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Michigan COMPUTER LAWYER

Editor
Paul J. Raine
praine@home.msen.com

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State Bar of Michigan Computer Law Section

A Letter from the Chair

What an exciting time to follow Computer Law! Consider the following issues and developments that we will face this year:

- The U.S. District Court for the Western District of Michigan has implemented an e-filing program that will facilitate the filing of lawsuit papers via the Internet. Under this program, litigants submit their papers, whether or not filed online, in the popular .pdf format to facilitate public access to court files online. The Electronic Filing Task Force of the State Bar of Michigan, in cooperation with the SCAO and the Washtenaw County, is piloting its own e-filing project with an emphasis on security of filed documents.
- Four U.S. Representatives, three Republicans and a Democrat, recently outlined privacy legislation they intend to introduce this legislative session. The proposed legislation would preempt state laws and preclude a private right of action, in favor of enforcement by the FTC. It would apply to both online and offline entities that collect personally identifiable information. The Congressmen also suggested it would require such entities to offer privacy statements, the opportunity to limit sale or disclosure of information, security statements, and safe harbor provisions. On the other hand, public interest groups will follow a host of new law enforcement and antiterrorism proposals, in the wake of the September 11 attacks, to monitor closely their impact on citizens' privacy.
- The U.S. Supreme Court may address the constitutionality of the highly controversial Digital Millenium Copyright Act.
- And finally, the U.S. Supreme Court denied a petition for a writ of certiori in the Microsoft Antitrust case, which ruling led to the parties' agreement to mediate the case. This may

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Congratulations to the Winners of the 2001 Edward F. Langs Writing Competition

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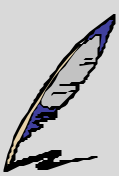

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***Michigan Computer Lawyer* is published bi-monthly. If you have an article you would like considered for publication, send a copy to:**

Paul J. Raine
Attorney at Law
PO Box 99773
Troy, MI 48099
praine@home.msen.com

Statement of Editorial Policy

The aim and purpose of the Michigan Computer Law Section of the State Bar of Michigan is to provide information relative to the field of computer law, and other information that the section believes to be of professional interest to the section members.

Unless otherwise stated, the views and opinions expressed in the Michigan Computer Lawyer are not necessarily those of the Computer Law Section, or the State Bar of Michigan.

A Letter from the Chair
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finally resolve the case, sparing computer law specialists another year of mundane news coverage and pointed cocktail conversation.

Your Computer Law Section is committed to providing guidance and information on any of these issues or others of interest to section members. Whether you attend informal lectures that accompany our council meetings, participate in one of our many standing committees or register for the Section's formal programs in the Spring and Fall, you will find a wealth of knowledge and resources within our section. I encourage you to participate. Let us know what issues you would like to learn more about. Join one of our committees and explore an issue in depth. Participate in the Section's seminar reimbursement program and share what you learn with the Section. There are numerous possibilities.

In the meantime, enjoy this edition of the Computer Law Section Newsletter. In future issues you will see updates of court decisions (state and federal) of interest to computer lawyers, all winning entries from the Ed Langs Memorial Writing Competition, and special articles on current topics from experts in the field.

Jeffrey Raphelson, chair

How Trademark Litigation Over Internet Domain Names will Change after Section 43(d) of the Lanham Act

By Marc Lorelli
Brooks & Kushman, P.C.

Introduction

The legal challenges presented by the newest mode of communication and information transfer have made it difficult for the courts to resolve issues and set clear precedents. While the Internet has changed society since its introduction over a decade ago, it has also generated numerous questions in the legal arena that need clear rather than nebulous answers.

The Internet is a global network of interconnected networks, servers, and computers linked by a common protocol that allows enormous amounts of information to be shared across the globe.[1] This interconnected web of computer networks is owned by various governments, public institutions, and private entities.[2] This intermingling of ownership has culminated in a decentralized global medium, referred to as Cyberspace, that allows anyone connected to any of the computer networks to display and receive information almost instantaneously. Information is conveyed through websites located at specific Internet addresses. Finding specific information on a web of interconnected computer networks can be a daunting task. Thus, effectively positioning a website is critical for its usage and, consequently, its marketability. There are two primary methods employed by Internet users to locate information on the Internet, and hence two methods that marketers try to leverage to obtain web traffic. First, specific information may be located by searching the web.[3] To locate specific information, a commercial search engine may be employed such as Yahoo!®.[4] The function of a search engine is to locate websites or documents having key words or falling into certain categories.[5] Once these websites are located, the search engine will display a list for the user in order of prominence. The user need only click on the site and it will open for inspection. Second, information may be retrieved from the web by inserting a specific domain name, such as <*www.dell.com*> for information about Dell Computers. Whichever method is used, the accessibility of information is essentially instantaneous; however, the insertion of a domain name tends to be the favorite method among users having at least marginal Internet experience because it is quicker and easier. That is, of course, if the seller or party they are looking for has secured the intuitive domain name.

