apply the Lanham Act to bar the defendant's use of the plaintiff's trademark in Mexico and Canada); *Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n*, 701 F.2d 408, 412–16 (5th Cir. 1983)

### B. Post-Bulova Trend

Notably, the Second Circuit in *Vanity Fair Mills v. T. Eaton Co.* followed *Bulova* and announced a tripartite test to determine the extraterritorial reach of the Lanham Act to conduct occurring outside the United States.<sup>53</sup> The three prongs of the test include: (1) whether the defendant was a United States citizen; (2) whether the defendant's conduct had a substantial effect on United States commerce; and (3) whether there was a conflict with trademark law rights established under foreign law, rendering the application of the Lanham Act inappropriate in light of international comity concerns.<sup>54</sup> Lacking any of the three factors might well be "determinative," and the absence of any two factors is certainly "fatal."<sup>55</sup>

The defendant in *Vanity Fair*, a Canadian corporation, engaged in the retail merchandising business throughout Canada<sup>56</sup> under the Canadian registration of the VANITY FAIR trademark.<sup>57</sup> Defendant

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(applying the *Bulova/Vanity Fair* test in determining whether to apply the Lanham Act to bar the defendant's use of the plaintiff's trademarks in Saudi Arabia); *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 427-29 (9th Cir. 1977) (applying the *Bulova/Vanity Fair* test in determining whether to apply the Lanham Act to bar the defendant's use of the plaintiff's trademark in Europe); *Vanity Fair Mills*, 234 F.2d at 641-43 (applying *Bulova* in determining whether to apply the Lanham Act to bar the defendant's use of the plaintiff's trademark in Canada).

53. See *Vanity Fair Mills*, 234 F.2d at 642-43.

54. See *id.*; see also *Totalplan Corp. v. Colborne*, 14 F.3d 824, 830 (2d Cir. 1994) (applying the *Vanity Fair* three factor test). The *Vanity Fair Mills* court believed that *Bulova* emphasized the three factors in its inquiry of whether the district court had jurisdiction to prevent defendant's unfair use of the plaintiff's *Bulova* trademark in Mexico. The *Vanity Fair Mills* court stated that *Bulova's* rationale "was so thoroughly based on the power of the United States to govern 'the conduct of its own citizens upon the high seas or even in foreign countries . . .'" *Vanity Fair Mills*, 234 F.2d at 642. Indeed, in a footnote, the *Vanity Fair Mills* court quoted a portion of *Bulova* for support of the tripartite test:

Congress in prescribing standards of conduct for American citizens may project the impact of its laws beyond the territorial boundaries of the United States. . . . Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, although some of the acts are done outside the territorial limits of the United States. . . . Mexico's courts have nullified the Mexican registration of 'Bulova'; there is thus no conflict which might afford petitioner a pretext that such relief would impugn foreign law. The question, therefore, whether a valid foreign registration would affect either the power to enjoin or the propriety of its exercise is not before us. Where, as here, there can be no interference with the sovereignty of another nation, the District Court in exercising its equity powers may command persons properly before it to cease or perform acts outside its territorial jurisdiction.

*Id.* at 643 n.13 (quoting *Bulova*, 344 U.S. at 280-86) (citations omitted).

55. See *Vanity Fair Mills*, 234 F.2d at 643.

56. *Id.* at 637.

57. *Id.*

expanded its business to the United States and established a regular place of business in New York.<sup>58</sup> The plaintiff, a Pennsylvania corporation, was in the business of manufacturing and selling women's underwear under its VANITY FAIR trademark in the United States and Canada.<sup>59</sup> The plaintiff alleged that defendant had advertised VANITY FAIR underwear in the United States and that it had sold such underwear by mail to customers residing in the United States.<sup>60</sup> Specifically, the plaintiff sought an injunction to prevent the defendant's use of VANITY FAIR in connection with women's underwear both in Canada and the United States.<sup>61</sup>

The Second Circuit applied the three-factor test and found that only the second factor was present—the defendant's conduct had a substantial effect on United States commerce. Accordingly, the Second Circuit concluded that the Lanham Act's generous remedies should not be extended to restrain foreign citizens from acting under presumably valid trademarks in a foreign country.<sup>62</sup> The court rejected the plaintiff's argument that it satisfied the other two requirements because many American citizens were employed in defendant's New York office.<sup>63</sup> These employees, however, as the Second Circuit noted, did not direct or control the affairs of the defendant's company.<sup>64</sup> All of defendant's officers and directors who managed the company's affairs were Canadian citizens and the action was brought against Canadian citizens.<sup>65</sup> Under Canadian trademark law, the defendant's conduct, occurring in Canada, arguably was lawful.<sup>66</sup> Accordingly, the district court's decision to decline jurisdiction over claims of trademark infringement and unfair competition occurred in Canada was proper.<sup>67</sup>

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58. *Id.*

59. *Id.*

60. *Id.* at 638.

61. *Id.*

62. *Id.* at 642–43.

63. *Id.* at 643.

64. *Id.*

65. *Id.* Because the defendants were Canadian citizens, the first requirement failed. *Id.* Further, there might be conflict of law if the court extended the Lanham Act extraterritorially because the defendant's trademark use in Canada seemed to be proper under Canadian law. *Id.* Accordingly, under *Bulova's* rationale that U.S. law could only govern "the conduct of its own citizens upon the high seas or even in foreign countries when the rights of other nations or their nationals are not infringed," the court declined to extend the Lanham Act against foreign citizens acting under presumably valid trademarks in a foreign country. *Id.* at 642–43 (quoting *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285–86 (1952)).

66. *Id.*

67. *Id.* at 647–48.

Twenty-one years after the Second Circuit decided *Vanity Fair*, the Ninth Circuit addressed the extraterritorial reach of the Lanham Act in *Wells Fargo & Co. v. Wells Fargo Express Co.*<sup>68</sup> The Ninth Circuit, however, rejected the substantial effect on United States commerce requirement and substituted it with a more elaborate test.<sup>69</sup> Other circuit courts have followed suit and developed variations of the *Vanity Fair* test to determine whether to extend the jurisdictional reach of the Lanham Act.<sup>70</sup>

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68. See *Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 427–29 (9th Cir. 1977).

69. See, e.g., *id.* at 428 (adopting the jurisdictional Rule of Reason analysis for antitrust cases set forth in *Timberlane Lumber Co. v. Bank of America*, 549 F.2d 597 (9th Cir. 1976)); see also *Reebok Int'l v. Marinatex Enters., Inc.*, 970 F.2d 552, 554–55 (9th Cir. 1992) (applying the *Timberlane* test). The *Timberlane* test requires three elements: (1) some effect on American foreign commerce; (2) the effect must be sufficiently great to present a cognizable injury under the statute; and (3) the interests of and links to American foreign commerce be sufficiently strong in relation to other nations to justify an assertion of extraterritorial authority. See *Timberlane*, 970 F.2d at 554 (quoting *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1395 (9th Cir. 1985)). The third requirement involves the balancing of seven factors: (1) the degree of conflict with foreign law or policy; (2) the nationality of the parties and the locations or principal places of business of the corporations; (3) the extent to which the enforcement of United States law could be expected to achieve compliance; (4) the relative significance of effects on the United States as compared to effects elsewhere; (5) whether the explicit purpose of the defendant was to harm American commerce; (6) the foreseeability of such effects; and (7) the relative importance of the violations charged of conduct within the United States as compared with conduct abroad. See *Reebok Int'l*, 970 F.2d at 554–55 (quoting *Timberlane*, 549 F.2d at 614); see also Erika M. Brown, *The Extraterritorial Reach of United States Trademark Law: A Review of Recent Decisions under the Lanham Act*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 863, 875–79 (1999) (reviewing decisions from the Ninth Circuit Court of Appeals).

70. See, e.g., *Am. Rice, Inc. v. Ark. Rice Growers Coop. Ass'n*, 701 F.2d 408 (5th Cir. 1983) (embracing the *Vanity Fair* three-factor test with slight modifications that the effect on United States commerce needs only be “more than insignificant” and the three factors serve as the primary basis, not the exclusive basis for the analysis). The *American Rice* court found all three factors present for the extraterritorial application of the Lanham Act. *Id.* at 414–16. The defendant was an Arkansas company, satisfying the citizenship requirement. *Id.* at 414. The defendant processed, packaged and transported the infringing products within the United States, satisfying the “more than insignificant” effect on United States commerce. *Id.* Lastly, there was no conflict with foreign law because the defendant did not have trademark rights under Saudi Arabian law. *Id.* at 415; see also Brown, *supra* note 69, at 881–83 (reviewing cases from various circuit courts that adopted different tests to determine whether to extend the jurisdictional reach of the Lanham Act). Though the *Vanity Fair Mills* test is the most restrictive compared to tests employed by other circuits, recent decisions rendered by the Second Circuit appear to erode the disparity among the tests. See Brown, *supra* note 69, at 884. Consequently, U.S. corporate plaintiffs can expect to receive protection for their trademarks against infringement occurring outside the United States on the basis of the increasingly liberal extraterritorial application of the Lanham Act by the circuit courts. *Id.* at 865.



Three common requirements emerge from the plethora of tests the circuit courts employ to examine jurisdictional reach of Lanham Act claims of trademark infringement and unfair competition occurring in foreign nations.<sup>71</sup> The first asks whether the defendant's activities in the foreign country have a significant affect on United States commerce.<sup>72</sup> The second requirement considers the citizenship of the defendant; extending the reach of the Lanham Act if the defendant is either a citizen or a corporation of the United States,<sup>73</sup> or, though not a United States citizen or corporation, the defendant resides in the United States and is able to control the infringing conduct occurring in the foreign nation.<sup>74</sup> The second requirement is not met, however, where the defendant is a foreign citizen (whether a natural person or corporation), the defendant uses the plaintiff's trademark in a foreign nation, and such use of the trademark, though deemed unlawful under U.S. law, is permissible under the law of the foreign nation. In this scenario, the foreign citizen is neither a U.S. citizen nor has substantial contacts with the United States to establish constructive U.S. citizenship. Between *Bulova* and the enactment of the digital trademark right, courts applied the Lanham Act in extraterritorial trademark disputes only when the defendants were United States citizens or had substantial contacts with the United States.<sup>75</sup> The last requirement examines the degree of conflict with foreign law, if the Lanham Act is applied extraterritorially.<sup>76</sup>

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71. See *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994) (noting that lower federal courts have deducted a general rule derived from *Bulova*).

72. See *id.*; *Am. Rice*, 701 F.2d at 414-16.

73. Compare *Reebok Int'l*, 970 F.2d at 554-55 (defendant Botech was a U.S. corporation), *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 502 (9th Cir. 1991) (defendant was a California corporation), *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1393 (9th Cir. 1985) (defendant was a California corporation), with *Nintendo*, 34 F.3d at 251 (reversing the lower court and remanding the case where the district court failed to consider the citizenship of the defendant and the degree of conflict in legal requirements), *Totalplan Corp. of Am. v. Colbrone*, 14 F.3d 824, 830 (2d Cir. 1994) (ruling that none of the defendants were American citizens and thus "this case does not implicate the United States' broad power to regulate the conduct of its citizens in foreign countries"), *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 643 (2d Cir. 1956) (ruling that the district court's decision in declining subject matter jurisdiction under the Lanham Act was proper in a case where the defendant was a Canadian company with an office in New York, but all employees in New York had no control over the defendant, and the defendant had a valid trademark right in Canada).

74. See *Calvin Klein Indus., Inc. v. BFK Hong Kong, Ltd.*, 714 F. Supp. 78, 80 (S.D.N.Y. 1989) (finding that the defendant had constructive U.S. citizenship under the *Vanity Fair* test).

75. See *supra* note 65.

76. See *Reebok Int'l*, 970 F.2d at 555-56 (noting that the defendant Botech had no trademark in Mexico and consequently, there was no conflict of law); *Am. Rice*, 701 F.2d

Courts also apply the same three requirements in determining whether an injunction prohibiting extraterritorial conduct in violation of the federal trademark law is warranted.<sup>77</sup> In *Nintendo of America, Inc. v. Aeropower Co., Ltd.*, for example, the Fourth Circuit vacated a district court's injunction enjoining extraterritorial conduct and ruled that

[w]hile a court may issue an injunction having extraterritorial effect in order to prevent trademark violations under the Lanham Act, it should do so only where the extraterritorial conduct would, if not enjoined, have a significant effect on United States commerce, and then only after consideration of the extent to which the citizenship of the defendant, and the possibility of conflict with trademark rights under the relevant foreign law might make issuance of the injunction inappropriate in light of international comity concerns.<sup>78</sup>

In that case, the defendant challenged the extraterritorial reach of the injunctive decree. The district court found that defendant's goods, sold to customers in Mexico and Canada, subsequently entered U.S. commerce and, therefore, the court concluded that the defendant's sales of infringing cartridges had a significant impact on U.S. commerce.<sup>79</sup> The district court concluded that the plaintiff was entitled to an injunction whose scope was "sufficiently broad to include actions taken outside the United States which have a significant impact on United States commerce."<sup>80</sup> The terms of the injunction, however, broadly prohibited the defendants from infringing the plaintiff's trademarks in the United States, Canada, and

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at 415-16 (finding that there was no conflict of law because the defendant did not hold a Saudi Arabian trademark); *Warnaco, Inc. v. VF Corp.*, 844 F. Supp. 940, 952 (S.D.N.Y. 1994) (recognizing no conflict of law because plaintiff held the foreign trademark rights); *Calvin Klein*, 714 F. Supp. at 80 (finding no conflict of trademark law because the defendant possessed no foreign trademark rights in the trademarks).

77. See *Nintendo*, 34 F.3d at 250 (ruling that the three factors under *Bulova* must be analyzed when issuing an injunction enjoining extraterritorial conduct); *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 748-50 (2d Cir. 1994) (holding the district court's injunction enjoining the defendant's extraterritorial conduct was too broad); *Star-Kist Foods*, 769 F.2d at 1393 (affirming the district court's injunction against the defendant from using plaintiff's trademarks on canned fish exported from the United States to other countries where defendant had no trademark rights).

78. See *Nintendo*, 34 F.3d at 250.

79. See *id.* at 249.

80. *Id.*

Mexico.<sup>81</sup> The Fourth Circuit remanded the case for reconsideration in accordance with its ruling.<sup>82</sup>

Despite traditional limits on the extraterritorial reach of U.S. trademark law, federal trademark law recently has undergone some major developments in response to the recent growth of communications, transactions and commerce conducted through the global, networked, electronic medium of the Internet. These new legal developments—in particular, the creation of the ACPA's new digital trademark right—expand the extraterritorial reach of the federal trademark law, impermissibly, beyond the limitations under *Bulova*.

## II. THE BORDERLESS ELECTRONIC CHALLENGE: DOMAIN NAMES VS. TRADEMARK RIGHTS

The development of networked computers and Internet-related technology has allowed and continues to encourage the rapid growth of electronic communications, transactions, and commerce.<sup>83</sup> Such growth erodes the physical boundaries of nations and creates many unanticipated challenges to the legitimacy of national law where it reaches extraterritorially through electronic means.<sup>84</sup> These challenges begin with the most basic element of Internet communication—domain names.

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81. *Id.*

82. *Id.* at 252.

83. See generally Sung In, *Death of a Trademark: Genericide in the Digital Age*, 21 REV. LITIG. 159, 178–79 (2002) (stating that gross Internet sales are expected to reach between 34 and 37.5 billion dollars in 2002 and the growth of Internet users is projected to be one billion total in the next four years); Richard Warner, *Border Disputes: Trespass to Chattels on the Internet*, 47 VILL. L. REV. 117, 119 (2002) (noting the low cost of electronic communication and the ease of access to online information facilitates the rapid growth of electronic commerce). The Internet allows people to maintain a banking account, purchase airline tickets, order groceries, purchase clothing, shop for automobiles and obtain professional degrees. *Id.* at 179. Taking advantage of the online medium and the increase in speed and quality of communications, Internet companies engage in various models of business to reach consumers. *Id.*; Gregory Shea, Note, *Trademarks and Keyword Banner Advertising*, 75 S. CAL. L. REV. 529, 532 (2002) (discussing online advertising through banners to target certain demographic online consumers).

84. See generally *infra* Section V (describing the collision between national and international law in cyberspace).

### A. Domain Names

Domain names are assigned on a first-come, first-serve basis.<sup>85</sup> The registrant first represents to the registrar that the requested domain name does not infringe on others' rights.<sup>86</sup> The registrar does not verify the registrant's assertion, however.<sup>87</sup> The domain name registration procedure facilitates the swift processing of domain name registration requests, usually in a matter of a few minutes at the registrar's web site.<sup>88</sup> This procedure also permits low cost domain name registration.<sup>89</sup>

Each domain name consists of a combination of a Top Level Domain ("TLD") and Second Level Domain ("SLD").<sup>90</sup> Domain

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85. See Michael Tanner, *Trademarks, Internet Domain Names, and the NSI: How Do We Fix a System That is Already Broken?*, 3 J. TECH. L. & POL'Y, 1, 18-21 (1998) (explaining the domain name registration system).

To obtain a domain name, an individual or entity files an application with Network Solutions listing the domain name the applicant wants. Because each web page must have an unique domain name, Network Solution checks to see whether the requested domain name has already been assigned to someone else.

If so, the applicant must choose a different domain name.

Brookfield Communication, Inc. v. W. Coast Entm't Corp., 174 F.3d 1036, 1044 (9th Cir. 1999). See generally *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 953 (C.D. Cal. 1997) (explaining the domain name registration procedure).

86. See VERISIGN, SERVICE AGREEMENT ¶ 17, at [http://www.networksolutions.com/en\\_US/legal/service-agreement.jhtml](http://www.networksolutions.com/en_US/legal/service-agreement.jhtml) (last visited on Sept. 12, 2002) (on file with the North Carolina Law Review) (detailing the domain name owner's representations and warranties).

87. See Tanner, *supra* note 85, at 20; Oliver R. Gutierrez, Comment, *Get Off My URL! Congress Outlaws Cybersquatting in the Wild West of the Internet*, 17 SANTA CLARA COMPUTER & HIGH TECH. L.J. 139, 148 (2000); David B. Nash, Comment, *Orderly Expansion of the International Top-Level Domains: Concurrent Trademark Users Need a Way Out of the Internet Trademark Quagmire*, 15 J. MARSHALL J. COMPUTER & INFO. L. 521, 537-39 (1997); see also *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 19-20 (1st Cir. 2001) (stating that the "domain name registration system is a non-governmentally operated, first-come, first-served system that does not inquire into potential conflicts with trademarks"); *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 493 (2d Cir. 2000) (noting the "lack of any regulatory control over domain name registration"); *Brookfield*, 174 F.3d at 1044 (noting that NSI "does not make an independent determination about a registrant's right to use a particular domain name"); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1318-19 (9th Cir. 1998) (noting that NSI does not make any inquiry to ascertain whether the registrant's domain name is infringing any trademarks).

88. See *Am. Online, Inc. v. Huang*, 106 F. Supp. 2d 848, 850 (E.D. Va. 2000) (noting that the registration cost is only \$35 per year and "the registration process occurred entirely online, by way of NSI's web site, and lasted no more than a few minutes").

89. See *Smith v. Network Solutions, Inc.*, 135 F. Supp. 2d 1159, 1162 n.4 & n.5 (W.D. Ala. 2001) (noting NSI's registration fee is \$35 per year and other registrars' annual registration fees range from \$8.95 to \$30).

90. See Tamar Frankel, *The Managing Lawmaker in Cyberspace: A Power Model*, 27 BROOK. J. INT'L L. 859, 870-72 (2002) (explaining the structure of naming in cyberspace).

names are unique, meaning that no two identical domain names exist in cyberspace.<sup>91</sup> To be more precise, no two SLDs exist in the same TLD.<sup>92</sup> Indeed, a domain name registrar will assign a domain name in a particular TLD only after a search for the proposed domain name in the database of registered domain names in the TLD reveals a negative result.<sup>93</sup> If the desired domain name is available, the applicant can register the domain name.<sup>94</sup> If the desired domain name is not available, the applicant can modify the domain name slightly for resubmission or obtain the desired domain name in another TLD that is still available.<sup>95</sup>

Domain names serve as the alphabetical representations, most often in easily recognizable words and phrases, of Internet Protocol ("IP") addresses. Each entity connected to the Internet needs an IP address, consisting of a string of numbers readable by computers.<sup>96</sup> For the ease of human use, domain names are created whereby the

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and the uniqueness of domain names in cyberspace); Tanner, *supra* note 85, at 18–21 (explaining the Internet Domain Name Registration system); *see also* Name.space, Inc. v. Network Solutions, Inc., 202 F.3d 573, 576–77 (2d Cir. 2000) (explaining the Internet Domain Name Registration system). Common examples of TLDs include .com, .org, and .net.

91. *See generally* Brookfield, 174 F.3d at 1044 (explaining the anatomy of domain names); WORLD INTELLECTUAL PROPERTY ORGANIZATION, THE RECOGNITION OF RIGHTS AND THE USE OF NAMES IN THE INTERNET DOMAIN NAME SYSTEM: REPORT OF THE SECOND WIPO INTERNET DOMAIN NAME PROCESS 12, at <http://wipo2.wipo.int/process2/report/pdf/report.pdf> (Sept. 3, 2001) (on file with the North Carolina Law Review) ("To remain a global network, the Internet requires the existence of a globally unique public name space."); *Developments in the Law—The Law of Cyberspace, The Domain Name System: A Case Study of the Significance of Norms To Internet Governance*, 112 HARV. L. REV. 1657 (1999) (outlining the problems in the current system governing domain name registration).

92. *See* Frankel, *supra* note 90, at 871–72 (discussing the single root zone system of controlling and assigning domain names for the purpose of ensuring each domain name is unique); *see also* Smith, 135 F. Supp. 2d at 1162 (discussing the process through which registrars ensure that only one particular SLD is registered within a TLD).

93. *See* Brookfield, 174 F.3d at 1044; Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 953 (C.D. Cal. 1997).

94. *See* Smith, 135 F. Supp. 2d at 1162.

95. *See id.*

96. *See* Management of Internet Names and Addresses, 63 Fed. Reg. 31741, 31741 (1998); Name.space, Inc. v. Network Solution, Inc., 202 F.3d 573, 576 (2d Cir. 2000) ("An IP address is a string of four sets of numbers, separated by periods, such as '98.37.241.30,' and every host or computer on the Internet is assigned such a numerical IP address."). *See generally* Jonathan M. Ward, *The Rise and Fall of Internet Fences: The Overbroad Protection of the Anticybersquatting Consumer Protection Act*, 5 MARQ. INTELL. PROP. L. REV. 211, 212–14 (2001) (providing an overview of the Internet and the Domain Name System).

alpha-numeric character strings correspond to IP addresses.<sup>97</sup> The ease of human use, however, clashes with potential human abuse because domain names also serve as a source identification for online companies.<sup>98</sup> Because there is no limitation on the quantity of domain names that an entity or individual can register, a registrant—constrained only by its ability to pay—can obtain as many domain name registrations as it desires.<sup>99</sup> Theoretically, a registrant could hold hundreds of valid trademarks hostage by registering domain names that are identical or similar to established trademarks before the trademark owner.<sup>100</sup>

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97. WORLD INTELLECTUAL PROPERTY ORG., THE MANAGEMENT OF INTERNET NAMES AND ADDRESSES: INTELLECTUAL PROPERTY ISSUES—FINAL REPORT OF THE WIPO INTERNET DOMAIN NAME PROCESS (April 30, 1999), at <http://wipo2.wipo.int/process1/report/finalreport.html> (on file with the North Carolina Law Review) (stating that the Advanced Research Projects Agency of the Department of Defense and its contractors developed a Domain Name System whereby a host would be assigned a “human-friendly address . . . in a form that is easy to remember or to identify” to correspond to the host’s Internet Protocol alpha numeric number); see also Stuart A. Weinstein, *The Cyberpiracy Prevention Act: Reconciling Real Space Sectoral and Geographic Distinctions in the Use of Internet Domain Names under the Lanham Act*, 9 U. MIAMI BUS. L. REV. 145, 146 (2001) (stating domain names are “the human friendly equivalent of Internet Protocol Addresses that permit easy navigation across the expanse of the Internet”).

98. See *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 19 (1st Cir. 2001) (noting that “[b]ecause of their easily remembered form, domain names have become business identifiers important to offering goods and services on the Internet”); see also Dale M. Cendali, *Legal Developments in Trademark Law and the Internet*, 661 PLI/PAT 259, 263–67 (2001) (identifying different types of unauthorized registrations of trademarks as domain names); Mark V.B. Partridge, *The Internet Domain Name System: Recent International Developments*, 558 PLI/PAT 55, 76 (1999) (discussing the interface between domain names and trademarks that while domain names were originally intended to perform only technical functions, they have become business identifiers due to their easy to remember and human friendly form).

