

Michigan COMPUTER LAWYER

Editor

Christopher J. Falkowski
cfalkowski@raypro.com

<http://www.michbar.org/sections/computer/>



By Christopher J. Falkowski
Jeremy D. Bisdorf
Raymond & Prokop, P.C.

The European Union enacts law to protect personal privacy.

Differences are emerging between how the laws of the United States and the laws of other nations, deal with issue of personal privacy in the information age. The American Airlines reservation system was recently barred by a Swedish court from transmitting back to the United States, certain personal details about ticket holders traveling to Sweden. According to a Swedish court, information pertaining to such personal traits as food preferences may not be transmitted to the American Airlines computer system in the United States. Similar policies have already been adopted in Greece and Portugal, and are now being implemented in Britain and Italy. Eventually, every nation in the European Union will enact similar legislation. Fortunately for American Airlines, the prohibition has been suspended as the airline pursues an appeal. However, many American firms fear that the new European Union law could bar many practices common to business commerce in the United States and abroad.

The new law cuts across two important public policy fissures. First, there is the increasing tension between the desire for businesses to obtain data on their perspective customers and the growing fear that confidential information will be misused. Second, is the issue of free trade and the limits such policies place on a sovereign nation's ability to take action to

protect its citizens. To make matters even more complex, it is ultimately unclear as to how broadly or narrowly the new privacy law will be construed amongst the various European Union member states.

SEC requests Year 2000 audit from brokers.

The United States Securities and Exchange Commission has required most of the nation's securities brokers and dealers to file reports developed by independent auditors detailing efforts at addressing the Year 2000 date change. The SEC has indicated that all audits should be completed by March 15, 1999 and presented to the SEC by April 30, 1999. A few weeks earlier, the SEC ordered 6,500 investment companies and advisors to file similar reports in December of 1998 and June of 1999, but did not require the filing of independent audits. During the week of October 19, 1998, the SEC charged 96 brokerages with missing deadlines and other inadequacies associated with Y2K reports. According to the SEC, thirty-seven firms paid fines totaling \$235,000. According to a spokesman for the Securities Industry Association, the goal is to have uninterrupted stock trades on Monday, January 3, 2000.

Tax Freedom Act enacted into law.

On October 10, 1998 the Senate approved the Internet Tax Freedom Act by a 96-2 vote. The bill was subsequently signed into law by President Bill Clinton. The new law bars states and local governments from imposing new taxes on Internet commerce for the next three years. The measure creates an advantage for online shopping services over traditional retailers because retailers are responsible for collecting sales taxes. Thus, in addition to the greater overhead costs applicable to traditional retailers, those same retailers must continue to collect sales taxes on goods that their online competitors can sell without any sales taxes. The new law also imposes a three-year moratorium on taxing the fees people pay to gain access to the Internet. The tax advantages for online commerce may be short lived however. The statute establishes a panel to find permanent answers to the questions of whether online commerce should be taxed, and the appropriate methods for doing so.

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Memo from the Chair

Kathleen H. Damian

Although 1999 is still in its infancy, the new year for the State Bar and the Computer Law Section began at the annual meeting held in Lansing back in September. At that time, new Section officers and Council members were elected and work began on planning activities and services which we hope will be of interest to all Section members.

For the first "official" event of the year, the Section cosponsored the ICLE program "Representing 1998 Clients with Year 2000 Problems" on October 29, 1998. This day-long program was held at the MSU Management Education Center in Troy and had a paid attendance of 70 people. Five members of the Section (including two past chairs) spoke at the program for which I served as moderator. I want to take this opportunity to thank Bernie Lourim, Marta Manildi, Linda Markman, Janet Neary and Steven Schwartz for their fine presentations at this program. I also want to express my appreciation to George Boersma, State of Michigan CIO, Brian Ferrilla of System Solvers, Inc. in Madison Heights, Brian Parker of Bingham Farms, and Joseph Spiegel of Southfield for their participation.

The Section Council met on November 4, 1998 and the focus of the discussion was on ways to provide additional service to Section members. The Council has approved a budget which will support the Section's traditional activities (the Spring Network Lunch, a State Bar Annual Meeting program, quarterly publication of the Michigan Computer Lawyer, etc.) and permit the addition of new Committee activities which the Council believes members will find valuable. Also, a new format was approved for the Edward F. Langs Writing Award — details are elsewhere in this newsletter.

Dave Syrowik and Mitch Goodkin continue as chairs of the Proprietary Rights Committee and the Emerging Technologies Committee, respectively. I am also pleased to announce that a new Cyberspace Committee has been established with Paul Raine as chair, and, initially, it will take up the topic of computer and Internet crime. Fred Schuchman has assumed the chair of the Contracts Committee which plans to publish negotiation and drafting tips for various typical provisions found in technology acquisition agreements — from the viewpoint of both the buyer and the seller. Committee activities are discussed in greater detail elsewhere in this newsletter, but I want to take this opportunity to remind all Section members that their input and participation in the committees is welcomed by the committee chairs. Also, if you are interested in a topic which is not currently being addressed, please consider getting involved with the appropriate committee — or volunteering to chair a new committee.

The Section officers and Council are looking forward to an exciting and active year for the Section members. These folks are dedicated to providing service to Section members, but please remember this is YOUR Section — you are always welcome to participate in planned Section activities and events and to suggest new activities for Section sponsorship. We want to hear from you!

In the News

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Record industry vows to appeal piracy ruling.

The recording industry lost the opening battle in its attempt to prevent music piracy over the Internet. Diamond Multimedia Systems successfully defeated a motion for a preliminary injunction brought by two record industry trade groups. The motion sought to prevent Diamond Multimedia Systems from shipping a device that allows consumers to download and store CD-quality music off the Internet. The new Rio PMP300 portable music players are similar in size to a pager. Instead of relying on a CD or cassette, the Rio stores music on a memory card. The Rio device allows listeners of downloaded music who were previously limited to playing such music on their computers, to listen to downloaded music wherever they wish. Lawyers for the record industry argued that the device violates copyright laws because it facilitates the downloading and storage of music without the payment of royalties to the musicians. Some onlookers are concerned that allowing the Rio to be shipped could discourage growth of the legitimate online music market. In defense of the Rio, Diamond Multimedia responded that the device, like all devices, can be used for both legal and illegal purposes. Ken Wirt, spokesman for Diamond Multimedia Systems, asserted the futility of regulating piracy by outlawing a device while pointing out the ink-jet printers have numerous potential illegal uses. The two record industry trade groups have publically stated their intentions to appeal the ruling.

Year 2000 information exchange law limits liabilities regarding compliance disclosures.

On October 20, 1998, President Bill Clinton signed into law a bill designed to encourage corporations and other institutions to disclose and exchange information pertaining to the status of their Year 2000 efforts. Under the new law, it is hoped that companies will freely exchange information pertaining to what their respective Y2K problems are, and how those problems are being addressed. By discouraging a mind set aimed at positioning one's organization for eventual Y2K litigation, the purpose of the law is to facilitate efforts at fixing or at least minimizing the eventual impact of the Y2K problem by encouraging and supporting remedial efforts before the problem arrives. At its core, the law limits the liability of entities that disclose Y2K information on websites and other venues. These limitations on liability are retroactive. The Information Technology Association of America (ITTA), a leading industry trade group on the Y2K software issue, was a strong supporter of the measure.



1998 Edward F. Langs Writing Award Winner

Trademark Infringement and Internet Domain Names

By Navin Katyal

An Overview and a Proposal Towards a Geographic Domain Name Registration System

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The Internet — a massive electronic matrix of interconnected networks of computers¹ — has challenged and tested established legal principles within the field of Intellectual Property. The growing number of disputes over “addresses” or “domain names” and trademark infringement is one of the more visible examples of a new era of computer law that has outpaced established legal doctrine. The Internet presents unique problems for those trying to protect the good will, source message, and distinguishing value encapsulated within a trademark.² In Canada and the United States, traditional trademark law has been ineffective in settling domain name disputes. The policy governing disputes over domain name registration has also been inadequate. The problem arises where one business entity who has legitimately registered an Internet domain name address is challenged by another business, claiming that the former’s use of the domain name violates its preexisting federal trademark rights.³ The implications of such overlap incite infringement of established trademarks over the Internet. Famous examples of such type of domain name battles include *The Gap, Inc.’s* dispute over the domain name “thegap.com,” first registered by Genesis Project Ltd. (standing for “Genesis Access Point”); and *Apple Computer’s* dispute over the domain name “newton.com,” first registered to Mark Newton.⁴

This paper will explore the current dilemma regarding domain name registration and the misuse of trademarks on the Internet in Canada and the United States in four parts. Part I will include the basic nomenclature of the Internet, domain names, trademarks and the nature of the domain registration dispute. The argument that do-

main names are trademarks will be discussed in Part II. Next, in Part III, there will be a discussion on proposed solutions on the issue, and a critical analysis of their strengths and weaknesses. Last, Part IV of the paper provides the author’s own solution to alleviate trademark misuse with respect to domain name registration. Specifically, this would involve the elimination of the current administering body of domain names, and includes the creation of a bilateral system of domain names, based on geographic origin. In essence the author’s recommendation will provide a pragmatic solution to the problem by invoking traditional trademark principles of both Canada and the United States.

Part I — Basic Tenets of the Internet, Domain Name Registration and TRADEMARK LAW

A. Internet Overview

The Internet was established in the late 1950s and early 1960s by the Rand Corporation, commissioned by the Pentagon to develop a computer network that was decentralized.⁵ During the era of the Cold War, the U.S. Department of Defense believed that such a telecommunication system should be able to survive a military attack, and furthermore allow for faster data transfer between the various branches of the military and other federal bodies. Hence, the Pentagon began to network computers at different locations to share data and allow access from remote positions. The first military computer network was known as ARPANET.⁶

In order to transfer information, a computer requires that information be put in packets called an Internet Protocol (IP), and “address” the packets to the receiving computer(s). In the 1970s, a highly complex system of communication protocol was developed and was known as TCP/IP (Transmission Control Protocol/Internet Protocol).⁷ By the early 1980s, many non-gov-

ernmental organizations began to use the TCP/IP protocol to connect their system to the network. Today, the Internet is a worldwide communication system serving individuals, government, academic institutions, and businesses. The independent networks which form the Internet contain millions of ‘host’ computers which serve millions of other computers all over the world. Each of these hosts within the Internet contain two distinct addresses. The first address is the numerical IP address (e.g., 987.654.321.01). The second address, which has far greater mnemonic value, is an alphanumeric domain name (e.g., “ibm.com”). It is this second address of domain names that are causing trademark infringement problems. At first instance, a company’s presence on the Internet is initially defined by its domain name. “A domain name which incorporates all or part of an important corporate name can be [an] extremely important asset because it provides an intuitive link between the company and Internet users.”⁸

B. Domain Name Registration

Internet domain names are made up of a number of characters separated by periods (e.g. “microsoft.com”). Essentially, domain names are the Internet equivalent to real estate addresses. Usually domain names consist of a word that either describes a business or institution, sometimes having trademark implications, followed by a three letter designation identifying the user’s type of organization.⁹ Taking the *Microsoft* example from above, the “top” level of domain (TLD) describes the purpose or type of the organization (“.com”), and the second level of domain (SLD), includes any word chosen by the user. However, under current policy, there can be no duplication of that word by any other user wishing to register.¹⁰ The following are a list of TLDs used currently by administering body in assigning Internet addresses:





1999 EDWARD F. LANGS WRITING AWARD ESSAY COMPETITION RULES

1. The award will be given to the student article which, in the opinion of the judges, makes the most original and significant contribution to the knowledge and understanding of current computer law issues. The article should demonstrate original, creative and useful thought and insight into the law relating to computers.
2. The following prizes will be awarded:

First Prize	— \$500
Second Prize	— \$300
Third Prize	— \$200
3. All entries must be original and must not have been submitted to any other contest within the last 12 months.
4. All entries must include the submitter's name(s), current address, current telephone number and college or university attended.
5. All articles must be typed, double-spaced and submitted on letter-size (8½ by 11 inch), plain, white, bond paper (no onion skin).
6. Entries must be typed with margins of 10 and 70, respectively, along with top and bottom margins of no less than one inch each.
7. All entries must contain proper citations, including footnotes at the end of the entry.
8. Entry of at least 10 pages is preferred.
9. All rights to the entries shall become the property of the State Bar of Michigan.
10. The Computer Law Section reserves the right to make editorial changes.
11. The entry must be postmarked by June 30, 1999.
12. Entries are to be mailed to:

David R. Syrowik, Chairman
Computer Law Section Essay Competition
Brooks & Kushman P.C.
1000 Town Center, 22nd Floor
Southfield, Michigan 48075

- “.com”— commercial organizations;
- “.edu”— education organizations;
- “.net”— networks;
- “.gov”—non-military government organizations;
- “.mil”—military organizations; and
- “.org”— other (not-for-profit) organizations

As will be shown in Part IV, each country respectively may have its own Domain Committee to head up its own country domain classifier which can also be added to the address. Examples include, “.ca” for Canada, and “.uk” for the United Kingdom. In Canada, only federally incorporated businesses can use the TLD of “.ca”.

Domain names are assigned to businesses, government and individuals by the Internet Network Information Centre (InterNIC), which is under contract with the National Science Foundation, and operated through General Automics, AT&T, and Network Solutions, Inc. (NSI).¹¹ NSI, based in Herndon, Virginia, is temporarily administering the registration of all network domain names. AT&T is providing directory information, and General Automics is governing the information services.¹² Formed in 1993, NSI's contract to operate InterNIC expires in September 1998.¹³

C. The Trademark Implications

A trademark is a “mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others.”¹⁴ The significant function of a trademark is the requirement that the mark carry a source message which would appeal to public perception and be clearly distinguished from any other's ‘goods or wares.’ Trademarks also serve the dual purpose of protecting the public by preventing confusion as to the source or origin of goods while also allowing businesses to build on the goodwill of their trademark.¹⁵ Descriptive marks, generic marks, suggestive marks (which suggest the purpose of the product) and arbitrary marks are four basic categories in establishing the strength of a particular trademark.¹⁶ Generally, descriptive and generic marks are never entitled to trademark protection, unless secondary meaning is shown. In Canada, trademarks are protected by *TMA* and *LA* in the United States.¹⁷

However, the question still remains whether domain names are trademarks. From a trademark owner's perspective, three important problems to domain name registration are evident. The first and most threatening issue is the golden opportunity for “domain name hijacker's” or “pirates” to dispossess domain names. This dispute arises between a trademark owner who does not have a domain name for its mark and a party who does not own the trademark registration but has obtained the domain name from InterNIC for the mark. Many large corporations in the United States have been surprised to learn that their trademark has previously been registered with InterNIC. The case of *MTV Networks v. Curry* illustrates this predicament.¹⁸ Here MTV sued one of its former Video



Jockey's (Adam Curry) for trademark infringement based on his use of the Internet domain name "mtv.com." The case was eventually settled out of court, with MTV relinquishing its domain name. Another example includes *Stanley H. Kaplan Educational Center, Ltd. v. The Princeton Review Management Corporation*,¹⁹ where the test preparation company, Princeton Review, intentionally 'pirated' and began using the domain name, "kaplan.com." Princeton used the domain name to distribute disparaging information regarding Kaplan, and advertised Princeton's services. In the end binding arbitration held in favour of Kaplan, and the domain name was relinquished back to Kaplan.

Misspelling popular trademarks is the second problem the domain name system presents to owners of trademarks.²⁰ The system created by InterNIC allows users to modify or vary a second level domain, so that it may resemble a popular brand name. For example, "micr0s0ft.com" or "craft.com" (Kraft General Foods). By the substitution of the number zero in the place of the letter "o" in "microsoft", and changing the letter "c" from "k" in "kraft" one can easily manipulate the domain registration system. Accordingly, this allows clever businesses to register their altered domain name with the search engines (e.g., Yahoo, and AltaVista) so that users who incorrectly spell domain names will end up or "hit" on the misspelled domain name site. Thus, allowing the business to 'free ride' on the goodwill of the registered trademark.

The third problem, lies with the fact that the NSI and InterNIC are not the sole providers of domain names.²¹ NICs and other respective registries (e.g., Domain Committees) all over the world may assign exactly the same second level domain. However the TLD will be altered so that it represents the country of its origin. Examples include, "microsoft.co.ca" which would be based in Canada.

D. InterNIC's Current Domain Name Registration Policy

Prior to July 1995, InterNIC initiated a policy to allocate domain names on a first-come, first-served basis without examination (including those of trademarks) of the user's right to choose a particular domain name.²² Overwhelmed by the number of trademark and domain name disputes, InterNIC's policy was revised in July of 1995, and subsequently revised again in September 1996 and February 1998.²³ It is NSI's current policy not to exercise veto power over a requested and disputed domain name, so long as that name is not exactly the same to the one already assigned within the TLD.²⁴ Hence, one of the main reasons for the new registration policy is based on the issue of trademark infringement.²⁵

The InterNIC does not have the mission nor the resources to check trademarks. Existing procedures and organization are in place to do this. The responsibility for checking trademarks is placed on the organization/person submitting the [domain name].²⁶

In other words, InterNIC clearly did not consider the implications in the trademark field. While it was able to prevent IP 'numbering collisions' from occurring, no effort was given to prevent 'domain-names-collisions' from happening.²⁷

The subsequent 1996 and 1998 revisionist policy shifted the

responsibility for ensuring that trademarks are not infringed on the one who seeks application. InterNIC still honors the first-come, first-served principle for those names not assigned. However in doing so it would presume that the applicant has the legal right to do so.²⁸ However, where a trademark owner finds that an identical SLD name has been registered, NSI policy states that the owner of a trademark may challenge use of an "identical" SLD by submitting the registration certificate to the NSI, along with proof that the trademark owner has sent the domain holder written notice of the trademark owner's claim that the use and registration of the domain name violates the trademark owner's legal rights. If the first use of the domain name postdates the first use of the trademark or the effective date of the trademark registration, the NSI gives the domain name holder 30 days to prove its ownership of a trademark registration for the same mark in the U.S. or in any other country.²⁹ However, if it is found out that the domain name holder has infringed the registered trademark, then the InterNIC would grant the registrant another domain name, but would allow a 90 day transition period between the transfer of names. After this period of time, the disputed name would be placed on hold pending settlement by the parties or judgment by the courts.³⁰ Another earlier policy of InterNIC is that it limits registration to one domain name per company.³¹ Although this policy has not been strictly adhered to, the policy tries to maintain "reasonable" limits on the number of addresses one business may register.

PART II — DOMAIN NAMES ARE TRADEMARKS

As trademark disputes continually increase, the common defence raised by those who have allegedly infringed a trademark by domain name registration with InterNIC is that domain names do not constitute a trademark. Arguably these proponents have a strong argument, suggesting that trademarks are like postal or street addresses, conveying messages only in a geographic sense. Furthermore, they argue that they should not be subject to cancellation for the "likelihood of confusion" with a registered trademark. However, as stated earlier, for a domain name to function as a trademark in Canada and the United States, it must identify a source message by bringing to the public's attention the nature of the goods and services in the due course of business.³² The best example of a famous trademark, with a strong source message would be *Coca-Cola*. "Coke" is a registered trademark internationally, and carries with it a strong source message of a cool, refreshing beverage. Having "coca-cola.com" as an Internet domain name would clearly signify more than a simple address. It would convey a message of a reputable company with a competitive carbonated soda. Now, if someone other than the trademark owner were to register Coke's domain name of "coca-cola.com" or "coke.com," the possibility of the tarnishment or dilution (*see infra B4*) of the goodwill of the product is a serious probability.

In reality, a domain name conveys much more than a simple geographic location — "Internet users readily interpret a domain name as reflecting the identity of its owner in a way that a postal address does not."³³ In Canada for a domain to be considered a trademark, there must be (1) actual use (s. 4 of *TMA*) and (2) regis-

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A Primer On Drafting Software License Agreements

By Chadwick C. Busk¹
Meijers, Inc.



Having read and revised several hundred software license agreements in my professional life, I've determined that well-crafted agreements stand out from those which are less carefully authored. Several software vendors I've worked with believe that my restrained dislike for their documents is only a matter of taste, as in "beauty is in the eye of the beholder." I've always argued, however, that effective contract drafting is **not** a matter of subjective opinion. There are better and safer ways to build a bridge just as there are better (and safer) ways to draft a contract, including a software license agreement. As a computer lawyer, learning to recognize the elements of an effective software license agreement - and being able to draft such a document - will enhance your professional value. Here are my tips on how to wisely draft a software license agreement. This advice applies regardless of whether you represent a software vendor or customer.

What is Good Legal Writing? Style!

Good legal writing is a matter of style. Style is determined by adherence to the rules of effective writing, best enunciated by Messrs. Strunk and White in *The Elements of Style*.² Briefly summarized, use the active voice, not the passive. Omit needless words. Use shorter sentences rather than long sentences connected by "and." Be mindful of subject-verb agreement. Use parallel construction on parallel concepts. Know the rules of singular possessive nouns as compared to plural possessive. Finally, to borrow a concept from these authors, use the names of the parties (a "shorthand" reference is acceptable) rather than "Licensee" and "Licensor." It is too easy for the reader (and the writer) to confuse the two.

What is Good Legal Writing? Organization!

In addition to style, good legal writing is a matter of organization. Contracts are no different than novels or newspaper stories. They have a beginning, middle and end. Know what material to put

in each part of the document. A definitions section should appear at the beginning of the software license agreement. Each key term in the agreement should first be defined in this section and then be used according to this definition throughout the agreement. Each defined term should also be capitalized throughout the document so that the reader knows that it is a term of art, whose meaning may be different than a dictionary definition. The following terms are the least which should be defined in the definitions section: "Licensor," "Licensee," "Software," "Documentation," "Acceptance," and "Licensed Location."

Journalists Do It!

Journalists understand that the first paragraph of any story should follow the "who, what, when, and where" convention. A well-crafted license agreement will follow this methodology, too. Recognize that the business elements of the deal (what is being licensed, the cost of the license, and the scope and duration of the license) should be included right after the definitions section. Your client will be grateful in knowing that the principal business elements of the deal are addressed near the front of the agreement, avoiding the need to pour over page after page to find the price of the software or the payment terms.

A Common Trap

Avoid a common trap of legal drafting: "If something is important, say it again!"³ I recently read a software license agreement that addressed the issue of who was going to pay the taxes on the transaction by using similar language in three different parts of the document. This technique is not only poor legal writing, it invites a more serious problem if there are differences in the wording of the provision in different parts of the agreement. If multiple provisions address the same issue even in slightly different ways, which one controls?