In essence, the Internet "is a truly distributed information system where documents are stored on individual computers located all over the world."[6] As such, the Internet has no national or territorial boundaries which further muddles the legal issues. Since the Internet is a collection of networks, there is no central governing authority.[7] Cyberspace represents an indeterminate number of independent networks with no single entity responsible for maintaining the infrastructure. "Each network and its interconnectivity to the remainder of the Internet is the responsibility of the organizations running the individual networks."[8] Therefore, by its very nature, the Internet is elusive, especially to the legal system.

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Due to the success of the Internet, businesses are seeking to establish themselves on this new medium for sales and marketing purposes. To accomplish this goal, these businesses need an Internet address, which is labeled by an easy-to-remember alphanumeric "domain name."[9] The importance of a domain name with respect to obtaining internet traffic is so great that since the inception of the Internet, individuals, small businesses, and corporations have been racing to register their own unique domain names.[10] A domain name can act as an Internet address for a specific website, but has a much greater significance than a mere address because of its typical use by web surfers.[11] Domain names provide more than an address, they provide information about what can be found on the site. Domain names are more like signs that are displayed outside of a building—inside the building you would expect to find goods or activities related to the sign displayed outside. Contrary to building signs, however, Internet domain names are unique, and hence, no two entities may own an identical domain name. This exclusivity can lead to problems due to the potent marketing potential possessed by a domain name.[12] The first-come, first-served process of registering domain names encourages individuals to register domain names that may have value above the nominal $70 registration fee. This process has allowed individuals, that have little or nothing to do with a specific company, to register domain names that include the company's trademarks possibly leading to customer confusion and harming the goodwill of the company.

A basic question facing the courts, vis-à-vis the Internet, is the issue of trademarks contained in Internet domain names. A trademark "includes any word, name, symbol or device, or any combination thereof used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown."[13] There are two general reasons behind both federal and state trademark laws. The first is to protect the public.[14] Trademarks ensure that consumers are getting the product they want. Trademark law has matured over the years. Courts have recognized that consumers can be injured by the misuse of trademarks. The second reason for trademark legislation is to protect the trademark owner.[15] Trademark law is a component of "unfair competition." Trademarks allow consumers to distinguish one article from another. Therefore, when the trademark owner has invested time, money, and energy in developing a mark, he is, and should be, protected from infringement by others.[16] Until recently, the only basis for a trademark infringement claim was the "likelihood of confusion" test.[17] Marks are found to infringe under this test when the defendant's use is "likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association" in regards to the source of the goods or services.[18] The "likelihood of confusion" test has been successful in addressing trademark infringement issues for decades.

In 1995, an additional federal cause of action was established for trademark owners: The Federal Trademark Dilution Act (FTDA), which does not require a showing of likelihood of confusion to obtain remedies, was enacted.[19] The FTDA was enacted to protect famous marks "from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion."[20] When there is no confusion present, the power of a mark may still be lessened by another's use.[21] The loss of power of a mark is the essence of dilution. "Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."[22]

Dilution formally recognizes a weakening or diminution in the capacity of a mark to unquestionably differentiate one source. Dilution exists in two forms: by "blurring" and by "tarnishment." Dilution by blurring occurs where customers or potential customers see the affiliation, or connection, yet the defendant's unauthorized use "dilutes" the unique and distinctive significance of that mark to identify and distinguish one source in consumers' minds. Dilution by tarnishment occurs where the distinctive quality of the plaintiff's mark is tarnished, degraded, or diluted by another's unauthorized use, such as by use in a parody.[23]

The doctrine of "dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who would appropriate the mark for their own gain."[24] Therefore, both trademark law and the courts' interpretation have displayed a willingness to expand protection of trademark owners based on the sizable investment required to develop a trademark commercially.[25] In fact, one of the considerations for enacting the FTDA was to expand trademark protection to protect the goodwill of companies on the Internet.