99. See, e.g., *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 872–73 (9th Cir. 1999) (stating the defendant has registered thousands of common surnames, hobbies, careers, pets, sports interests, favorite music, and the like as domain names in the .net, .org, and .com Top Level Domains); *Harrods, Ltd. v. Sixty Internet Domain Names*, 157 F. Supp. 2d 658, 658 (E.D. Va. 2001) (recognizing that the Argentinean registrant had registered nearly 300 domain names incorporating the trademark owner’s mark).

100. See, e.g., *Harrods*, 157 F. Supp. 2d at 658 (noting that the registrant had registered domain names incorporating the trademark owner’s mark without permission); *Porsche Cars N. Am. Inc. v. Porsch.com, et. al.*, 51 F. Supp. 2d 707, 709 (E.D. Va. 1999) (finding that 128 domain names incorporating the trademark PORSCHE were registered without authorization from the trademark owner), *vacated and remanded*, 215 F.3d 1320 (4th Cir. 2000) (unpublished opinion); see also S. REP. NO. 106-140, at 5 (1999) (Su. Doc. No. Y1.1/5:106-140) (stating that Warner Bros. was asked to pay \$350,000 for the rights to the names warner-records.com, warner-bros-records.com, warner-pictures.com, warner-bros-pictures.com, and warnerpictures.com).

Moreover, because the Internet has become an attractive medium for global commerce,<sup>101</sup> some domain names are considered to be extremely valuable.<sup>102</sup> These factors drive the scarcity of domain names and create a growing secondary market for domain names.<sup>103</sup> Owning a domain name is often considered similar to "owning" a globally accessible telephone number.<sup>104</sup> Ownership has the potential for commercial exploits that may generate high monetary value for the domain name registrant.<sup>105</sup> Thus, the value of the domain name depends on how it is used in association with the goods, services, and contents provided at a web site by the registrant or party who has the right to use it.<sup>106</sup> In addition, due to the global accessibility of the Internet and the way in which Internet users search for online products or services, many domain names are now considered valuable assets irrespective of any goodwill attached to the domain names.<sup>107</sup> These domain names are being sold at high

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101. See *Sallen*, 273 F.3d at 20 ("In the past, confusingly similar trademarks could exist simultaneously in different geographical areas or in different business sectors without creating consumer confusion. The Internet has drastically changed this situation because a domain name is both unique and global in scope.").

102. See Xuan-Thao Nguyen, *Commercial Law Collides With Cyberspace: Insecurity Interests in the New Corporate Assets*, 59 WASH. & LEE L. REV. 37, 59–62 (forthcoming 2002) (discussing domain names as valuable corporate assets).

103. See *id.* at 59–62 (discussing the secondary market for domain names and methods of valuing domain names).

104. See *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1325 (9th Cir. 1998) (comparing domain name to 1-800-HOLIDAY); *Dorer v. Arel*, 60 F. Supp. 2d 558, 561 (E.D. Va. 1999) (analogizing domain names to telephone numbers); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 957–58 (C.D. Cal. 1997) (analogizing domain names function similar to telephone numbers). But see *Name.Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 584–85 (2d Cir. 2000) (warning against the adoption of the analogy between domain names and telephone number mnemonics because "the nature of domain names is not susceptible to such a uniform, monolithic characterization [and it is] 'unwise and unnecessary definitively to pick one analogy or one specific set of words now'").

105. In *Lockheed Martin*, the court noted that:

Domain names, like telephone numbers, are also valuable to trademark holders when they make it easier for customers to find the trademark holder. Where the holder of a vanity telephone number promotes it in a way that causes a likelihood of confusion, the holder has engaged in an infringing use.

985 F. Supp. at 958; see also Richard D. Harris, *Trademark and Copyright Law on the World Wide Web: A Survey of the Wild Frontier*, 588 PLI/PAT 553, 560 (2000) ("[A] domain name is the Internet's equivalent of a vanity telephone number.").

106. See *Dorer*, 60 F. Supp. 2d at 561; *Lockheed Martin*, 985 F. Supp. at 957 ("A toll-free telephone number with an easy-to-remember letter equivalent is a valuable business asset.").

107. See *Dorer*, 60 F. Supp. 2d at 561 (noting that unlike trademarks, which are valuable because of their associated goodwill, many domain names comprised of generic and common words are nevertheless valuable because Internet users most likely use generic or common words to search for products or services at a particular Internet search

prices in the open market apart from their web contents or goodwill.<sup>108</sup> These domain names often are generic, short, memorable words.<sup>109</sup> They are sometimes the generic names of products or services. The more generic a domain name, the higher price it enjoys.<sup>110</sup> Some Internet companies, for example, use generic, short, memorable domain names as their source identifiers.<sup>111</sup>

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engine); Michael V. LiRocchi et al., *Trademarks and Internet Domain Names in the Digital Millennium*, 4 UCLA J. INT'L L. & FOREIGN AFF. 377, 384-85 (1999-2000) (comparing the roles of trademarks and domain names in cyberspace); J. Thomas McCarthy, *Trademarks, Cybersquatters and Domain Names*, 10 DEPAUL-LCA J. ART & ENT. L. & POL'Y 231, 238-45 (2000) (discussing how domain names function as trademarks and cause trademark infringement in the Internet); Donna L. Howard, Note, *Trademarks & Service Marks and Internet Domain Names? Giving ICANN Deference*, 33 ARIZ. ST. L.J. 637, 641-42 (2001) (discussing the role of trademarks in domain names).

108. See *Dorer*, 60 F. Supp. 2d at 561 (discussing the value of domain names, irrespective of the goodwill or web contents).

109. See generally David Yan, *Virtual Reality: Can We Ride Trademark Law to Surf Cyberspace?*, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 773, 871 (2000) (stating that "a memorable, easy-to-spell domain name is more valuable than diamonds"). As recent examples of this phenomenon, the Business.com domain name was sold for \$7.5 million, korea.com for \$5.5 million, loans.com at \$3.0 million, and auto.com for \$2.2 million. Greg Johnson, *The Costly Game for Net Names*, L.A. TIMES, Apr. 10, 2000, at A1 (reporting on domain names and listing the prices of some generic, short, and memorable domain names—including Business.com).

110. See David Streitfeld, *On the Web, Simplest Names Can Become Priciest Addresses*, WASH. POST, July 15, 1999, at A1; see also *Dorer*, 60 F. Supp. 2d at 561 ("A domain name with significant value on the open market certainly would be an attractive, arguably appropriate target for a judgment creditor seeking to satisfy a judgment from a wayward debtor.").

111. As one commentator noted:

Now that so much business is conducted on the Web, a memorable domain name can itself translate into valuable consumer recognition and revenue growth. The relative ease of creating a domain name that can attract Web-browsers has led to the creation of a market for domain names, with some domain names selling for more than a million dollars.

Thomas C. Grimm et al., *Trademarks in Cyberspace*, 18 DEL. LAW. 23, 24 (2000); see also Stacy B. Sterling, *New Age Bandits in Cyberspace: Domain Names Held Hostage on the Internet*, 17 LOY. L.A. ENT. L. REV. 733, 735 (1997) ("Not surprisingly, many businesses, when choosing a domain name, select words or names that are easy for customers to remember and that are common words or well-known trade names."). Bank of America, for example, purchased the domain name loans.com for \$3.0 million because the domain name received three to four thousand hits per day even though there was no associated active website with the domain name. Daniel Joelson, *Banks Square Off Over Internet Domain Names: Financial Institutions Take Cyber-squatters and Slanderers to Court*, Vol.13, No. 12, BANK TECH. NEWS, Dec. 2000, at 1, available at 2000 WL 17153605 (on file with the North Carolina Law Review) (reporting e-commerce branding by the use of generic, short, memorable domain names as source identifiers); Johnson, *supra* note 109 (reporting Internet companies' willingness to purchase memorable domain names as part of Internet branding to offset advertising costs).



*B. Application of the Lanham Act to Domain Names*

The Lanham Act does not afford trademark protection to generic names, even though they may serve as source identifiers.<sup>112</sup> The Act protects valid trademarks, prohibiting the use of an identical or similar name that is infringing a valid trademark, causing a likelihood of confusion in the mind of the consumer.<sup>113</sup> The source identification quality of a name is therefore within the provenance of the Lanham Act.<sup>114</sup>

To avoid potential liability under the Lanham Act, a domain name registrant can take advantage of the Internet's anonymity by providing false name and contact information to the domain name registrar.<sup>115</sup> It would be difficult in such cases for a trademark owner to ascertain the true identity of the registrant for jurisdictional purposes and to find the registrant for service of process.<sup>116</sup>

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112. See *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 374 (1st Cir. 1980) (ruling no trademark protection for a generic term that has acquired secondary meaning associating it with a particular producer); *CES Publ'g Corp. v. St. Regis Publ'n Inc.*, 531 F.2d 11, 13 (2d Cir. 1975) (reiterating the well-established rule that generic terms are not protected under the law even though the terms have acquired secondary meaning); see also *Ale House Mgmt. v. Raleigh Ale House, Inc.*, 205 F.3d 137, 140 (4th Cir. 2000) (ruling that the Lanham Act's prohibition on unfair competition does not protect generic trademarks).

113. See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) (explaining that trademark law protects consumers from a likelihood of confusion as to the source of products and assures trademark holders reap the financial, reputation-related rewards of their products bearing the trademark).

114. See generally 1 MCCARTHY, *supra* note 10, § 5, at 5-1 to 5-21 (analyzing the history of trademarks, trademark law, and the Lanham Act along with its legislative intent).

115. See S. REP. NO. 106-140, at 7 (1999) (“[C]ybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability.”).

116. See *id.* at 10 (“A significant problem faced by trademark owners in the fight against cybersquatting is the fact that many cybersquatters register domain names under alias or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner.”). Internet anonymity refers to the ease of disguising one's identity in the vast electronic communication network. Anne Wells Branscomb, *Anonymity, Autonomy, and Accountability*, 104 YALE L.J. 1639, 1641–43 (1995) (discussing true anonymity and Internet anonymity). Indeed, as noted by a commentator, “[a]nonymity can be generated by Internet users quite readily, given that a user's computer address may be altered and a user's name may be changed or masked.” Charles R. Topping, *The Surf is Up, But Who Owns the Beach? Who Should Regulate Commerce on the Internet?*, 13 NOTRE DAME J.L. ETHICS & PUB. POL'Y 179, 187 (1999). With regard to domain name registrations, a domain name registrant can remain anonymous by submitting an alias and a false address to a registrar at the time of registration for a domain name. See S. REP. NO. 106-140, at 10. As a result, a trademark owner could not locate the domain name registrant for purposes of resolving a domain name registration problem through amiable means or litigation. See *id.*

Moreover, any person residing anywhere can register and gain access to a domain name if that person has an Internet connection.<sup>117</sup> Faced with the challenges to trademark jurisprudence presented by the global nature of the Internet, Congress recently acted to extend U.S. trademark rights beyond the territorial borders of the United States.<sup>118</sup>

### III. DOMESTIC RESPONSE TO THE ELECTRONIC BORDERLESS CHALLENGE: NATIONAL DIGITAL TRADEMARK RIGHT

Given the rapid growth<sup>119</sup> of borderless, electronic commerce, trademark owners faced the costly problem of cybersquatting when they attempted to expand their business online.<sup>120</sup> Registration of a

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117. See, e.g., *Harrods, Ltd. v. Sixty Internet Domain Names*, 157 F. Supp. 2d 658, 658 (E.D. Va. 2001) (registrant located in Argentina); *Alitalia-Linee Aeree Italiane S.p.A. v. Casinoalitalia.com*, 128 F. Supp. 2d 340, 342 (E.D. Va. 2001) (registrants located in the Dominican Republic); *V'soske, Inc. v. V'soske.com*, No. 00 Civ. 6099, 2001 WL 546567, at \*1 (S.D.N.Y. May 23, 2001) (registrants located in Ireland); *Broadbridge Media v. Hypercd.com*, 106 F. Supp. 2d 505, 507 (S.D.N.Y. 2000) (registrant located in Canada).

118. See 15 U.S.C. § 1125(d)(2) (2000) (in rem provision).

119. The rapid and continued growth of e-commerce is evidenced by the creation of more than thirty-six million web sites by the end of December, 2001. One year earlier, there were only twenty-five million web sites, and five years ago fewer than one million web sites. See HOBBS' INTERNET TIMELINE v5.6, at <http://www.zakon.org/robert/internet/timeline/> (last modified April 1, 2002) (on file with the North Carolina Law Review). According to the data released by the United States Department of Commerce on November 28, 2001, retail e-commerce sales in third quarter 2001 were \$7.5 billion, up 8.3% from third quarter 2000. U.S. Census Bureau, *Retail E-Commerce Sales in Third Quarter 2001 Were \$7.5 Billion, Up 8.3 Percent from Third Quarter 2000*, Census Bureau Reports, UNITED STATES COMMERCE NEWS, available at <http://www.census.gov/mrts/www/current.html> (last visited Sept. 9, 2002) (on file with the North Carolina Law Review). The figure does not include sales generated by companies in non-retail operation such as travel agencies, financial services, manufacturers, and wholesalers. See U.S. CENSUS BUREAU, SERVICE SECTOR STATISTICS: E-COMMERCE FREQUENTLY ASKED QUESTIONS (FAQ), at <http://www.census.gov/mrts/www.efa.html> (last modified May 28, 2002) (on file with the North Carolina Law Review).

120. Recognizing the harms of cybersquatting, the Senate remarked that:

The practice of cybersquatting harms consumers, electronic commerce, and the goodwill equity of valuable U.S. brand names, upon which consumers increasingly rely to locate the true source of genuine goods and services on the Internet. Online consumers have a difficult time distinguishing a genuine site from a pirate site, given that often the only indications of source and authenticity of the site, or the goods and services made available thereon, are the graphical interface on the site itself and the Internet address at which it resides. As a result, consumers have come to rely heavily on familiar brand names when engaging in online commerce. But if someone is operating a website under another brand owner's trademark, such as a site called "cocacola.com" or "levis.com," consumers bear a significant risk of being deceived and defrauded, or at a minimum, confused. The costs associated with these risks are increasingly burdensome as more people begin selling pharmaceuticals, financial services, and

trademark as a domain name without the authorization of the owner was a profitable opportunity, seizing a high return on a small investment of the domain name registration fees.<sup>121</sup>

A. *The Limited Protection of Trademarks in Cyberspace Prior to the ACPA*

Looking to the then-existing law for assistance, trademark owners discovered that existing law failed to address the new digital technological medium.<sup>122</sup> For example, under a federal unfair competition claim, trademark infringement and trademark dilution statutes require the trademark owner to prove that the defendant uses the domain name in commerce.<sup>123</sup> In the borderless, electronic commerce context, a potential defendant can avoid liability by not

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even groceries over the Internet. Regardless of what is being sold, the result of online brand name abuse, as with other forms of trademark violations, is the erosion of consumer confidence in brand name identifiers and in electronic commerce generally.

S. REP. NO. 106-140, at 5 (1999).

121. *See id.* (noting testimony regarding cybersquatters selling domain names incorporating valid trademarks at high prices at various web sites).

122. Indeed, the Senate expressed its view on this issue:

While the Federal Trademark Dilution Act has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability. For example, many cybersquatters are now careful to no longer offer the domain name for sale in any manner that could implicate liability under existing trademark dilution case law. And, in cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law's application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.

*Id.* at 7; *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 495 (2d Cir. 2000) (recognizing that Congress passed the ACPA in response to a lack of adequate judicial remedies (quoting S. REP. NO. 106-140, at 7)).

123. *See Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 880 (9th Cir. 1999) (ruling that the Federal Trademark Dilution Act requires the defendant to be using the trademark in commerce). In *Avery*, the court held that the defendant's registration of common surnames did not constitute commercial use. *Id.* The defendant merely used words "that happen to be trademarks for their non-trademark values." *Id.*; *see, e.g., Watts v. Network Solutions, Inc.*, 202 F.3d 276 (Table), No. IP 98-1529-C-H/G, 1999 WL 994012, at \*2 (7th Cir. Oct. 26, 1999) (ruling that no infringement could occur where disputed domain name had not been used in connection with sale of goods or services on the Internet); *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996), *aff'd*, 141 F.3d 1316, 1324 (9th Cir. 1998) ("Registration of a trademark as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the [Federal Trademark Dilution Act].").

“using” the domain name.<sup>124</sup> The potential defendant may hide behind her mere registration of the domain name, as such activity alone does not amount to trademark use in commerce.<sup>125</sup> Further, though a claim under the federal trademark dilution statute does not require proof of defendant’s use that is causing a likelihood of confusion,<sup>126</sup> a trademark dilution claim is generally not viable because few trademarks are qualified for the protection under the federal trademark dilution statute.<sup>127</sup> The dilution statute affords broad protection only to trademarks that are truly famous<sup>128</sup> or famous and distinctive.<sup>129</sup> Moreover, the owner of a famous trademark faces another mountainous hurdle from rulings in some

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124. See, e.g., *Ford Motor Co. v. Greatdomains.com*, 177 F. Supp. 2d 635, 655 (E.D. Mich. 2001) (ruling that “neither registering, nor warehousing, nor trafficking in a domain name that incorporates a protected trademark, is alone sufficient to support claims of infringement or dilution”); *Juno Online Servs., L.P. v. Juno Lighting, Inc.*, 979 F. Supp. 684, 691 (N.D. Ill. 1997) (“The mere ‘warehousing’ of the domain name is not enough to find that defendant placed the mark on goods or [services] as required.”).

125. See, e.g., *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 956 n.3 (C.D. Cal. 1997) (noting that the registration of a domain name with a registrar for use on the Internet, without more, is not a commercial use of the domain name as a trademark under the Lanham Act); see also *Brookfield Communications v. W. Coast Entm’t Corp.*, 174 F.3d 136, 1052 (9th Cir. 1999) (ruling that the district court’s recognition that mere registration of domain name does not constitute use under the Lanham Act was correct, but nevertheless concluded that the district court’s analysis that “registration of a domain name with the intent to use it commercially was sufficient to convey trademark rights” contradicted established law that trademark rights are not conveyed through mere intent to use a mark commercially).

126. See 15 U.S.C. § 1127 (2000) (defining ‘dilution’ for purposes of the Lanham Act); *Avery Dennison*, 189 F.3d at 875 (“In the dilution context, likelihood of confusion is irrelevant.”).

127. See *Avery Dennison*, 189 F.3d at 875 (ruling that to meet the famousness element of the Federal Trademark Dilution Act, a mark must be truly prominent and renowned). This means famousness “requires a showing greater than mere distinctiveness.” *Id.* at 877. The plaintiff’s trademarks acquired only secondary meanings, and thus failed to meet the famousness prong. See generally Xuan-Thao Nguyen, *The New Wild West: Measuring and Proving Fame and Dilution Under the Federal Trademark Dilution Act*, 63 ALB. L. REV. 201, 209–12 (1999) (analyzing the ambiguity of the famousness statutory requirement); Jerry B. Swann, *Dilution Redefined For The Year 2000*, 37 HOUS. L. REV. 729, 760–64 (2000) (analyzing factors for marks to qualify for current dilution protection).

128. See, e.g., *Times Mirror Magazines, Inc. v. Las Vegas Sports News*, 212 F.3d 157, 167 (3d Cir. 2000) (famous trademarks); *Avery Dennison*, 189 F.3d at 874 (famous trademarks); *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 46 (1st Cir. 1998) (famous trademarks).

129. See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 216 (2d Cir. 1999) (famous and distinctive trademarks); see also Xuan-Thao Nguyen, *Blame It on the Cybersquatters: How Congress Partially Ends the Circus Among the Circuits with the Anticybersquatting Consumer Protection Act*, 32 LOY. U. CHI. L.J. 777, 782–88 (2001) (analyzing the conflicting rulings among federal circuit courts on fame and distinctiveness as statutory elements).

circuit courts requiring proof of actual dilutive harm<sup>130</sup> or likelihood of dilutive harm to the famous trademark due to the defendant's use of the junior trademark.<sup>131</sup>

B. *ACPA—Arming Trademark Owners with a New “Digital Trademark Right”*

1. In Personam Jurisdiction

Benefiting from the lack of legislation addressing abusive domain name registrations, persons or entities located outside the reach of U.S. courts can obtain domain names from a registrar in the United States.<sup>132</sup> With the click of a mouse, a person establishes digital contact with a domain name registrar.<sup>133</sup> That person can register a domain name without travelling to the United States for the transaction or physically sending documentation for the registration transaction to the domain name registrar.<sup>134</sup> The ease of borderless, electronic commerce through a vast network of computers, however, has its own cost. If the foreign registrant registered a domain name that is similar to a federally registered trademark in the United States

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130. See, e.g., *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670–71 (5th Cir. 2000) (requiring proof of actual dilution); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 458 (4th Cir. 1999) (same). For an analysis of the split among the circuit courts on “dilution,” see Nguyen, *supra* note 129, at 788–92. A junior trademark is causing dilutive harm to a famous senior trademark if the use of the junior trademark in commerce lessens “the capacity of the famous trademark to identify and distinguish goods or services, regardless of the presence or absence of . . . (1) competition between the owner of the famous trademark and other parties, or . . . (2) the likelihood of confusion, mistake, or deception.” 15 U.S.C. § 1127 (2000). Essentially, the junior trademark lessens the distinctive quality of the famous trademark. *Avery Dennison*, 189 F.3d at 874–75 (defining dilution). For example, “Victor’s Secret” and “Victor’s Little Secret” trademarks in connection with an adult specialty store have been held as causing dilutive harm to the famous VICTORIA’S SECRET trademark. *V Secret Catalogue Inc. v. Moseley*, 259 F.3d 464, 466 (6th Cir. 2001), *cert. granted*, 122 S. Ct. 1536 (2002).

131. See, e.g., *Times Mirror Magazines*, 212 F.3d at 168 (requiring proof of a likelihood of dilution); *Nabisco*, 191 F.3d at 217–22 (same). See generally Seth Aaron Rose, *Towards a Solution for Dilution: Likelihood Instead of Actual Harm*, 62 OHIO ST. L.J. 1869 (2001) (analyzing the likelihood of dilution standard and concluding that such a standard is practical).

132. See, e.g., *Hartog & Co. v. Swix.com*, 136 F. Supp. 2d 531, 534 (E.D. Va. 2001) (noting that the registrant located in Zurich, Switzerland had only a registration contact with NSI); *Banco Inverlat, S.A. v. www.inverlat.com*, 112 F. Supp. 2d 521, 522 (E.D. Va. 2000) (noting that the Mexican corporation registered domain names with United States registrar, NSI).

133. See *Am. Online, Inc. v. Huanh*, 106 F. Supp. 2d 848, 850 (E.D. Va. 2000) (noting registration of a domain name is entirely online at a registrar’s web site).

134. See *id.* at 855.

for a bad faith purpose, the owner of the trademark cannot assert an action against the foreign registrant in the United States.<sup>135</sup> There is no in personam jurisdiction over the foreign registrant.<sup>136</sup>

The U.S. government responded to the cybersquatting problem in electronic commerce with the Anticybersquatting Consumer Protection Act ("ACPA"). The ACPA became effective as of November 29, 1999, and provides broad remedies to trademark owners, including an in rem action in cases where the courts lack in personam jurisdiction over the foreign registrant.<sup>137</sup>

## 2. No Contacts, No Problem—In Rem Jurisdiction

The ACPA became the new, favorite legal tool for trademark owners<sup>138</sup> combating the registration of, trafficking in,<sup>139</sup> or use of a

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135. See *id.* at 856 (ruling neither the circumstances of the domain name registration contracts' execution or negotiation, nor the relationship of the domain registration contracts to the State of Virginia are sufficient to establish personal jurisdiction over foreign registrant); see also William H. Brewster et. al., *Resolving the Clash Between Trademarks and Domain Names*, 42 SANTA CLARA L. REV. 63, 88–89 (stating that the act of domain name registration alone does not subject the registrant to jurisdiction of the forum state).

136. See *Am. Online*, 106 F. Supp. 2d. at 859; *Broadbridge Media, L.L.C. v. Hypercd.com*, 106 F. Supp. 2d. 505, 506 (recognizing an in rem action against domain name hypercd.com because the registrant is a citizen of British Columbia, Canada); S. REP. NO. 106-140, at 4 (1999). Even if a foreign party has an interactive web site, there is still no personal jurisdiction over the foreign party when that party has not intentionally targeted or has not interacted with consumers in the forum state. See *iAccess Inc. v. WEBcard Techs. Inc.*, 182 F. Supp. 2d 1183, 1189 (D. Utah 2002) (finding a lack of specific personal jurisdiction over a foreign defendant who operates a moderately interactive website).

