

Do Not Register Trademark-infringing Domain Names - With David Weslow

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If you are a domain name broker or an experienced investor that regularly receives emails from new investors, asking for helper valuation, and the portfolio they are sending you is full of trademarked domain names, this is the video to refer them to. If you are a new domain investor or speculator, the biggest mistake you can make is discussed in this video, and you better pay attention because it can bankrupt you. This show will tell you why.

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Here's your program.

Michael Cyger: Hey everyone. My name is Michael Cyger, and I'm the Publisher of DomainSherpa.com - the website where you come to learn how to become a successful domain name investor and entrepreneur directly from the experts. Every day new domain investors and speculators make a mistake that could cost them more than one hundred thousand dollars simply by registering a ten-dollar domain name. And I am amazed, but it continues to happen every day, and at an increasing rate with the new top-level domains available for registration. Today we are joined by past Sherpa, David Weslow, who is a Partner and Attorney with Wiley Ryan.

David specializes in domain name and intellectual property law. David, welcome back to the show.

David Weslow: Hi Michael, thanks for having me back on.

Michael: It is great to have you. I want to start off by saying that this is not legal advice. While David and I are discussing a very important legal issue, this is general information only. And if you are a domain name investor and you are faced with one of the issues that we are going to discuss today, consult an attorney for your specific issue and advice.

All right David, first question for you. Let's get a definition of terms. What does it mean to register a trademarked domain name?

David: So, strictly speaking, that refers to the registration of a domain name that include, that is identical to, or confusingly similar to someone else's trademark.

Michael: Okay, that sounds pretty simple to understand. And is that against the law to do or is it frowned upon? How do you define that?

David: So there are really two primary legal claims or issues to be concerned with in registration of domain names. One is cybersquatting. The second is trademark infringement. So, in relation to cybersquatting, and that would cover things like a UDRP or the new URS for new gTLDs, or a

cybersquatting lawsuit. Those claims relate to whether or not the person or company registering the domain name has bad faith intent when they register the domain name. Now, that is a little bit different from a trademark infringement claim, where the intent is less significant and the court or administrative body will look at whether the use of the domain name is likely to cause consumer confusion.

I think for today's show we will focus on cybersquatting, and there it is important to keep in mind the big issue is: what is the intent of the registrant at the time of registering that domain name?

Michael: Okay. And so, the intent means that I am going to register a domain name, like let's say Oracle. A bit software company. If I am going to register Oracle.guru and I want to sell it back to Oracle, that is my intent. That is against the law and Oracle can file an anti-cybersquatting lawsuit against me for trying to do that.

David: That is right. So, in that hypothetical, your intent would likely be viewed by a court as being bad faith intent to profit from the trademark significance of that domain name. So, in your mind, at the point in time you registered the domain name, you were thinking: "Well, I am aware of this trademark. I am going to register the domain name and sell it to them, presumably at a profit, not for the hand registration fee." So that would be a classic case of cybersquatting that would likely be viewed as violating both the UDRP and the URS if this was a new gTLD, and then also potentially could subject you to a lawsuit under the Anti-Cybersquatting Consumer Protection Act, as you mentioned.

Michael: Got it. So, clear intent to register a trademark that is already registered by a company with bad faith to profit from that domain name. That is what we are talking about here. And what is the big deal about registering a domain name? Like what is the worst that can happen to someone if they do register a domain name with a trademarked company name, trademarked product, service, or, let's say, a sports team?

David: Right. So, taking the possibilities in terms of the escalating consequences, if this is a new gTLD domain such as .GURU that you

mentioned, all new gTLDs are subject to the URS. So that is the Uniform Rapid Suspension Procedure. The result of that procedure would be the domain name would be suspended for the term of the registration, meaning it would not function. The domain name could also be subject to the UDRP, which is the Uniform Domain Name Dispute Resolution Procedure. If case under the UDRP was successful, the domain name could be transferred to the claimant or cancelled if there was a practical matter. The typical result is a transfer of the domain name.

You could also be subject to a lawsuit under, in the United States, the laws that Anti-Cybersquatting Consumer Protection Act (ACPA). Under the ACPA, registration of a domain name in violation of the act can be subject to up to one hundred thousand dollars per domain name in statutory damages. Also, attorney's fees and also a transfer of the domain name. So, the consequences can be significant.