> The legislative history of the [Federal trademark Dilution] Act indicates that it was intended to address Internet domain name issues. Senator Patrick J. Leahy (D-Vt.), in discussing the Act stated: . . . it is my hope that this anti-dilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others.[26]

Relief under the FTDA is available if the plaintiff can establish: (1) the mark is famous; (2) the defendant is making commercial use of the mark in commerce; (3) the defendant's use began after the plaintiff's mark became famous; and (4) the defendant's use presents a likelihood of dilution of the distinctiveness of the mark.[27]

This article will present the developed areas of law that trademark owners have been able to use in the battle over domain names. Section II includes a discussion of trademark dilution, likelihood of confusion, and how web presence affects personal jurisdiction. Section III will outline the additional avenues which a trademark owner can now use in the battle over domain names after the enactment of the Anti-Cybersquatting Consumer Protection Act.

Domain Name Disputes And Considerations When Applying Trademark Infringement And Dilution Theories

Although both the traditional likelihood of confusion test for trademark infringement and trademark dilution protection have provided trademark owners with an adequate source of judicial redress, the advent of the Internet has caused courts significant problems in dealing with all of the trademark issues on the Internet. A major area of contention has dealt with Internet domain names. The cases can be split into three general categories: disputes over registration, disputes over profiting on the registration of domain names, and disputes over the use of sites with specific domain names. Also intertwined with domain name disputes is the requirement for personal jurisdiction when dealing in Cyberspace because of the ability to commit trademark infringement from just about anywhere in the world.

A. Disputes Over Domain Name Registrations

The first-come, first-served process of registering domain names has encouraged individuals to register domain names that may have value above the $70 registration fee. Individuals, known as "cyberpirates" or "cybersquatters," have realized that there is quick and easy money to be made by registering domain names and holding on to them until they become profitable. These enterprising individuals register domain names for a variety of reasons: to gain from the resale value of the name, to keep a competitor from using the name, to besmirch a competitor, and to divert and confuse consumers.

"Cybersquatting" is a practice involving "individuals seeking extortionate profits by reserving Internet domain names that are similar or identical to the trademarked names with no intention of using the names in commerce themselves." [28] Cybersquatters often register numerous domain names with the express intent of holding these domain names for ransom or with the intent to divert Internet traffic to their own websites.[29]

The traditional trademark law of "likelihood of confusion" and dilution does not provide a trademark owner any recourse against anyone who registers a confusingly similar domain name but does not exploit it in any way. In *Lockheed v. NSI*,[30] the court found that registration of a domain name without anything more could not constitute trademark infringement.[31] The court went on to say that NSI could not be held liable for allowing the registration of a domain name that included a company trademark.[32] Therefore, a trademark owner would find it difficult to obtain legal redress for situations where someone registered a domain name, including its trademark, and decided to do nothing with it.

B. Disputes Over Trafficking In The Registration Of Domain Names

The fact that mere domain name registration is not a trademark use has allowed cybersquatters to successfully profit from the first-come, first-served system of registering domain names. The most infamous cybersquatter is Dennis Toeppen who registered circa 240 domain names containing famous trademarks with the specific intent to sell them back to the trademark owners.[33] Dennis Toeppen has been successfully sued numerous times for his activities as a

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cybersquatter.[34] Prior to 1996 and the enactment of the Federal Anti-Dilution Statute, the chances of successfully suing a cybersquatter under traditional trademark infringement were small.[35] The FTDA made it possible for owners of famous marks to sue cybersquatters for trademark infringement."[36] The law strengthened the legal status of trademark owners clearly stating that "'trading on the value of the mark by selling the domain name back to the trademark owner' violates the federal dilution statute."[37] This is exactly what Dennis Toeppen was accused of in *Intermatic v. Toeppen*[38] and in *Panavision International v. Toeppen.*[39] The two different courts held that Toeppen's registration and use (offering for sale) of the domain names diluted the companies' trademarks. The Ninth Circuit Court of Appeals also held that, "Toeppen's conduct which prevented [these companies] from using their marks in a new and important business medium, has diluted [these] marks within the meaning of the [Federal Trademark Dilution Act]."[40]