137. On June 21, 1999, Senator Spencer Abraham (R-MI) introduced the Anticybersquatting Consumer Protection Act. S. 1255, 106th Cong. (1999); see S. REP. NO. 106-140, at 4 (recounting the legislative history of the ACPA). On July 29, 1999, Senator Orrin Hatch (R-UT) introduced the Domain Name Piracy Prevention Act of 1999. S. 1462, 106th Cong. (1999); see S. REP. NO. 106-140, at 4 (same). On August 5, 1999, the Senate passed S. 1255 and amended it to incorporate S. 1462. See S. 1255; S. REP. NO. 106-140, at 4. On October 26, 1999, an amended version of that bill passed the House in lieu of the House's own version that was introduced earlier by Representative James Rogan (R-CA). H.R. 3028, 106th Cong. (1999); see H.R. REP. NO. 106-412, at 1, 4 (1999) (recounting the legislative history of the Trademark Cyberpiracy Prevention Act). Congress then incorporated the legislation into its omnibus spending bill. See H.R. 3194, 106th Cong. (1999); see H.R. REP. NO. 106-1047 (2001), 2001 WL 29442, at \*45 (stating that H.R. 3028 and S. 1255 were incorporated into the omnibus spending bill). President Clinton signed the bill into law on November 29, 1999. Trademark Cyberpiracy Prevention, Pub. L. No. 106-113, § 3010, 113 Stat. 1501A-545, 1501A-552 (1999); see S. REP. NO. 106-140, at 4.

138. As trademark owners brought actions under the ACPA immediately after it became law, courts welcomed the statute as "a particularly good fit" with cybersquatting cases that were previously brought under the federal trademark dilution statute. For example, the Second Circuit directly applied the ACPA without a remand in a case where

domain name with bad faith intent to profit from the goodwill of a distinctive or famous mark.<sup>140</sup> The ACPA provides in rem jurisdiction over domain names in cases where in personam jurisdiction over the registrant is not available or where the registrant could not be found after a due diligence search.<sup>141</sup> Because the digital contact between the foreign registrant and the forum is insufficient to establish minimum contact under the law, the in rem provision provides an alternative means for a trademark owner to resolve the

the ACPA was passed while the case was on appeal. *See Sporty's Farm L.L.C. v. Sportsman's Mkt.*, 202 F.3d 489, 496–97 (2d Cir. 2000); *see also Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 238 F.3d 264, 269–70 (4th Cir. 2001) (affirming violation of the ACPA in a case where the defendant registered and used the domain name legitimately at first, then trafficked the domain name later in bad faith). *See generally* M. Flynn Justice, *Emerging Internet Law Issues*, in 1230 PRACTICING LAW INSTITUTE, CORPORATE LAW AND PRACTICE—ADVANCED CORPORATE WORKSHOP 2001 123, 140 (2001) (noting that trademark owners have gained two powerful tools to combat cybersquatting activities: ACPA and the Uniform Domain Name Dispute Resolution Policy mandated by the Internet Corporation for Assigned Names and Numbers).

139. "Traffics in" refers to transactions that include "sales, purchases, loans, pledges, license, exchanges or currency, and any other transfer for consideration or receipt in exchange for consideration." 15 U.S.C. § 1125(d)(1)(E) (2000).

140. *See* § 1125(d)(1)(A). This provision is often referred to as section 43(d) of the Lanham Act, which provides:

A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

- (i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and
- (ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark . . . .

141. *See* § 1125(d)(2)(A):

The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if

- (i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c), and
- (ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

- (aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and
- publishing notice of the action as the court may direct promptly after filing the action.

unauthorized registration of its trademark as a domain name in a federal court.<sup>142</sup> Trademark owners can initiate in rem action against the domain name, not its registrant or owner.<sup>143</sup>

In addition to alleviating the hurdle of in personam jurisdiction, plaintiffs may desire to sue under the ACPA because the in rem action is both time and cost effective.<sup>144</sup> In exchange for such advantages, the trademark owner may not recover damages or attorneys' fees.<sup>145</sup> The trademark owner is also limited to having the domain name transferred to it or obtaining a cancellation or forfeiture of the domain name, provided that the trademark owner successfully demonstrates that the domain name violates any right of the owner of its trademarks registered in the United States Patent and Trademark Office,<sup>146</sup> or the trademark owner successfully establishes that the domain name violates any rights of the owner protected under the trademark unfair competition<sup>147</sup> and trademark dilution statutes.<sup>148</sup>

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142. See *Shri Ram Chandra Mission v. Sahajmarg.org*, 139 F. Supp. 2d 721, 722 (E.D. Va. 2001) (allowing in rem action against a domain name after dismissing the original action brought by the plaintiff due to lack of in personam jurisdiction against the alleged registrant of the domain name in dispute).

143. See, e.g., Lisa M. Sharrock, *The Future of Domain Name Dispute Resolution: Crafting Practical International Legal Solutions from Within the UDRP Framework*, 51 DUKE L.J. 817, 824–28 (2001) (discussing the implications of confirming in rem jurisdiction over the domain name itself, rather than over the registrant).

144. See generally *Heathmount A.E. Corp. v. Technodome.com*, 106 F. Supp. 2d 860, 863 (E.D. Va. 2000) (noting that in rem actions are quick and relatively inexpensive).

145. See 15 U.S.C. § 1125(d)(2)(D)(i) (providing limited remedies for in rem actions). The remedies are “limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.” *Id.* On the other hand, remedies under in personam actions are much broader. Section 35 of the Lanham Act was amended to include a new provision on statutory damages for in personam actions:

(d) In a case involving a violation of section [43(d)(1)], the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.

15 U.S.C. § 1117(d); see also *Aztar Corp. v. MGM Casino*, 59 U.S.P.Q.2d 1460, 1466 (E.D. Va. 2001) (unpublished opinion) (ordering the defendant to pay \$100,000 in statutory damages for an ACPA violation and, in addition, attorney's fees and costs to the plaintiff).

146. See 15 U.S.C. § 1125(d)(2)(A)(i) (establishing that a trademark owner may file an in rem action if “the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office”).

147. See § 1125(d)(2)(A)(i) (establishing that a trademark owner may bring an in rem action if “the domain name violates any right of the owner of a mark . . . protected under subsection (a)”); see also *Cable News Network L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 515 (E.D. Va. 2001) (ruling that one way to prevail on a motion for summary judgment in an ACPA in rem action is for the plaintiff to establish each of the elements of trademark



C. *Application of the ACPA to Trademark Disputes Regarding Domain Names*

To bring an in rem action against a domain name under the ACPA, the plaintiff must satisfy the test under either the traditional unfair competition statute or trademark dilution statute.<sup>149</sup> The corresponding trademark unfair competition statute requires the trademark owner to demonstrate that the registrant's use of the domain name is likely to confuse consumers as to the source.<sup>150</sup> For example, the plaintiff must establish that the consumers or potential consumers of its goods and services at the registrant's web site are likely to believe that the web site is associated with or authorized by the plaintiff.<sup>151</sup> The trademark dilution statute requires the trademark owner to demonstrate that its trademark is famous and/or distinctive and the registrant's use of the domain name is diluting the distinctiveness of the plaintiff's trademark.<sup>152</sup> The requirement of

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infringement under 15 U.S.C. § 1125(a), including that the defendant's use of the domain name causes a likelihood of confusion).

148. See § 1125(d)(2)(A)(i) (establishing that the plaintiff may bring an in rem action if "the domain name violates any right of the owner of a mark . . . protected under subsection . . . (c)"); see also *Cable News Network*, 177 F. Supp. 2d at 515 (ruling that the plaintiff may also prevail on a motion for summary judgment in an ACPA in rem action if the plaintiff establishes each of the elements of trademark dilution under § 1125(c)).

149. By comparison, a plaintiff under the ACPA in personam action is required to show that the defendant (1) had a bad faith intent to profit from the plaintiff's protected mark and (2) registered or uses a domain name that is dilutive of, or identical or confusingly similar to, the plaintiff's trademark. See, e.g., *Sporty's Farm L.L.C. v. Sportsman's Mkt.*, 202 F.3d 489, 497 (2d Cir. 2000) (holding that the mark in question is distinctive, that the domain name in question is confusingly similar to the mark, and that there is evidence of bad faith); *Aztar Corp.*, 59 U.S.P.Q. 2d at 1464 (citing the requirements of the ACPA).

150. See § 1125(d)(2)(A)(i) (referencing the federal unfair competition and dilution statutes).

151. Plaintiff must prove the following elements for trademark infringement or unfair competition claims:

- (1) that it possesses a mark;
- (2) that the registrant used the mark;
- (3) that the registrant's use of the mark occurred "in commerce;"
- (4) that the registrant used the mark "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and
- (5) that the registrant used the mark in a manner likely to confuse consumers.

*Cable News Network*, 177 F. Supp. 2d at 516 (citing *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001)).

152. See *id.* at 520–22 (ruling that the plaintiff "failed to establish a basis for summary judgment on its claim for dilution under Section 1125(c), and therefore, under Section 1125(d)(2)(A)"). Generally, to prove dilution the plaintiff must show that (1) it owns valid and enforceable rights in the trademark; (2) the trademark is famous and was famous before the registration or use of the domain name; (3) the registration of the domain name or use of the domain name constitutes use of the trademark in commerce; and (4) the

proof under the federal unfair competition or trademark dilution statutes as part of the ACPA in rem claim imposes a higher burden of proof on the plaintiff than in an in personam action.<sup>153</sup>

Although several circuits interpret the trademark dilution statute as requiring a trademark owner to establish that her mark is both famous and distinctive,<sup>154</sup> the ACPA permits a trademark owner to bring an ACPA in personam action if her mark is either famous or distinctive.<sup>155</sup> In the case of a distinctive mark, the plaintiff must prove that, at the time of registration, the domain name is either identical or confusingly similar to the distinctive mark.<sup>156</sup> “Identical or confusingly similar” is a much lower burden of proof than the likelihood of confusion test under the trademark unfair competition or infringement statute.<sup>157</sup> In the case of a famous trademark, however, the plaintiff must demonstrate that the domain name is identical to, confusingly similar to, or dilutive of the famous mark at the time the domain name was registered.<sup>158</sup> Again, proof that the domain name is “identical to, confusingly similar to, or dilutive of the famous trademark” requires a lower threshold of proof compared to the federal trademark dilution statute where the burden of proof is either by the likelihood of dilution or actual dilution test.<sup>159</sup>

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registration and/or use of the domain name dilutes the distinctive quality of the trademark. *Id.* at 520.

153. See *id.* at 515 (ruling that a plaintiff under in rem ACPA claim must establish each element of the trademark infringement or trademark dilution and defendant’s bad faith registration or use of the domain name); cf. *Morrison & Foerster v. Wick*, 94 F. Supp. 2d 1125, 1130 (D. Colo. 2000) (applying, in an in personam action, a direct comparison between the plaintiff’s trademarks and defendant’s domain names, not the likelihood of confusion test under the Lanham Act).

A recent decision by the Fourth Circuit, however, held that the in rem ACPA provision is not limited to claims of bad faith domain name registrations, but also covers in rem actions for federal trademark infringement and dilution claims. In the latter claims, the bad faith element is not required. *Harrods, Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 223–24 (4th Cir. 2002) (holding that in rem provision covers bad faith registration claims, infringement claims, and dilution claims).

154. See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 227–28 (2d Cir. 1999) (ruling that a plaintiff must demonstrate that a trademark is both famous and distinctive for a claim under the federal trademark dilution statute).

155. See *Sporty’s Farm L.L.C. v. Sportsman’s Mkt.*, 202 F.3d 489, 497 n.10 (2d Cir. 2000) (declining to consider whether the plaintiff’s trademark is famous, as it would have to determine under the federal trademark dilution law, “since the ACPA provides protection not only to famous marks but also to distinctive marks regardless of fame”).

156. See 15 U.S.C. § 1125(d)(1)(A)(ii)(I) (2000).

157. See *Morrison & Foerster*, 94 F. Supp. 2d at 1130.

158. See 15 U.S.C. § 1125(d)(1)(A)(ii)(II).

159. See *id.*; *N. Light Tech. Inc. v. N. Lights Club*, 97 F. Supp. 2d 96, 117 n.26 (D. Mass. 2000) (suggesting that *dizneepresentssexkittens.com* is inherently dilutive of DISNEY, even though not identical or confusingly similar); Nguyen, *supra* note 129 at 799–801

Further, the plaintiff in an ACPA in rem action must establish that the domain name registrant registered or uses the domain name with a bad faith intent to profit from the goodwill of the plaintiff's trademark.<sup>160</sup> The statute provides nine factors to determine bad faith.<sup>161</sup>

The legislative history on the in rem provision under the ACPA is sparse yet relatively complicated.<sup>162</sup> The Senate Report noted the difficulty that trademark owners face in pursuing infringement claims

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(analyzing and comparing the burden of proof for dilution under the ACPA and the Federal Trademark Dilution Act).

160. See *Harrods Ltd. v. Sixty Internet Domain Names*, 157 F. Supp. 2d 658, 669–79 (E.D. Va. 2001) (analyzing the element of bad faith intent to profit from the goodwill of the plaintiff's trademark), *aff'd in part, rev'd in part*, 302 F.3d 214 (4th Cir. 2002). On appeal, however, the Fourth Circuit in *Harrods* held that the bad faith requirement should not be treated as an additional element for in rem claim. A plaintiff in an in rem action can assert trademark infringement, trademark dilution, or bad faith registration against domain names. *Harrods, Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 223–24 (4th Cir. 2002).

161. Under 15 U.S.C. § 1125(d)(1)(B)(I), the nine factors are:

- (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
- (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
- (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- (V) 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;
- (VI) 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;
- (VII) 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;
- (VIII) 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
- (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of [section 43].

See also *Harrods*, 157 F. Supp. 2d at 669–79 (analyzing each of the nine factors).

162. See *FleetBoston Fin. Corp. v. Fleetbostonfinancial.com*, 138 F. Supp. 2d 121, 126–29 (D. Mass. 2001) (noting the complicated legislative history of the ACPA).

against cybersquatters, as many cybersquatters register domain names using an alias or provide otherwise false information to the registrar to avoid identification and service of process by the trademark owners.<sup>163</sup> The in rem provision serves to eliminate this difficulty.<sup>164</sup> To protect “the notions of fair play and substantial justice,” a trademark owner can assert an in rem action only in cases where the trademark owner, after due diligence, is unable to find the domain name registrant.<sup>165</sup> Under the analysis section of Senate Bill 1255, the Senate Report repeats the difficulty faced by trademark owners and notes how the in rem provision alleviates that difficulty while protecting the notions of fair play and substantial justice.<sup>166</sup> Both the

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163. See S. REP. NO. 106-140, at 10 (1999). The Senate Report, under the Subheading ‘In rem Jurisdiction,’ also states that the in rem provision balances the meaningful protection to trademark owner and the interest of privacy and anonymity on the Internet. Dissidents want to preserve their online incognito by giving false information to domain name registrars for anonymity and privacy purposes. To preserve dissidents’ interests, the in rem provision allows trademark owners to sue the domain names themselves. This “decreases the need for trademark owners to join the hunt to chase down and root out these dissidents or others seeking anonymity on the Net.” *Id.* at 11.

164. See H.R. CONF. REP. NO. 106-464, at 113–14 (1999) (explaining that the in rem provision is designed to alleviate the difficulty faced by trademark owners when cybersquatters “register domain names under aliases or otherwise provide false information in their registration applications in order to avoid identification and service of process by the mark owner”); see also *Alitalia-Lineee Aeree Italiane S.p.A. v. Casinoalitalia.com*, 128 F. Supp. 2d 340, 347 n.16 (E.D. Va. 2001) (citing the Congressional conference report’s goal of facilitating a cause of action against cybersquatters who intentionally avoid identification).

165. See S. REP. NO. 106-140, at 10 (1999):

The bill, as amended, will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found.

166. The Senate Report also states:

This bill will alleviate this difficulty, while protecting the notions of fair play and substantial justice, by enabling a mark owner to seek an injunction against the infringing property in those cases where, after due diligence, a mark owner is unable to proceed against the domain name registrant because the registrant has provided false contact information and is otherwise not to be found, provided the markowner can show that the domain name itself violates substantive Federal trademark law (i.e., that the domain name violates the rights of the registrant of a mark registered in the Patent and Trademark Office, or section 43(a) or (c) of the Trademark Act) . . . . [T]he relief available in such an in rem action is limited to an injunction ordering the forfeiture, cancellation, or transfer of the domain name.

*Id.* at 16.

Senate Bill and the accompanying report were silent as to where a trademark owner may file an in rem action against a domain name.<sup>167</sup>

The House had its own version, H.R. 3028, which was entitled Trademark Cyberpiracy Prevention Act.<sup>168</sup> Unlike Senate Bill S. 1255, H.R. 3028 contained a provision on which judicial district a trademark owner may file an in rem action against a domain name.<sup>169</sup> A trademark owner could bring such action "in the judicial district in which suit may be brought against the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name."<sup>170</sup>

The accompanying House Report explains that an in rem action is appropriate where personal jurisdiction cannot be established over the domain name registrant.<sup>171</sup> Such a situation occurs "when a non-U.S. resident cybersquatts on a domain name that infringes upon a U.S. trademark."<sup>172</sup> The House Report emphasizes that "[t]his type of in rem jurisdiction still requires a nexus based upon a U.S. registry or registrar and such that would not offend international comity."<sup>173</sup> Consequently, in rem jurisdiction would not be extended to "any

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167. *See id.* at 10–11, 16.

168. *See* H.R. REP. NO. 106-412, at 1–5 (1999) (reporting amendment of H.R. 3028).

169. *See id.* at 3.

170. The relevant paragraph of H.R. 3028 provides:

(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which suit may be brought against the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name if—

(i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or subsection (a) or (c) of this section, or is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code; and

(ii) the court finds that—

(I) the owner has demonstrated due diligence and was not able to find or was not able to serve a person who would have been a defendant in a civil action under paragraph (1); or

(II) personal jurisdiction cannot be established over any person who would have been a defendant in a civil action under paragraph (1).

(B) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name to the owner of the mark

(C) The in rem action established under this paragraph and any remedy available under such action shall be in addition to any other civil action or remedy otherwise applicable.

*Id.*

171. *Id.* at 14.

172. *Id.*

173. *Id.*

domain name registries existing outside the United States. Nor would this jurisdiction preclude the movement of any registries to outside of the United States.”<sup>174</sup> This report demonstrates that Congress intended to provide in rem jurisdiction in all cases as long as the registrar or registry is located in the United States.<sup>175</sup> Nexus is present by mere digital connection between the domain name and its registrar or between the domain name and its registry.<sup>176</sup>

Further, as illustrated in the House Report, Congress believed that providing in rem jurisdiction when in personam jurisdiction over the cybersquatter is unavailable would provide protection for both trademark owners and consumers of electronic commerce.<sup>177</sup> Finally, in rem jurisdiction does not offend due process, as reasoned in the House Report, because the domain name is “only the property . . . subject of the jurisdiction, not other substantive personal rights of any individual defendant.”<sup>178</sup>

In summary, Congress enacted the ACPA to curb illegal activities in the borderless and electronic sector for the purpose of nurturing the growth of electronic communications, transactions and commerce. The in rem provision under the ACPA, however, creates a new trademark right based solely on the digital connection between the domain name and the U.S. registry or registrar.

#### IV. THE MANIFESTATION OF THE DIGITAL TRADEMARK RIGHT THROUGH IN REM CYBERJURISDICTION

##### A. *Neither Digital nor Physical Contact Needed*

Before the growth of Internet commerce, federal trademark law did not authorize an in rem action against a trademark itself.<sup>179</sup> In rem actions were not authorized, in part, because in rem relief is often

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174. *Id.*

175. *Id.*

176. *Id.*

177. *Id.* (“[P]roviding in rem jurisdiction based upon the lack of personal jurisdiction over the cybersquatter would provide protection both for trademark owners and perhaps, more importantly, consumers.”).

178. *See id.*

179. *See* Porsche Cars N. Am., Inc. v. AllPorsche.com, 51 F. Supp. 2d 707, 712–13 (E.D. Va. 1999) (denying in rem relief under federal trademark statutes). The ACPA later superseded this case, followed by the Fourth Circuit vacating and remanding the decision. Porsche Cars N. Am., Inc. v. AllPorsche.com, 251 F.3d 1320 (Table), 2000 WL 742185 (4th Cir. 2000) (per curiam); *see also* Thomas R. Lee, *In Rem Jurisdiction in Cyberspace*, 75 WASH. L. REV. 97, 107–10 (2000) (discussing the history of the Porsche Cars case as the first case asserting in rem action against domain names).

viewed as extraordinary.<sup>180</sup> In rem actions adjudicate the rights of the parties in the res *in absentia* and, therefore, such actions raise serious due process concerns.<sup>181</sup> At least one court was cautious about in rem relief in trademark cases prior to the enactment of the ACPA, declining to extend the federal trademark dilution claim against domain names themselves.<sup>182</sup> The court expressed concern about a potential due process violation in the absence of in personam jurisdiction against the domain name registrant.<sup>183</sup>

The urgent desire to curb cybersquatting activities on the Internet led to the development of a statutory framework in trademark cases where the substantive rights in the domain name are determined without the presence of the original owner.<sup>184</sup> In such cases, U.S. courts are the sole tribunal to adjudicate the rights of

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180. See *Alitalia-Linee Aeree Italiane S.p.A. v. Casinoalitalia.com*, 128 F. Supp. 2d 340, 345 n.11 (E.D. Va. 2001) (noting that the limitation of remedies available for in rem action is consistent with the extraordinary nature of in rem relief and citing *In re Graham*, 1998 WL 473051, at \*4 (Bankr. E.D. Pa. Aug. 3, 1998) (recognizing the extraordinary nature of in rem relief)); *McQueeney v. J.W. Fergusson & Sons, Inc.*, 527 F. Supp. 728, 731 (D.N.J. 1981) (observing that “in rem or quasi in rem is an extraordinary writ”); see also *Brewster et al.*, *supra* note 135, at 89 (stating that in rem action is useful, but contains an “important limitation: it only can be used to transfer the domain name and cannot be used as the sole jurisdictional basis to pursue a cause of action that might result in personal liability”).

181. See *Alitalia-Linee Aeree Italiane*, 128 F. Supp. 2d at 345 n.11 (stating that the Supreme Court had held that “the exercise of *in rem* jurisdiction must comply with the due process requirements” and citing *Shaffer v. Heitner*, 433 U.S. 186, 206–09 (1977)).

182. See *Porsche Cars N. Am.*, 51 F. Supp. 2d at 712 (expressing concern over the constitutional implications of in rem actions that the exercise of in rem jurisdiction over domain names without in personam jurisdiction over the owner of the domain names might violate the Due Process Clause), *vacated and remanded* by 215 F.3d 1320 (Table), 2000 WL 742185 (4th Cir. 2000) (per curiam) (holding the ACPA allows in rem action against domain names and applies retroactively to plaintiff’s action against defendant’s domain names).

183. See *id.* at 713.

Although in rem proceedings purport to affect nothing more than the disposition of property, they necessarily affect the interests of persons as well. As a result, courts generally cannot exercise in rem jurisdiction to adjudicate the status of property unless the Due Process Clause would have permitted in personam jurisdiction over those who have an interest in the res.

*Id.* at 712.

184. See *Brewster et al.*, *supra* note 135, at 89–90 (stating that in rem is the last resort when in personam jurisdiction is not available and due diligence efforts to find the cybersquatter have been expended). See generally S. REP. NO. 106-140, at 4, 10–11 (1999) (describing the purpose of the proposed bill S. 1255 and discussing the purpose of the in rem provision and how it provides a means for trademark holder to combat cybersquatters); H.R. REP. NO. 106-412, at 5, 14 (1999) (describing the purpose of proposed bill H.R. 3028 and identifying unique problems faced by trademark owners in cyberspace due to the lack of in personam jurisdiction over registrants and explaining how the in rem provision will alleviate the problems); H.R. REP. NO. 106-464 (Conf. Rep.), at 113–14 (1999) (explaining when in rem relief is available to trademark holders).

foreign registrants in their domain names, though the foreign registrants have no contact, digital or physical, with any of the fifty states.<sup>185</sup> As the direct beneficiaries, the U.S. trademark owners gain a new protection for their trademarks in the digital area. The U.S. trademark owners need not travel to foreign nations to litigate their alleged rights in the trademarks being violated by the foreign registrants on foreign soil because they are entitled to litigate all in rem actions in the United States.<sup>186</sup> Hence, U.S. trademark owners can obtain the domain name, and thereby enjoin the foreign registrant from further ownership of the domain name in “.com,” the most coveted Top-Level Domain (“TLD”), anywhere in the world.<sup>187</sup>

Under the ACPA, the court where the registrar is located has jurisdiction over in rem actions.<sup>188</sup> The question arises as to whether any contact between the foreign registrant, the domain name, and the forum is required to support the court’s jurisdiction. A quick review

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185. See, e.g., *Heathmount A.E. Corp. v. Technodome.com*, 106 F. Supp. 2d 862, 862 (E.D. Va. 2000) (noting that the registrant is a Canadian resident lacking minimum contacts); *Broadbridge Media v. Hypercd.com*, 106 F. Supp. 2d 505, 507 (S.D.N.Y. 2000) (finding that the registrant is located in British Columbia, Canada and has no minimum contacts).

186. See *Sharrock*, *supra* note 143, at 824–25 (noting that the in rem provision confers jurisdiction over the domain name itself and thus jurisdiction “applies regardless of whether the participants are residents of other countries or even whether they have minimum contacts with the forum”).