Make the Agreement Consistent

Be careful to make sure that the agreement is consistent with the attachments, especially the software documentation. To avoid this problem, the drafter of a software license agreement would do well to actually read the software documentation prepared by the vendor or software customer (or both) prior to drafting the license agreement.⁴ In that way, a contradiction between the text of the agreement and the documentation may be avoided. As a failsafe measure, the drafter should include, near the end of the agreement, a provision which lists the priority of the documents. For example, “in the event of a conflict or contradiction between this Agreement and Schedule A, the parties intend and agree that the Agreement shall control.”⁵ This avoids any argument that one document should control over another.

Set-Off, Caption, Paginate

Use conventional “markers” to set-off, caption, and paginate text. These include numbered or lettered section headings and pagination. I’m amazed at the number of agreements which cross my desk which are not paginated at all. If the software vendor (or customer) is this sloppy in preparing a legal document, what kind of performance would you expect on the business side of the transaction?

Suggested Elements of a Basic Software License Agreement

A. Introductory Paragraph. State the legal names and addresses of the licensor and licensee. Refer to them in their capacity as licensor and licensee. Then, however, select a shorthand name for each and use that name to refer to that party throughout the agreement rather than the confusingly similar names of “Licensor” and “Licensee.”

B. Brief Statement of Facts. This paragraph is what Stone Age lawyers used to call “recitals.” This term has outlived its usefulness, so use “Statement of Facts” instead.

C. Definitions. This is an essential part of the document as stated above. Put the terms in alphabetical order.

D. Grant of License. State whether the license is perpetual, non-assignable, exclusive, worldwide, or enterprise-wide and whether it includes the software’s source code. The drafter may want to include a provision expressly allowing the software to be used on notebook or home desktop personal computers of the customer’s employees.

E. Use Restrictions. Most license grants are followed by restrictions, the most common of which provide that the customer may not disclose the software outside of its organization or the licensed location(s). The provisions also forbid use of the software for any purpose other than the customer’s own internal data processing needs. These restrictions usually require the customer to keep the software and its documentation confidential.

F. Software License Fee. This provision describes the amount and method of payment of the software license fee. The

customer will want payment to be conditioned upon its acceptance of the software which occurs only after it has tested the software subsequent to installation. The vendor may want most of the license fee paid upon the customer’s signing the agreement, with only a small amount withheld pending acceptance.

G. Warranties. The extent of warranty protection for the customer is usually a matter of business leverage. Basic warranties usually included in any license agreement are that the software materially conforms to the documentation;⁶ that the vendor has good title to the software and the right to license it to the customer free of any liens or encumbrances; that the software is free of viruses and time bombs, and that the software is Year 2000 compliant. The duration of each express warranty should be stated. A disclaimer of all other warranties is common.

H. Remedies. Warranties mean nothing without adequate remedies. The parties should carefully consider the remedy for breach of the warranties stated in the agreement. The most common remedy is for the vendor to cure its breach by repair or replacement of the software at the vendor’s expense. In some cases, however, as where a virus, time bomb, or Year 2000 defect can damage or destroy other computer files owned by customer, the “repair or replace” remedy may be ineffective.

I. Indemnities. Many drafters of software license agreements confuse indemnity provisions with risk allocation provisions (see below). For the sake of clarity, these should be kept separate. Indemnity clauses deal with a third-party claim or suit against one of the contracting parties. In a software license agreement, a common indemnity clause is for the vendor to defend the customer against a third-party claim for proprietary rights infringement and for a claim of injury, death or property damage brought by the vendor’s employee, agent, or contractor resulting from his installation, implementation, or training services at the customer’s site. Since third-party claims are not within the contracting parties’ direct control, the damages resulting from such claims should be dealt with separately and not by the risk allocation provisions.

J. Insurance. These provisions are important in cases where the software vendor is going to have its personnel performing services at the customer’s site. The customer should ask the vendor to provide complete commercial general liability coverage, workers’ compensation coverage, automobile liability coverage, and employee fidelity coverage. If the vendor is going to customize the software to meet the customer’s unique requirements, the customer should ask for data processing errors and omissions insurance.

K. Risk Allocation. This section concerns the liability of the parties to each other (as opposed to third party actions covered by the indemnity provisions – see above). These provisions normally include a mutual waiver of incidental, consequential, indirect and punitive (“special”) damages and an overall cap on the vendor’s liability to the customer for direct damages. Depending on the degree of business leverage, the software customer may negotiate certain exceptions to the mutual waiver of incidental or consequential damages or to the cap on direct damages. For example, a vendor may agree to carve out an exception to the mutual waiver of



incidental or consequential damages in the event that it breaches the confidentiality provision (see below); or it may agree to exclude from the cap on direct damages liability resulting from its gross negligence.

L. Confidentiality. This provision should apply to both parties and deal with the right of either party to have the other party keep sensitive business or trade secret information disclosed to it confidential. Confidentiality of the software and documentation is better addressed in the above provision dealing with use restrictions.

M. Non-Solicitation. This provision is also mutual and prohibits either party from soliciting the other's employees for hire, generally during the course of the vendor's rendering services to the customer and for six months to one year thereafter. Longer periods may be voidable under State law.

N. Termination. This section describes how the agreement may be terminated, usually in the event of a default which is not cured within a prescribed time. Unless the license granted includes the software's source code, the customer may want to include a back-up license or escrow license agreement for the software's source code so that the customer can obtain and maintain the program if the vendor becomes unable to do so, whether due to a business failure or sale of its business to an unrelated party.

O. Dispute Resolution. These provisions can range anywhere from binding arbitration, voluntary mediation, escalation of issues to senior executives within the parties' organizations, to waiver of a jury trial if the issues are litigated.

P. Remaining Boilerplate. These clauses are generally cut and dried but are commonly included by careful drafters. The most important include an integration provision (that the entire understanding of the parties is contained in the four corners of the document); an assignment provision (stating under what circumstances a party can assign the agreement to a third party); an obligations survive provision (stating that certain portions of the agreement - typically the insurance, indemnity, and confidentiality provisions - will survive the termination of the agreement); an expense of enforcement provision (providing that the losing party in any judicial proceeding must pay the actual legal expenses of the winning party); and whether the agreement or attachments will control in the event of any conflict between them.

Q. Postscript: Software Support. In a basic software license agreement, vendor support of the software is likely to consist of telephone assistance rendered by the vendor's help desk during normal business hours and new releases of the software which provide minor enhancements or "bug" fixes. Support is customarily provided free of charge during the software's warranty period. After expiration of that period, the vendor will charge the customer for support, and the price is usually a percentage of the vendor's current software license fee. For any level of support above a routine help desk or bug-fix obligation which is provided after expiration of the software warranty, a separate support agreement should be drafted which specifies the vendor's support obliga-

tions, the support fee, the performance standards (including response times) for support, and the penalties if these standards are not met. Care should be taken to make sure that the software support agreement is consistent with the license agreement.

Conclusion

The careful computer lawyer will be aware of these guidelines in reviewing or drafting a software license agreement. To the extent a license agreement departs from this blueprint, there is the risk that the software acquisition is not adequately documented. This risk may be minimal at the time of contract execution but may increase as the transaction unfolds and the parties look to the contract to define their rights and duties.

¹ Senior Counsel, Meijer, Inc. The views in this article are not necessarily those of Meijer, Inc. © 1998 by Chadwick C. Busk. All rights reserved.

² Writers have been consulting this book ever since it was first published in 1957. According to one critic, "it remains the most compact and lucid handbook we have for matters of basic principles of composition, grammar, word usage, and misusage, and writing style." It is available in paperback for under \$5.00.

³ I call this the "Alvin Syndrome" from the *Chipmunk Song*. After one ear-splitting rendition of the song, Alvin says: "Let's sing it again!"

⁴ The documentation may be mostly technical (since likely drafted by a party's project manager) and not well understood by the attorney (unless equipped with a computer science degree). However, there may be factual representations or limits specified in the documentation which could better be included in the agreement as express warranties, disclaimers, etc.

⁵ Some drafters may prefer to have the schedule control, especially where the agreement is a "master" agreement. Outside of the master agreement model, I prefer to have the agreement control, because I can control the integrity of the agreement but not the behavior of a client who may, post-execution and without my knowledge, attach a revised schedule which conflicts with the agreement.

⁶ From the customer's viewpoint, this warranty means nothing unless the customer has reviewed, accepted or revised the vendor's documentation prior to the transaction. The better protection is a warranty that the software will conform to written specifications prepared by the parties jointly which may be tailored to the customer's particular needs.

The Contracts Committee is interested in placing sample softwarexxxx licensing agreements on the Section's web page. If you have a "sanitized" (any mention of the actual parties involved should be changed to obviously fictitious names) agreement to submit, or if you are interested in editing the submissions of others, please contact Fred Schuchman at fesiii@dcrn.e-mail.com



Recent Developments In Computer Law

By David R. Syrowick
Brooks & Kushman P.C.
Southfield, Michigan

U.S. COURTS OF APPEAL

Patents

As reported at 47 U.S.P.Q.2d 1596, the U.S. Court of Appeals for the Federal Circuit on July 23, 1998 held that a machine that performs mathematical calculations to transform data for administering mutual funds is statutory subject matter under Section 101 of Title 35. The court stated "transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces a useful, concrete, and tangible result - a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory agencies and in subsequent trades." The patented invention at issue allows mutual funds to pool their assets in an investment portfolio organized as a partnership and to make daily allocations of assets for two or more mutual funds that are invested in the same portfolio. The court reversed a summary judgment to the contrary, explaining that the claimed system constitutes a "useful" application of a mathematical algorithm. Along the way, the court found the *Freeman-Walter-Abele* test inapplicable and discarded the "ill-conceived" business method exception to statutory subject matter. *Street Bank & Trust Co. v. Signature Financial Group, Inc.*

As reported at 47 U.S.P.Q. 1418, the U.S. Court of Appeals for the Federal Circuit held on July 2, 1998 that a computerized fingerprint system was not infringing because it did not store "arrays" of image data in memory as required by the patent claims. The system described in the written description of the patent includes a microprocessor coupled to random access memory (RAM) and read only memory (ROM). The microprocessor is further coupled to a terminal, such as a standard keyboard, that allows an operator to input data. A video monitor and printer are also included in the system to allow the operator to view and print, respectively, a fingerprint image generated by the system. *Digital Biometrics, Inc. v. Identix, Inc.*

Patents — Sovereign Immunity

As reported at 67 U.S. Law Week 1027, the Court of Appeals for the Federal Circuit ruled on June 30, 1998 that abrogation of state sovereign immunity for patent infringement by the 1994 patent amendments is a valid exercise of Congressional power under section 5 of the 14th Amendment. The court reasons that the patent statute effects an "unmistakably clear" abrogation by explicitly naming states and their officials and instrumentalities as potential patent defendants, that Congress may invoke its Section 5 power to enforce patentees' property rights protected by the 14th Amendment's due process clause, and that the damages rem-

edy is proportionate to the "significant" instances of alleged patent infringement by states, which are likely to increase as state universities become more active in commercial scientific research. The Court concluded that "such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by states." *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board.*

Copyrights

As reported at 56 BNA's PTCJ 574, the U.S. Court of Appeals for the Ninth Circuit held on September 11, 1998 that a compact disk made up of 300 user-created "game levels" for the popular "Duke Nukem 3D" computer game produce an infringing derivative audiovisual display. The court reversed a district court's denial of a preliminary injunction after concluding that the user-created files contained exact "descriptions" of the audiovisual works produced by the copyrighted game program. Just as music can describe in precise detail the way a copyrighted melody sounds, so also do these files describe the copyright owner's audiovisual display, according to the court. *Micro Star v. FormGen, Inc.*