Under the Federal Anti-Dilution Act, federal courts require that the owner of a mark must show more than distinctiveness to establish "fame" for dilution. In order to use the Federal Anti-Dilution Act, the mark must be famous. This standard is very high, as is evident from *Avery Dennison v. Sumpton*.[41] In *Avery Dennison*, the defendant, Jerry Sumpton, created Free View Listing, Ltd.[42] The purpose of this company was to register domain names and vanity e-mail addresses based on those domains under the trade name Mailbank.[43] Sumpton registered both <*www.avery.net*> and <*www.dennison.net*>.[44] Both Avery and Dennison are registered trademarks of Avery Dennison, a company that has been in existence since the 1930s. Avery Dennison sued under the FTDA, 15 U.S.C. section 1125(c). The trial court held that, as a matter of law, the disputed marks were famous and granted summary judgment of trademark dilution in Avery Dennison's favor.[45] On appeal, the Ninth Circuit rejected Avery Dennison's assertion of fame for the Avery and Dennison marks."[46] The court ruled that if dilution protection were afforded to all trademarks, the balance between protecting trademarks and protecting the public would be slanted in favor of protecting trademarks.[47] According to the court, the "famousness" element of a mark must be truly prominent and renowned[48] to such a degree that "the purchasing public associates the mark with a single producer or source rather than just the product itself."[49] As such, the "famousness" test of the Federal Dilution Act is extremely difficult to meet and, thus, mark owners have difficulty using the act successfully against cybersquatters.

C. Disputes Over The Use Of Sites Having Specific Domain Names

Another issue related to trademark infringement is the question of whether the domain name registrant uses the website to cause a likelihood of confusion.[50] A certain breed of likelihood of confusion known as initial interest confusion was first set forth in *Mobil v. Pegasus Petroleum*[51] and has been critical for some courts in dealing with Internet disputes.[52] Trademark owners argue that cyberpirates' use of their marks confuse the consumer into believing that the cyberpirates' goods are those of the trademark owner, if only for a short time. In this type of situation, however, the confusion is subsequently eliminated before the sale of a good or service.[53] The concept of initial interest confusion recognizes that such confusion can cause competitive damage to the senior user.[54] Accordingly, the senior trademark owners take their grievances to court. The courts have declared that "a domain name that contains a trademark is similar to the trademark for a likelihood of confusion analysis. Minor differences between a trademark and a domain name do not affect this general rule."[55]

Additionally, limitations of the Internet do not allow for specialized or unique markings in domain names, "[h]owever, when a trademark includes a stylized letter, a domain name containing that trademark and an alphanumeric equivalent of the stylized letter are similar for the likelihood of confusion purposes."[56] The case of *Jews for Jesus v. Brodsky,*[57] illustrates this finding. The court ruled that the defendant's use of the domain name jewsforjesus.com was similar to the registered trademark, which contained a Star of David in place of the "o" in the word "for."[58] In analyzing the commonalties between the trademarks and domain names, the courts have taken into account the restrictions imposed by the Internet system on their nomenclature. The courts have ruled, however, that these stylistic differences do not affect the likelihood of confusion analysis. If "the mark and the domain name are nearly identical, and it is likely that Internet users will think the trademark owner and the domain holder are one and the same, the likelihood of confusion can exist."[59] Although the *Jews for Jesus* court held that there was a likelihood of confusion and dilution, the activity itself was not commercial or used in connection with goods or services, and, therefore, should not be actionable under the trademark laws. The court found that the website linked to other sites that received donations and, therefore, included the requisite connection with goods or services for a finding of likelihood of confusion and commercial activity for dilution. This case provides a clear showing that the circumstances of the Internet do not always apply well to common trademark principles.

Another likelihood of confusion case was *Planned Parenthood v. Bucci.*[60] This case involved a defendant who registered the domain name <plannedparenthood.com.> The defendant was an active anti-abortion member who registered the domain name with the expressed purpose of increasing his audience at the website for anti-abortion messages.[61] The federally-registered Planned Parenthood mark had been used since 1942.[62] The court found that the domain name diluted the plaintiff's mark and prevented Planned Parenthood from promoting its reproductive healthcare services on the Internet.[63] Although the Planned Parenthood organization was clearly harmed by this activity, the requirement of commercial activity was extremely questionable. Most believe that extrapolation is needed to apply trademark law to this new medium of communication. A strict reading of the statute, however, can cause a reverse finding, hence, leaving the state of the current law unsettled and somewhat confusing.

Even though trademark law is difficult to apply to domain names, as the above cases illustrate, sometimes trademark law does apply consistently to the principles of the Internet. For example, in *First Jewellery Company of Canada, Inc. v. Internet Shopping Network,*[64] the traditional "likelihood of confusion" test, the cornerstone of trademark infringement for many years, was applied in a coherent and understandable manner. In this case, First Jewellery is in the business of selling jewelry wholesale to jewelry retailers.[65] The defendant, ISN, operates a website under the domain name <*www.firstjewelry.com*> at which it sells jewelry to the public.[66] The court began the trademark infringement analysis with the familiar *Polaroid* factors:

> 1) the strength of the plaintiff's mark; 2) the similarity of plaintiff's and defendant's marks; 3) the competitive proximity of the products; 4) the likelihood that plaintiff will 'bridge the gap' and offer a product like defendant's; 5) actual confusion between products; 6) good faith on the defendant's part; 7) the quality of defendant's product; and 8) the sophistication of buyers.[67]

After careful analysis, the court concluded that the plaintiff made a sufficient showing of confusion to entitle them to a preliminary injunction.[68] Although the current trademark laws work well in this type of situation where the defendant is selling goods or services over the Internet, they are lacking in other areas. For example, another case where trademark law provides a questionable remedy is the case of Princeton Review, a standardized test preparation company which registered several domain names: <princeton.com>, <review.com>, and <kaplan.com>. The <kaplan.com> site published materials that besmirched Princeton's competitor, Stanley H. Kaplan Educational Center. This case was resolved by binding arbitration in Kaplan's favor, most likely based on tortious interference with business theories.

Many early Internet domain name cases, however, were simply settled by negotiation out of court. Such action was based on the uncertain remedy that could be obtained from the courts. This uncertainty has led to many cases being settled out of court,[69] which plays into the cybersquatters' philosophy of making money from the first-come, first-served process of registering domain names. In response thereto, courts have not been able to articulate a coherent policy that is applied to the use of websites at a particular domain name. Courts have been stretching traditional trademark principles in many different ways to try reaching what they consider to be the 'right' decision.

D. Personal Jurisdiction Over Trademark Infringers On The Internet

Not only are companies facing major trademark issues, but they are also facing difficulties obtaining personal jurisdiction over these registrants. The first and basic question regarding jurisdiction on the Internet is whether a defendant's mere presence on the Internet is adequate for asserting personal jurisdiction. The courts have tried to find their way through Internet jurisdiction in as prudent a manner as possible. The courts, particularly the trial courts, are having problems applying a consistent standard on these issues.

A two-prong test[70] has been developed over the years to determine whether personal jurisdiction is proper: (1) the defendant must have sufficient "minimum contacts" with the forum state to meet due process requirements[71] (the required "minimum contacts" varies depending on whether the assertion is for specific[72] or general jurisdiction[73]) and (2) the exercise of jurisdiction must be reasonable.[74] The focus of this section is on the required "minimum contacts" needed to obtain jurisdiction in Cyberspace.[75]

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The amount of minimum contacts required in Cyberspace is hotly contested. On one extreme is the view that a defendant's mere presence on the Internet is sufficient to assert general jurisdiction. Under this view, simply being on the Internet subjects a defendant to personal jurisdiction everywhere that site was accessed. Such a view would run in the face of the standards set forth in the non-Internet related case of *Helicopteros de Columbia, S. A. v. Hall*.[76] In *Helicopteros*, the Supreme Court required that a defendant have continuous and systematic contacts in the forum in order to confer general jurisdiction.[77] Most cases have held that website accessibility from within the forum does not by itself subject a defendant to personal jurisdiction in that forum.[78] Each website is contained on a server that has a specific physical location, and it is the user that retrieves the information from that server.[79] The actual interacting takes place at the server and not at the Internet users' terminal. Therefore, an Internet website should not be viewed as a broadcast because a website requires Internet users to "take several affirmative steps" in order to access information from the web.[80] When a defendant is maintaining a website, he or she simply maintains its server and does not outwardly broadcast or force anyone to come to its server and access information. For example, a hotel cannot be sued in tort in a foreign forum based solely on the fact that it operates a website that can be accessed there.[81] If this rule were not followed, then anyone operating a website would be subjected to personal jurisdiction everywhere in the world.[82]

If the website itself causes harm within the forum, however, in certain situations, states may exercise their long arm jurisdiction over the defendant. This situation presents an assertion of specific jurisdiction where the cause of action arose out of the defendant's activities in the forum.[83] For example, when a website contains content that is defamatory in nature, in some states the defendant may be sued where the injury occurred, i.e. the plaintiff's home state.[84] This result follows the reasoning of the United State Supreme Court in *Keeton v. Hustler Magazine, Inc.*,[85] where the plaintiff was injured through defamatory content contained within the defendant's publication and could be hailed into court wherever the plaintiff chose and the publication had been distributed.[86] The federal circuits conflict, however, in applying these principles of "minimum contacts" to the Internet. The courts are particularly inconsistent on the application of the *Burger King v. Rudzewicz*[87] requirement that the defendant have a reasonable anticipation of being hailed into court in that forum.[88] This confusion exists because of a defendant's expectations and understandings of the Internet.