187. In addition to the .com TLD, in rem domain name disputes in the .gov and .net TLDs also will be brought in the United States. See *Sharrock*, *supra* note 143, at 825 (drawing implication from an in rem suit that cybersquatting claims in .com, .gov and .net can be brought in the United States).

188. The in rem provision provides:

The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c) of this section; and

(ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or (II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

15 U.S.C. § 1125(d)(2)(A) (2000).



of traditional in rem jurisdiction is in order prior to an attempt to address the question.

### 1. In Rem Actions Before Cyberspace

There are three types of in rem actions: true in rem, quasi in rem I and quasi in rem II.<sup>189</sup> In rem or true in rem actions arise when courts adjudicate the property rights corresponding to a particular res for every potential rights holder, regardless of whether each rights holder is named in the proceeding.<sup>190</sup> Examples of true in rem actions include forfeiture, condemnation, probate, and arrests of vessels in admiralty.<sup>191</sup>

In quasi in rem I actions, courts adjudicate property rights as against particular named persons.<sup>192</sup> Actions to remove a cloud on a title to land or actions to quiet title against another individual's claim are examples of quasi in rem I actions.<sup>193</sup>

The last type of in rem action is quasi in rem II, which is also known as an "attachment" or "sequestration" proceeding.<sup>194</sup> Quasi in rem II generally concerns the rights of a particular person or persons in a thing and yet the underlying claim in the quasi in rem II action is unrelated to the res that provides jurisdiction.<sup>195</sup> In such an action, "the plaintiff does not dispute the property rights of the owner of the res, but seeks to obtain the res in satisfaction of some separate

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189. See generally *FleetBoston Fin. Corp. v. Fleetbostonfinancial.com*, 138 F. Supp. 2d 121, 132 (D. Mass. 2001) (noting three distinctive types of in rem actions (citing *Hanson v. Denckla*, 357 U.S. 235, 246 n.12 (1958))); *Cable News Network, L.P. v. cnnews.com*, 162 F. Supp. 2d 484, 490 (E.D. Va. 2001) (listing the three types of in rem actions); RESTATEMENT (SECOND) OF CONFLICT OF LAWS: Topic 2. Immovables, Introductory Note, at 7-9 (1971); WILLIAM L. REYNOLDS & WILLIAM M. RICHMAN, UNDERSTANDING CONFLICT OF LAWS § 30, at 74-75 (1984) (discussing the three types of in rem actions).

190. See *Hanson v. Denckla*, 357 U.S. 235, 246 n.12 (1958); *FleetBoston*, 138 F. Supp. 2d at 132; see also REYNOLDS & RICHMAN, *supra* note 189, at 74 (describing the true in rem action).

191. See *Hanson*, 357 U.S. at 246 n.12 (noting that in rem judgments affect interests in property); *FleetBoston*, 138 F. Supp. 2d at 132; see also REYNOLDS & RICHMAN, *supra* note 189, at 74 (listing examples of true in rem actions in admiralty, probate, forfeiture, and condemnation).

192. See *FleetBoston*, 138 F. Supp. 2d at 132; see also REYNOLDS & RICHMAN, *supra* note 189, at 75 (stating that, in a quasi in rem I action, the plaintiff claims an interest as against certain named individuals only).

193. See *FleetBoston*, 138 F. Supp. 2d at 132.

194. *Id.* (noting the third type of in rem proceeding is also a subcategory of the second type of in rem proceeding, hence, is called "quasi in rem type II" proceeding and may be called an "attachment" or "sequestration" proceeding); see also *Cable News Network*, 162 F. Supp. 2d at 490 & n.17 (citing *Hanson*, 357 U.S. at 246 n.12).

195. *Cable News Network*, 162 F. Supp. 2d at 490.

claim.”<sup>196</sup> An example of a quasi in rem II action is the controversial decision *Shaffer v. Heitner*.<sup>197</sup> In that case, the Supreme Court held the Delaware jurisdiction statute unconstitutional. The statute provided quasi in rem jurisdiction through the sequestration of a Delaware corporation’s stock for the purpose of compelling the personal appearance of the nonresident defendants in a matter unrelated to the property upon which the quasi in rem jurisdiction was based.<sup>198</sup> Specifically, the underlying claim, the shareholders’ derivative action against a corporation’s corporate managers, was unrelated to the res—the stock certificates held by the nonresident corporate managers; this relationship allegedly served as the basis for jurisdiction under the Delaware statute.<sup>199</sup> The *Shaffer* Court ruled that the action must satisfy the minimum-contacts requirement such that the maintenance of the action does not offend traditional notions of fair play and substantial justice under *International Shoe Co. v. Washington*.<sup>200</sup>

Some courts interpreted *Shaffer* to require that all in rem cases conform to the same due process constraints as in personam cases.<sup>201</sup> Such interpretation finds support in the *Shaffer* opinion where it states that “the standard for determining whether an exercise of jurisdiction over the interest of persons is consistent with the Due Process Clause is the minimum-contacts standard elucidated in *International Shoe*.”<sup>202</sup> Other courts hold that the language of *Shaffer* requires minimum contacts only for quasi in rem II cases.<sup>203</sup>

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196. *FleetBoston*, 138 F. Supp. 2d at 132.

197. See *Shaffer v. Heitner*, 433 U.S. 186, 216–17 (1977). Courts believe that *Shaffer* is a controversial decision, casting doubt on the constitutionality of certain in rem proceedings. See *Cable News Network*, 162 F. Supp. 2d at 489–90; *FleetBoston*, 138 F. Supp. 2d at 132–35.

198. See *Shaffer*, 433 U.S. at 193.

199. *Id.* at 190–92.

200. See *id.* at 207 (citing *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)).

201. As one court noted:

*Shaffer* appears to demand that the Fourteenth Amendment be read to prohibit all in rem jurisdiction except when the person whose property rights are being extinguished has had ‘minimum contacts’ with the forum state ‘such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’ Nothing that the Supreme Court has done subsequently casts doubt on that holding. Dicta in *Shaffer* suggests that the Supreme Court intended its holding to extend the minimum contacts test of *International Shoe* to all in rem jurisdiction, not solely to the subcategory of attachment jurisdiction.

*FleetBoston*, 138 F. Supp. 2d at 133 (citations omitted).

202. See *Cable News Network*, 162 F. Supp. 2d at 491–92 (quoting *Shaffer*, 433 U.S. at 207 and citing *FleetBoston*, 138 F. Supp. 2d at 133–34).

203. See *Schreiber v. Allis-Chalmers Corp.*, 611 F.2d 790, 793–94 (10th Cir. 1979); *Amoco Overseas Oil Co. v. Compagnie Nationale Algerienne de Navigation*, 605 F.2d

## 2. In Rem Actions in Cyberspace

Courts and legislatures must consider carefully whether in rem jurisdiction over domain names is proper in the realm of borderless, electronic commerce. If a domain name is the res underlying the dispute, a quick and easy answer is that the action against the domain name falls within the genre of true in rem.<sup>204</sup> The problem, however, arises as to the situs of the res. Domestic law, such as the ACPA, designates the judicial district where the registrar is located as the situs for the res and authorizes in rem jurisdiction in that judicial district.<sup>205</sup> The provision assumes that the registrant had an expectation to have its right in the domain name adjudicated in that judicial district.<sup>206</sup> After all, the registrant did, arguably, have some digital contact with that venue, albeit not enough to create minimum contacts with the forum.<sup>207</sup> Essentially, some minimum interests exist

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648, 654–55 (2d Cir. 1979); *Caesars World, Inc. v. Caesars-Palace.com*, 112 F. Supp. 2d 502, 503–04 (E.D. Va. 2000); *Cable News Network*, 162 F. Supp. 2d at 491 n.19 (citing *Burnham v. Superior Court of Cal.*, 495 U.S. 604, 619–28 (1990)); *John N. John, Jr., Inc. v. Brahma Petroleum Corp.*, 699 F. Supp. 1220, 1222 (W.D. La. 1988)). The court also cited two law review articles for support. See *Cable News Network*, 162 F. Supp. 2d at 491 n.19 (citing Thomas R. Lee, *In rem Jurisdiction in Cyberspace*, 75 WASH. L. REV. 97 (2000) (discussing *Shaffer v. Heitner* and explaining how in rem jurisdiction over domain names is constitutional); and Walter W. Heiser, *A “Minimum Interest” Approach to Personal Jurisdiction*, 35 WAKE FOREST L. REV. 915, 967–68 (2000) (advocating a “minimum interest” approach and explaining how the approach is consistent with *Shaffer*)).

204. See *Cable News Network*, 162 F. Supp. 2d at 491 (“[I]t remains generally accepted that when ‘property is found within the forum state and other prerequisites to *in rem* jurisdiction are satisfied, courts have routinely (if not unanimously) exercised jurisdiction over competing claims to the property without any hint of a due process problem.” (quoting Lee, *supra* note 203, at 142)).

205. See 15 U.S.C. § 1125(d)(2)(A) & (C) (2000); *FleetBoston*, 138 F. Supp. 2d at 135 (ruling the situs for in rem action is in the Eastern District of Virginia where the registrar is located); *Mattel, Inc. v. Barbie-Club.com*, No. 00 Civ. 8705 DLC, 2001 WL 436207, at \*2 (S.D.N.Y. May 1, 2001) (ruling the court lacked in rem jurisdiction over captainbarbie.com because the domain name registrar is not located within the judicial district).

206. See *FleetBoston*, 138 F. Supp. 2d at 135 (noting that “[i]n registering the website, the registrant may be expected to have notice that he would be subject to the jurisdiction of the courts in the Eastern District of Virginia” and contrasting that to the present case where the alleged cybersquatter had made no contact with the Commonwealth of Massachusetts to justify the in rem action in the District Court of Massachusetts); *Caesars World*, 112 F. Supp. 2d at 504 (“[T]o the extent that minimum contacts are required for *in rem* jurisdiction under *Shaffer* . . . , the fact of domain name registration with Network Solutions, Inc., in Virginia supplies that.”).

207. Compare *Am. Online, Inc. v. Huang*, 106 F. Supp. 2d 848, 859 (E.D. Va. 2000) (ruling registration of domain names with the registrar located in Virginia, without more, failed to establish minimum contacts with the forum for in personam jurisdiction), with *Alitalia-Linee Aeree Italiane S.p.A. v. Casinoalitalia.com*, 128 F. Supp. 2d 340, 349–50 (E.D. Va. 2001) (finding in personam jurisdiction over the foreign registrant was proper in a case where the registrant’s web site provided interactive, online gambling as this activity

for the registrant not to be surprised at having its right in the domain name litigated in the judicial district where the registrar is located.<sup>208</sup> Such minimum interests seem to comport with the traditional notions of fair play and substantial justice.<sup>209</sup>

The development of the minimum interest standard for in rem action in trademark disputes, however, takes a different turn in a recent case. In *Cable News Network, L.P. v. cnnnews.com*,<sup>210</sup> the District Court of the Eastern District of Virginia adjudicated the Chinese national registrant's right in a domain name in rem, despite the defendant's lack of minimum contacts with, or minimum interest in, the forum.<sup>211</sup> The Chinese registrant had no contact—other than NSI's storage of cnnnews.com's domain name—with the registrar located in the judicial district of the in rem action.<sup>212</sup> At the time of the litigation, the Chinese registrant used the service of a registrar that is located in China, outside the judicial district of the U.S. registrar, for the purpose of in rem action.<sup>213</sup>

The plaintiff, Cable News Network (CNN), was a Delaware company with its principal place of business in Atlanta, Georgia.<sup>214</sup> It was in the business of providing news and information services throughout the world through various electronic media.<sup>215</sup> It owns the trademark "CNN" and has registered the trademark in many countries, including China.<sup>216</sup> Plaintiff's news services were accessible via the Internet at "cnn.com."<sup>217</sup>

Maya, a company located in China, registered "cnnnews.com" with NSI (subsequently known as a VeriSign company), which is located in Herndon, Virginia.<sup>218</sup> Prior to the litigation, Maya changed the registrar for the cnnnews.com domain name from NSI to Eastern Communications Company ("Eastcom"), a registrar located in

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was purposefully directed at Virginia consumers and the record disclosed that Virginia residents have visited, joined, and played games at the website).

208. See *FleetBoston*, 138 F. Supp. 2d at 134–35 (ruling that 'traditional notions of fair play and substantial justice' would be compromised if a court obtained in rem jurisdiction over the domain name in a jurisdiction other than the jurisdiction where the registrant registered the domain name).

209. See *id.* (quoting *Caesars World*, 112 F. Supp. 2d at 504).

210. *Cable News Network, L.P. v. cnnnews.com*, 162 F. Supp. 2d. 484 (E.D. Va. 2001).

211. See *id.* at 486–87.

212. *Id.* at 487.

213. *Id.* at 488.

214. *Id.* at 486.

215. *Id.*

216. *Id.*

217. *Id.*

218. *Id.*

China.<sup>219</sup> Maya operated the cnnews.com website, providing news and information to Chinese-speaking individuals.<sup>220</sup> This website is part of Maya's comprehensive e-business services.<sup>221</sup> The cnnews.com website is one of many sites, such as cnsport.com and cnav.com, linked to Maya's main website, cnmaya.com.<sup>222</sup> The "cn" prefix refers to "China" and is widely understood and used as an abbreviation for the country name "China."<sup>223</sup> Further, the top level internet domain for China is "cn."<sup>224</sup> In addition, other Chinese companies in the news and information industry, unrelated to Maya, also own active web sites and use domain names with the "cn" prefix, such as cnnctv.com (China National Communication and Television Net), cnnac.com (China Network and Communication), and cnettv.net (China Network TV Net).<sup>225</sup>

CNN brought an in rem action against the cnnews.com domain name. As the court lacked in personam jurisdiction over the registrant Maya, the court asserted in rem jurisdiction over the domain name, as the alternative means of establishing jurisdiction provided by the ACPA.<sup>226</sup> Maya asserted that the in rem action was an unconstitutional violation of due process because Maya had no contact with any U.S. state and its domain name is used in connection with a web site that is in the Chinese language and directed to persons in China.<sup>227</sup> Maya's targeted audience is located entirely within China and most of its audience has never heard of plaintiff CNN.<sup>228</sup> Maya's statistics reflected that 99.5% of the registered users of Maya's websites are located within Chinese cities.<sup>229</sup> Further, all of Maya's business is conducted in the Chinese language and it does not transact any business in the United States.<sup>230</sup> Accordingly, Maya claimed that its choice of the domain name cnnews.com was reasonable. Further, Maya argued that there was no contractual relationship between VeriSign and the registrant.<sup>231</sup>

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219. *Id.* at 488.

220. *Id.* at 487.

221. *Id.*

222. *Id.* at 487 n.6.

223. *Id.* at 487.

224. *Id.*

225. *Id.* at 487 n.7.

226. *Id.* at 489.

227. *Id.* at 487, 489.

228. *Id.* at 487.

229. *Id.*

230. *Id.*

231. *Id.* at 492.

The court analyzed whether a judicial disposition of Maya's substantive rights to a domain name in an ACPA in rem action comports with due process in light of *Shaffer*.<sup>232</sup> The court interpreted *Shaffer's* rationale as confined to quasi in rem II, or attachment proceedings,<sup>233</sup> finding that true in rem and quasi in rem I actions are outside the reach of *Shaffer*.<sup>234</sup> The court also espoused that "*Shaffer's* language regarding true in rem and quasi in rem I matters [was] unnecessary to the holding and is therefore non-binding dicta."<sup>235</sup> Further, because neither a true in rem case nor a quasi in rem I action was before the Supreme Court in *Shaffer*, the case's holding is limited to the quasi in rem II action at issue.<sup>236</sup> In addition, the court noted that other courts in non-trademark cases have routinely and unanimously exercised in rem jurisdiction without expressing due process concerns.<sup>237</sup> Moreover, the court asserted that viewing *Shaffer* as requiring the same minimum contacts in all in rem cases as for in personam cases would run counter to historical practice and common sense.<sup>238</sup> With such reasoning, the court classified the in rem action under the ACPA within the true in rem action genre because it involves the rights of a disputed domain name/trademark for every potential rights holder.<sup>239</sup> Accordingly, there is no requirement under *Shaffer* to establish that the foreign registrant has minimum contacts with the forum.<sup>240</sup> The court concluded that "*Shaffer* is no bar to an ACPA in rem action."<sup>241</sup>

*Cable News Network* represents the first and foremost expansion of in rem actions involving trademark and domain name.<sup>242</sup> The court

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232. *Id.* at 489.

233. *Id.* at 490 ("*Shaffer* clearly holds that quasi in rem II and in personam proceedings require the same minimum contacts so as to satisfy due process . . .").

234. *Id.*

235. *Id.* at 491 (citing *Humphrey's Executor v. United States*, 295 U.S. 602, 627 (1935)).

236. *Id.* ("Because neither a true in rem case, nor a quasi in rem I case was before the Supreme Court in *Shaffer*, the case's holding does not reach those categories.").

237. *Id.* at 491 n.19 (citing cases to demonstrate that the majority view is that *Shaffer* requires minimum contacts only in quasi in rem type II cases).

238. *Id.*

239. *Id.*

240. *Id.*

241. *Id.* at 490.

242. Courts have declined to assert in rem jurisdiction in cases where the registrants had no contact with the judicial district. *See, e.g., Ford Motor Co. v. Greatdomains.com, Inc.*, 177 F. Supp. 2d 656, 657–58 (E.D. Mich. 2001) (declining in rem jurisdiction in a case where the registrant has no contact with the judicial district); *FleetBoston Fin. Corp. v. Fleetbostonfinancial.com*, 138 F. Supp. 2d 121, 134 (D. Mass. 2001) (same); *Mattel, Inc. v. Barbie-club.com*, 58 U.S.P.Q. 2d 1798, 1799–800 (S.D.N.Y. 2001) (same). Courts extended in rem jurisdiction in cases where the registrants had made digital contact with the judicial district. *See, e.g., Hartog & Co. AS v. Swix.com*, 136 F. Supp. 2d 531, 534–36 (E.D. Va.

ruled that the in rem action was proper even though the current registrar—Eastcom—was not located in the judicial district in Virginia; rather, Eastcom was located in China.<sup>243</sup> Furthermore, the domain name registrant, located in China, had no contractual relationship with VeriSign, the registrar located in the state of Virginia.<sup>244</sup> In essence, the decision allowed an in rem action where the domain name registrant had no reasonable expectation to defend its substantive right in the domain name in a judicial district where its registrar was not even located.<sup>245</sup> The domain name registrant did not even have digital contact with the forum,<sup>246</sup> much less a minimum interest in the forum.<sup>247</sup> The decision, therefore, offends traditional notions of fair play and substantial justice.<sup>248</sup>

Essentially, the *Cable News Network* decision holds that no contact is required between the foreign registrant and the forum in an in rem action under the ACPA. This holding would be utterly unfair to those domain name registrants of .com, .net, and .org top-level domain names who do not have contact with Virginia. These registrants, unexpectedly, may be forced to have their property rights adjudicated in the Eastern District of Virginia, independent of their contact with the Virginia forum.<sup>249</sup>

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2001) (exercising in rem jurisdiction in a case where the registrant had registered domain names with NSI); *Caesars World, Inc. v. ceasars-palace.com*, 112 F. Supp. 2d 502, 504 (E.D. Va. 2000) (holding that there is no need for minimum contacts when the property, the domain name, is located in the forum state and related to the cause of action).

243. See *Cable News Network*, 162 F. Supp. 2d at 488.

244. Compare *id.* at 492 (finding no contacts through mere contractual relations), with *FleetBoston*, 138 F. Supp. 2d at 134 (noting that in rem jurisdiction in *Caesars World* was proper because “the alleged cybersquatter had at least made contact with the judicial district seeking to exert jurisdiction by contacting a business in that district and purchasing a service (the registration of its domain name) from that business”).

245. See *Cable News Network*, 162 F. Supp. 2d at 488 (noting that Eastcom is located in China).

246. At the time of the litigation, all registration services were conducted through the Chinese registrar, Eastcom. *Id.* at 488.

247. See *Caesars World*, 112 F. Supp. 2d at 504 (noting that the registration service contact with a registrar located in Virginia satisfies the minimum contact requirement for an in rem action).

248. See *FleetBoston*, 138 F. Supp. 2d at 134–35 (ruling that if “minimum contacts are not required at all with the owner of the res but only with the res itself, traditional notions of fair play and justice would be compromised”).

249. *Id.* at 135 (“Serious constitutional questions would be raised by . . . allow[ing] an in rem action [to] be brought . . . in a jurisdiction in which the owner of the domain name may have had absolutely no contact whatsoever.”). A counter argument could be formulated that *Cable News Network* is a sound decision, meeting the Congressional intent to close down all loopholes relating to cybersquatting. Otherwise, potential defendants could avoid liability by registering domain names with registrants outside the United States and therefore the domain names at issue will not be subject to in rem

The basis for the overreaching in rem action under *Cable News Network* rests on the ACPA's treatment of the official registry as the basis for in rem actions involving domain names registered in the .com, .net, and .org top level domains.<sup>250</sup> NSI (a VeriSign company), located in Virginia, is the only official registry for domain names in the .com, .net, and .org top level domains.<sup>251</sup>

In other words, under the holding and rationale of *Cable News Network*, a domain name registrant residing in Australia, who registered a domain name in the .com top-level domain with a registrar located in Canada, faces the possibility of an in rem action in the state of Virginia. The domain name registrant probably never expected that its substantive right in the domain name would be adjudicated in the state of Virginia. The registrant has digital contact only with the registrar in Canada, and lacks even digital contact with the Virginia forum.

### B. The Official Registry for In Rem Extraterritorial Reach

An in rem action is predicated on the notion that the res is found within the territorial jurisdiction of the court.<sup>252</sup> Where is a domain name res located? The quest to determine where a domain name is located for in rem purposes faces several peculiar problems. A domain is located everywhere a computer is connected to the Internet and is also located nowhere because it has no physical form.<sup>253</sup> To

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actions under the ACPA in the United States. See S. REP. NO. 106-140, at 7-8 (1999); H. REP. NO. 106-412, at 5-6 (1999).

250. See *Cable News Network*, 162 F. Supp. 2d at 491.

251. See *infra* notes 255, 259-71 and accompanying text.

252. See *FleetBoston*, 138 F. Supp. 2d at 135.

253. The everywhere and nowhere characteristics of the Internet have been noted by many commentators. See generally Brian L. Berlandi, *What State Am I In? Common Law Trademarks on the Internet*, 4 MICH. TELECOMM. & TECH. L. REV. 105, 123-24 (1998) (noting the everywhere and nowhere nature of the Internet); Roberta S. Karmel, *Regulatory Initiatives and the Internet: A New Era of Oversight for the Securities and Exchange Commission*, 5 N.Y.U. J. LEGIS. & PUB. POL'Y 33, 33 (2002) ("The global nature of Internet communications can lead to the conclusion that Internet activities occur everywhere, nowhere, or both simultaneously, creating jurisdictional conflicts in laws and courts."); Ira S. Nathenson, *Showdown at the Domain Name Corral: Property Rights and Personal Jurisdiction over Squatters, Poachers and Other Parasites*, 58 U. PITT. L. REV. 911, 935-46 (1997) (stating that the difficulty of asserting jurisdiction over a defendant in cyberspace who uses a domain name is the cyber-defendant is said to be "everywhere and nowhere at the same time"); Norbert Reich & Axel Halfmeier, *Consumer Protection in the Global Village: Recent Developments in German and European Union Law*, 106 DICK. L. REV. 111, 118 (2001) (noting that suppliers in cyberspace seem to be "everywhere and nowhere, a little bit like Alice in Wonderland").



simplify the situs<sup>254</sup> determination for domain names, the ACPA names the location of the registrar or the registry as the situs.<sup>255</sup> The ACPA further designates that the court where the registry is located has in rem jurisdiction over the domain names stored in the registry.<sup>256</sup> But who is the registrar and what and where is the registry?

A registrar is the entity that administers the registration of domain names.<sup>257</sup> The registry is the official entity that maintains all official records regarding all domain name registrations in the top-level domains.<sup>258</sup> The domain name and associated information, such as registrant name, address, e-mail address, fax number, telephone number, and date of registration are maintained in the centralized WHOIS database.<sup>259</sup> NSI (a VeriSign company) has the exclusive and sole control of the WHOIS database of all domain names in the .com, .org, and .net top-level domains.<sup>260</sup>

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254. Situs is defined as the place where a thing is considered, with reference to jurisdiction over it. BLACK'S LAW DICTIONARY 721 (5th ed. 1983).

255. 15 U.S.C. § 1125(d)(2)(A) (2000) ("The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located.").

256. *Id.*

257. For a current list of domain name registrars, see ICANN, ACCREDITED REGISTRARS, at <http://www.icann.org/registrars/accredited-list.html> (last modified Aug. 12, 2002) (on file with the North Carolina Law Review). The list indicates that Verisign Global Registry Services (essentially, NSI) operates the registry files for .com, .net, and .org TLDs. See *FleetBoston*, 138 F. Supp. 2d at 123 n.2 ("[A] registrar is one of several entities, for a given TLD, that is authorized by ICANN [Internet Corporation for Assigned Names and Numbers] to grant registration of domain names to registrants.").