Trademarks

As reported at 47 U.S.P.Q. 1672, the U.S. Court of Appeals for the Sixth Circuit held on August 5, 1998 that plaintiff's use of stylized mark, consisting of letters "d," "c," and "i," is not the legal equivalent of a prior "DCI" mark, and cannot be tacked onto its subsequent use of "DCI" in its Internet address to show priority of use over defendant's "DCI" mark, which was registered before plaintiff began using its mark in its Internet address. *Data Concepts, Inc. v. Digital Consulting, Inc.*

Age Discrimination - Evidence

As reported at 132 F.3d 442, the U.S. Court of Appeals for the Eighth Circuit held that a former employee's acquisition of the documents from his assigned computer was innocent and "akin to the employee who is inadvertently copied on an internal memorandum, or who discovers a document mistakenly left in an office copier." The court also found that a reasonable jury could conclude that Kempcke's retention of the documents was protected under Section 623(d) of the ADEA. *Kempcke v. Monsanto Co.*

Trade Secrets

As reported at 47 U.S.P.Q.2d 1784, the U.S. Court of Appeals for the Third Circuit held on August 26, 1998 that legal impossibility cannot be asserted as a defense to "attempt" crimes created by the Economic Espionage Act, 18 U.S.C. 1832, and a charge of attempted misappropriation of trade secrets requires proof that defendant had intent needed to commit crime defined by EEA, and had taken substantial step toward commission of that crime. *United States v. Hsu.*



U.S. DISTRICT COURTS

Patent

As reported at 56 BNA's PTCJ 351, the U.S. District Court for the Northern District of California held on July 10, 1998 that a patent that omits from its claims elements that were essential to the invention as originally disclosed is invalid for violating the written description requirement of 35 U.S.C. § 112. The patent dealt with a form of computer technology called multi-threading. In essence, computers with multi-threading capabilities can switch between tasks with such rapidity that they appear to be performing two or more tasks at once. For example, a computer with multi-threading capabilities can run a word processing program that appears to be receiving data (i.e., words) at the same time it is spell-checking those words. Microsoft claimed that Reiffin's original disclosure included an editor, a compiler, an interrupt means and a return means. It was undisputed that these elements are missing from each of Reiffin's 77 currently asserted claims. The Court held that these four omitted elements were essential to Reiffin's invention as originally disclosed. *Reiffin v. Microsoft Corp.*

Copyright

As reported at 47 U.S.P.Q.2d 1692, the U.S. District Court for the Southern District of New York held on July 9, 1998 that defendants posting of two photographs on an Internet site infringed copyrights in the photographs, but the infringement was not willful, and plaintiff is only entitled to minimal damages. Also, individual defendants are shielded from liability by Section 720-a of New York's Not-For-Profit Corporation Law. *Scanlon v. Kessler.*

As reported at 56 BNA's PTCJ 619, the U.S. District Court for the Northern District of California held on September 4, 1998 that recalling all copies of "Norton Uninstall Deluxe" was the only effective remedy against future infringement of a competing computer software product. *Cybermedia, Inc. v. Symantec Corp.*

Trademarks

As reported at 47 U.S.P.Q.2d 1020, the U.S. District Court for the Northern District of California on April 16, 1998 granted an Internet service provider a preliminary injunction in an action for trademark infringement and dilution, prohibiting defendants' unauthorized use of its "Hotmail" mark in connection with "spam" e-mails, some of which advertise pornography, and e-mail business. *Hotmail Corp. v. Van\$ Money Pie, Inc.*

As reported in the September 29, 1998 issue of THE DETROIT NEWS, on September 28, 1998 Chrysler sued two New York Internet companies, The Net and Host Networks, Inc., both of Hewlett, N.Y. in the U.S. District Court for the Eastern District of Michigan, charging them with trademark infringement and unfair competition. In September 1995, Chrysler registered *www.4adodge.com* as its Web site promoting its brand. In December 1995, The Net registered the Web site *www.foradodge.com*, which links browsers with a hard-core pornography site operated by Host. In its lawsuit, Chrysler asked for unspecified damages, and a permanent injunction, saying the pornographic Web site causes "irreparable injury to Chrysler Corp.'s trade, business reputation, prestige and goodwill."

As reported at 47 U.S.P.Q.2d 1755, on April 22, 1998, the U.S. District Court for the District of Oregon held that a declaratory judgment plaintiff is entitled to summary judgment that its use of "cds.com" Internet domain name does not infringe defendants' "CDS" trademark, since the mark represents the initials of defendants' companies, and defendants cannot now expand scope of the mark's protection to preclude use of "CDs" in reference to compact disc products and services. *CD Solutions, Inc. v. Tooker.*

As reported at 56 BNA's PTCJ 515, on August 6, 1998 the U.S. District Court for the District of Minnesota enjoined a cyberquatter's "post-it.com" domain names for infringement and dilution of the famed 3M mark, citing a strong public interest in stopping such misuses of the Internet. *Minnesota Mining and Manufacturing Co. v. Taylor.*

Trade Secrets

As reported at 1998 WL 151814, the U.S. District Court for the Northern District of Illinois on March 25, 1998 granted summary judgment in a trade secret dispute for failure to sufficiently identify trade secrets at issue. The court found dispositive plaintiff's failure to produce evidence of its software and purported trade secrets. *Lynchval Systems, Inc. v. Chicago Consulting Actuaries, Inc.*

Unfair Competition

As reported in the October 14, 1998 issue of the OAKLAND PRESS, Amway Corp. sued Proctor & Gamble Corp. in the U.S. District Court for the Western District of Michigan on October 13, 1998. Amway is accusing the Cincinnati company of using the Internet to scare away its customers and distributors. The federal lawsuit contends Proctor & Gamble paid consulting fees and provided information to Sidney Schwartz, the man it names as the author of an Internet Web site called "Amway: The Untold Story." (CA 98CV00726).

Contract and Statute of Frauds

As reported at 1998 U.S. Dist. Lexis 7096, the U.S. District Court for the Eastern District of Michigan on March 21, 1998 held that an alleged Software Development Agreement was unenforceable as a matter of law under the Statute of Frauds. The Court stated that a one year non-compete provision which was not to be triggered until 1 year after the final payment under the contract was tendered could not be performed with 1 year from the making of the Agreement. Therefore, the defendant had to sign the alleged Agreement to be enforceable. The Court furthermore stated that a letter from Mr. Tom Costello of defendant did not rise to the level of a "contract to make a contract." *Pragma, Inc. v. Compuware Corp.*

Free Speech and Encryption Software

As reported at 67 U.S. Law Week 1042, the U.S. District Court for the Northern District of Ohio on July 2, 1998 held that the Department of Commerce regulations governing the export of encryption software do not violate the First Amendment's free speech clause. The Court stated that although encryption source code may occasionally be expressive to warrant First Amendment protection, the Court found that its export was not protected conduct under the First Amendment since it is inherently functional. *Junger v. Daley*



Free Speech and Obscenity

As reported at 67 U.S. Law Week 1182, a three-judge federal district court in California ruled that the Communications Decency Act's ban on the use of telecommunications devices to transmit messages that are "obscene . . . or indecent, with intent to annoy . . . or harass," is not unconstitutionally vague or overbroad because it covers only obscene communications. The court rejects First Amendment and due process challenges brought by a plaintiff that operates the "annoy.com" Web site. *ApolloMedia Corp. v. Reno* (N.D. Cal.)

Privacy

As reported in the October 1998 issue of the MICHIGAN BAR JOURNAL on July 23, 1998, the U.S. District Court for the Eastern District of Michigan held that defendant, America Online's compliance with a subpoena did not violate the Electronic Communication Privacy Act (ECPA), 18 USC 2707 because the act authorizes disclosure of information concerning the identity of the author of a communication (as distinct from the "content" of a communication) to any person other than a government entity. Since AOL made the disclosure to a private individual, and not to a governmental entity, plaintiff's claim under the ECPA was dismissed. In addition, the court dismissed plaintiff's breach of contract claim, because plaintiff substantially breached the subscriber agreement by violating a prohibition against using AOL services to harass or embarrass any person. *Jessup-Morgan v. America Online, Inc.*, Civ. No. 98-70676.

STATE COURTS

As reported in the September 15, 1998 issue of THE DETROIT NEWS, a Warren produce market will accept \$250,000 to settle the first reported lawsuit stemming from the year 2000 computer bug. TEC America, Inc. of Atlanta announced Monday that it will pay \$250,000 to Produce Palace International and take back the cash register computer system that crashed every time a credit card with an expiration date in the year 2000 or 2001 was scanned. Produce Palace co-owners Yarsike and Sam Katz filed a lawsuit in Macomb Circuit Court on August 6, 1997, against TEC America and its local supplier, Inkster's All American Cash Register, Inc. They alleged the market's 2-year old computer system crashed, shutting down 10 cash registers, every time a credit card with an expiration date in the year 2000 or 2001 was run through the scanner. *Produce Palace Int. v. TEC America, Inc.*

As reported at 56 BNA's PTCJ 493, the Indiana Court of Appeals held on August 14, 1998 that mere referential use of a company's trademark-protected name in a site on the World Wide Web is insufficient, absent other contact with the forum, to confer personal jurisdiction. *Conseco, Inc. v. Hickerson*.

As reported at 56 BNA's PTCJ 515, the Ohio Supreme Court held on August 19, 1998 that state criminal charges for unauthorized use based solely on the uploading, downloading, and posting of software on a computer bulletin board are preempted by federal copyright law. *State v. Perry*.

As reported in the October 19, 1998 issue of the WALL STREET

JOURNAL, on October 16, 1998 Wal-Mart Stores, Inc. sued Amazon.com, Inc. in Chancery Court of Benton County, Arkansas. Wal-Mart contends that Amazon.com and several of its affiliates tried to recruit Wal-Mart employees and business partners to copy Wal-Mart's massive computer system. The suit also names as defendants Drugstore.com, a new online drug store, Kleiner Perkins Caufield & Byers LLP, a partnership that invests in high-tech ventures, and Richard Dalzell, who worked in Wal-Mart's information-systems division until becoming Amazon.com's chief information officer in September 1997. A Wal-Mart spokeswoman said the recruiting of at least 15 current and former Wal-Mart employees and employees of vendors who all have intimate knowledge of Wal-Mart's computer system began after Mr. Dalzell left Wal-Mart.

U.S. PATENT AND TRADEMARK OFFICE

As reported at 47 U.S.P.Q.2d 1358, the Trademark Trial and Appeal Board on May 28, 1998 stated that printouts of articles downloaded from Internet, introduced into evidence in opposition proceeding through a declaration of a person who accessed this information, constitute admissible evidence for purposes of summary judgment in opposition. *Racioppi v. Apogee, Inc.*

As reported in the October 9, 1998 issue of the WALL STREET JOURNAL, on June 30, 1998 the U.S. Patent and Trademark Office issued U.S. Patent No. 5,774,870 to Netcentives, Inc., a San Francisco Internet start-up, for an online frequent-buyer program. Web shoppers who make purchases from merchants affiliated with Netcentives earn rewards, including American's AAdvantage miles.