In trademark infringement actions over domain names, the assertion of jurisdiction will always be specific to jurisdictions in which the injury would occur.[89] The trademark owner's goodwill is harmed anywhere the website is accessed, particularly where the trademark owner resides. However, courts have not been consistent as to what Internet activities would provide support for an assertion of specific jurisdiction. Courts are fairly confident that when infringing goods or services are *physically delivered* into the forum, jurisdiction is proper.[90] When some type of service is *delivered electronically* over the Internet, courts are less consistent as to whether jurisdiction is proper.[91]

Two of the most far-reaching examples of case law regarding the jurisdiction issue are *Inset Systems, Inc. v. Instruction Set, Inc.*[92] and *Maritz, Inc. v. CyberGold, Inc.*[93] In these cases, the mere dispute over trademark infringement on the Internet would have subjected the defendants to personal jurisdiction anywhere. In the case of *Inset Systems, Inc. v. Instruction Set, Inc.*, Inset sued Instruction Set, which operated a website called <inset.com> as a domain name that infringed upon Inset's trademark.[94] The court held that asserting jurisdiction over the defendant was consistent with due process requirements because the website was accessible in Connecticut, indicating to the court that the defendant was actively soliciting business in Connecticut.[95] The court held that there was sufficient minimum contact because the site was accessed 10,000 times by Connecticut residents and was available twenty-four hours a day.[96] The court did not distinguish the purposeful availment of Connecticut from any other state.[97]

The court in *CyberGold, Inc*. followed the same reasoning. The defendant, CyberGold, maintained a website that was not yet functional but advertised its future on-line services.[98] The site provided consumers with information about the upcoming service.[99] In addition, it would send information to those who clicked on a link requesting more information.[100] The court conferred jurisdiction because CyberGold had consciously decided to broadcast advertising information to all internet users, including users in its forum.[101] In addition, the defendant, as in *Inset*, had no contact with the forum other than through the website.[102] This court held personal jurisdiction to be proper, based primarily on the defendant's intention to conduct business with the residents of the forum state.[103]

However, this broad interpretation of personal jurisdiction does not always constitute enough contact to assert specific jurisdiction in other jurisdictions.[104] In *Hearst Corp. v. Goldberger,*[105] the publisher of Esquire Magazine sued the owner and operator of <esqwire.com> for trademark infringement.[106] The defendant, Ari Goldberger, planned to offer law office infrastructure network services to attorneys, but such services were not yet available.[107] Furthermore, Goldberger had not contracted to sell services to computer users in New York or anywhere else.[108] The court held that the site was analogous to an advertisement in a national magazine and was not targeted to any particular jurisdiction, and, therefore, the defendant did not purposefully avail itself of the forum.[109] In *Rannoch, Inc. v. Rannoch Corp.*,[110] the court dismissed the case for a lack of personal jurisdiction and specifically criticized the *Inset Systems'* decision since that court did not "identify any facts that would distinguish the defendant's 'purposeful availment' of [the forum] from its availment of any state in the country."[111]

Given the inconclusive decisions of these cases when the cause of action is based on Internet activities, the courts must decide if a website maintained in one state will subject the company to jurisdiction in another state. One of the most interesting cases in this area is *Zippo Manufacturing Co. v. Zippo Dot Com, Inc*.[112] Zippo, a manufacturer of cigarette lighters, brought suit in the U.S. District Court for the District of Western Pennsylvania.[113] Zippo alleged that a California corporation was cybersquatting and was guilty of trademark infringement and dilution when it registered domain names of <zippo.com>, <zippo.net>, and <zipponews.com>.[114] The defendant sought to dismiss on grounds of lack of personal jurisdiction.[115] The plaintiff, however, countered by arguing that the defendant was subject to specific jurisdiction in Pennsylvania because it provided news services through its website to approximately 3,000 Pennsylvania residents, and that the defendant entered into contracts to provide such services to seven Pennsylvania-based Internet Service Providers.[116]

The court's ruling established an interesting test for later personal jurisdiction cases. The court stated that "the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet."[117] The court established a "sliding scale" test including passive sites at one end and more interactive sites over which business is conducted at the other end.[118] If the website is interactive, allowing for sender and receiver to interact (by unloading and uploading information, purchasing products, etc.) then personal jurisdiction is proper.[119] If the website is passive (merely posts information), it is really nothing more than advertising and cannot confer jurisdiction.[120] Between the passive and interactive categories is a group of websites for which the "exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that is transferred over the net."[121] Thus, the court's ruling in *Zippo* was that jurisdiction could indeed be asserted over DotCom since it did, indeed, interactively conduct business with Pennsylvania residents.[122]