258. See *FleetBoston*, 138 F. Supp. 2d at 123 n.2 ("[A] registry is the single official entity that maintains all official records regarding registrations in the TLD [top level domain] . . ."). For detailed definitions of Registry Data, Registry Database and Registry Services, see ICANN, .COM REGISTRY AGREEMENT, at <http://www.icann.org/tlds/agreements/verisign/registry-agmt-com-25may01.htm> (last modified June 10, 2001) (on file with the North Carolina Law Review).

259. See *Smith v. Network Solutions, Inc.*, 135 F. Supp. 2d 1159, 1161 n.2 (N.D. Ala. 2001) (describing NSI's registry unit that stores the centralized WHOIS database); *Register.com, Inc. v. Verio, Inc.*, 126 F. Supp. 2d 238, 242 (S.D.N.Y. 2000) (explaining the content of the WHOIS database collected by various registrars).

Pursuant to the Registry Agreement between ICANN and VeriSign, the "Registry Database" contains all data about domain names that is used to generate domain name resource records or responses to domain name availability lookup requests or WHOIS queries. See ICANN, .COM REGISTRY AGREEMENT, *supra* note 258; see also Jay P. Kesan & Rajiv C. Shah, *Fool Us Once Shame on You—Fool Us Twice Shame on Us: What We Can Learn From the Privatizations of the Internet Backbone Network and the Domain Name System*, 79 WASH. U. L.Q. 89, 183 (2001) (discussing NSI's claim of ownership of WHOIS database and present control of the .com, .net, and .org TLDs).

260. See *Smith*, 135 F. Supp. 2d at 1161 & n.2 (explaining NSI functions both as a registrar and the official Registry); Kesan & Shah, *supra* note 259, at 181–83 (explaining

Beginning in 1993, NSI was the sole registrar of domain names for the .com, .org, .net, and .edu top-level domains by virtue of a contract NSI secured with the National Science Foundation.<sup>261</sup> In 1998, the Department of Commerce began the process of transition to a competitive system of domain name registration.<sup>262</sup> The Internet Corporation for Assigned Names and Numbers ("ICANN"), a private, non-profit corporation was created to assume the U.S. government's responsibilities for the management of the Internet domain name system and to increase competition and international participation in the domain name registration system.<sup>263</sup> As part of

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the history of NSI's monopoly in the WHOIS database); *see also* ICANN, ACCREDITED REGISTRARS, *supra* note 257, at <http://www.icann.org/registrars/accredited-list.html> (last modified Aug. 12, 2002) (on file with the North Carolina Law Review) (listing VeriSign Global Registry Services operates .com, .net., and .org).

261. *See* Kesan & Shah, *supra* note 259, at 181-83 (discussing the rise of NSI's monopoly beginning in 1993); *see also* PGMedia, Inc. v. Network Solutions, Inc., 51 F. Supp. 2d 389, 392-93 (S.D.N.Y. 1999) (explaining that NSI won the bid solicited by the National Science Foundation for registration of domain names in the .com, .net, .org, .edu., and .gov Top Level Domains), *aff'd*, 202 F.3d 573 (2d Cir. 2000); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 953 (C.D. Cal. 1997) ("Under a contract with the National Science Foundation, NSI manages domain name registrations for the '.com,' '.net,' '.org,' '.edu,' and '.gov' top-level domains."), *aff'd*, 194 F.3d 980 (9th Cir. 1999). For an Internet timeline, *see* BARRY M. LEINER ET AL., A BRIEF HISTORY OF THE INTERNET, at <http://www.isoc.org/internet-history/brief.html> (last modified Aug. 4, 2000) (on file with the North Carolina Law Review); *see also* *Management of Internet Names and Addresses*, 63 Fed. Reg. 31,742 (June 10, 1998) (describing the evolution of a private domain name system designed to increase competition and international participation).

NSI is no longer the exclusive registrar; there are more than fifty domain name registrars in the .com, .net, and .org top-level domains. One court, for example, noted that NSI

formerly enjoyed a monopoly as the only domain name registrar. NSI still operates and maintains the top-level domain name servers and zone files which enable the other registrars to access the DNS and to transmit domain name registration information for the .com, .net, and .org top level domain names to the [Internet Domain Name] System.

*Register.com, Inc. v. Verio, Inc.*, 126 F. Supp. 2d 238, 242 n.1 (S.D.N.Y. 2000). Therefore, though NSI is not the sole registrar, it continues to monopolize the registry of the .com, .net, and .org.

262. *See* Marcelo Halpern & Ajay K. Mehrotra, *From International Treaties to Internet Norms: The Evolution of International Trademark Disputes in the Internet Age*, 21 U. PA. J. INT'L ECON. L. 523, 547-48 (2000) (stating that prior to the formation of ICANN, the domain name registration process was administered solely by NSI until 1998); *see also* *Smith*, 135 F. Supp. 2d at 1162 & n.4 (noting that NSI was the registrar for all domain names registered within the .com, .org, .net, and .edu TLDs from April 1993 until June 1999).

263. *See* Frankel, *supra* note 90, at 860-63 (discussing ICANN's unique role in the operation of the Internet); Kesan & Shah, *supra* note 259, at 174-76 (discussing the creation of ICANN for the purpose of managing and privatizing the domain name system); *see also* *Name.space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 577-78 (2d Cir.

the transition, NSI's domain name registration service was divided into two separate units—a registrar and a registry.<sup>264</sup> As a registrar, NSI continued to register domain names, not as a sole registrar, but as one of eighty registrars accredited by ICANN.<sup>265</sup> NSI, as a registrar, maintains its own WHOIS database, which contains data drawn from the customers who registered domain names through NSI.<sup>266</sup>

Each registrar is required to compile a WHOIS database containing information relating to its own registrations only.<sup>267</sup> NSI, as the official registry unit for the Internet domain name registration system, per its agreement with the Department of Commerce maintains the centralized WHOIS database of all domain names in the .com, .org, and .net top-level domains.<sup>268</sup> All registrars, however,

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2000) (discussing the privatization process of the Domain Name System by the United States government in response to growing domestic and international concerns).

264. See Kesan & Shah, *supra* note 259, at 184 (stating that under the agreement between ICANN and NSI in 1999, NSI agreed to divide its business into two parts, the domain name registration business and the registry business); see also *Smith*, 135 F. Supp. 2d at 1161 (explaining NSI's function as registrar and registry).

265. See *Smith*, 135 F. Supp. 2d at 1161 (noting that in June of 1999 there were six accredited registrars and by 2001 the number increased to 80); see also ICANN, ACCREDITED REGISTRARS, *supra* note 257 (providing a current list of all accredited registrars). Though there is competition at the registrar level, the monopoly of the registry for .com, .net, and .org remains with NSI. See Pamela Segal, *Attempts to Solve the UDRP's Trademark Holder Bias: A Problem that Remains Unsolved Despite the Introduction of New Top Level Domain Names*, 3 CARDOZO ONLINE J. CONFLICT RESOL. 1, \*8–10 (Dec. 2001), at [http://www.cojcr.org/articles\\_notes/vol3\\_1\\_an/segal\\_frame.htm](http://www.cojcr.org/articles_notes/vol3_1_an/segal_frame.htm) (on file with the North Carolina Law Review) (noting the lack of competition at the registry level due to NSI's tight control of the registry).

266. See Kesan & Shah, *supra* note 259, at 183–84 (explaining the contents and use of the WHOIS database and NSI's control of the database); see also *Smith*, 135 F. Supp. 2d at 1161 (noting the official Registry “maintains the centralized ‘WHOIS’ database of all registered SLD names in the ‘.com,’ ‘.org,’ and ‘.net’ TLDs, compiled from the registrations in those TLDs submitted by all registrars, including NSI's registrar unit”); *Register.com*, 126 F. Supp. 2d at 241–42 (noting that each registrar must maintain its own WHOIS database of the customers who register domain names through the registrar and provide an online, interactive WHOIS database available for the public to search).

267. See *Register.com*, 126 F. Supp. 2d at 242 (explaining the WHOIS database maintained by each registrar under a Registrar Accreditation Agreement with ICANN); Holger P. Hestermeyer, *The Invalidity of ICANN's UDRP Under National Law*, 3 MINN. INTELL. PROP. REV. 1, 4–5 (2002) (stating that NSI still operates and controls the server and the file containing “a list of all” domain names, though other registrars can register and add domain names to the file); ICANN, REGISTRAR ACCREDITATION AGREEMENT, at <http://www.icann.org/registrar/ra-agreement-17may01.htm> (last modified May 18, 2001) (on file with the North Carolina Law Review).

268. See ICANN, ACCREDITED REGISTRARS, *supra* note 257 (listing that Verisign Global Registry Services operates .com, .net, and .org); see also Hestermeyer, *supra* note 267, at 4 (stating that NSI continues to control the root server file containing all domain names in the .com, .net, and .org TLDs); Kesan & Shah, *supra* note 259, at 184 (stating that NSI continues to control the Registry).

are required to pay an annual fee of six dollars per domain name to the official registry to place and maintain each domain name registered in the registry's WHOIS database.<sup>269</sup> The accumulation of the domain name registration data in the official registry's WHOIS database permits all registrars to determine which domain names are already registered and thus unavailable to others.<sup>270</sup> Essentially, the official registry "directly interacts with and serves registrars."<sup>271</sup> The end-users, on the other hand, receive limited access to the official registry's WHOIS database online for the purpose of determining which registrar registered a domain name with the registry.<sup>272</sup>

On June 8, 2000, NSI became a wholly-owned subsidiary of VeriSign, and the registry was renamed VeriSign Global Registry Services.<sup>273</sup> There are about thirty million domain name registrations in the registry.<sup>274</sup> About fourteen million of the domain name registrations have been registered through NSI's registrar unit.<sup>275</sup>

Because NSI (the registry) is located in Herndon, Virginia, the judicial district for in rem actions involving any domain name registration in the .com, .org, and .net top-level domains will be in

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269. See Kesan & Shah, *supra* note 259, at 184 (stating that other registrars pay NSI \$6 per domain name for the maintenance of the registration system); see also Smith, 135 F. Supp. 2d at 1161 (stating that all registrars are required to "pay a \$6 per-year fee to the Registry to place and maintain each domain name registered in the Registry's WHOIS database"); ICANN, REGISTRAR ACCREDITATION AGREEMENT, *supra* note 267 (outlining the terms of agreement between registrars and the registry).

270. See Kesan & Shah, *supra* note 259, at 183 (stating that the WHOIS database is used to ascertain whether a domain name has already been registered); see also Smith, 135 F. Supp. 2d at 1161 (explaining the purpose and use of WHOIS database in domain name registration); A. Michael Froomkin, *Wrong Turn in Cyberspace: Using ICANN to Route Around the APA and the Constitution*, 50 DUKE L.J. 17, 43 (2000) (explaining how a domain name is resolved).

271. Smith, 135 F. Supp. 2d at 1161; see Hestermeyer, *supra* note 267, at 3-4 (explaining that the only entity that can enter a requested domain name for registration in the master root server holding a directory of all computers that hold TLD directories is the registrar).

272. Pursuant to Section II, Paragraph 11 of the Registry Agreements between ICANN and VeriSign for .com, .net, and .org TLDs, VeriSign must provide free public query-based access to up-to-date data concerning domain name and nameserver registrations maintained by the Registry. See ICANN, .COM REGISTRY AGREEMENT, *supra* note 258; ICANN, .NET REGISTRY AGREEMENT, at <http://www.icann.org/tlds/agreements/verisign/registry-agmt-net-25may01.htm> (last modified May 28, 2001) (on file with the North Carolina Law Review); ICANN, .ORG REGISTRY AGREEMENT, at <http://www.icann.org/tlds/agreements/verisign/registry-agmt-org-25may01.htm> (last modified May 28, 2001) (on file with the North Carolina Law Review).

273. See Kesan & Shah, *supra* note 259, at 181 (stating that VeriSign purchased NSI for \$21 billion); see also Smith, 135 F. Supp. 2d at 1161 (noting that NSI became a wholly-owned subsidiary of VeriSign).

274. See Smith, 135 F. Supp. 2d at 1161 (noting the estimated number for domain name registrations).

275. See *id.* (noting the defendant NSI's registration power).

Virginia.<sup>276</sup> This means that the courts in the Eastern District of Virginia have in rem jurisdiction to adjudicate the substantive rights of all foreign registrants in domain names.<sup>277</sup> The district court there becomes the global tribunal determining foreign registrants' substantive rights even though the foreign registrants have no contact, digital or otherwise, and no expectation that they will be haled into the district court located in Virginia.<sup>278</sup> Nothing in the domain name registration document identifying Virginia as the forum for an in rem action.<sup>279</sup> Further, foreign registrants who register domain names with registrars in their home country or a third country do not expect that the state of Virginia, U.S.A. is the global forum for actions adjudicating their rights in domain names.<sup>280</sup> As a result of designating the official registry as the situs and authorizing in rem jurisdiction to the courts where the registry is located, the traditional notions of fair play and substantial justice are compromised.<sup>281</sup> The ACPA's in rem provisions would, therefore, force the foreign national to litigate in a judicial district in America where the foreign national had never been, had no intention to affect commerce, and

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276. See *Cable News Network, L.P. v. cnnnews.com*, 162 F. Supp. 2d 484, 492 (E.D. Va. 2001) ("[B]ecause VeriSign serves as the registry for all '.com' domain names [and] is located within this district and has control over the cnnnews.com domain name, *in rem* jurisdiction in this case is therefore constitutional.").

277. See *id.*

278. Compare *id.* ("What matters in an *in rem* case is not the contractual relation that may exist between a registrant and a registrar, but rather the nexus that exists between the Registry, VeriSign, and the domain name, cnnnews.com. It is this nexus that matters for ACPA *in rem* actions."), with *FleetBoston Fin. Corp. v. Fleetbostonfinancial.com*, 138 F. Supp. 2d 121, 135 (D. Mass. 2001) (rejecting in rem jurisdiction where the owner of the domain name has "absolutely no contact" with the forum and ruling in rem jurisdiction based on arguments that "minimum contacts are only required with the United States and not with the forum state or . . . minimum contacts are not required at all with the owner of the res but only with the res itself" unconstitutional).

279. See also *Heathmount A.E. Corp. v. Technodome.com*, 106 F. Supp. 2d 860, 866 (E.D. Va. 2000) ("NSI's website does not indicate that it is located in Virginia or even that NSI is a Virginia business . . . . As such, there is no evidence that [defendant] knew that NSI was located in Virginia, let alone that he was purposefully directing his activities to the Commonwealth.").

280. Even if the foreign registrants know that the registry is located in Virginia and that their domain names are included in the registry, they would never imagine that by registering their domain names they are essentially consenting to have trademark disputes regarding their domain name property litigated in U.S. courts. See *FleetBoston*, 138 F. Supp. 2d at 134–35 (noting that a domain name registrant who registered a domain name with a registrar located in a particular forum may be expected to have notice that an in rem action would be subject to the jurisdiction of the forum).

281. See *id.* at 135 (ruling that the traditional notions of fair play and substantial justice would be compromised for in rem proceedings where the domain name owners have no contact with the forum).

could not reasonably expect to be hailed into court.<sup>282</sup> By using the registry as the situs of the domain name res and authorizing in rem jurisdictions over domain names maintained in the registry, the ACPA empowered the court to issue an order that reaches beyond the state of Virginia and the national boundaries of the United States.<sup>283</sup>

### C. *The Formation of an In Rem Court by Default*

The by-product of the in rem provision under ACPA is the formation of a default in rem court for trademark disputes in domain names. Because in rem jurisdiction is authorized under the statute to the district courts where the official registry is located, all in rem actions involving domain names in the .com, .org, and .net top-level domains potentially could be brought in the Eastern District of Virginia.<sup>284</sup> The court becomes the default court in the United States, if not currently in the world, to adjudicate the ownership of the property right in the domain names held by foreign registrants.<sup>285</sup>

In addition to the formation of the default in rem court based on the location of the official registry, a further aspect of the ACPA in rem provision facilitates the transformation of the Eastern District into the default court for trademark disputes in domain names. Indeed, the in rem provision under the ACPA authorizes in rem jurisdiction to the courts where “other domain name authority that

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282. See *id.*

283. See *Cable News Network, L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 527 (E.D. Va. 2001) [hereinafter *Cable News Network II*]. The court in *Cable News Network II* insisted that its order does not implicate *Bulova* because the order does not specifically address extraterritorial conduct. See *id.* at 518. The court stated that an order requiring VeriSign to transfer the ownership of the domain name from the Chinese registrant to the plaintiff is merely “an order requiring a company located in the jurisdiction to take action with respect to a domain name that is also located in this jurisdiction.” *Id.* at 518 & n.29.

284. The official registry controlling the domain names in the .com, .net., and .org TLDs is held by NSI. See Hestermeyer, *supra* note 267, at 4 (stating NSI’s control of the file for all domain names); Kesan & Shah, *supra* note 259, at 184 (stating NSI’s control of the domain name database); *supra* note 276 and accompanying text (stating that NSI is located in Herndon, Virginia); see also *Smith v. Network Solutions, Inc.*, 135 F. Supp. 2d 1159, 1161 (E.D. Va. 2001) (explaining the role of NSI in domain name registrations in a case where the plaintiff alleged a monopolization claim against NSI); *Cable News Network, L.P. v. cnnews.com*, 162 F. Supp. 2d 484, 492 (E.D. Va. 2001) (maintaining in rem jurisdiction because NSI Registry is located in the district). See generally ICANN, .COM REGISTRY AGREEMENT, *supra* note 258; ICANN, .NET REGISTRY AGREEMENT, *supra* note 271; ICANN, .ORG REGISTRY AGREEMENT, *supra* note 271.

285. See *Cable News Network*, 162 F. Supp. 2d at 492 (ruling the official Registry as situs for an in rem action and focusing on the nexus that exists between the Registry and the domain name itself in rendering the in rem action constitutional even though the registrant has no relationship with the registrar located in the judicial district).

registered or assigned the domain name” is located.<sup>286</sup> The judicial district where such domain name authority resides, again, is in Herndon, Virginia—the Eastern District—where NSI/VeriSign is located.

NSI/VeriSign currently maintains the master root zone server.<sup>287</sup> The process of converting domain names into Internet Protocol numbers begins with the root zone file controlled by NSI.<sup>288</sup> The root zone file is compiled from all registrations in the .com top-level domain submitted by all authorized registrars worldwide, including the NSI’s registrar unit, and contains the domain names in all the .com top-level domain and their corresponding numerical Internet

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286. See 15 U.S.C. § 1125(d)(2)(A) (2000); see also *FleetBoston*, 138 F. Supp. 2d at 135 (rejecting the plaintiff’s argument that the district court of Massachusetts has in rem jurisdiction over the domain name because the plaintiff arranged for the domain name’s Registration Certificate to be deposited with the court). The court noted that in rem jurisdiction is predicated on the notion that the res is found within the territorial jurisdiction of the court. *Id.* Adopting the plaintiff’s argument would give the plaintiff the right to transfer the res to any forum, and that would offend notions of fair play. *Id.* The court noted that the statute requires the in rem proceedings be brought in the judicial district where the registrar is located and in this case, the registrar for the domain name is located in Herndon, Virginia. *Id.* Consequently, the court ruled that it lacked in rem jurisdiction over the domain name.

287. See ICANN, .COM REGISTRY AGREEMENT, *supra* note 258; ICANN, .NET REGISTRY AGREEMENT, *supra* note 271; ICANN, .ORG REGISTRY AGREEMENT, *supra* note 271; see also *Name.space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 577, 581–82 (2d Cir. 2000) (discussing NSI’s antitrust immunity in a case where the plaintiff contested NSI’s control of the master root zone files); *Cable News Network II*, 177 F. Supp. 2d at 514 n.16 (noting that VeriSign maintains the root zone file for the .com TLD); Froomkin, *supra* note 270, at 90 (explaining the agreement between the Department of Commerce and NSI wherein NSI maintained the authoritative root files).

288. See *Name.space*, 202 F.3d at 577 (describing the process of resolving a domain name address query). The process of converting domain names into IP [Internet Protocol] numbers begins with the “root zone file,” which is

the highest level of the domain name system and contains the databases enabling an Internet address query to be routed to its proper destination. The master root zone server of the DNS [Domain Name System] contains the authoritative root zone file, from which the other 12 duplicate root zone servers download new domain name information on a daily basis. The root zone file serves the functions of directing an address query to the proper TLD [Top Level Domain] zone file, which contains information regarding the location of the numerous gTLDs [generic Top Level Domain] and ccTLDs [country code Top Level Domains]. The TLD zone file in turn directs the address query to SLD [Second Level Domain] zone files, which contain listings of all SLDs and corresponding IP numbers under the TLD in question. The SLD zone files then direct the query to lower level portions of the DNS, until the address query is fully resolved.

*Id.* (internal citations omitted) (citing Improvement of Technical Mgmt. of Internet Names & Addresses, 63 Fed. Reg. 8826, 8826 (Feb. 20, 1998)); see also Froomkin, *supra* note 270, at 42–43 (explaining the domain name resolution hierarchy).

Protocols.<sup>289</sup> Though the Internet Protocol or addresses are assigned by the registrars for the domain names, NSI controls all entries in the root zone file and has the ability to change the Internet Protocol number matched with a particular domain name.<sup>290</sup> NSI can control a domain name by matching the domain name with a different Internet protocol in the root zone file.<sup>291</sup> Accordingly, the Eastern District of Virginia would be the default judicial district for litigating in rem actions under the ACPA, because NSI, the authority with the master root zone server that ultimately registers or assigns domain names, is located in that district.<sup>292</sup>

Lastly, the formation of the default in rem court is encouraged by the ACPA authorization of jurisdiction for courts in the judicial district where the domain name registrar is located.<sup>293</sup> Though other registrars are now in existence, NSI by far is the registrar with the most domain name registrations.<sup>294</sup> Further, NSI was and is the exclusive registrar of domain names in the .com TLD, the most sought after TLD.<sup>295</sup> NSI, and its new corporate entity as a VeriSign company, continues to be a major registrar with tight control of the

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289. See *Name.space*, 202 F.3d at 577; *Cable News Network*, 162 F. Supp. 2d at 488 n.11; Froomkin, *supra* note 270, at 42–43.

290. See *supra* note 275.

291. *Cable News Network*, 162 F. Supp. 2d at 488 n.11.

292. See *Smith v. Network Solutions, Inc.*, 135 F. Supp. 2d 1159, 1162 (N.D. Ala. 2001) (“Once a registrar accepts a domain name application, it will, for a fee, have the name registered in the Registry’s WHOIS database.”), *aff’d* No. 01-12255, 2001 WL 1690492 (11th Cir. Nov. 21, 2001); see also Froomkin, *supra* note 270, at 57 (stating that NSI controls the computers that held the root zone, is responsible for the mechanics of inserting new TLDs into the root, and registers second-level-domain names in .com, .org, and .net on a first-come, first-served basis, under the agreement between NSI and the National Science Foundation).

293. See 15 U.S.C. § 1125(d)(2)(A) (2000).

294. See *Smith*, 135 F. Supp. 2d at 1161; see also Froomkin, *supra* note 270, at 57 (stating that NSI’s monopoly has propelled it into a multi-billion dollar business).

295. See *Cable News Network*, 162 F. Supp. 2d at 488 n.11 (noting VeriSign is the exclusive registry for all domain names in the .com TLD). Moreover, VeriSign controls the registry for other less desirable TLDs such as .net and .org. That means the Registry for such TLDs is located in Virginia. See ICANN, .COM REGISTRY AGREEMENT, *supra* note 258; ICANN, .NET REGISTRY AGREEMENT, *supra* note 271; ICANN, .ORG REGISTRY AGREEMENT, *supra* note 271.

Recently, ICANN has added seven new TLDs such as .info, .pro, .name, .aero, .biz, .coop, and .museum. The registrars and their registries for these new TLDs are located in various states and countries. For example, the registrar for .info is Afiliat, LLC, a company located in Horsham, Pennsylvania, and the registrar for .name is Global Name Registry, LTD, a United Kingdom company. See ICANN, NEW TLD PROGRAM, at <http://www.icann.org/tlds/> (last modified July 18, 2002) (on file with the North Carolina Law Review). The new TLDs are not as popular as the .com TLD.



domain name database.<sup>296</sup> NSI has registered almost half of all domain name registrations.<sup>297</sup>

Due to the large volume of domain names that already have been registered by NSI, important decisions relating to in rem actions will most likely come from the court in the Eastern District of Virginia where the NSI registrar is located.<sup>298</sup> Courts outside that judicial district consistently decline to hear in rem actions in cases where NSI is the registrar of the domain name in dispute.<sup>299</sup> Even in other ACPA cases, courts probably will look to the decisions rendered by the courts in the Eastern District of Virginia as persuasive authority on in rem actions.<sup>300</sup>

Moreover, because the statute authorizes in rem jurisdiction to courts in the judicial district in which "the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located,"<sup>301</sup> the court in the Eastern District of Virginia has in rem jurisdiction by default based on the location of the domain name registry. Consequently, at a minimum, trademark owners, litigants, and the public may not have the benefits of a broad, collective judicial wisdom beyond that of the Eastern District of Virginia.