THE SECURITIES EXCHANGE COMMISSION (SEC)

As reported in the September 1998 issue of the COMPUTER LAWYER, the SEC has issued a release to provide guidance to public companies, investment advisers, investment companies, and municipal securities issuers regarding their disclosure obligations with respect to Year 2000 issues. Release Nos. 33-7558, 34-40277, IA-1738, 1998 SEC LEXIS 1601 (July 29, 1998). The release explains that Congress enacted the Securities Act of 1933, 15 U.S.C. 77a *et seq.*, and the Securities Exchange Act of 1934, 15 U.S.C. 78a *et seq.*, to provide for full and fair disclosure to investors. This disclosure framework requires companies to disclose material information that enables investors to make informed investment decisions. Accordingly, companies already disclose in their Management's Discussion and Analysis of Financial Condition and Results of Operation (MD&A) their assessment of known trends, events or uncertainties that are likely to have a material impact on business.

The SEC explained that investors deserve no less with respect to Year 2000 issues. Although the number of companies disclosing Year 2000 issues has increased dramatically, SEC surveys show that many companies are not providing quality disclosures.

INTERNATIONAL

As reported in the July 13, 1998 issue of the WALL STREET JOURNAL, an Ontario court (General Division) in Toronto has ordered about 12 Internet service providers including Yahoo, Inc. to give Philip Services Corp. the identities of people who posted on-



line comments that Philip argued were derogatory. The order applied “only to the most defamatory messages,” said a spokeswoman for the large Hamilton, Ontario, industrial services concern, which sought the court move. The order issued June 24, calls for 26 names to be revealed, some of which have already been provided. Obviously, the Internet users cannot count on pseudonyms to protect their identities.

Trademark Infringement



Continued from page 5

tration (s. 19 of *TMA*). However, if a domain name is not ‘used’ in its strictest sense, and becomes “well known” in Canada, it may qualify for registration under *TMA*.³⁴ Registration confers the exclusive right and use throughout Canada of the mark contained in the registration.³⁵ It is still not settled whether ‘use’ in terms of domain names will be applied in its purest form, or whether the courts will grant the *use* for domain names as more than a “promotional identifier” or a simple corporate name.³⁶ In *Riches, McKenzie & Herbert v. Source Telecomputing Corp.*,³⁷ a registration for computer telephone access information services was deemed to be considered a ‘use’ in the ordinary course of trade.

Since case law is still developing in Canada, the extent of jurisprudence has not matured to the level that it has in the United States. However, one Canadian decision, *PEINET Inc. v. O’Brien*,³⁸ has recognized the likelihood of confusion arising between a domain name and a corporate name. The Prince Edward Island Supreme Court considered whether the use of an Internet domain name amounts to the common law tort of passing off (unexplained or deceptive substitution of one product for another). The plaintiff, PEINET, an Internet Service Provider (ISP), applied to the CA Domain Committee (CADC) in Canada for the domain name “peinet.pe.ca.” The defendant, a former employee of PEINET, registered the domain name “PEI.NET” in upper case letters and with a different TLD. The court rejected the plaintiff’s motion for an interlocutory injunction preventing the defendant from using his domain name. The court stated that there was little possibility of confusion since the defendant’s domain name was in upper case letters and separated the “PEI” from “NET” with a period. However, the court’s rationale appears illogical because a minor technicality in the spelling of the name would still create the ‘likelihood of confusion.’ It is very likely that a junior user of the Internet could easily mistake “peinet” from “PEI.NET,” even though the case lettering was in uppercase.

This case illustrates that it is not certain that Canadian courts will grant trademark rights to domain names, to the extent the U.S. courts and the United States Patent and Trademark Office (USPTO) already have. Hence, the legal status of domain names remains unstable in Canada.³⁹

The USPTO has indicated that it will examine trademark registrations for Internet domain names under the same standards as other trademark applications.⁴⁰ Under the guidelines set out by the USPTO, for a domain name to be registrable, it must be used as

a trademark or service mark in a particular manner that identifies (1) the source, (2) origin, (3) sponsorship, or (4) affiliation of a particular set of goods or services.⁴¹ In addition, adhering to the basic principles of trademark law, a trademark must be “distinctive” enough to perform the function of “identifying and distinguishing” the goods that bear the respective symbols. Under *LA* § 1114, one should not cause the likelihood of confusion or mistake by the “reproduction, counterfeit, or copy” [e.g., domain name] of a registered mark.

Furthermore, in the USPTO’s position paper, it is clearly delineated that merely reciting an Internet domain name as the goods or services of the mark is unacceptable. Since, the Internet domain must be used in a trademark manner, using the domain name as a Uniform Resource Locator (URL) for a World Wide Web page or e-mail address may not be sufficient.⁴² Hence, mere identification of the domain name may not be enough. The USPTO has also stated that the use of the TLD will not affect the registrability of the trademark, as it adds no significance. The Office also takes the position that the generic suffix attached to the domain name (e.g., “http://www”) will not form part of a trademark, in the same way the “800” portion of a 1-800 telephone number will not form part of a trademark.

A. The Analogy between Mnemonic Telephone Numbers and Domain Names

The protection of trademarks based on telephone mnemonics is in the area of established legal precedent. This form of jurisprudence may significantly influence the protection of domain names on the Internet. Mnemonic telephone numbers spell out a simple word/name connected to the product offered by the company, and some have been registered as trademarks. One example is: “1-800-DENTIST.”⁴³ The user-friendliness of the mnemonic makes it easy for consumers to locate businesses via the descriptive phone number. In general the Canadian and American courts and academics are in agreement that telephone number ciphers can act as trademarks. The standard threshold the courts have used to find infringement based on mnemonic acronyms has been the ‘likelihood of confusion’ of such marks.⁴⁴

1. Canadian Jurisprudence

In the 1989 decision of *Pizza Pizza Ltd. v. Canada (Registrar of Trade Marks)*,⁴⁵ the Federal Court of Appeal in Ottawa made a landmark decision by allowing the *Pizza Pizza* franchise to register the specific last four digits of the phone number (‘1111’) as a trademark. This ruling means that no other food service or restaurant in Canada can use the digits “1111” in its phone number, no matter how long the number has been used by them. The applicant (appellant) applied to register the mark “967-1111” as a trademark for use in association with pizza pies, sandwiches, lasagna, spaghetti, ravioli, salads, soft drinks, T-shirts, food take-out/delivery services. The registrar refused the application on the ground that a telephone number, by definition is functional, and it by itself cannot distinguish wares.⁴⁶ On appeal to the Federal Court, Muldoon, J., dismissed the case on the basis that a telephone number is a functional necessity of the telephone system, and such a monopoly cannot be instituted.⁴⁷ The Court of Appeal ruled that the



number was not functional, and that the mark was highly indicative of the appellant and its products and distinguished the appellant's product and services from those of others. Essentially, the court was satisfied the phone number was sufficient to identify as source message to fulfill the requirements of s. 2 of *TMA*. As a result of this decision, a potential trademark holder in Canada could use this case to substantiate a domain name/trademark dispute.

2. American Jurisprudence

In *Dial-A-Mattress Franchise Corp. v. Anthony Page*,⁴⁸ the Second Circuit held that telephone numbers may be protected as trademarks. Dial-A-Mattress Corporation was a retail mattress dealer which used a New York telephone number to take orders from customers. The mnemonic telephone number 628-8737 corresponded to MAT-TRES on the telephone dial. An action was brought for trademark infringement, unfair competition, and unjust enrichment under federal and New York Law against a local competitor, Anthony Page, who advertised and used the number 1-800-MAT-TRES. The appellate court upheld the trial court's finding that Page's number was "confusingly similar" to the plaintiff's, and a preliminary injunction was granted protecting against the defendant's use of the number. The court held that companies doing significant business through telephone orders frequently promote their telephone numbers as a key identification of the source of their products.⁴⁹

In the case of *Dranoff-Perlstein Associates v. Harris J. Sklar*,⁵⁰ Dranoff-Perlstein Associates, which had been advertising and using the telephone mnemonic "INJURY-1" since 1984, filed an action against Sklar, who was using a similar telephone identifier as "INJURY-9" in 1990. The Third Circuit also adopted the position that telephone mnemonics can function as trademarks. However, unlike the Second Circuit in *Dial-A-Mattress*, this appellate court stated that telephone number ciphers are subject to the same basic principles as traditional trademarks, and cannot be protected if generic.⁵¹ Hence, the court decided that the marks in question must be assessed "as a whole," and though both mnemonics share generic properties, the Third Circuit remanded the case to the district court "to consider the likelihood of confusion between the two marks in their entirety, with the emphasis of the inquiry on the non-generic portions of the disputed marks."⁵²

There are also been cases of telephone number "hijacking" whereby intentional adoption of similar telephone mnemonic can result in trademark infringement. In the case of *American Airlines, Inc. v. A 1-800-A-M-E-R-I-C-A-N Corp.*,⁵³ the district court held that the telephone number "A-800-263-7422," which could be dialed as "1-800-AMERICA(N)," infringed the trademark of American Airlines. The court concluded that based on the defendant's intent to confuse customers into thinking that they had reached American Airlines reservation service, the defendant had infringed the airline's trademark.⁵⁴

Conversely the decision rendered in *Holiday Inns, Inc. v. 800 Reservation, Inc.*,⁵⁵ found no trademark infringement. The court considered the likelihood of confusion between "1-800-HOLIDAY" and "1-800-HOLIDAY" where the defendants mne-

monic included the number "0", instead of the letter "O". The hotel owner plaintiff used the number as a computerized reservation service for its chain. The defendant, a travel agent, altered the number to attract callers mis-dialing the chain's number. When the defendant received the misdialed call, he identified the mistake, but offered to make the subsequent reservations. The court rejected the arguments by the Plaintiff, and recognized that the defendant had done very little to foster confusion. Regarding the defendant's intention for customers to mis-dial Holiday Inn's number, the court stated that it "did not create any confusion; the confusion already existed among the mis-dialing public"⁵⁶ Subsequently, summary judgment for the plaintiff for unfair competition and trademark infringement was reversed. The domain name implications of this case appears that actual consumer confusion may not necessarily constitute confusion under *TMA* or *LA*.⁵⁷

Although there seems to be conflicting authority between the courts in Canada and the United States/USPTO, the cases suggest that trademark protection can only be afforded to a mnemonic telephone numbers when the mark is being used to identify the *source of goods or services*. Simply conveying or identifying a domain name to help a potential client remember it will not seem to grant trademark protection. As it has been stated above, domain names are *not* analogous to street or postal addresses. Granted, that merely using the domain name to instruct computer users to access Web pages will not afford trademark rights, the source message contained in the domain name carries (e.g., "thegap.com") a greater value to it than any ordinary address or simple telephone number.

B. Radio Broadcast Identifiers

Both Canadian and American courts have delved into trademark issues into the arena analogous to Internet domain names. These include radio and television service broadcast identifiers.⁵⁸ Similar to businesses using phone mnemonics and domain names, radio stations also utilize a combination of call letters (e.g., "WFAN" in New York, and the "FAN590" in Toronto, Canada) that will aid the listener/consumer in recalling the station. As with domain names, where one radio station adopts an acronym similar to another radio station, the trademark issue of 'confusingly similar' re-appears.