On the other end of the "sliding scale" test is the case of *Bensusan Restaurant Corp. v. King*.[123] The case involved a Missouri club called "The Blue Note" that was sued by a New York jazz club by the same name.[124] The Missouri club maintained a website that provided information about the Missouri club but did not provide any interaction, such as the purchase of tickets or merchandise.[125] The New York club claimed that the Missouri club infringed upon its federally-registered trademark.[126] The district court for the Southern District of New York dismissed the case based on the fact that the Missouri club had "done nothing to avail [itself] of the

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benefits of New York."[127] It was significant that the Missouri club had not targeted any sales or promotions and that their site amounted to nothing more than advertising.[128] The judge also noted that this website required Internet users to take several affirmative steps in order to gain information from the web.[129] The court therefore ruled that to assert jurisdiction in this case would violate due process. [130] The case was affirmed on appeal. This case, however, may be distinguishable from the standard trademark infringement action on the web in that the plaintiff and the defendant were essentially local operations, with the exception of their web use.

Although the *Zippo* test is helpful, it is not dispositive. The real factors that need to be considered for a determination of personal jurisdiction are: (1) whether the cause of action arose from the website; (2) whether the site is active or passive; and (3) whether the defendant purposely availed itself of the laws of the forum state. These factors need careful consideration for the proper determination of jurisdiction. Although the definitive solution has not been set forth, the courts have provided guidance for the determination of personal jurisdiction where a defendant operates a website. However, it is helpful, if not necessary, when the defendant has some type of contact with the forum that is not through Cyberspace. If not, it is difficult to argue that a defendant has purposefully availed itself of a forum where all the defendant has done is place information on a server and the defendant (or residents of the forum) have proactively retrieved that information.

Unfortunately, the case law is less compelling in situations where the defendant has merely registered a domain name or where the defendant is profiting from the registration of a domain name. When a cybersquatter like Toeppen is involved, at least one court, the Ninth Circuit, has been willing to assert specific jurisdiction over the defendant in the forum that the plaintiff resides.[131] The court found that the purposeful availment requirement was met by Toeppen's action of trying to extort money from Panavision, which he knew was based in California.[132] The court also balanced the reasonableness factors of *Burger King Corp. v. Rudzewicz*[133] and found that the assertion of specific jurisdiction was reasonable.[134]

In cases where the defendant has merely registered the domain name, the trademark owner must obtain personal jurisdiction over the defendant in the forum of his residence to recover that domain name. This task becomes more difficult when the registrant has submitted false contact information to the domain name registry or is a resident of a foreign country. *Porsche Cars North America* [135] attempted to solve this problem by initiating an *in rem* action in Virginia against the domain names themselves as property.[136] The case turned on the language of the Lanham Act that "only provides a remedy against another 'person's' commercial use of that mark."[137] The act clearly "defines a 'person' to include natural persons as well as 'firm[s], corporation[s], union[s], association[s], [and] other organization[s]' without including 'marks' within this definition."[138] The court claimed that to construe the Lanham Act so as to permit *in rem* actions "would needlessly call the constitutionality of the statute into doubt."[139] Therefore, trademark owners are required to find, locate, and obtain personal jurisdiction over the registrant which often means filing suit in the district in which the registrant resides unless the cybersquatter has made an outward solicitation for money, like Toeppen.[140] This case has also left problems for companies that have complaints against registrants who reside in foreign countries and are not subject to jurisdiction anywhere in the United States.

The New Anti-Cybersquatting Consumer Protection Law

A major hurdle that trademark owners operate under using the FTDA against cybersquatters has been eliminated. On November 29, 1999, President Clinton signed into law the Anticybersquatting Consumer Protection Act (ACPA)[141] which is incorporated as section 43(d) of the Lanham Act.[142] The ACPA signals the commitment of the federal government's policy against registering and leveraging domain names for the main purpose of profiting from the goodwill of trademark owners. The new act affords trademark owners a civil cause of action against any person who in *bad faith* registers, traffics in, or uses the trademark of another as an Internet domain name.[143]

The ACPA was enacted "to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as 'cybersquatting.'"[144] The ACPA is meant primarily to provide appropriate remedy and certainty to trademark owners from cybersquatters.[145] Prior to enactment of the ACPA, the owner of a mark was faced with two alternatives: expensive litigation or exorbitant negotiation. Under this new act, it is much easier for an owner of a mark, regardless of the mark's fame, to take action against an owner of a domain name when that domain name corresponds to their trademark and to obtain an order transferring the domain name to them. In addition, section 43(d) gives the trademark owner the power to proceed *in rem* against the domain name itself, specifically overruling the *Porsche Cars North America v. Porsch.com* decision of the Eastern District of Virginia.[146] This power remedies the previous difficulties raised by domain name registrants who could not be located or escaped personal jurisdiction.[147]