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296. See *Smith*, 135 F. Supp. 2d at 1161 (stating that the defendant NSI became a wholly-owned subsidiary of defendant VeriSign and continues to control the Registry of all domain name registrations in the .com, .org, and .net TLDs).

297. See *id.* (stating that the defendant NSI has registered about fourteen million out of twenty-four to thirty million domain name registrations, "which is more than any other individual registrar").

298. See, e.g., *Alitalia-Linee Aeree Italiane S.p.A. v. casinoalitalia.com*, 128 F. Supp. 2d 340, 343–47 (E.D. Va. 2001) (becoming the first court to address whether a plaintiff could maintain both in rem and in personam actions); *Caesars World, Inc. v. caesarspalace.com*, 112 F. Supp. 2d 502, 503–05 (E.D. Va. 2001) (becoming the first court to decide whether a domain name is property for the purpose of an in rem action); *Am. Online, Inc. v. Huang*, 106 F. Supp. 2d 848, 855–58 (E.D. Va. 2000) (becoming the first court to decide whether digital contact is sufficient to satisfy the minimum contacts test for in personam jurisdiction).

299. See, e.g., *Ford Motor Co. v. Greatdomains.com, Inc.*, 177 F. Supp. 2d 656, 658 (E.D. Va. 2001) (citing *Lucent Techs., Inc. v. Lucentucks.com*, 95 F. Supp. 2d 528, 534 (E.D. Va. 2000) and *Heathmount A.E. Corp. v. Technodome.com*, 106 F. Supp. 2d 860, 868 (E.D. Va. 2000), for the proposition that in rem action is permissible in cases where the domain name registrant is foreign or anonymous); *FleetBoston Fin. Corp. v. Fleetbostonfinancial.com*, 138 F. Supp. 2d 121, 134 (D. Mass. 2001) (citing *Caesars World*, 112 F. Supp. 2d at 504, for the proposition that contact between the registrant and the forum is still required for in rem action).

300. See *E. & J. Gallo Winery v. Spider Webs Ltd.*, 129 F. Supp. 2d 1033, 1047 (S.D. Tex. 2001) (citing *Caesars World*, 112 F. Supp. 2d at 503–05 for the proposition that "in rem jurisdiction under the ACPA does not violate due process.").

301. See 15 U.S.C. § 1125(d)(2)(A) (2000).

Regardless of whether the formation of the default in rem court was intentional, it has serious implications. The Eastern District of Virginia has slowly become the default court where the registrar, the registry, and the domain name authority are located. The default court has the power in such cases to issue orders that impose the United States' digital trademark rights on the rest of the world. The default court, in the name of applying national law, provides remedies available under the ACPA, ordering the U.S. registrar, registry, and the domain name authority to transfer the ownership of a domain name held by the foreign registrant to the U.S. trademark holder.<sup>302</sup> The effect of such an order is extraterritorial, enjoining foreign registrants' conduct in their home countries and enforcing U.S. rights in foreign nations unilaterally.<sup>303</sup> The formation of the default court is beyond the intention of the national law to curb cybersquatting activities allegedly committed by foreign registrants that exploit the Internet medium to avoid liability.<sup>304</sup>

Further, like the Ninth Circuit—the Court of Appeals for Hollywood<sup>305</sup>—due to geographical location, the Fourth Circuit will become the in rem cyber-circuit court due to digital existence of domain names in cyberspace. The Fourth Circuit, however, will become the appellate world court for adjudicating substantive rights in domain names in the .com, .net, and .org TLDs held by foreign

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302. See *Cable News Network, L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 518 n.29 (E.D. Va. 2001) [hereinafter *Cable News Network II*].

303. See *id.* Indeed, the court recognized that its order of transferring ownership of a .com domain name may have consequences outside the United States. *Id.* The court, however, avoided further analysis by simply noting its order does not amount to “an American court [ordering] a Chinese company to do or refrain from doing some activity in China.” *Id.* Rather, the order was merely “requiring a company [Verisign] located in this jurisdiction to take action with respect to a domain name that is also located in this jurisdiction.” See *id.* at 518 & n.29.

304. See generally H.R. CON. REP. NO. 106-464, at 113–14 (1999) (explaining when in rem relief is available to trademark holders); H.R. REP. NO. 106-412, at 5 (1999) (asserting that the purpose of House Resolution 3028, the Trademark Cyberpiracy Prevention Act, is to help trademark owners protect their intellectual property); *id.* at 14 (identifying unique problems faced by trademark owners in cyberspace due to the lack of in personam jurisdiction over registrants and explaining how the in rem provision will alleviate the problems); S. REP. NO. 106-140, at 4, 10–11 (1999) (stating that the purpose of Senate Bill 1255, the Anti-Cybersquatting Protection Act, is to prohibit the bad-faith registration of Internet domain names); *id.* (noting that the purpose of the in rem provision is to arm trademark holders with a means to combat cybersquatters).

305. See *White v. Samsung Elecs. Am., Inc.*, 989 F.2d 1512, 1521 (9th Cir. 1993) (Kozinski, J., dissenting) (noting that due to its geographical location, the Ninth Circuit court is the Hollywood appellate court, and its decisions have potential impact on millions of people whose livelihood depend on intellectual property rights).

registrants in their countries and worldwide.<sup>306</sup> This will have profound international implications.

## V. NATIONAL LAW COLLIDES WITH INTERNATIONAL TRADEMARK PRINCIPLES IN CYBERSPACE

National law, such as the ACPA, aims to curb cybersquatting activities, to protect the rights of trademark holders, and to build public confidence in the new electronic commerce. Though the law is national and territorially bounded in scope, the ACPA's effects reach beyond national boundaries due to the borderless, electronic medium of the Internet. Enforcement of the in rem provision under the ACPA potentially violates basic principles of international law.

### A. *Ignoring the Paris Convention*

The United States has been a signatory to the Paris Convention since 1883.<sup>307</sup> The Paris Convention is a compact between member countries to extend national trademark rights accorded to the citizens of their own nation to the citizens of other member countries.<sup>308</sup> Essentially, foreign nationals would receive the same treatment in each of the member countries that is afforded its own citizens.<sup>309</sup> To receive "national treatment" benefits, foreign nationals must observe the conditions and formalities imposed upon nationals of the member

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306. During the editing process of this Article, the Fourth Circuit decided a case relating to domain names held by foreign registrants. *See Harrods v. Sixty Internet Domain Names*, 302 F.3d 214, 219–20 (4th Cir. 2002). The *Harrods* court held, among other issues, that registration of domain names alone amounts to minimum contacts, justifying in rem jurisdiction by Virginia courts in cases where the claims to the property itself are the source of the underlying controversy. *See id.* at 224–25. Unfortunately, the *Harrods* decision failed to recognize that by allowing in rem jurisdiction, U.S. courts now essentially govern the conduct of foreign nationals in foreign nations (all in the name of enforcing U.S. law—specifically the ACPA). It failed to address the requirements dictated and concerns raised by *Bulova* and its progeny. Essentially, it failed to address subject matter jurisdiction and extraterritorial application of the amended Lanham Act—i.e., the ACPA.

307. Convention of Paris for the Protection of Industrial Property, March 20, 1883, as revised at the Stockholm Revision Conference, July 14, 1967, 21 U.S.T. 1538, 828 U.N.T.S. 305 [hereinafter Paris Convention]; *see In re Compagnie Generale Maritime*, 993 F.2d 841, 850 (Fed. Cir. 1993) (J. Nies, dissenting) (quoting 1 MCCARTHY, *supra* note 10, § 19:24, at 19-27).

308. *See Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 640 (2d Cir. 1956); *see also* 4 MCCARTHY, *supra* note 10, § 29:25, at 29-46 (explaining the history of the Paris Convention and its purposes).

309. *See* 4 MCCARTHY, *supra* note 10, § 29:25, at 29-46 & 29-47 (noting the Paris Convention ensures that "foreign nationals should be given the same treatment [, as to trademark and related rights,] in each of the member countries as that country makes available to its own citizens").

country.<sup>310</sup> Further, the conditions for filing and registration of trademarks are determined in each member country by its domestic laws.<sup>311</sup>

The Paris Convention seeks to create uniformity by obligating each member nation “to assure to nationals of countries of the Union an effective protection against unfair competition.”<sup>312</sup> The Convention, however, generally is viewed as not self-executing.<sup>313</sup> Indeed, the Convention provides that it will become effective only through domestic legislation.<sup>314</sup> In the United States, the body of legislation implementing many provisions, including unfair competition contained in the Convention, is the Lanham Act.<sup>315</sup>

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310. See *Person's Co. v. Christman*, 900 F.2d 1565, 1568–69 (Fed. Cir. 1990) (rejecting the appellant's reliance on its use of a trademark in Japan to support its claim for priority in the United States because it was not the first to use the trademark in U.S. commerce); *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 599 (5th Cir. 1985) (ruling that it was error to admit evidence of the parties' foreign trademark practices because “[i]t is ‘well settled that foreign use is ineffectual to create trademark rights in the United States’ ” (citation omitted)).

311. See *In re Compagnie Generale Maritime*, 993 F.2d at 856 (quoting Paris Convention, *supra* note 307, as revised at Lisbon, Oct. 30, 1958, art. 6); *Vanity Fair Mills*, 234 F.2d at 644 (analyzing section 44 of the Lanham Act governing filing, registration, and priority of trademarks owned by a foreign national and concluding that all provisions and benefits under section 44 “relate solely to the registration and protection of marks within the United States”); see also *Buti v. Perosa, S.R.L.*, 139 F.3d 98, 102–03 (2d Cir. 1998) (ruling that the “registration and use of the Fashion Cafe name in Italy has not, given the territorial nature of trademark rights, secured it any rights in the name under the Lanham Act”).

312. *Int'l Café, S.A.L. v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1277 (11th Cir. 2001) (quoting Paris Convention, *supra* note 307, at art. 10(1), 53 Stat. 1780). Article 10ter of the Paris Convention requires signatory nations to prohibit unfair competition: “(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition. (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.” See Paris Convention, *supra* note 307, at art. 10bis, 53 Stat. 1780.

313. See, e.g., *Int'l Café*, 252 F.3d at 1277 n.5 (noting that the Paris Convention is not self-executing); *BP Chems., Ltd. v. Formosa Chem. & Fibre Corp.*, 229 F.3d 254, 259 n.1 (3d Cir. 2000) (same); *Mannington Mills, Inc. v. Congoleum Corp.*, 595 F.2d 1287, 1298–99 (3d Cir. 1979) (ruling that Article 17 of the Paris Convention supports a conclusion that the treaty is not self-executing); *Yasuko Kawai v. Metlesics*, 480 F.2d 880, 884 (C.C.P.A. 1973) (noting that the Paris Convention is not self-executing and requires implementing legislation).

314. See Paris Convention, *supra* note 307, at art. 17, 53 Stat. 1780 (“It is understood that at the time an instrument of ratification or accession is deposited on behalf of a country, such country will be in a position under its domestic law to give effect to the provisions of this Convention.”); see also *Mannington Mills*, 595 F.2d at 1298 (indicating that the Paris Convention must be implemented by legislation before it creates a private right of action); *Ortman v. Stanray Corp.*, 371 F.2d 154, 157 (7th Cir. 1967) (noting that future action by Congress would be needed, as the Paris Convention is not self-executing).

315. Courts have held that the Lanham Act incorporates Article 10bis and thus creates a federal law of unfair competition applicable in international disputes. See *Toho Co. v.*

Because the rights articulated in the Convention do not exceed those conferred under the Lanham Act,<sup>316</sup> any trademark unfair competition claim must be based in the substantive provisions of the Lanham Act.<sup>317</sup>

Under the Paris Convention, each member nation's law must be limited to territorial application.<sup>318</sup> This principle enables countries with different trademark laws to join the Convention without changing their basic national laws.<sup>319</sup> Common law countries thus continue to grant trademark protection based on use, while civil law countries grant trademark protection based on registration.<sup>320</sup> As a

Sears, Roebuck & Co., 645 F.2d 788, 792 (9th Cir. 1981) ("The federal right created by subsection 44(h) is coextensive with the substantive provisions of the treaty involved. . . . [S]ubsections (b) and (h) work together to provide federal rights and remedies implementing federal unfair competition treaties." (citations omitted)); *see also* Gen. Motors Corp. v. Ignacio Lopez de Arriortua, 948 F. Supp. 684, 689-90 (E.D. Mich. 1996) (holding the Lanham Act incorporates unfair competition rights of the Paris Convention); *Laboratorios Roldan, C. por A. v. Tex Int'l, Inc.*, 902 F. Supp. 1555, 1568-69 (S.D. Fla. 1995) (holding that because the Dominican company was entitled to protection from unfair competition under the Lanham Act and the Paris Convention, it could bring a federal claim against an American company for trademark and trade dress infringement and misrepresentation); *Maison Lazard et Compagnie v. Manfra, Tordella & Brooks, Inc.*, 585 F. Supp. 1286, 1289 (S.D.N.Y. 1984) (holding that the plaintiff, a citizen of France, could invoke the protections of the Paris Convention and the Lanham Act to assert a federal cause of action against acts of unfair competition occurring in the United States). *See generally* Patricia V. Norton, Note, *The Effect of Article 10bis of the Paris Convention of American Unfair Competition Law*, 68 *FORDHAM L. REV.* 225 (1999) (reviewing cases with interpretations of the Paris Convention).

316. *See Int'l Café*, 252 F.3d at 1278 (rejecting the argument that the Paris Convention creates substantive rights beyond those independently provided in the Lanham Act and noting other courts have ruled the same). Specifically, section 44 of the Lanham Act gives foreign nationals the national treatment accorded to U.S. citizens. *Id.* at 1277. Section 44 of the Lanham Act provides that:

any person whose country of origin is a party to the convention . . . shall be entitled to benefits [under section 1126] to the extent necessary to give effect to any provision of such convention . . . . Also, any person covered by section 1126(b) shall be entitled to effective protection against unfair competition, and the remedies . . . shall be available so far as they may be appropriate in repressing acts of unfair competition.

*Id.* at 1277 (internal quotations omitted) (quoting 15 U.S.C. § 1126(b) and 15 U.S.C. § 1126(h)) (alterations in original); *see also* 15 U.S.C. § 1126(h) (2000).

317. *See Int'l Café*, 252 F.3d at 1278.

318. *See Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 640 (2d Cir. 1956) ("The Convention is not premised upon the idea that the trademark and related laws of each member nation shall be given extraterritorial application, but on exactly the converse principle that each nation's law shall have only territorial application.").

319. *See In re Compagnie Generale Maritime*, 993 F.2d 846, 850 (Fed. Cir. 1993); 1 STEPHEN P. LADAS, *PATENTS, TRADEMARKS AND RELATED RIGHTS: NATIONAL AND INTERNATIONAL PROTECTION*, §§ 22-28, 564-631 (1975).

320. *See In re Compagnie Generale Maritime*, 993 F.2d at 850; 2 LADAS, *supra* note 319, § 659.

signatory to the Paris Convention, the United States commits that its law will adhere to the principle of territoriality embodied in Article 6(3)<sup>321</sup> of the Convention.<sup>322</sup> Under this principle, the Lanham Act must recognize each trademark as having a separate legal existence in each sovereign territory in which it is registered or legally recognized as a trademark.<sup>323</sup>

In amending the Lanham Act, the in rem provision of the ACPA erodes the territoriality principle. A U.S. court's order under the in rem provision to transfer the domain name from the foreign registrant to the United States trademark owner has the effect of expanding United States trademark rights into other countries. The order forces other nations to recognize United States trademark rights and to acknowledge that the U.S. trademarks have been harmed globally where the allegedly similar domain names are accessible. This is contrary to the basic principle of trademarks. A United States trademark has its existence only within the United States. The United States trademark has its reputation and goodwill in accordance with specific national conditions. The goodwill in the United States differs from and is independent of the goodwill of an identical or similar trademark in a different nation.<sup>324</sup> Moreover, if the law of a foreign nation recognizes the domain name as a

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321. Article 6 of the Paris Convention states: "A mark duly registered in a country of the [Paris] Union shall be regarded as independent of marks registered in other countries of the Union, including the country of origin." See Paris Convention, *supra* note 307, at art. 6, 5 Stat. 1780.

322. *Weil Ceramics & Glass, Inc. v. Dash*, 878 F.2d 659, 679 (3d Cir. 1989) (Becker, J., concurring).

323. See *Vanity Fair Mills*, 234 F.2d at 640 (analyzing the Convention's principle that each nation's trademark law must have only territorial application); 4 MCCARTHY, *supra* note 10, § 29:1, at 29-4.

The contrary approach to territoriality is universality. The premise of the universality principle is that a trademark identifies the "same source wherever the trademark is used in the world." See 4 MCCARTHY, *supra* note 10, § 29:1, at 29-4. That premise is not endorsed by domestic law. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 24, cmt. f (1995) ("The premise of the universality principle that trademarks necessarily identify the original manufacturer has been rejected in our domestic law."). See generally Timothy H. Hiebert, *Foundations of Law of Parallel Importation: Duality and Universality in Nineteenth Century Trademark Law*, 80 TRADEMARK REP. 483 (1990) (analyzing the historical foundations for the competing theories of territoriality and universality of trademarks).

324. *Societe Des Produits Nestle v. Casa Helvetia, Inc.*, 982 F.2d 633, 636 (1st Cir. 1992) ("Because products are often tailored to specific national conditions, a trademark's reputation often differs from nation to nation." (citation omitted)); *Osawa & Co. v. B & H Photo*, 89 F. Supp. 1163, 1173 (S.D.N.Y. 1984) ("[A] mark may have not only a separate legal basis but also a different factual significance in each separate country where the local mark owner has developed an independent goodwill.").

legitimate trademark, the territoriality principle under Article 6(3) requires that the trademark "be regarded as independent of marks registered in other countries," including the United States.<sup>325</sup>

In summary, the in rem provision under the ACPA operates on the premise of a universality principle that a United State trademark identifies the same source wherever the trademark is used in the world. The universality principle has long been rejected by U.S. and international law.<sup>326</sup>

### B. *Reaching Beyond Bulova*

When a court exercises jurisdiction or issues an order that extends the application of the Lanham Act extraterritorially, it may only do so within limitations. Any justifications for extraterritorial application of the Lanham Act must meet the requirements under *Bulova*.<sup>327</sup> The Lanham Act, as recently amended by the ACPA and as interpreted by the courts, has extraterritorial application beyond what previously has been allowed under *Bulova* and its progeny.<sup>328</sup>

*Bulova* and its progeny mandate three requirements for consideration of whether the courts have subject matter jurisdiction to hear claims involving extraterritorial conduct occurring outside the United States<sup>329</sup> or whether to issue an injunction prohibiting extraterritorial conduct that violates the Lanham Act and causes harm to United States commerce.<sup>330</sup> One, the defendant is a citizen of the United States<sup>331</sup> or has extensive contact and presence in the United States. Two, the issuance of the injunction should not cause any conflict of law with the foreign nation within whose borders the extraterritorial conduct was to be prohibited.<sup>332</sup> Three, the

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325. See Paris Convention, *supra* note 307, at art. 6, 5 Stat. 1780; MCCARTHY, *supra* note 10, § 29.1, at 29-5.

326. The universality principle of trademarks is contrary to what the United States Supreme Court has long ago embraced—territoriality of trademark rights. See *Societe Des Produits Nestle*, 982 F.2d at 637.

327. See *Steele v. Bulova Watch Co.*, 344 U.S. 280, 286-89 (1952); see also *supra* Section I.B (discussing the three requirements).

328. See *supra* Section I.

329. See *Int'l Café, S.A.L. v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274, 1278 (11th Cir. 2001) (noting the *Bulova* Court mandated that "the Lanham Act conferred jurisdiction over extraterritorial disputes involving trademark infringement and unfair competition when: 1) Defendant is a United States corporation; 2) the foreign activity had substantial effects in the United States; and 3) exercising jurisdiction would not interfere with the sovereignty of another nation").

330. See *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1994).

331. See *id.* at 250; *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 745 (2d Cir. 1994).

332. See *Nintendo*, 34 F.3d at 250.

defendant's conduct is not confined in its effects to the foreign nation where it occurs<sup>333</sup>—the defendant's extraterritorial conduct has adverse affects on U.S. commerce by harming the reputation and goodwill of the plaintiff-registrant's trademark in the United States.<sup>334</sup> None of these three requirements are present under in rem actions of the ACPA involving foreign nationals who registered domain names that allegedly amount to wrongful conduct under the new digital trademark right.<sup>335</sup>

The first *Bulova* requirement is missing from in rem actions against foreign registrants under the ACPA when, as in *Cable News Network*, the foreign domain name registrant was not a citizen, constructive or otherwise, of the United States.<sup>336</sup> Indeed, the foreign domain name registrant does not even own, control, establish, or operate any business entity in the United States.<sup>337</sup> Moreover, the foreign domain name registrant has no contact with any forum within the United States.<sup>338</sup> This requirement that the defendant must be a citizen of the United States or have control over business establishment in the United States is essential in *Bulova* and its progeny as the Lanham Act or any laws of the United States binds its own citizens, wherever they reside, and non-citizens if they reside in the United States or control business entities in the United States.<sup>339</sup> Since *Bulova* and prior to the enactment of the digital trademark right, courts had applied the Lanham Act to govern the extraterritorial conduct of defendants who are U.S. citizens or have control over the operation of U.S. business entities.<sup>340</sup> In rem actions

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333. *Id.*

334. *Id.*

335. See *supra* notes 327–34 and accompanying text.

336. See *Cable News Network, L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 528 (E.D. Va. 2001) [hereinafter *Cable News Network II*] (foreign domain name registrant was located in Hong Kong, China); *Cable News Network, L.P. v. cnnews.com*, 162 F. Supp. 2d 484, 485 (E.D. Va. 2001) (foreign domain name registrant was a Chinese company).

337. See *Cable News Network*, 162 F. Supp. 2d at 487 (foreign domain name registrant's businesses were directed toward Chinese people in China).

338. See *id.*

339. See generally *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 641–43 (2d Cir. 1956) (discussing U.S. citizenship and the effect on U.S. commerce as considered in *Bulova*); *Calvin Klein Indus., Inc. v. BFK Hong Kong, Ltd.*, 714 F. Supp. 78, 79 (S.D.N.Y. 1989) (considering *Bulova*'s application of Lanham Act extraterritoriality).

340. Compare *Reebok Int'l, Ltd. v. Marnatech Enter., Inc.*, 970 F.2d 552, 555–57 (9th Cir. 1992) (defendant, Betch, was a U.S. corporation), *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 503 (9th Cir. 1991) (defendant is a California corporation), *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1395–96 (9th Cir. 1985) (defendant is a California corporation), with *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250–55 (4th Cir. 1994) (reversing and remanding the case where the district court failed to consider the citizenship of the defendant and the degree of conflict of law requirements),



under the ACPA now reach defendants that are neither U.S. citizens nor have control of business entities in the United States, as seen in *Cable News Network*, in violation of *Bulova* and its progeny.

The second condition is that the laws of the foreign nation at issue must be considered and only rulings that would not cause conflict with that foreign law may be taken by U.S. courts.<sup>341</sup> The issuance of a court's order of transferring the domain name held by the foreign registrant to the U.S. plaintiff is impermissible because it has potential conflict with the law and policy of the foreign country where the foreign registrant resides.<sup>342</sup> For example, under the law in China, a domain name registered within China is regulated by the Provisional Rules for Chinese Domain Name Dispute Resolution ("the Rules").<sup>343</sup> A domain registered outside China is regulated by the Uniform Domain Name Dispute Resolution Policy ("UDRP") adopted by ICANN.<sup>344</sup> The Rules require trademark holders to prove actual damage resulting from cybersquatting registration.<sup>345</sup> Such requirement serves to discourage trademark holders from bringing a complaint under the Rules; instead they may opt for proceedings under China's trademark law in Chinese courts under the theory of passing-off.<sup>346</sup>

In the United States, on the other hand, the ACPA specifically governs cybersquatting conduct.<sup>347</sup> Federal courts do not recognize

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Totalplan Corp. of Am. v. Colbrone, 14 F.3d 824, 830 (2d Cir. 1994) (ruling that none of the defendants were American citizens and thus "this case does not implicate the United States' 'broad power to regulate the conduct of its citizens in foreign countries' " (citation omitted)), *Vanity Fair Mills*, 234 F.2d at 647 (ruling that the district court's decision in declining subject matter jurisdiction under the Lanham Act was proper in a case where the defendant is a Canadian company with office in New York, but all employees in New York had no control over the defendant, and the defendant had a valid trademark right in Canada).