1. Canadian Jurisprudence

In *CHEZ FM, Inc. v. Telemedia Communications Inc.*,⁵⁹ the applicant, based in Ottawa-Hull, was a registered owner of the trademarks, "CHEZ", "CHEZ 106", and "CHEZ 106 & Design." The use was in association with radio broadcasting and related services. The respondent, based in Trois Rivieres, Québec, used the radio broadcast identifier "CHEY." The plaintiff's motion for interlocutory injunction claiming infringement, passing off and the depreciation of the value of the goodwill of the mark was dismissed by the Federal Court. In its decision that court reasoned that the plaintiff had not met the onus of establishing that it will suffer irreparable harm or the likelihood of confusion. Furthermore, the broadcast areas of the two radio stations did not overlap since they both had different listening audiences in different languages. Although the decision is adverse, the possibility of raising the



defense of radio broadcast identifiers in regard to Internet domain names is probable, but has yet to occur in Canada.

2. American Jurisprudence

In *Infinity Broadcasting Corp. v. Greater Boston Radio II, Inc.*,⁶⁰ the Massachusetts District Court decided the issue of whether the radio station call letters “WBCN” was confusingly similar to “WBCS”. Although the court held that there was no likelihood of confusion and hence no trademark infringement, it is a significant case because it considered comprehensive factors in determining likelihood of confusion.⁶¹ They included the following: phonetic similarity of the radio station acronym; the similarity of the music formats between the two stations, the geography of both stations; the sophistication of the listeners of both stations, and the intent of the defendant.⁶²

In *Pathfinder Communications Corp. v. Midwest Communications Co.*,⁶³ the district court applied the traditional likelihood of confusion test as applied in *Infinity* and enjoined a radio station from using the call letters “WMCZ” because of the likelihood of confusion with another radio station’s identifier, “WMEE.”

Both of these cases and the Canadian case further illustrate the similar distinction that can be drawn between domain names and radio broadcast identifiers in establishing how traditional trademark law flows into the area of Internet domain name registration. Although there may be significant disagreement within the legal community that domain names do not invoke trademark principles, there is little dispute that significant commercial activity and interests are at stake. As the Internet expands and creates further legal challenges within the milieu of Intellectual Property, the courts and government need to afford adequate protection to corporations by use of traditional legal precedent or by creating new statutory regimes specifically designed to address the problem. The next part will address the strengths and weaknesses of InterNICs current domain name registration policy, and some of the solutions that academics and policy makers have developed in addressing the domain name registration and trademark dispute.

PART III — DISCUSSION ON CURRENT INTERNIC POLICY AND PROPOSED SOLUTIONS TO DOMAIN NAME REGISTRATION DISPUTES.

A. Weaknesses to Current InterNIC Domain Name Registration Policy

The problems that have arisen since the implementation of InterNICs new policy in 1996 are numerous. Some observers have claimed that since the Internet encompasses an enormous amount of cyber-geography, the NSI neither has the resources nor the capacity to resolve an adequate level of domain name registration/trademark disputes. Furthermore, critics claim that current InterNIC policy is clearly biased, favouring the larger corporate enterprises that have the wealth to obtain national and international trademark registration rights.⁶⁴ Common law rights of those smaller businesses have virtually been ignored.

What is perhaps most troubling about InterNIC’s current policy is placing disputed domain names on hold pending the current domain name holder’s ability to provide adequate trademark registration documents or prove prior registration.⁶⁵ It appears that NSI’s policy attempt to prevent and insulate itself from poten-

tial trademark infringement lawsuits has failed. “Far from insulating NSI from litigation, the dispute policy—at least earlier versions of it—actually may have spawned it.”⁶⁶ In fact, the International Ad Hoc Committee (IAHC)—a creation by the Internet Society to enhance the domain name system—has stated that the policy “unjustifiably confers upon a non-judicial body the discretion to essentially grant an injunction against continued use, without any adjudication [over the merits] of the trademark’s owner’s claim against the domain [name] holder.”⁶⁷ Evidence that the current policy has not been effective can be shown by the plethora of lawsuits that have been filed against the NSI because of the domain name being placed on hold status.

In *Roadrunner Computer Systems, Inc. v. Network Solutions, Inc.*,⁶⁸ the domain name “roadrunner.com” was placed on hold by InterNIC, after Warner Brothers Inc. pointed out that it had owned the federal trademark registration for “ROAD RUNNER.” The plaintiff, Roadrunner Computer Systems, who had allegedly registered the mark “ROADRUNNER” in Tunisia, filed suit against the NSI, seeking to enjoin it from placing the domain name on hold. NSI claimed that the plaintiff failed to provide adequate trademark certification and placed the domain name on hold for 30 days and notified the plaintiff of the challenge.⁶⁹ Since Warner Brothers Inc., did not pursue legal action, the NSI eventually terminated the challenge against the domain, and the case was dismissed as moot.

In *Panavision v. Toeppen and Network Solutions, Inc.*,⁷⁰ the court enjoined the domain name registrant from using the domain name “panavision.com,” because “PANAVISION” was a registered trademark of the plaintiff.⁷¹ The court’s reasoning was that the domain name violated the *Federal Trademark Dilution Act*. The courts also considered the action against the NSI for “negligent interference with prospective economic advantage in another decision.”⁷² Panavision claimed that since it was reasonably foreseeable that the defendant, Toeppen, would violate Panavision’s trademark, by registering with InterNIC, the NSI violated a fiduciary duty to Panavision in registering the domain name.⁷³ However, the court granted NSI’s motion for summary judgment, citing that Panavision did not adduce sufficient evidence that NSI actually knew or should have known that the registrant was registering the domain name with an intent to cause irreparable harm to Panavision.

Both the *Panavision* and the *Roadrunner* cases suggest that InterNIC may not have the capability of being a passive neutral third party, and letting the courts or arbitrator settle the trademark implications of identical domain name applicants. In fact, the NSI dispute policy overlooks the very real possibility that two parties may each legitimately claim equal rights to use a particular mark or name. The InterNIC policy is potentially informing registrants to rush to their local Patent and Trademark Office and register their mark so that their rights with respect to domain names will supersede all others who come in their way. Clearly this policy will only go so far.

Other critics and lawyers of InterNICs policy claim that the policy does not apply a trademark or service mark “likelihood of confusion” analysis to domain name applications;⁷⁴ and that it



does not address the issue of “blocking.” This is the use of domain names to prevent a competitor from registering the domain name or service mark for use worldwide.⁷⁵ Furthermore, the Policy does not distinguish between classes of goods and services in a trademark sense,⁷⁶ and does not fully address how conflicts between state and federal trademark holders in the United States under *LA* should be resolved.⁷⁷ As a result of these problems that academics and practitioners have identified, a number of recommendations to solve disputes have arisen.

B. Critique of Proposed Solutions

1. The IAHCs Approach

The IAHC has been very boisterous in its opposition to InterNICs current domain name dispute policy. In fact, they take the position that a whole new governing body should be appointed to administer domain names, and recommends “a policy in which registrars are involved in as little as possible in trademark disputes.”⁷⁸ Essentially, their approach involves creating seven new TLDs to categorize and designate domain name addresses offering a variety of services. The new TLDs would include:

- “.firm,”— for businesses or firms;
- “.store,”— for businesses selling goods;
- “.web,”— for entities involved with the World Wide Web;
- “.arts,”— for entities involved in cultural/entertainment activities;
- “.rec,”— for entities emphasizing recreational entertainment;
- “.info,”— for sites offering information services; and
- “.nom,”— for individual site owners

If implemented this system would alleviate the current problem of having two or more businesses vying for the same domain name.⁷⁹ For example, if both companies (International Business Machines and Industrial Brake Mechanics) wish to register their SLD as “ibm,” then the former could go into the “ibm.firm” TLD and the latter could go into “ibm.store” TLD. Although, on its face, this policy seems to be effective, in reality, the IAHC has only replaced the traditional InterNIC TLDs (e.g., “.com”; “.gov”; and “.net”) with newer ones that can be easily classified for different businesses and institutions on the Internet. However, such a simplistic solution to a complex problem is totally unsatisfactory, and is likely to cause further confusion and trademark disputes.

Obviously, there is a problem with creating additional cyber-geographic domain fields to help differentiate among businesses and trademark owners as suggested by IAHC. Larger companies with expansive product lines may have a difficult time fitting within one category. Furthermore, since the USPTO has advocated that generic suffix’s or TLDs will likely play no part in the formation of a trademark, it seems that the IAHC policy has inadvertently returned to the position that InterNIC is currently in. Although the possibilities of trademark infringement are reduced, there is still room for two viable firms/businesses to be registered within the same category. Ultimately, having different business with the same

SLD but different TLD will initially confuse the public and perhaps result in lost sales and an inability to locate the company on the Internet.⁸⁰

2. A Domain Name Hierarchy

Andrew Barger, an Intellectual Property attorney with Chrysler Corporation in the United States, has devised an innovative approach to the domain name problem by advocating amendments to the current NSI Domain Dispute Policy.⁸¹ Specifically he proposes the reorganization of non-profit and for-profit organizations within the ‘Internet architecture’ to simplify the operation of the Internet.⁸² First, he suggests that all for-profit organizations must be moved out of each country’s respective domain (e.g., “.us.” or “.ca”), and only intranational, non-profit corporations would remain here. Secondly, all for-profit corporations shall be moved into the “.com” TLD, and split into two branches.⁸³ The first branch will contain for-profit *international* companies, provided upon proof that they are an international corporation. The second branch will bring together those *intranational* level corporations that are registered according to where they operate. For example the format could operate as “(name).(state/province/country name).com” or “ibm.usa.com”.

Although this solution appears to be more efficient than the one proposed by the IAHC, there are still problems with it. The proposal alleviates the problem of having identical domain names by adopting the geographic origin concept to domain names, however there is confusion as to what constitutes *intranational* and *international*. Furthermore, this proposal does not address the trademark infringement implications where two businesses have identical SLDs (e.g., see the “ibm” example *supra*). Finally, in terms of administrative convenience, and ease-of-use for the consumer, typing in the domain name for example, “(company name).toronto.on.can.com” would be a unduly burdensome task.

3. California Senate Bill 1533

In 1996, California Senator, Charles Calderon, sponsored *California Senate Bill 1533*, which made it illegal for users to register a domain name in which a registered trademark already existed on that mark.⁸⁴ The legislation provided injunctive relief to anyone who refused to release a domain name upon demand from the registered owner of a trademark, and imposed a fine of up to \$1,000 for those who did not comply. However, opponents have claimed that the Bill is too excessive and that it places an unreasonable burden on those trying to establish a domain name. Furthermore, the *International Trademark Association* voiced its concerns over the Bill, claiming that the language was too ambiguous, and it does not take in account traditional trademark principles. Recently, the proposed legislation was removed from any further hearings because of the complications associated with the it.⁸⁵

4. United States Federal Trademark Dilution Act

Some academics have suggested that the recently passed United States *Federal Trademark Dilution Act* of 1995⁸⁶ could address domain name disputes. The *USFTDA* provides protection for ‘famous’ trademarks by anyone other than the mark’s owner—regardless in situations of *use* in different markets (or TLDs) or where it is not likely to confuse the public.⁸⁷ Essentially, the pri-



mary purpose of anti-dilution laws are to protect the registered trademark from blurring, tarnishment, disparagement, and diminishment.⁸⁸ In *Avon Prods., Inc. v. Carnetta Wong*,⁸⁹ Avon alleged trademark dilution under the USFTDA and sought to enjoin the use of the domain name “avon.com.” The case was settled out of court, before the court could decide on the merits of the case. Another case, *Hasburo, Inc. v. Internet Entertainment Group, Ltd.*,⁹⁰ Hasburo, brought action claiming that the defendant was diluting its registered trademark by using “candyland.com” for adult entertainment services, under both Washington and federal dilution statutes. The court ordered a preliminary injunction enjoining the defendant from using the Internet domain name, “candyland.com” on reasons related to dilution of Hasburo’s CANDYLAND mark.