Michael: So, if I go out and I am thinking all these new top-level domains are my new gold rush, I am going to go register Google.guru because I know how Google works and I am going to talk about it on the website or I am going to sell it to somebody. I know everybody loves beer, so I am going to go register Budweiser.app and I am sure somebody will create an app for it or maybe Budweiser will want to buy it from me. And I am going to register Seahawks.sports because the Seahawks just won the Super Bowl and they are the number one team. They are going to dominate for the next few years.

I can actually have multiple ACPA lawsuits filed against me. I could lose a lawsuit, have to pay up to three hundred thousand dollars or one hundred thousand dollars per each one of those if they wanted to take me to court, and I could have to pay their attorney's fees on top of it.

David: Yeah, that is right. And what is important to keep in mind: in each of those cases you mentioned, it was clear that in your mind your intent when registering the domain name was to trade on or to profit from the trademark significance of the domain name. So, maybe a different outcome if you have never heard of the trademark. Maybe you did not know the Seahawks. Maybe you are in a different country and somehow you did not realize they just won the Super Bowl. Now, in a court case, you could potentially be deposed. You

could be potentially required to come into court. So, it is important to keep in mind that what is in your mind at the time you registered the domain name may actually come out, and if so, yes, you could be subject to all those things you just mentioned.

Michael: Yeah, and it could come out because I could be forced into the deposition, which means that I need to go someplace and swear under testimony, under perjury that what I am about to say is what was my intent when I registered the domain name.

David: That is right. So, obviously in a UDRP proceeding or a URS proceeding, there is no live testimony. There is no depositions. There is no actual trial. So, in those proceedings, the panelist is looking for indicators of what your intent was. So, often they will look at: "Well, what did you put up on the website? Was it possible that anyone on the face of the earth did not know that the Seahawks just won the Super Bowl?" Things like that. And while you might not be hauled into court and forced to testify under oath in a UDRP proceeding, the same action that violates the UDRP could potentially violate the ACPA under US Federal Law, which could result in you being pulled into court and being forced to give that sworn testimony about what you were thinking when you registered that domain name.

Michael: That makes sense. And if I lose a URS or a UDRP case, that becomes public information, such that if I continue to do this, they are going to look at past decision that have involved me as sort of a modus operandi (MO) of the way I operate my domain name investing business potentially.

David: Yeah, that is right. So, both under the UDRP. We have not seen the URS. It is just getting started, but presumably the same principle will apply that if you have been found to have violated the UDRP that is evidence in a subsequent proceeding of your bad faith intent in relation to a separate domain name in relation to the ACPA. The Federal Law actually states that a history of trafficking in domain names that violate trademarks in essence is also evidence of bad faith intent under that law.

Michael: Okay. All right, so now we know cut and dry what the definition is. We know black and white what the issue is and what the consequences can

be. So I want to look at the gray area between, David. The Digital Media Law Project says, "Courts have consistently protected the public's right to use the trademarks of others in order to engage in criticism, commentary, news reporting, and other forms of non-commercial expression." So, if I register a domain name and I have good faith intent to create a website in one of those areas, do I have to worry about registering the domain name if it includes a trademark?

David: Yeah. Again, it is important to distinguish the legal risks or the potential claims between a cybersquatting claim, which, again, relates to what was your intent at the time of registration or use of the domain name and the potential other claim of trademark infringement, which would relate not to the act of registering or trafficking in the domain name, but in how you use it. So, first, if we talk about cybersquatting, in relation to the UDRP and the ACPA Federal claim, the first issue would be, in the situation you mentioned, is: "Was the intention to use the domain name in a non-commercial manner?" And then: "Was the domain name actually used in a non-commercial manner?"

So, for a criticism site, is the site actually non-commercial and used to express real criticism of the trademark owner or is the criticism secondary to the registrant's intent to make money from the domain name? And that is an important issue, both in dealing with criticism sites and with fan sites. Now, if the domain use is truly non-commercial - so, again, in relation to cybersquatting, what was your intent? And if your intent, ultimately if you were under oath and asked what were you thinking at the time of registration, and your intent - your response - under oath would be: "Well, I had a bad experience with that particular company. I wanted to express what happened, but no, I had no intention of putting up ads or selling the domain name to them or monetizing the site in some other manner," then that may well be a non-commercial use that could qualify as either being exempt from the UDRP or the ACPA.