341. See *Nintendo*, 34 F.3d at 250 (noting that under *Bulova* a court's injunction order must "not interfere with the sovereignty of the nation within whose borders the extraterritorial conduct was to be prohibited, that nation having expressly abrogated any conflicting right in the alleged infringer"). The Fourth Circuit stated that "the possibility of conflict with trademark rights under the relevant foreign law" may render a court's order "inappropriate in light of international comity concerns." *Id.*

342. See *infra* notes 349-57 and accompanying text.

343. See Richard Wu, *New Rules for Resolving Chinese Domain Name Dispute—A Comparative Analysis*, 1 J. INFO. L. & TECH., at <http://elj.warwick.ac.uk/jilt/01-1/wu.html> (created Feb. 28, 2001) (on file with the North Carolina Law Review) (stating that the Rules "are only concerned with disputes arising from Chinese domain names registered with the China Internet Network Information Centre").

344. See *id.*

345. See *id.*

346. See *id.*

347. See *supra* Section III.

the UDRP; decisions rendered under the UDRP are not binding on federal courts.<sup>348</sup> Potentially, if an ICANN panel ruled in favor of a foreign domain name registrant, the foreign nation will accept the panel's decision. On the other hand, if the trademark holder complainant in that case decided, after the unfavorable UDRP decision, to bring an ACPA action against the domain name, U.S. courts are not bound by the UDRP decision and could rule in favor of the trademark holder complainant. As a result, there is a conflict in determining the right in the domain name.

Indeed, acknowledging the conflict between trademark law in a foreign country—which here, as in *Cable News Network*, was China—and the United States concerning rights in the domain name and trademark at issue, in *Cable News Network II*, the court declined to have the case transferred to Hong Kong, China, for fear that the U.S. plaintiff might not get the domain name from the Chinese registrant defendant.<sup>349</sup> Further, China has a different approach to curb cybersquatting.<sup>350</sup> China limits the registration of domain names to business entities only, excluding individuals from registering domain names.<sup>351</sup> In Hong Kong, China, each business entity can register only one domain name.<sup>352</sup> By regulating and restricting domain name registrations, China arguably has curbed cybersquatting in its own view of effectiveness and efficiency, without the need for additional legislation against cybersquatting.<sup>353</sup> The United States, on the other hand, allows a free and open registration system. Any person can obtain a domain name, and there is no limitation on the quantity of

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348. See *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 26–28 (1st Cir. 2001).

349. See *Cable News Network, L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 528 n.49 (E.D. Va. 2001) [hereinafter *Cable News Network II*] (“[T]here is little likelihood that a Hong Kong forum would enforce the ACPA and there is no reliable indication in this record that an equivalent remedy would be available there.”).

350. See Yvonne Chua, *Protecting Intellectual Property Rights in the International Marketplace: New International Boundaries*, in *GLOBAL TRADEMARK & COPYRIGHT 2000: PROTECTING INTELLECTUAL PROPERTY RIGHTS IN THE INTERNATIONAL MARKETPLACE* 255, 277–98 (PLI 2000).

351. See Wattie C. W. Lo & Andre M. Everett, *Thriving in the Regulatory Environment of E-commerce in China: A Guanxi Strategy*, 66 *SAM ADVANCED MGMT. J.*, Summer 2001, at 17, 19 (stating that Internet companies must have physical presence established in China in order to register domain names).

352. See Chua, *supra* note 350, at 296–97 (explaining the proposal to expand the limit on the registration of domain names on companies and individuals in Hong Kong, China).

353. Trademark holders in cybersquatting cases can rely only on China's passing-off and unfair competition law against unauthorized registrations of their trademarks as domain names. See *id.* at 292–94 (analyzing the first cybersquatting case decided in China, *Ikea v. Beijing Cinet Info. Ltd.*).

domain name registrations.<sup>354</sup> The United States enacted the ACPA to protect trademarks against cybersquatting conduct, but otherwise has no regulation of domain name registrations.<sup>355</sup> Accordingly, an order to transfer the domain name owned by the Chinese registrant to the U.S. entity may cause a possible conflict with the domain name rights under Chinese law and policy governing domain names and is inappropriate in light of international comity concerns.<sup>356</sup> An order similar to the order issued by the court in *Cable News Network* will interfere with the foreign country's sovereignty within its borders.<sup>357</sup>

As discussed earlier, under *Bulova*, if two of the three requirements are absent, there is no basis for the extraterritorial application of the federal trademark law.<sup>358</sup> Accordingly, without meeting the two requirements above, courts in domain name in rem actions under the ACPA should not issue orders that have the global effects of enjoining foreign domain name registrant's activities in their home country and the rest of the world.<sup>359</sup>

Moreover, the third requirement under *Bulova* mandates a showing that the defendant's conduct in a foreign nation has an adverse effect on U.S. commerce.<sup>360</sup> In actions based on in rem jurisdiction, like *Cable News Network*, the foreign domain name registrant operates its web site aimed at the consumers who reside primarily outside the United States.<sup>361</sup> It seems that when a web site is operated in the foreign language and aimed at the nationals who reside primarily inside that foreign nation, the web site and its domain name will have effects mostly in the foreign nation's commerce. Because all web sites are accessible globally, their impact radiates to every corner of commerce in cyberspace, not just the United States. To demonstrate the adverse effect on U.S. commerce, the U.S. trademark holder must establish either trademark infringement or

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354. See, e.g., *Avery Dennison Corp. v. Sumpton*, 189 F.3d 286, 872 (9th Cir. 1999) (noting the defendant had registered thousands of domain names).

355. See, e.g., 15 U.S.C. § 1125(d) (2000) (establishing a civil action for cyberpiracy).

356. See *Nintendo of Am., Inc. v. Aeropower Co.*, 34 F.3d 246, 250 (4th Cir. 1999) (explaining the limitation of a court's orders with extraterritorial effects).

357. See *id.*

358. See, e.g., *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir. 1996) (asserting that the absence of two factors "is certainly fatal").

359. See *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 747 (2d Cir. 1994) (instructing the district court to draft an extraterritorial injunction carefully to prohibit only those foreign uses of the trademark by the defendant that are likely to have significant trademark-impairing effects on United States commerce).

360. See *Nintendo*, 34 F.3d at 250; *Sterling Drug*, 14 F.3d at 747.

361. See *Cable News Network, L.P. v. cnnnews.com*, 162 F. Supp. 2d 484, 487 (E.D. Va. 2001).

trademark dilution caused by the foreign registrant's use of the domain name in the United States.<sup>362</sup>

It is overreaching to summarily conclude that a use of a domain name in China for an online business that is conducted in Chinese, aiming at Chinese nationals in China, constitutes trademark use in the United States and causes dilution to or infringes a trademark within the United States.<sup>363</sup> First, the sole registration of a domain name by a foreign registrant similar to a trademark protected under U.S. law does not amount to trademark use.<sup>364</sup> Second, if the domain name is used in association with products or services as offered in the web pages written in a foreign language, targeting consumers in the foreign registrant's home country, there is no trademark use of the domain name in the United States market.<sup>365</sup> Third, absent trademark use in the United States, there is no trademark infringement or dilution, hence, there is no harm, substantial or otherwise, to U.S. commerce.<sup>366</sup> Accordingly, a court's order with

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362. See *Steele v. Bulova Watch Co.*, 344 U.S. 280, 286 (1952) (ruling the jurisdictional grant in the Lanham Act encompassed the defendant's activities). Indeed, the defendant's spurious Bulova watches filtered through the Mexican border into the United States and competed with the plaintiff's products, causing adverse effects on the trade reputation in plaintiff's market. *Id.*

363. See *Cable News Network, L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 515–20 (E.D. Va. 2001) [hereinafter *Cable News Network II*] (granting summary judgment against the defendant based on trademark infringement theory).

364. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 880 (9th Cir. 1999) (ruling that the Federal Trademark Dilution Act requires the defendant to be using the trademark in commerce). The defendant's registration of common surnames as domain names and licenses of e-mail addresses using the surnames did not constitute commercial use. *Id.* The defendant merely used words that happen to be trademarks for their non-trademark values. *Id.*; see, e.g., *Watts v. Network Solutions, Inc.*, 202 F.3d 276 (Table), No. IP 98-1529-C-H/G, 1999 WL 994012, at \*2 (7th Cir. Oct. 26, 1999) (ruling that no infringement could occur where disputed domain name had not been used in connection with sale of goods or services on the Internet); *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1303 (C.D. Cal. 1996), *aff'd*, 141 F.3d 1316, 1324 (9th Cir. 1998) ("Registration of a trademark as a domain name, without more, is not a commercial use of the trademark and therefore is not within the prohibitions of the [trademark statutes].").

365. Arguably, due to the global, electronic nature of the Internet, the goods or services offered on the website carrying the domain name at issue could enter U.S. commerce. If the foreign registrant indeed engages in business transactions with U.S. Internet users, the question is then whether such transactions cause adverse effects on U.S. commerce. This is the third requirement in *Bulova*. See *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 642–43 (2d Cir. 1996) (analyzing *Bulova*'s third requirement of the tripartite test). All three requirements must be fulfilled in order to satisfy *Bulova*. *Id.*

366. To satisfy the "trademark use" requirement the plaintiff must demonstrate that the defendant has used or is using the domain name as a source recognition in U.S. commerce. That means the defendant's goods or services in association with the domain name must be in the stream of U.S. commerce. See generally *Person's Co. v. Christman*, 900 F.2d 1565, 1568 (Fed. Cir. 1990) (affirming summary judgment for the defendant

blanket global effect in a case where there is a lack of proof of trademark infringement or dilution under U.S. law is contrary to *Bulova's* last requirement of permitting courts to exercise their authority only when the defendant's foreign conduct has adverse impact on U.S. commerce.<sup>367</sup>

Further, the court's order under the in rem provision of the ACPA decreeing the official registry to transfer the domain name to the trademark holder is tantamount to taking property within the foreign nation—the domain name—from the foreign registrant without the involvement of a foreign court. In addition, the court's order has the effect of enjoining the foreign registrant from using the domain name in the foreign nation and all other countries in the world. Because at least two of the three *Bulova* requirements are lacking, such an order is unwarranted. Further, as the order reaches beyond the U.S. borders regulating foreign nationals' conduct in their home country, it violates the basic principle of territoriality of trademark laws and international comity.<sup>368</sup>

### C. *Discounting the Principle of Jurisdiction to Prescribe*

The relevant jurisdiction in determining the application of the Lanham Act to foreign conduct is the jurisdiction to prescribe.<sup>369</sup> The Restatement (Third) of Foreign Relations Law of the United States

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because the petitioner could not sue under the Lanham Act without conducting commerce in the U.S.); *British-American Tobacco Co. v. Phillip Morris, Inc.*, Cancellation No. 26549, 2000 TTAB LEXIS 390, \*9 (T.T.A.B. June 14, 2000) (acknowledging the well-established doctrine of territoriality of trademark rights); *Buti v. Impresa Perosa, S.R.L.*, 935 F. Supp. 458, 459–60 (S.D.N.Y. 1996) (ruling that mere advertising efforts of the Milan “Fashion Cafe” in the United States failed to constitute “use in commerce” under the Lanham Act because such advertising only had an impact on commerce in Milan).

367. See generally *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 747 (Fed. Cir. 1994) (instructing the district court to issue an injunction limited to protecting against “significant trademark-impairing effects”).

368. A counterargument could be made that the court has subject matter jurisdiction to hear domain name dispute cases because the mere fact that the Internet allows for worldwide access does not strip an American court of its subject matter jurisdiction under the Lanham Act over domain names accessible by the users in the United States. Such an argument fails to address that the Lanham Act can only be applied extraterritorially over activities *directed at the United States* (as one of the requirements mandated by *Bulova* and its progeny). See *Internet Billions Domains, Inc. v. Venetian Casino Resort*, No. 01-5417, 2002 U.S. Dist. LEXIS 11805, at \*15–16 (E.D. Pa. May 31, 2002) (allowing subject matter jurisdiction in a case where the plaintiff, IBD, brought its claims in the United States and its web site with the domain name *venetiancasino.org* uses English to target U.S. users).

369. “There is . . . a type of ‘jurisdiction’ relevant to determining the extraterritorial reach of a statute; it is known as ‘legislative jurisdiction’ or ‘jurisdiction to prescribe.’” *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 813 (1993) (Scalia, J., concurring in part, dissenting in part) (citations omitted).

defines "jurisdiction to prescribe" as "the authority of a state to make its law applicable to persons or activities."<sup>370</sup> The Restatement identifies the "effect principle" and "nationality principle" as two bases for exercising jurisdiction extraterritorially.<sup>371</sup> Under the "effect principle" extraterritorial jurisdiction is warranted if the conduct abroad has a substantial domestic effect.<sup>372</sup> Under the "nationality principle," jurisdiction is recognized over activities, interests, status, or relations of United States citizens outside the United States.<sup>373</sup>

According to the Restatement, a state may not exercise jurisdiction to prescribe law with respect to a foreign person or conduct when the exercise of such jurisdiction is unreasonable. The Restatement provides eight factors for determining whether the exercise of jurisdiction over a foreign person or conduct is appropriate.<sup>374</sup> The principle of international law of jurisdiction to prescribe and limitations on the exercise of the jurisdiction are similar

370. RESTATEMENT (THIRD), *supra* note 11, § 402; *see also* Mary Claire St. John, Note, *Extraterritorial Application of Title VII: The Foreign Compulsion Defense and Principles of International Comity*, 27 VAND. J. TRANSNAT'L L. 869, 873-74 (1994) (discussing the Jurisdiction to Prescribe international law principle).

371. RESTATEMENT (THIRD), *supra* note 11, § 402(1)(c) (providing that "a state has jurisdiction to prescribe law with respect to . . . conduct outside its territory that has or is intended to have substantial effect within its territory"); *id.* § 402(2) (providing that "a state has jurisdiction to prescribe law with respect to . . . the activities, interests, status, or relations of its nationals outside as well as within its territory").

372. *See id.* § 402(3).

373. *See id.* § 402(2).

374. The factors include:

- (a) the link of the activity to the territory of the regulating state, i.e., the extent to which the activity takes place within the territory, or has substantial, direct, and foreseeable effect upon or in the territory;
- (b) the connections, such as nationality, residence, or economic activity, between the regulating state and the person principally responsible for the activity to be regulated, or between that state and those whom the regulation is designed to protect;
- (c) the character of the activity to be regulated, the importance of regulation to the regulating state, the extent to which other states regulate such activities, and the degree to which the desirability of such regulation is generally accepted;
- (d) the existence of justified expectations that might be protected or hurt by the regulation;
- (e) the importance of the regulation to the international political, legal, or economic system;
- (f) the extent to which the regulation is consistent with the traditions of the international system;
- (g) the extent to which another state may have an interest in regulating the activity; and
- (h) the likelihood of conflict with regulation by another state.

*Id.* § 403 (Limitations of Jurisdiction to Prescribe). *See generally* Hartford, 509 U.S. at 818-19 (Scalia, J., dissenting in part) (analyzing the unreasonableness inquiry of the jurisdiction to prescribe).

the Supreme Court's limitations on the extraterritorial application of the Lanham Act in *Bulova*.<sup>375</sup>

Essentially, unless the foreign national's conduct outside the United States causes "substantial, direct, and foreseeable"<sup>376</sup> effects upon United States commerce, the U.S. courts have no jurisdiction to regulate the foreign national's conduct. The ownership of a domain name and usage of the domain name in cyberspace aiming solely at the citizens of the nation where the foreign registrant resides most likely have "substantial, direct, and foreseeable" effects to the foreign nation, not the United States.<sup>377</sup> It is, therefore, impermissible for the U.S. court to prescribe jurisdiction over the foreign registrant, or its property or conduct, when the effects caused by the foreign registrant or its property do not exist in the United States.<sup>378</sup> It is also impermissible for the U.S. courts to transfer the property from the foreign registrant and to enjoin the foreign registrant from using the domain name when the connection between the foreign registrant and the forum state is so attenuated.<sup>379</sup> Further, if a nation recognizes a domain name as legitimate, such recognition will conflict with the U.S. court's ruling.<sup>380</sup> As a result, the extraterritorial reach of the digital trademark right is unreasonable under the principle of international law of jurisdiction to prescribe.<sup>381</sup>

#### D. *Disregard of International Comity*

The Supreme Court defines comity as "the recognition which one nations allows within its territory to the legislative, executive or judicial acts of another nation."<sup>382</sup> Under the principle of international comity, when a court is faced with the prospect of a

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375. See *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285–88 (1952); see also *supra* Section I (discussing the application of the Lanham Act to extraterritorial disputes prior to the growth of electronic commerce).

376. See RESTATEMENT (THIRD), *supra* note 11, § 403 (noting that the effects in the territory of the regulatory state is a factor when considering the limitations of jurisdiction to prescribe).

377. See *id.* § 403(2)(a). See generally *Hartford*, 509 U.S. at 818–19 (Scalia, J., dissenting in part) (analyzing RESTATEMENT (THIRD), *supra* note 11, § 403)).

378. See RESTATEMENT (THIRD), *supra* note 11, § 403(2)(a) & (b).

379. See *id.*

380. See *id.* § 403(2)(f), (g) and (h).

381. See *id.* § 403(1). See generally *Hartford*, 509 U.S. at 818–19 (Scalia, J., dissenting in part) (analyzing the unreasonableness inquiry of the jurisdiction to prescribe).

382. *Hilton v. Guyot*, 159 U.S. 113, 163–64 (1895); see also *Pravin Banker Assocs. v. Banco Popular del Peru*, 109 F.3d 850, 854 (2d Cir. 1997) (quoting *Hilton*, 159 U.S. at 164). See generally Michael D. Ramsey, *Escaping "International Comity,"* 83 IOWA L. REV. 893, 893–952 (1998) (analyzing how courts have invoked the phrase "international comity" in judicial discourse).

United States law punishing what another nation permits, the court should analyze the contacts and interest of the United States and the other nation.<sup>383</sup> The court then applies neutral criteria “to select the law that is more reasonable to apply—the law of the state whose interest is clearly greater.”<sup>384</sup> Essentially, the international comity principle warrants limitations on the extraterritorial reach of a statute.<sup>385</sup>

For example, in a country like China where the country code is “cn,” it is not illegal for Chinese companies to use “cn” as part of their names or brands.<sup>386</sup> An order effectively enjoining a Chinese national from using such a name or mark would not only violate the principle of trademark territoriality by unilaterally expanding U.S. based trademark rights into foreign nations,<sup>387</sup> but also would violate the principle of international comity among the law of different nations.<sup>388</sup>

The international comity principle was well recognized in trademark jurisprudence before the arrival of borderless, electronic commerce. Indeed, courts in non-Internet trademark cases considered international comity and denied extraterritorial injunction. For example, in *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*,<sup>389</sup> the Ninth Circuit ruled that an injunction against trademark infringement in the United States should not cover sales made from Japan to the Philippines because the parties were still contesting their

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383. Russell J. Weintraub, *The Extraterritorial Application of Antitrust and Securities Laws: An Inquiry into the “Choice-of-Law” Approach*, 70 TEX. L. REV. 1799, 1801–02 (1992).

384. *See id.* at 1801–02.

385. *Hartford*, 509 U.S. at 817–18 (Scalia, J., dissenting in part) (discussing how international comity considerations tempers the extraterritorial application of statutes and concluding that “[i]n sum, the practice of using international law to limit the extraterritorial reach of statutes is firmly established in our jurisprudence”). Justice Scalia observed that “international comity is basically a device for determining what effect to give to foreign public policies, be it reflected in judgments, acts of state, foreign laws or judicial proceedings.” *Id.* at 828 (Scalia, J., concurring in part, dissenting in part). *See generally* Gary B. Born, Remarks, *International Comity and U.S. Federal Common Law*, 84 AM. SOC’Y INT’L L. PROC. 326 (1990) (discussing the impact of the international comity doctrine and how the creation of federal common law has become intimately related to the international comity doctrine as they both share the same federal interests).

386. *See* Cable News Network, L.P. v. cnnnews.com, 162 F. Supp. 2d 484, 487 n.7 (E.D. Va. 2001) (noting many Chinese companies use the “cn” prefix such as cnnctv.com for China National Communication and Television Net, cnnac.com for China Network and Communication, cnnctv.net for China Network TV Net).

387. *See* 4 MCCARTHY, *supra* note 10, § 29:7, 29-13.

388. *See id.*

389. 769 F.2d 1393 (9th Cir. 1985).



trademark rights in the Philippines.<sup>390</sup> Otherwise, the injunction would create a conflict with the proceeding there and would violate international comity and fairness.<sup>391</sup>

In addition, trademark spill-over advertising cases are instructive on the practice of applying international comity concerns to limit the reach of the Lanham Act. Recognizing the inevitable spill-over of advertising across national boundaries in the global economy, courts deny injunctions prohibiting trademark infringement triggered merely by spill-over advertising originating outside the United States boundaries.<sup>392</sup>

An illustrative example is *Sterling Drug, Inc. v. Bayer AG*.<sup>393</sup> In that case, the district court issued an injunction prohibiting defendant Bayer AG from using the "BAYER" trademark in the United States and also abroad if foreign use of the trademark might make its way to the American public.<sup>394</sup> The Second Circuit vacated the district court's injunction order on the grounds that the injunction might have extensive extraterritorial effects and because the district court failed to consider the *Vanity Fair* factors.<sup>395</sup> The Second Circuit noted that the stringent *Vanity Fair* test is appropriate in cases, including the case at bar, where the plaintiff seeks a blanket prohibition against a U.S. corporation defendant's use of the disputed trademark outside the United States' borders.<sup>396</sup> Specifically, the plaintiff in *Sterling* was not concerned with the defendant U.S. corporation's use of the BAYER trademark abroad; the plaintiff did not want the trademark use abroad to enter the channels of international communication and commerce that lead the foreign trademark use back to the United States.<sup>397</sup> The Second Circuit instructed the district court to grant an extraterritorial injunction to prohibit only those foreign uses of the trademark by the defendant that are likely to have significant trademark-impairing effects on United States commerce.<sup>398</sup>

In reaching its decision, the *Sterling* court was sensitive to conflict of law among nations in the age of global economy, especially

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390. *Id.* at 1395-96.

391. *See id.* at 1396 (concluding that "the district court acted in accordance with principles of international comity and fairness in excluding wholly foreign commerce from the Lanham Act case before it").

392. *See Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 747 (2d Cir. 1994).

393. *Id.* at 746-47.

394. *Id.*

395. *Id.*

396. *Id.* at 746.

397. *Id.*

398. *Id.* at 747.

in cases where the defendant may have a legitimate right to use the trademark in a foreign country.<sup>399</sup> The defendant in *Sterling* had the right to use the mark BAYER in countries outside the United States. Though the use of the same mark by the defendant in the United States was impermissible, as it might cause consumer confusion in the United States, that factor alone did not provide the lower court with the authority to regulate the defendant's trademark use outside the United States because such use is legal in foreign nations. To minimize the conflict of law between the United States and other nations, the Second Circuit limited the lower court to regulate only conduct engaged by the defendant that would likely have significant trademark harming effects in U.S. commerce. Moreover, the Second Circuit recognized that through global economy and communication, U.S. consumers inevitably might be exposed to foreign advertisement relating to the trademark BAYER. Through satellite television perceptions, such foreign trademark advertisement activity—though the activity may cause consumer confusion among U.S. television viewers—does not justify the application of the Lanham Act extraterritorially, given the conflict of law regarding the trademark use in the United States and other foreign nations.<sup>400</sup> The *Sterling* court decision is instructive to in rem domain name cases against foreign nationals whose domain name use may be legitimate in their home countries and the domain name is accessible by Internet users globally.

It is imperative that the court hearing in rem ACPA cases concerning the right to a domain name recognize that the spill-over effect of domain name use is inherent in global, electronic commerce. The fact that a legitimate domain name is accessible globally does not render the foreign registrant's activity trademark infringement or dilution in the United States and should not be subject to the

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399. The *Sterling* court instructed:

In fashioning the injunction, the Court should "balance the equities to reach an *appropriate* result protective of the interest of both parties." Where, as in the instant case, both parties have legitimate interests, consideration of those interests must receive especially sensitive accommodation in the international context. While Bayer AG suggests that we must accept these conflicts as the unavoidable result of an international community of nations in which each nation exercises the power to grant trademark rights, we prefer to allow the District Court to fashion an appropriately limited injunction with only those extraterritorial provisions reasonably necessary to protect against significant trademark-impairing effects on American commerce.

*Id.* (citations omitted).

400. *See id.*

extraterritorial reach of a district court's order adjudicating the foreign registrant's property right in the domain name.