Although these cases shed light on the applicability of the Dilution Statute on domain names, the issue still remains that the statute primarily deals with *famous* marks exclusively. While the *USFTDA* may be useful for such corporations as *Coca-Cola Ltd.*, or *Kodak*, lesser-known trademarks may not have the full benefit of protection under this statute. It is still premature to conclude that the *USFTDA* will apply to weaker, unfamiliar marks. Furthermore, the language of the statute seems too ambiguous to narrowly focus on the issue of domain names per se. Another problem that could arise in the upcoming years, is the ambiguity of what constitutes a famous trademark, and the threshold level the courts should apply.⁹¹ Accordingly, it would be prudent for every trademark holder to claim that their trademark is ‘famous’ in order to be successful on a dilution based action or claim regarding a domain name trademark dispute.

Canada does not have a similar dilution act to the United States federal dilution legislation. However, one can notice the similarities between s. 6 (5) of *TMA* and the factors used in the *USFTDA* to determine whether a mark is famous. Furthermore, s. 22 of *TMA* (Depreciation of Goodwill) could also act as a substitute for the *USFTDA* in Canada.

All of the above mentioned solutions to the current domain name dispute seem plausible, however they swerve around the main issue, and do not address the real problem that domain names bring to Intellectual Property—*trademark infringement*. What is required is a domain name registration system which addresses the already existing trademark laws of both Canada and the United States. The Internet is a new intellectual medium, that needs to be implemented within existing federal trademark law.

PART IV — PROPOSAL: A GEOGRAPHICAL DOMAIN NAME REGISTRATION SYSTEM

In an attempt to recommend a solution to this overwhelming and complex problem of domain name registration and trademark infringement, the whole administering body of domain name addresses has to be restructured. For example, on April 24, 1997, the National Science Foundation (NSF) announced that it would not renew NSI’s contract (which expires in April 1998) to administer domain name addresses including famous TLDs, such as “.com.”⁹² However, recently, the NSF has decided to extend the contract another six months.⁹³ Furthermore, because of the NSI’s

assertion of a proprietary interest in the exclusive right to administer the “.com” domain name, and the generation of revenues gathered by registration, the U.S. Department of Justice has begun an investigation into the NSI for potential antitrust violations.⁹⁴ As a result of these issues facing the NSI, this paper proposes to completely eliminate the domain name administering body, and set up a separate geographical registration system according to each country’s respective Domain Committee.

1. Proposal Policy

Since, trademark registrations historically have been conducted in the country in which the mark warrants protection, similar considerations should also be applicable to the Internet and domain names. The Internet is a new electronic medium that is applicable to existing trademark precedent. This proposal suggests that the a registered trademark owner’s rights to a domain name shall supersede those without trademark registration. The following are guidelines that shall be present within the Geographical Domain Name Registration System:

- a Cross-Referencing requirement by all respective Domain Committees in each respective country to conduct a federal trademark search with respect to the domain name requested by the applicant;
- proof by certified copy of trademark registration certificate by the applicant requesting a domain name of their choosing, without alteration, subject to the country they’re mark is registered in;
- entitlement to every non-commercial and non-trademark entity to an unique domain name, subject to review by the Domain Committee in their respective country; and
- to avoid legal liability of domain name administering authorities in each respective country.

Since identical trademarks in different countries may create uncertainty, and the recommendation by the IAHC to create seven additional TLDs will invariably further the ‘likelihood of confusion’ as suggested above, the need to simplify the registration system is a justified solution. Hence, the proposal allows for the creation of only two TLDs within each respective country’s Domain Committee, one for exclusive trademark holders, and the other for non-trademark holders.

2. Trademark TLD — “(Trademark Name).(Geographic Origin)”

The first TLD will be exclusively for established trademark holders within the respective country, for example, “coca-cola.ca”. No other entity will be allowed within this category other than registered trademark holders. Two owners of the same registered trademark in the same country, but with different products and services, would both have equal access to the domain name. However, that domain name will have to incorporate a numbering system beside the trademark to distinguish the mark and to avoid the likelihood of confusion (e.g., “ibm1.ca”). This system is currently implemented in educational institutions using a central E-mailing data base within Canada.⁹⁵ This numerical system could address the concurrent use/registration provisions within s. 21 in *TMA* and § 1052 of *LA*.



3. Non-Trademark TLDs — “(Business/Organization/Institution).(Province/State).(Country)”

The second TLD will contain those entities which are not federally registered trademarks. Entities within this TLD will include everything other than registered trademarks, including businesses, organizations, government, institutions, associations, and clubs. For example, the ACME dynamite company located in Vancouver, British Columbia, Canada, may have the domain name, “acme.bc.ca”. Hence, any domain name with a province or state designation would automatically identify the user that the entity is not a federally registered trademark. In regards to concurrent use/registration, the same numbering system will govern within this TLD.

As mentioned above, each Domain Committee of each country will have the responsibility of administering domain names within their own country. However, a central authority is required to govern and regulate this process over the Internet. This paper proposes that the World Intellectual Property Organization (W.I.P.O.) based in Geneva, Switzerland, handle this task. W.I.P.O., is one of 16 specialized agencies of the United Nations that overlooks the international aspect of Intellectual Property.⁹⁶ This situation is analogous to how the United Nations attempts to unify different countries around the world. The purpose of the Institute is to promote the protection of Intellectual Property throughout the world, through cooperation among states.⁹⁷ What better opportunity that an institution, such as W.I.P.O., to govern the international scope of the Internet and domain name addresses.

Although no system is absolute, the Geographic Domain Registration System seems to solve the problems of domestic trade-

mark infringement, by bringing the issue to where the domain name and trademark are registered. However, critics may argue that, due to the global reach of the Internet, a party using a domain name that is not infringing in Canada or the U.S., may be actually using the same address or confusingly similar to a trademark outside of their respective country. In this situation, the applicant and W.I.P.O. should conduct a trademark search (e.g., cross-referencing) and review trademark rights abroad to see whether infringement may occur.⁹⁸

CONCLUSION

As with any new innovative and technological medium, it will take some time before the courts and government can keep up with changing legal issues within Intellectual Property. The rapid pace of commercialization and trademark expansion over the Internet has challenged traditional trademark jurisprudence since the inception of TMA in 1953 and LA in 1946. What domain names bring to the Internet are a new source of iconography within “cyberspace” that warrants protection under existing federal trademark law. Existing InterNIC policy regarding domain names disputes and trademark infringement are inadequate and unfair to trademark owners. This policy neither takes the initiative to design a policy which incorporates trademarks when administering domain names, nor prevents avoidable lawsuits. Any new policy must balance the competing rights of the trademark owner and all other parties involved. This paper has proposed that there should be no differentiation between trademarks in the real world, from those that appear in commerce on the Internet. The recommendations that the Geographic Domain Name Registration System proposes protects trademark owners who have a nationally registered

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trademark within their respective country(s). In this system, the illogical order of providing domain names is done away with, and two separate levels of TLDs is created. As the number of domain name registrations increases, the strength of this geographical oriented policy will be tested.

Endnotes

- ¹ S.J. Davidson & N.A. Engisch, "Trademark Misuse" in Domain Name Disputes" (1996) 13 No. 8 COMPUTER LAWYER 13.
- ² G. Weiswasser, "Domain Names, The Internet, and Trademarks: Infringement in Cyberspace" (1997) 13 SANTA CLARA COMPUTER & HIGH TECHNOLOGY LAW JOURNAL 137 at 138; For definition of "Trademark" see *The Trade-marks Act*, R.S.C. 1985, c. T-13, s. 2 [hereinafter *TMA*] and *The Lanham Act*, 15 U.S.C. § 1127 (1995) [hereinafter *LA*].
- ³ Davidson & Engisch, *supra* note 1 at 13.
- ⁴ *Ibid.* see also Fry's Electronic, Inc.'s dispute over the domain name 'frys.com,' first registered by Frenchy Frys; and the toy company, Hasboro, over the disputed and famous domain name "clue.com" first registered to Clue Computing.
- ⁵ R. Zaitlen and D. Victor, "The New Internet Domain Name Guidelines: Still Winner-Take All" (1996) 13 No. 5 COMPUTER LAW 12 at 13; G.W. Hamilton, "Trademarks on the Internet: Confusion, Collusion or Dilution?" (1995) 4 No. 1 TEXAS INTELLECTUAL PROPERTY LAW JOURNAL 1 at 2.
- ⁶ K.S. Dueker, "Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses" (1996) 9 No. 2 HARVARD JOURNAL OF LAW & TECHNOLOGY 483 at 497.
- ⁷ Zaitlen & Victor, *supra* note 5.
- ⁸ Hamilton, *supra* note 5 at 3.
- ⁹ R.J. Raskopf, "Trademarks and

the Internet," (1995) INTELLECTUAL PROPERTY LAW INSTITUTE 1047 (Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. G-416).

- ¹⁰ Hamilton, *supra* note 5 at 3.
- ¹¹ Dueker, *supra* note 6; Weiswasser, *supra* note 2 at 147. InterNIC can be accessed on the World Wide Web at <<http://www.internic.net>>. After or on April 1, 1998, users who wish to obtain a domain name may contact InterNIC and request a particular domain name for a fee of \$70 US, with a \$35 US renewal fee annually. New domain names are valid for two years from the date that the Registrar activates the domain name <see <http://www.internic.net/domain-info/fee-policy.html>>. To determine if your trademark/domain name has been misappropriated or taken, an on-line search can be performed at the InterNIC web page. There are other Domain Name Services providers who actually provide free addresses (under the ".org" TLD) to anybody who wishes them. One such company is Monolith Systems whose purpose is to provide the Internet community with helpful free services that one usually has to pay for (e.g., InterNIC) <www.ml.org>.
- ¹² *Ibid.*
- ¹³ J. Scher, "The Name Trade: How to do a deal for a Domain" <<http://www.ipag.com/scher.html>>.
- ¹⁴ *TMA*, *supra* note 2. Trademark also means (a) a certification mark, (b) a distinguishing guise, or (c) a proposed trademark. see also *LA* and J.T. McCarthy, *McCarthy's Desk Encyclopedia of Intellectual Property*, (Washington, D.C.: BNA Books, 1995).
- ¹⁵ Hamilton, *supra* note 5 at 8.
- ¹⁶ S. Kane, *Trademark Law: A Practitioner's Guide* 5 (2d ed. 1991).
- ¹⁷ *Supra* note 2.
- ¹⁸ 867 F. Supp. 202 (S.D.N.Y. 1994).
- ¹⁹ 94 Civ. 1604 (MGC) (S.D.N.Y. filed 9 March, 1994). For other

common well-publicized domain name 'cyber-squatting' see J. Quittner, "Life in Cyberspace: You Deserve a Break Today," (7 Oct., 1994) NEWSDAY A5; WIRED v. Wire, in E. Weise, "Feud Highlights Growing Importance of Internet," (22 February, 1994) B. GLOBE 42; *Hasbro v. Candyland*, in P. Shukovzky, "Use of 'Candyland' Name on Web Halted," SEATTLE POST-INTELLIGENCER (7 February, 1996) B1.