Now, if you overcome that hurdle of your intent and your use as truly non-commercial, it also depends on the domain name. Some UDRP panelists have found that the domain name itself must express that criticism. The classic example would be adding 'sucks' to the trademark. Some panelists have said,

"Well, if you have done that and you have used the site in a non-commercial manner, it is not subject to the UDRP," but there is really a split there. Other panelists have said, "Well, the domain name may yet be subject to the UDRP based on the other factors." So that is a bit of a gray area. Under US Federal Law, assuming the use is truly non-commercial and there is critical content of the trademark owner, it is less likely to be found to have violated the ACPA, so less likely to be cybersquatting. There may yet be a trademark infringement claim that is going to relate to: "Is there a likelihood of consumer confusion raised based on how the site is structured, how it looks? Will we think there is an affiliation?"

Now, if it is a criticism site and it is legitimate criticism, probably not, because most people would not think that someone that is saying not favorable things about a company has some relationship to the company. But if it is light criticism coupled with ads, it could actually be a cybersquatting issue.

Michael: Yeah. All right, so when .SPORTS becomes available, if somebody goes out with the intent of building a fan blog on SeattleMariners.sports or maybe Mariners.sports, or something with a team name in it, that requires all the conditions that we just talked about. It needs to be non-commercial and it needs to state that it is not affiliated with the official organization.

David: Right. So, if the true intent - again, if you were ultimately, worst case scenario, pulled into court and you are under oath and your true intent - was not to monetize the domain name, but just to talk about what a rabid fan you are of whatever team that is, then that is unlikely to be bad faith intent under the cybersquatting act. It may still be trademark infringement, because the way you use the trademark may be found to have caused a likelihood of consumer confusion. People may think that you are sponsored by the team or that there is some affiliation or some relationship, so that could be trademark infringement even though it is not cybersquatting.

Michael: Got you. But if I registered Baseball.sports and I love the Mariners more than everybody else and I featured them more than anybody else in my commentary, but I also talked about other baseball teams as well, I would be

fine to sell advertising on that domain name because it is not a domain name that uses a trademark. Is that correct?

David: That is right. So, you asked, "What was the definition of registering a domain name with a trademark," and we said, "it was where the domain name was identical to or confusingly similar to someone else's trademark," so there Baseball.sports could not be a trademark when used in relation to baseball information. Now, if someone uses Baseball for recipes or something that is not baseball-related, then it is possible that there is a trademark for baseball as related to some other field that is called an arbitrary use of the word, which would be an arbitrary trademark, but that is not the example you gave. You are talking about using the word for its generic connotation, so that domain name should not be subject to a UDRP or other types of cybersquatting claims.

Michael: Great. Okay. And if somebody gets really excited and registers a bunch of sports teams or company names in all these new top-level domains, and then they start to get seize and desist letters or companies just pass right through that option and go directly to a URS and suspend the domain names, or a UDRP and get the domain names taken away, or the ACPA lawsuit, the cybersquatting lawsuit, what is that individual risking?

David: Worst case scenario, up to one hundred thousand dollars in statutory damages per domain name, plus attorney's fees. It really depends on who the trademark owner is, whether they will take that step, but that clearly is a risk that that could happen. As we have talked about, if there are trademark names within someone's portfolio, then that also can cause problems for other names. If, in one proceeding, evidence that the same registrant owns other domains that incorporate other companies, trademarks can be evidence of cybersquatting, both under the UDRP and the ACPA.

Michael: And this is not the show to recommend how people should structure their domain investing business, but if there is a newer investor that has not formed a legal entity to protect their personal assets and they get hit with a hundred-thousand-dollar lawsuit, that could potentially bankrupt them. That could take away everything they have. That could create a financial situation for them and their family that is going to be hard to come back from.

David: Yeah, that is right. And one thing that not a lot of people realize is, under trademark and other types of intellectual property law, even if there is a corporate structure in place, sometimes think of the corporate structure will insulate the people involved and the company. So, if you have an LLC, they think: "Well, I cannot held personally liable." If you, as an individual, are actively involved in whatever the act of intellectual property infringement was, whether that is cybersquatting or trademark infringement, or copyright infringement, many courts say that you can be held liable individually, apart from that corporate structure.

So, in this context, even if you have an LLC, that is not necessarily going to protect you from that worst case scenario that you mentioned.