The extraterritorial reach of the digital trademark right, if it continues to flourish as applied by the court in *Cable News Network*, will erode the international comity principle respected and observed throughout U.S. jurisprudence.<sup>401</sup> The global, electronic accessibility of a domain name should not be used as the sole basis to prevent foreign companies from use of a domain name, especially in nations where such use may be legal and not infringing on any trademark right within that nation.<sup>402</sup>

#### *E. Global Imposition of the U.S.-Based Digital Trademark Right*

Developing national law to combat activities that infringe on others' rights and hinder growth of certain segments of the economy is necessary.<sup>403</sup> The evidence supporting that the unauthorized registration of trademarks as domain names is an act of piracy, preventing legitimate trademark owners from using their property right and discouraging consumers from participating in the new, digital, networked economy, led to the enactment of the ACPA.<sup>404</sup> The intention to provide a broad remedy to trademark owners led to the inclusion of the in rem provision in the ACPA.<sup>405</sup>

Though the in rem provision aims at curbing cybersquatting activities by defendants who exploit the Internet medium to remain elusive, the in rem provision represents the unilateral imposition of a national right on the global community. First, the in rem provision

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401. See *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 818 (1993) (Scalia, J., concurring in part, dissenting in part) ("[The] practice of using international law to limit the extraterritorial reach of statutes is firmly established in [United States jurisprudence.]").

402. Professor McCarthy recognized that an injunction against a trademark use by a foreign national in a foreign nation where such use is legal would violate trademark territoriality principle and international comity. See 4 MCCARTHY, *supra* note 10, at § 29:7, 29-14 to 29-14.1.

403. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 286 (1952) ("Congress has the power to prevent unfair trade practices in foreign commerce by citizens of the United States, although some of the acts are done outside the territorial limits of the United States." (citing *Branch v. Fed. Trade Comm'n*, 141 F.2d 31, 35 (7th Cir. 1994))). Indeed, national law such as the ACPA has been held constitutional. See *generally* *E & J Gallo Winery v. Spider Webb Ltd.*, 129 F. Supp. 2d 1033, 1047 (S.D. Tex. 2001), *aff'd*, 286 F.3d 270 (5th Cir. 2002) (ruling the ACPA constitutional and noting numerous cases had upheld the constitutionality of the Act).

404. See *generally* S. REP. NO. 106-140 (1999) (discussing the purpose, legislative history and analysis of the ACPA); H.R. REP. NO. 106-412 (1999) (discussing the need of and purpose for the House counterpart to the ACPA).

405. See *supra* notes 162-78 and accompanying text.

has global, extraterritorial effects. A court's order may transfer ownership of a foreign registrant's domain name to the prevailing U.S. trademark owner.<sup>406</sup> The order disrupts the contractual relationship between the foreign registrant and the foreign registrar in the foreign nation.<sup>407</sup> The order is tantamount to the issuance of an injunction on a foreign registrant to relinquish its substantive right in its property, the domain name in the foreign nation.<sup>408</sup> The order may be seen as a unilateral seizure of property and enforcement of the judgment against foreign nationals without the permission of foreign courts.<sup>409</sup>

Second, the in rem provision permits only U.S. courts, particularly the district court in the Eastern District of Virginia, to decide the substantive rights in domain names of all foreign nationals or entities as long as such domain names are registered in the judicial district, the domain name is included in the registry located in the judicial district, or other domain name authority is located in the judicial district.<sup>410</sup> Viewed in this light, the ACPA's digital trademark right appears to have been enacted solely for the purpose of protecting United States trademark owners at the expense of legitimate domain name and trademark owners outside the nation's physical boundaries.<sup>411</sup> Such conclusions foster the belief that only national law can adequately provide the relief sought by its trademark owners and consequently, undermines efforts to resolve domain name disputes globally using an international approach,<sup>412</sup> and suggests that

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406. See *Cable News Network, L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 518 n.29 & 528 (E.D. Va. 2001) [hereinafter *Cable News Network II*] (stating that an injunction against the foreign registrant will have extraterritorial effects).

407. *Id.* at 514 (noting that the registrant has contractual relationship with Eastcom, a Chinese registrar).

408. *Id.* at 518 n.29 (noting that the injunction has extraterritorial effects, even though the order specifically on its face concerns non-extraterritorial matters, such as requesting the Registry to transfer the domain name from the Chinese owner to United States trademark holder). This approach is short-sighted. As the Second Circuit court in *Sterling* instructed, courts must weigh both parties' legitimate interests and consider those interests in the international context. *Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 747 (2d Cir. 1994).

409. See *Cable News Network II*, 177 F. Supp. 2d at 518 n.29.

410. See 15 U.S.C. § 1125(d)(2)(A) (2000); see also *supra* Section V.A.

411. See *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633, 642-43 (2d Cir. 1956) (declining to extend the Lanham Act because the defendant may have legitimate right in its trademark in Canada); *Sterling*, 14 F.3d at 747 (remanding the case for consideration of the defendant's legitimate right in the trademark outside the United States).

412. Moreover, such belief may encourage development of national law in conflict with international treaty on trademarks and the international efforts of harmonizing jurisdiction and judgment enforcement. Indeed, such belief is evident through trademark owners' objection to the First Draft of the Hague Convention on Jurisdiction and Foreign

Congress created the national law without much consideration for the international scope of domain name disputes in light of the global reach of the Internet.<sup>413</sup> The intersection of borderless, electronic commerce with the in rem provision of domain name disputes transforms the national court's adjudication of territorial trademark rights into a global tribunal.

Third, the in rem provision leaves an impression that the nation that can also lay claim to having created the Internet has the exclusive right to fashion the broadest remedy for its citizens, ignoring international law and agreements.<sup>414</sup> Though the United States initially created the Internet, the growth of the Internet and the maturity of electronic commerce have and continue to need the participation of international partners.<sup>415</sup> The status as the leader of Internet and networked commerce does not mean that the rights of U.S. trademark owners must be accorded universality, contrary to the principles of trademark territoriality and international comity.<sup>416</sup> Unilateral extension, though unintended, of U.S.-based trademark

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Judgments in Civil and Commercial Matters for fear that the Draft Hague Convention would destroy the in rem remedy against foreign registrants who register domain names with foreign registrars. See Letter from the International Trademark Association to the Honorable Q. Todd Dickinson, Director of the United States Patent and Trademark Office (Dec. 1, 2000) (on file with the North Carolina Law Review); Letter from Verizon Communications to Director of United States Patent and Trademark Office (Nov. 30, 2000) (on file with the North Carolina Law Review); U.S. PAT. & TRADEMARK OFFICE, COMMENTS ON DRAFT CONVENTION ON JURISDICTION AND FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL, at <http://www.uspto.gov/web/offices/dcom/olia/haguecomments/index.html> (last modified Feb. 6, 2002) (on file with the North Carolina Law Review) (providing access to responses to the draft convention).

The lobbying efforts were effective as the Second Draft of the Hague Convention had resolved the issue raised by trademark owners. See *id.*

413. The House Conference Report provides no discussion on international implications of in rem actions against domain names registered by foreign registrant who registered domain names with registrars residing in their nations. See generally H.R. CONF. REP. NO. 106-464, at 113-14 (1999) (discussing cyberpiracy prevention in general as set out in the ACPA).

414. See *Cable News Network, L.P. v. cnnews.com*, 177 F. Supp. 2d 506, 517 (E.D. Va. 2001) [hereinafter *Cable News Network II*] (“[.com] is essentially an American top-level domain.”).

415. See *Register.com, Inc. v. Verio, Inc.*, 126 F. Supp. 2d 238, 242 n.1 (S.D.N.Y. 2000) (noting that the purpose of transferring the U.S. government's responsibilities in the domain name system to ICANN is to increase competition and facilitate international participation in its management).

416. See generally 4 MCCARTHY, *supra* note 10, § 29:25, at 29-55 to 29-57 (explaining the principles of the Paris Convention).

rights in the digital, global, electronic medium will not solve international domain name disputes.<sup>417</sup>

The problems associated with the in rem provision under the ACPA highlight the difficulty of developing national law relating to the Internet and the inadequacy of national law to solve domain name disputes in an international context.<sup>418</sup> The potential international effects of such national law cannot be ignored as the Internet continues to unleash its impact on every sector of the world.

#### *F. Alternative Approaches*

##### **1. Litigating Disputes in the Foreign Registrant's Home Country**

Given the difficulty of applying national law in the Internet context, alternative approaches are available to solve international domain name disputes. These alternatives include litigation against the defendant in his or her home country and initiation of a complaint against the foreign registrant under the Uniform Domain Name Dispute Resolution ("UDRP").

##### *a. Convenience of Location*

As to the first option, litigation against a foreign domain name registrant in the registrant's home country is unattractive to a U.S. trademark owner. Obviously, the foreign domain name registrant is the party that would prefer to have the litigation in the registrant's home country.<sup>419</sup> It would be more convenient for the defendant as all persons and entities involved in the dispute, with the exception of the plaintiff, would be located in the defendant's home country.<sup>420</sup>

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417. See Sharrock, *supra* note 143, at 827 (discussing limitations of judicial remedies in cybersquatting cases decided by courts in a number of countries).

418. Even the court in *Cable News Network II* recognizes "the difficulties that are inherent in the effort to use national laws to protect intellectual property rights and to police commercial activity on the global Internet," but the court declined to address the difficulties. *Cable News Network II*, 177 F. Supp. 2d at 528 n.49; see also *Harrods, Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 234 n.9 (4th Cir. 2002) (noting the difficult problem faced by territorial concurrent users of a mark who also want to maintain an Internet presence using their trademark and leaving the problem for other courts and the legislatures to address "as they work to harmonize the geographically limited nature of trademark law with the global nature of the Internet as a medium").

419. See *Cable News Network II*, 177 F. Supp. 2d at 528 n.29.

420. *Id.* at 528 (discussing the registrant's forum non conveniens argument where the registrant and all persons and entities involved in the domain name dispute are located in Hong Kong, China).

*b. Favorable Law*

This means the U.S. trademark owner must look to the law available in the defendant's home country for protection.<sup>421</sup> Most foreign nations, at the present time, do not have the same level of protection for trademarks against abusive domain name registration as in the United States under the ACPA.<sup>422</sup> Moreover, many foreign nations follow civil law and thus require the United States trademark owner to have registered the particular trademark in the foreign country in order to receive appropriate trademark protection.<sup>423</sup> Generally, unless U.S. companies are doing business in particular foreign countries, the companies do not register trademarks overseas.<sup>424</sup> In addition, lack of familiarity with foreign legal systems would serve to discourage U.S. companies from pursuing such an option.<sup>425</sup>

## 2. Enforcement of Decisions Under the UDRP

A second alternative for resolving trademark/domain name ownership disputes is to submit the dispute to the international arbitration system, known as the Uniform Domain Name Dispute Resolution ("UDRP"). There are some benefits in using the international UDRP system. Registrants, at the time of domain name registration, make certain representations about their rights to use the domain name and that such use does not interfere with the rights of another party,<sup>426</sup> and agree to be bound by the domain name dispute

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421. *Id.* at 528 & n.29.

422. See generally Alan Drewsen, *Amicus Letter of the International Trademark Association in Ikea Inter-Systems Inc. v. Beijing Cinet Co., Ltd.*, 90 TRADEMARK REP. 927, 931-33 (2000) (discussing China's Internet Regulations and China's Anti-Competition Law application in cybersquatting cases); Sharrock, *supra* note 143, at 826-27 (comparing judicial remedies inside and outside the United States against cybersquatting).

423. See Oliva Maria Baratta & Dana L. Hanaman, *A Global Update on the Domain Name System and the Law: Alternative Dispute Resolution for Increasing Internet Competition—Oh, The Times They Are a-changin'!*, 8 TUL. J. INT'L & COMP. L. 325, 365-66 (2000) (stating that international registrations and individual country registrations are important because in most countries trademark rights are initially secured by registration); Domna L. Candido, *Domestic and International Trademark Protection Programs*, in UNDERSTANDING BASIC TRADEMARK LAW 197, 225-26 (2001) (outlining ways to evaluate trademarks).

424. See Candido, *supra* note 423, at 226-27 (discussing international trademark registration strategies).

425. See Baratta & Hanaman, *supra* note 423, at 365-74 (discussing the complexity of international trademark law and the difficulties of trademark enforcement).

426. See VeriSign, *Service Agreement v.5.8* ¶¶ 4 & 17, at [http://www.networksolutions.com/en\\_US/legal/service-agreement.jhtml](http://www.networksolutions.com/en_US/legal/service-agreement.jhtml) (last visited Sept. 13, 2002) (on file with the North Carolina Law Review).

resolution policy as approved by ICANN.<sup>427</sup> The UDRP process is simple and inexpensive.<sup>428</sup> Without an extensive discovery process, pre-trial motion practice, or trial, panels of one or three neutrals can quickly issue their written decisions.<sup>429</sup> The open structure of the UDRP system allows international legal jurisprudence to develop, thus avoiding the conflict of law and other problems associated with the in rem provision under the ACPA.<sup>430</sup> Though the UDRP system is open and international, its jurisprudence is not free of certain American influence. Numerous UDRP decisions rest on trademark law principles that are rooted in United States jurisprudence.<sup>431</sup>

Further, UDRP decisions are not binding on national courts.<sup>432</sup> This policy leaves open the door for conflicts between national courts and the international tribunals, undermining the development of an international approach to solving domain name disputes.<sup>433</sup> For

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427. As the policy states:

[Y]ou agree to be bound by our current domain name dispute policy that is incorporated herein and made a part of this Agreement by reference. The current version of the dispute policy may be found at our Web site: [http://www.networksolutions.com/en\\_US/legal/dispute-policy.html](http://www.networksolutions.com/en_US/legal/dispute-policy.html). Please take the time to familiarize yourself with that policy.

*Id.* ¶ 8.

428. See Jason H. Kaplan, *The Anticybersquatting Consumer Protection Act: Will It End the Reign of the Cybersquatter?*, 8 UCLA ENT. L. REV. 43, 80 (2000) (discussing the economic and time advantage of the UDRP); Matt Railo, *Entertaining New Options in the Fight Against Cybersquatters: Choosing Between Internet Administrative Proceedings and Federal Court Lawsuits*, ENT. L. REP., June 2000, at 4 (noting the efficiency and cost effectiveness of the UDRP).

429. See Kaplan, *supra* note 428, at 80 (analyzing the speed of disposing UDRP complaints).

430. See, e.g., Edward Kwakwa, *Some Comments on Rulemaking at the World Intellectual Property Organization*, 12 DUKE J. COMP. & INT'L L. 179, 194-95 (2002) (illustrating the successful norm-making through UDRP mechanism to resolve domain name, intellectual property disputes in cyberspace). See generally Laurence R. Helfer & Graeme B. Dinwoodie, *Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy*, 43 WM. & MARY L. REV. 141 (2001) (providing a comprehensive study of the UDRP process).

431. See, e.g., Jason M. Osborn, *Effective and Complementary Solutions to Domain Name Disputes: ICANN's Uniform Domain Name Dispute Resolution Policy and the Federal Anticybersquatting Consumer Protection Act of 1999*, 76 NOTRE DAME L. REV. 209, 254-55 (noting numerous UDRP decisions that applied United States trademark law).

432. See, e.g., David E. Sorkin, *Judicial Review of ICANN Domain Name Dispute Decisions*, 18 SANTA CLARA COMPUTER & HIGH TECH. L.J. 35, 44-46 (2001) (reviewing court decisions in cases where trademark holders or registrants asserted actions under federal trademark law in post-UDRP proceedings).

433. See *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 28 (1st Cir. 2002) (stating that a court's decision "that a party is not a cybersquatter under the ACPA, and that a party has a right to use a domain name, necessarily negates a [panel] decision that a party is a cybersquatter under the UDRP"); see also *BroadBridge Media, L.L.C. v.*



example, suppose that a trademark owner from Brazil obtains a favorable decision from the international tribunal, declaring that the United States domain name registrant had registered the domain name in bad faith, and the international tribunal orders the domain name to be transferred to the Brazilian trademark owner. The United States domain name registrant immediately files for a declaratory judgment in a federal district court that she did not violate the ACPA and consequently she should be allowed to keep the domain name registration. The above example essentially was the recent case decided by the First Circuit Court in *Sallen v. Corinthian Licenciamentos LTDA*.<sup>434</sup>

The court in *Sallen* ruled in favor of the U.S. domain name registrant, holding that federal courts have jurisdiction to hear such a declaratory action, and remanded the case for further proceeding.<sup>435</sup> Assuming that, upon remand, the district court decided on the merits that the U.S. domain name registrant is not a cybersquatter and has the right to use the domain name, such a decision would negate the international tribunal's decision that the domain name registrant is a cybersquatter under the UDRP.<sup>436</sup> Likewise, a U.S. trademark holder who failed his action under the UDRP can avail himself to a federal court under the ACPA.<sup>437</sup> Because the UDRP decision has no res judicata effect, the plaintiff can get the domain name transferred from the registrant if it prevails under the ACPA.

If other nations have enacted similar legislation providing domain name registrants or trademark holders a means to effectively negate the international tribunal's decision, resolving domain name disputes through the international body will become pointless. On

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Hypercd.com, 106 F. Supp. 2d 505, 508–09 (S.D.N.Y. 2000) (concluding that the trademark owner did not waive its right to judicial relief by virtue of filing the domain name dispute complaint under the UDRP); *Weber-Stephen Prods. Co. v. Armitage Hardware & Bldg. Supply, Inc.*, 54 U.S.P.Q. 2d 1766, 1767–68 (N.D. Ill. 2000) (concluding that the UDRP policy “and its accompanying rules do contemplate the possibility of parallel proceedings in federal court” and that federal courts are “not bound by the outcome of” UDRP proceedings).

434. See *Sallen*, 273 F.3d at 18; *Corinthians Licenciamentos LTDA v. Sallen*, No. D2000-0461 (July 17, 2000) (Bianchi, Sole Panelist), available at <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0461.html> (on file with the North Carolina Law Review).

435. See *Sallen*, 273 F.3d at 16, 29–30.

436. *Id.* at 27 (“A finding by a federal court that Sallen was within his rights when he used corinthains.com to post Biblical quotes would directly undercut the panel’s conclusion.”).

437. See, e.g., *BroadBridge Media*, 106 F. Supp. 2d at 508–09 (concluding that a trademark owner that has filed a proceeding under the UDRP may, before, during, and after such filing, bring an action in federal court).

the other hand, if the United States is the only nation with such legislation allowing a domain name registrant to appeal UDRP decisions to a national court,<sup>438</sup> then U.S. domain name registrants who receive a favorable decision from federal courts in the United States will not have to obey the international tribunal's decision. Essentially, it takes very little effort under the ACPA to circumvent the UDRP regime. This would open the door for more U.S. domain name registrants to take advantage of a favorable law that is only available in the United States to have national courts declare that the registrants have the right to use the domain names in global, electronic commerce.

Moreover, the declaratory judgment action provision in the ACPA in favor of the U.S. registrant on the basis that the domain name is not cybersquatting the foreign trademark is contradictory to trademark territoriality principle.<sup>439</sup> Under the trademark territoriality principle, trademarks that were established outside the United States are not recognized under the Lanham Act unless such trademarks are registered or used in the United States.<sup>440</sup> Accordingly, a declaration that a U.S. domain name registrant has the right to use the domain name that is identical or confusingly similar to the foreign trademark first requires a finding that the foreign trademark is recognized and protected under U.S. law.<sup>441</sup> A negative finding will result, however, because, as the facts in the example and *Sallen* illustrate, the foreign trademark has been neither registered nor used within the United States.<sup>442</sup> Thus, there could be no ruling in favor of the U.S. domain name registrant in the declaratory judgment action on the merits.

On the other hand, a favorable ruling for the U.S. domain name registrant may suggest that the court recognizes that all foreign trademarks established outside the United States can be protected under U.S. trademark law, regardless of whether such trademarks

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438. See Helfer & Dinwoodie, *supra* note 430, at 259–60 (noting that the United States is the only country with legislation allowing a domain name registrant to appeal UDRP decision to a national court).

439. See *Sallen*, 273 F.3d at 27 (stating that Congress provided domain name registrants an affirmative cause of action under the ACPA to recover domain names lost in UDRP proceedings).

440. See *Person's Co. v. Christman*, 900 F.2d 1565, 1568–69 (Fed. Cir. 1990) (ruling that under territorial principle of trademark law, foreign use of a trademark provides no basis upon which to claim trademark priority in the United States).

441. See 15 U.S.C. § 1125(d) (2000) (discussing cyberpiracy prevention); H.R. CONF. REP. NO. 106-464, at 108, 113 (1999).

442. See *Sallen*, 273 F.3d at 21 (stating that the trademark at issue is a registered mark in Brazil).

have been registered or used within the United States. This will open the door for owners of such foreign trademarks to use the ACPA to assert actions in U.S. courts against domain name registrants and domain names for violation of the ACPA, violating the basic trademark territoriality principle and compounding the transformation of the U.S. courts into a world tribunal.<sup>443</sup>

Further, it would be contrary to both the text and legislative history of the ACPA. The legislative history of the ACPA states that the ACPA "anticipates a reasonable policy against cyberpiracy will apply only to marks registered on the Principal Register of the Patent and Trademark Office."<sup>444</sup> This means that a declaratory judgment action under the ACPA is limited to registrations of domain names that are identical, confusingly similar to, or dilutive of a trademark recognized under U.S. law.<sup>445</sup>

On the other hand, limiting the declaratory judgment actions only to cases involving U.S. registered trademarks would leave U.S. registrants without protection against reverse domain name hijacking<sup>446</sup> committed by foreign trademark owners who did not register their trademarks with the United States Patent and Trademark Office.<sup>447</sup>

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443. Indeed, a federal court in the Eastern District of Virginia recently has held that the ACPA authorizes the court to hear cases concerning foreign trademarks. See *Barcelona.com v. Excelentísimo Ayuntamiento De Barcelona*, 189 F. Supp. 2d 367, 373–74 (E.D. Va. 2002). Such a decision ignores the established trademark jurisprudence that trademark law is territorial. Foreign trademarks that are neither registered nor used in the United States do not receive the protection under U.S. trademark law. Such a decision turns a U.S. court into world tribunal for all disputes concerning foreign trademarks as long as the domain names that are similar to the foreign trademarks are registered in the United States or specifically, in Virginia.

444. *Sallen*, 273 F.3d at 29 n.13; see H.R. REP. NO. 106-412, at 15 (1999).

445. See H.R. REP. NO. 106-412, at 15; H.R. CONF. REP. NO. 106-464, at 113.

446. Reverse-domain-name hijacking generally refers to a bad faith attempt by a powerful trademark owner to deprive a legitimate holder of a domain name. For example, the owner of the toy character trademarks Gumby and Pokey initiated a proceeding against a twelve-year old domain name holder of the domain name pokey.org. The child used the domain name for a website for posting boredom-fighting tips and pictures of his puppy. Luke A. Walker, *ICANN's Uniform Domain Name Dispute Resolution Policy*, 15 BERKELEY TECH. L.J. 289, 301 & n.128 (2000).

447. Reverse-domain-name hijacking occurs when "trademark owners abusively assert their trademark rights to strip domain name from rightful owners." *Sallen*, 273 F.3d at 16–17 (citing ICANN, RULES FOR UNIFORM DOMAIN NAME DISPUTE RESOLUTION POLICY, at <http://www.icann.org/dndr/udrp/uniform-rules.htm> (last updated Feb. 5, 2002) (on file with the North Carolina Law Review)).

Perhaps the UDRP regime should provide an appellate review of decisions through international tribunals, not national courts.<sup>448</sup> Though the UDRP regime has many shortcomings,<sup>449</sup> it has at least appeared to maintain the open structure where international jurisprudence will evolve,<sup>450</sup> minimizing the conflicts between national laws in international domain name disputes.<sup>451</sup>

### CONCLUSION

Global, borderless, electronic commerce through a network of computers challenges the existence of in rem cyberjurisdiction against a foreign registrant's substantive right in domain names. The effects of the ACPA's in rem cyberjurisdiction reach beyond national boundaries due to the global context of the Internet. As a result, the in rem cyberjurisdiction creates an unfettered extraterritorial trademark rights regime in conflict with international law principles and transforms the district court in the Eastern District of Virginia into a world tribunal for adjudication of property rights in international domain name disputes. At this juncture, whether trademark rights in cyberspace will become universal, abandoning the long held and internationally accepted territoriality doctrine, remains to be seen.

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448. A. Michael Froomkin, *A Commentary on WIPO's The Management of Internet Names and Addresses: Intellectual Property Issues*, ¶¶ 124–27 (May 19, 1999) (analyzing the appellate weakness of the UDRP regime), at <http://www.law.miami.edu/~amf/commentary.htm> (last visited Sept. 13, 2002) (on file with the North Carolina Law Review).

449. See Sharrock, *supra* note 143, at 831–44 (analyzing the flaws in the UDRP regime that includes inconsistency among UDRP decisions, country code conflicts and non-approved TLDs).

450. The UDRP structure allows for the application of the “lowest common denominator of internationally agreed and accepted principles concerning the abuse of trademarks.” WORLD INTELLECTUAL PROPERTY ASSOCIATION, *supra* note 91.

451. See Helfer & Dinwoodie, *supra* note 430, at 260–66 (discussing choice of law rules in UDRP's international regime); Kwakwa, *supra* note 430, at 189–95 (explaining how UDRP regime is successful through the use of internationally recognized norms and standards and “a system of best practices for domain name registration authorities”).