- ²⁰ S.M. Abel and C.L. Ellerbach, "Trademark Issues in Cyberspace: The Brave New Frontier" <<http://www.fenwick.com/pub/cyber.html>>.
- ²¹ *Ibid.* see Part IV for further discussion on this topic.
- ²² *NSI Domain Name Dispute Policy Statement* (Revision 01, Effective November 23, 1995 - <<ftp://rs.internic.net/policy/internic/internic-domain-2.txt>>) & (Revision 03, Effective February 25, 1998 - <<ftp://rs.internic.net/policy/internic/internic-domain-6.txt>>) see <<http://www.internic.com>>; Weiswasser, *supra* note 2.
- ²³ *Ibid.* According to Jefferson Scher, *supra* note 13, more than 15, 000 registrations per week are under the ".com" TLD.
- ²⁴ Abel and Ellerbach *supra* note 20.
- ²⁵ *Supra* note 22.
- ²⁶ INTERNATIONAL TRADEMARK ASSOCIATION, "Report of the Internet Task Force" (1995).
- ²⁷ Dueker, *supra* note 6 at 499.
- ²⁸ *Supra* note 22; see also Weiswasser *supra* note 2 at 159 and Abel and Ellerbach *supra* note 20.
- ²⁹ *Ibid.* As a result of this revised policy the firm of Thomson & Thomson, a global trademark and copyright research company, offers a "domain name watch" which alerts trademark owners of new domain name applications that might infringe their trademarks.
- ³⁰ *Ibid.*
- ³¹ J. Sandberg, "Princeton Review

- Must Drop 'Kaplan' E-mail Address, Private Arbitrator Rules" (October 6, 1994) WALL ST. J. B8.
- ³² A.F. Rush, "Internet Domain Name Protection: A Canadian Perspective" (1996) 11 I.P.J. 1 at 7.
- ³³ R.L. Baum & R.C. Cumbow, "First Use: Key Test in Internet Domain Disputes" (February 12, 1996) 18 NAT'L L.J. C17.
- ³⁴ Rush, *supra* note 32 at 13. Section 5 of *TMA* outlines when a trademark is deemed to be made known in Canada. If a domain name becomes well known to the Canadian public, the basis in s. 5 could provide trademark protection. According to Rush, "[m]arket penetration in Canada by means of circulating material electronically should enable a mark to become well known in Canada presuming this qualifies "as a printed publication circulating in Canada" [as per s. 5]." Furthermore, since numerous Web pages have 'counters' as to the amount of 'hits' or visits that they have received this could also provide as a basis for making known. There is no equivalent section 5 within the *LA*, however common law arguments could be raised. see *The Coca-Cola Co. v. Busch*, 44 F. Supp. 405 (D. PA 1942).
- ³⁵ Rush, *supra* note 32; Section 4 of *TMA* states when a trademark is deemed to be 'used' in Canada. see also s. 19 of *TMA* and equivalent § 1127 of *LA* "use in commerce," which also establishes the badges of use of a trademark in the sense that the trademark is used in association with the goods or services which are offered in the marketplace.
- ³⁶ *Ibid.* at 8.
- ³⁷ (1992), 46 C.P.R. (3d) 563 (T.M. Bd.).
- ³⁸ (1995), 61 C.P.R. (3d) 334 (P.E.I. T.D.).
- ³⁹ See e.g., S. Wintrob, "Bell, consultant at odds over use of Sympatico name," (April 25, 1996) COMPUTING CANADA 7. In this dispute, the word 'Sympatico,' (currently application under approval by the Canadian



- Trademark office) is being used for an Internet service offered by Bell Sygma and MediaLinx Interactive Inc.. The two companies have obtained the Internet domain names "Sympatico.ca" from the CADC and "Sympatico.com" from NSI. However, Marc Nicholas of Toronto has obtained the domain name "Sympatico.net" which he is also using for his Internet consulting company. MediaLinx has argued Nicholas' right to use the domain name. An authority with NSI has stated that this is the first dispute involving similar domain names with different TLDs; see also Radcliffe, "The Law of Cyberspace for Nonlawyers" <<http://www.gcwf.com>>.
- ⁴⁰ INTERNATIONAL TRADEMARK ASSOCIATION, SPECIAL BULLETIN: "Registration of Internet Domain Names in the USPTO" (1995); Hamilton *supra* note 5 at 5.
- ⁴¹ *Ibid.*
- ⁴² G. P. Albert Jr., "Right on the Mark: Defining the Nexus Between Trademark and Internet Domain Names," (Winter 1997) 15 J. MARSHALL J. COMPUTER & INFO. L. 277 at 284.
- ⁴³ U.S. Reg. No. 1, 663, 616; Weiswasser, *supra* note 2 at 165.
- ⁴⁴ D.L. Burk, "Trademarks Along the Infobahn: A First Look at the Emerging Law of Cybermarks," (1995) 1 RICHMOND J.L. & TECH 1; See, e.g., *Murrin v. Midco Communications, Inc.*, 726 F. Supp. 1195, 13 U.S.P.Q. 2d (BNA) 1815 (D. Minn. 1989) (mnemonic "Dial L-A-W-Y-E-R-S").
- ⁴⁵ (1989), 26 C.P.R. (3d) 355 (Fed. CA).
- ⁴⁶ *Ibid.*
- ⁴⁷ *Ibid.*
- ⁴⁸ 880 F.2d 675 (2d Cir. 1989).
- ⁴⁹ *Ibid.* at 678.
- ⁵⁰ 967 F.2d 852 (3d Cir. 1992).
- ⁵¹ *Ibid.* at 853-54.
- ⁵² *Ibid.* at 854 and 862.
- ⁵³ 622 F. Supp. 673 (N.D. Ill. 1985).
- ⁵⁴ A. Brunel, "Billions Registered, But No Rules: The Scope of Trademark Protection for Internet Domain Names," (March 1995) J. PROPRIETARY RIGHTS 4.
- ⁵⁵ 86 F.3d 619 (6th Cir. 1996). see also *U-Haul International, Inc. v. Kresch*, 904 F. Supp. 595 (E.D. Mich. 1995).
- ⁵⁶ *Ibid.* at 625.
- ⁵⁷ Albert, Jr., *supra* note 40 at 293.
- ⁵⁸ Hamilton, *supra* note 5 at 10.
- ⁵⁹ (1992), 42 C.P.R. (3d) 124 (Fed. Ct. T.D.).
- ⁶⁰ 32 U.S.P.Q.2d (BNA) 1925 (D. Mass. 1994) [hereinafter *Infinity*].
- ⁶¹ *Ibid.* at 1932-35.
- ⁶² *Ibid.*
- ⁶³ Hamilton, *supra* note 5 at 10.
- ⁶⁴ Abel and Ellerbach, *supra* note 20.
- ⁶⁵ *Supra* note 22.
- ⁶⁶ Abel and Ellerbach, *supra* note 20.
- ⁶⁷ INTERNET INTERNATIONAL AD HOC COMMITTEE, "Final Report of the International Ad Hoc Committee: Recommendations for Administrations and Management of gTLDs," (February 4, 1997) <<http://www.iahc.org/draft-iahc-recommend-00.html>>.
- ⁶⁸ Civil Docket No. 96-413-A (E.D. Va 1996, filed March 26, 1996) [hereinafter *Roadrunner*].
- ⁶⁹ Abel and Ellerbach, *supra* note 20.
- ⁷⁰ 945 F. Supp. 1296 (D.C. 1996) [hereinafter *Panavision*].
- ⁷¹ *Ibid.* at 1304.
- ⁷² 41 U.S.P.Q.2d (BNA) 1310 (C.D. Cal. Nov. 27, 1996); Weiswasser, *supra* note 2 at 174-5.
- ⁷³ *Ibid.* at 1312.
- ⁷⁴ G. Andrew Barger, "Cybermarks: A Proposed Hierarchical Modeling System of Registration and Internet Architecture for Domain Names," (1996) 29 THE JOHN MARSHALL LAW REVIEW 623 at 626.
- ⁷⁵ *Ibid.*
- ⁷⁶ *Ibid.*
- ⁷⁷ INTERNIC POLICY, "Fee for Registration of Domain Names," <<ftp://rs.internic.net/announcements/press-release.html>>.
- ⁷⁸ INTERNATIONAL AD HOC COMMITTEE, "Draft Specifications for Administration of gTLDs," (December 19, 1996) <<http://www.iahc.org/draft-iahc-gTLDspec-00.html>>.
- ⁷⁹ *Ibid.* The current implementation date is tentatively set for April 1998 <<http://www.iahc-org.draft-iahc-recommend-00.html>>. The IAHC has also suggested other proposals including Domain Name Challenge Panels, in which the Intellectual Property holder may challenge the SLD if the name violates the CORE g(generic)TLD (Revised May 23, 1997) <<http://www.iahc-org/docs/racps.htm>>. The IAHC was dissolved on May 1, 1997.
- ⁸⁰ Barger, *supra* note 74 at 625.
- ⁸¹ *Ibid.* at 623.
- ⁸² *Ibid.* at 627.
- ⁸³ *Ibid.* at 647-49.
- ⁸⁴ D.M. Cameron & T.S. Onyshko, "Copyrights, Trademarks and the Internet: Trademarks and Internet Domain Names," <<http://www.smithlyons.ca/iti/ci.index.htm>>; M.K. Dyer, "California Domain Name Bill Draws Fire," (Aug.-Sept. 1996) 6 No. 4 LAW OFFICE COMPUTING 18(1).
- ⁸⁵ *Ibid.*
- ⁸⁶ LA § 43(c), 15 U.S.C.A. § 1125 (c) [hereinafter *USFTDA*]. "The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark had become famous and cause dilution of the distinctive quality of the mark..."
- ⁸⁷ C. Oppedahl, "Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute Policy," (Autumn 1996) 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 73 at 99-100.
- ⁸⁸ Albert, Jr., *supra* note 40 at 302.
- ⁸⁹ No. 96-0451 (E.D.N.Y 1996).
- ⁹⁰ Case C96-130WD (W.D. Washington, filed January 26, 1996).
- ⁹¹ *Supra* note 86. The eight factors suggested by the *USFTDA* in § 43(c) LA to determine whether a mark is famous or not include, but are not limited to: (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the goods and services with which the mark is used; (F) the degree of recognition of the mark in the trading area and channels of trade used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principle register.
- ⁹² Abel and Ellerbach, *supra* note 20.
- ⁹³ *Ibid.*
- ⁹⁴ *Ibid.* This investigation began in June 1997.
- ⁹⁵ The University of Windsor, Ontario, Canada, uses a PINE (Pine Is Not Elm) E-mailing system, where the system administrator is in charge of giving out e-mail addresses. Where a conflict between two similar last names is found (e.g. Roy Philip, and Ruby Philip), the administrator gives out the following addresses to both students: "philip@uwindsor.ca," for Roy Philip, and "philip1@uwindsor.ca," for Ruby Philip. Note, that the latter Philip has the number 1 beside it to avoid confusion.
- ⁹⁶ Kamil Idris, Director General, WIPO, Geneva, Switzerland <http://www.wipo.org/eng/dg_idris.htm>.
- ⁹⁷ *Ibid.*
- ⁹⁸ *Supra*, note 29. A commercial vendor may do such cross-referencing/policing services, such as 'Coresearch'.

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Christopher J. Falkowski
Michigan Computer Lawyer, Editor
Raymond & Prokop, P.C.
2000 Town Center, Suite 2400
Southfield, MI 48075

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