Michael: Great point that you bring up there, David. Let me ask you about CCTLDs. Country code top-level domains. I think people in countries other than the United States may not be aware of trademarks of large companies in the United States or they may be aware that a lawsuit in the United States cannot reach over to other countries. A personal example from Domain Sherpa. I noticed, two days ago, DomainSherpa.in - the country code TLD for India - was registered. DomainSherpa.in. And right now, the registrant that appears to be K. Rajageopalan has registered it. It is parked. It is displaying advertising and it has a banner across the top that says, "For purchase or lease."

I own the trademark for DomainSherpa. It is clear what DomainSherpa does. We have reach across the entire world. We have readership in every country. What could happen to this person that has registered DomainSherpa.in and are they allowed to do it just because they are in another country?

David: Right. So, country code registries do not necessarily follow the UDRP. However, out of the 252 country codes, I would say the vast majority have a UDRP-like policy that is very often almost identical. And what is interesting is a lot of country codes adopted the UDRP, but did make one change, and that is in the third element of the UDRP that the registrant must have registered and used the domain name in bad faith. Under country code policies, that is often changed to 'or'. The practical implication is that it is

actually easier in a lot of cases to win a UDRP under our country code policy than it is under a generic top-level domain using the UDRP.

So, in this case, it sounds like the registrant has a real issue under the UDRP and that you, as the trademark owner, could likely pursue a claim under that country code policy. The registrant could also have liability under other laws. We have talked about the US Anti-Cybersquatting Consumer Protection Act and the US Federal Trademark Act. There are similar laws in other countries, so they could also have the risk that you could pursue a legal claim through the local courts.

Michael: Okay. So, I do not know who this person is. I hope they watch this show and that they realize that they made a mistake and they either drop the domain name or transfer it over to me, or something, because it is upsetting to me and I am sure it is upsetting to hundreds of thousands of other business owners that face the exact same situation, where a new investor comes in and think that they can profit off of something that has built up brand equity and value in the marketplace. But ignorance is no excuse for making this mistake. Is that correct, David? Can this person respond to a UDRP and say, "I did not know it was a trademark. I am sorry"?

David: They certainly could and we see that in the context of the UDRP because, again, there is no sworn testimony. There is no in-person hearing. It is all on paper, and often times they are defended by the registrant saying, "I just had never heard of the trademark owner." It often comes down to, in UDRP cases, "Well, what does the paper trail show?" So, how was the domain name used? In this case, there are ads that, I think, are specifically tailored to your site, so it would appear that they have structured the website that they have put up to gain compensation based on clicking and thinking that there is some relation to your site.

So, in the UDRP context, that would be evidence that they actually were aware of your show, of your trademark. It is hard to say how it might come out if they provided some evidence that said they did not have bad faith intent, but here, the paper trail would seem to suggest they knew what they were doing and the UDRP panelist might be disinclined to believe them that

they have never heard of you when the way they use the site suggests otherwise.

Michael: Yeah, so they can just lie and claim ignorance, but they might still lose. And if they are upfront and truthful about it, then they are definitely going to lose. Either way, ignorance is not necessarily a way out and a way to keep the domain name and a way to profit from it.

David: Yeah, that is right. And I would say in those cases where the response to a UDRP complaint is something that is less than forthright, very often that forces the claimant to consider: "Should we just take this to court? Does this mean that we are not going to get the result that we want out of this proceeding and do we just need to go to court because it is less likely that someone could be dishonest in court? We can reach the same result, which would be a transfer. The domain name could potentially get something more, including monetary award and attorney's fees." So, sometimes I think people do not realize that by trying to avoid the result of the UDRP proceeding, they actually are forcing the claimant to consider their court options.

Michael: All right, so let's assume that most people in the world are of good faith. They want to register good faith domains. They want to stay on the right side of the law. During the registration process, as they are trying to think of great domain names to register that might have value to other companies in the future, how can someone not be ignorant when they are registering domain names that might include trademarks?

David: Right. So, all trademarks are categorized on what is called a spectrum of distinctiveness. On the one end, there are coined words. These are words that do not exist in the English language. Something like Verizon. There is really never going to be a good reason to register a domain name that incorporates a coined word. It is going to be very hard to establish you had good faith intent when registering that type of trademark. Moving down the spectrum are arbitrary trademarks. So that is where the word exists in the English language, but if it is used in some arbitrary manner, it can be a valid trademark. Apple is the classic example.

So, apple in relation to fruits cannot be a trademark. Apple in relation to computer products or digital media obviously is a very strong trademark. If you are registering words that you might think are generic, under trademark law, it really depends on how it is being used. Under trademark law, it is not generic and therefore exempt from trademark protection, unless you consider the use. So, a generic word from a trademark sense is where the word is being used as the name of what is the genus of the goods or the services.

So, if you are registering those types of words, there is always a possibility there may be a trademark. It is a great idea to do a trademark search. Make sure you are not running into someone who is using that word in the arbitrary sense that has given them trademark rights.

Michael: Got you. So, if I register Apple.info, and I may have good faith intent to have apple orchards or things like that, that might be fine. But if I am registering AppleComputers.com or AppleComputers.biz, or I am registering AppleHDTV.com, that is clearly a domain name that associates with computers and Apple Computers' trademark.

David: Yeah, that is right.

Michael: Okay, perfect. Now, what if I look through my portfolio today, David, and now that I have watched this show and I am educated, and I think, "Hey, these domains might be problematic," what should I do? What do you think should be the next step?

David: Yeah, it is hard. I would say take a close look at them. Look at how you have been using them. Revisit what you were thinking when you registered them, because, again, that is for cybersquatting, for UDRP, URS, or ACPA, the claim really is: "Well, what was your intent when you registered them?" So, try and think back. How did they come into your portfolio and what was your intent? And then, how are you using them now? There are UDRP panel decisions that have found that willful blindness of a trademark does not exempt you from the UDRP.

Now, that most frequently comes up in the case of automated registration, using something like a drop catching service to register names. There are

UDRP panelists that will say, "Well, you should have searched for trademarks." And if you used an automated service, then you were willfully or knowingly blind to the trademarks. So then the name can be subject to a UDRP. Now, the decisions have gone both ways on that point, but there is a potential risk there.

Michael: What tools can people use if they want to go search for a trademark, David?

David: Trademark 24/7 is a great service. Easy to use. Trademark247.com. You can also go directly to the US Patent and Trademark Office. That is USPTO.gov. The interface is slightly less intuitive, but it is there. That is the master source of US trademarks. All or nearly all National Governments have their own trademark database that is online as well. The European Union. There is a single trademark registration that covers all of the European Union. The abbreviation for that agency is OHIM. If you do a search for it, you will find that. It is a great idea to check for European community trademarks as well.

Wherever you are located in the world, your country likely has an online database of trademarks. It is a great idea to check there as well.

Michael: All right. And if people have questions and they want to speak to an attorney, I know that you both work on retainer and probably hourly rate. How can people contact you, David, if they want to discuss their personal situation?

David: I am reachable, of course, at DavidWeslow.com or Twitter @DavidWeslow. I am happy to chat with anyone. I know you have also had some other great attorneys on your show as well that they could reach out to, or if they have an attorney they regularly work with. I think it is a great idea if they are about to register a name or now, in relation to new gTLDs, there are claims notices that at least for the first 90 days of new gTLDs. If you are about to register a name and you see a claims notice, which means that that domain name may conflict with someone else's trademark, it is a great idea to talk to an attorney and get a handle on whether or not you really should proceed with that registration.

Michael: But just because you do not see that notice when you are registering a new top-level domain, like .GURU or something, does not mean that it is clear to register. Does it, David?

David: No, that is right. So, it is important to keep in mind: claims notices are generated for trademarks that are registered in ICANN's Trademark Clearinghouse, which I think as of last month there was under thirty thousand trademarks in the clearinghouse. You compare that to the US Patent and Trademark Office - it registers about 200 thousand trademarks per year -, it shows that it really is a small fraction of trademarks that are in the clearinghouse and that are going to generate claims notices. And then the claims notices are only mandatory for 90 days, so that is a great point.

If you do not receive a claims notice, it does not mean it is clear. If you do receive a claims notice, it is worth pausing and doing some deliberative thinking about whether or not you should go forward.

Michael: All right.

David Weslow, Partner and Attorney with Wiley Ryan. Thank you for coming on the show, explaining trademark law as it relates to domain names, thanks for preventing others from making the mistake that so many in the past have made, and thanks for being a return Domain Sherpa.

David: Thanks for having me on again, Michael.

Michael: Thank you all for watching. We'll see you next time.

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