Furthermore, a domain name registry such as Network Solutions, Inc. and Register.com will be afforded immunity from suit under the new law.[148] Domain name registries will be immune from actions related to the registering, suspending, and transferring of domain names.[149] This immunity is a codification of the case law set forth in *Lockheed Martin Corp. v. Network Solutions, Inc.*[150] and will help dispel any confusion that might result because the act of mere registration may now be actionable.

The ACPA affords protection to both registered and unregistered trademarks, as well as protecting living persons against the use of their surnames with the domain names. Under the act, the domain name holder is liable if (he or she):

(i) "has bad faith intent to profit from" a mark or per sonal name:

(ii) register, traffics in, or uses a domain name that is:

 (I) identical or confusingly similar to a distinctive mark;

 (II) identical or confusingly similar, or dilutive of a fa mous mark; or

 (III) is protected under specific Federal statutes.[151]

The determination of whether the domain name is confusingly similar to the mark or dilutive of a famous mark is to be made without regard to the goods or services.[152] Furthermore, the act provides for factors that the courts may weigh to determine if bad faith exists.[153] These factors are nonexhaustive but provide guidance as to what should be considered bad faith. The first four factors suggest that the registrant is not operating in bad faith and has a legitimate basis upon which to register the domain name. These four factors are as follows:

(I) whether the registrant owns any trademark or intel lectual property rights in the domain name;

(II) whether the domain name consists of the name of the registrant;

(III) whether the registrant has made any prior use of the domain name in connection with the bona fide offer ing of goods or services;

(IV) whether the registrant makes bona fide noncommer cial or fair use of the mark in the site under the do main name;[154]

The next four factors suggest circumstances where bad faith occurs. These factors are as follows:

(V) whether the registrant has an intent to divert con sumers from the mark owner's site to their regis tered site that could harm the goodwill represented by the mark for commercial gain or with an intent to tarnish or disparage the mark by creating a like lihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) whether the registrant has offered to sell the do main name to the trademark owner or a third party without having used or intending a bona fide use of the domain name;

(VII) whether the registrant provided misleading contact information when applying for the registration of the domain name;

(VIII) whether the registrant has registered or acquired multiple domain names which the registrant knows are identical or confusingly similar to marks of oth ers that are distinctive at the time of registration;[155]

A ninth factor looks at the trademark at issue and whether that mark deserves a wider ambit of protection.

(IX) whether the mark incorporated in the domain name is or is not distinctive and famous under the Fed eral Trademark Anti-Dilution Act.[156]

This act addresses many of the issues inherent in the new medium of the Internet and aids courts in the laborious task of trying to apply traditional trademark law to Internet domain names.

A. Disputes Over Registration

The prior cases have said, almost uniformly, that domain name registration is not trademark use and is not actionable.[157] Section 43(d) now provides for civil liability where a

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person registers a domain name with a bad faith intent to profit. Therefore, if the trademark owner can show activity such as multiple registrations and false contact information, they may have redress as soon as an individual obtains a registration from one of the domain name registries. In addition to the antisquatting law, mark owners may also avail themselves of the new ICANN dispute policy resolution procedure.[158] In paragraph 4(a) of the Uniform Policy of ICANN, three elements are set forth that must be present to obtain a remedy in a domain name action: (1) the challenged domain name is identical or confusingly similar to a trademark or service mark in which the complainant has trademark rights; (2) the registrant of the challenged domain name has no rights or legitimate interests in respect of the domain name; and (3) the challenged domain name has been registered and is being used in bad faith.[159] This dispute resolution policy is faster and less expensive than court proceedings. The dual efforts of the new ICANN resolution policy and the new ACPA will, hopefully, perform an adequate job policing the registration process of domain names.

B. Disputes Over Trafficking In The Registration Of Domain Names

The ACPA provides for remedies against persons who, in bad faith, traffic in domain names that are confusingly similar or dilutive to another's trademark. The term "trafficking" is defined to include, but is not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and other transfers of consideration.[160] Thus, not only can the trademark owner obtain remedies from a registrant, but the owner can also obtain remedies from a third-party buyer and subsequent purchasers and sellers.[161] Furthermore, the market for such domain names will decrease drastically when the buyer of a domain name can be held liable.

Key provisions of the new act make it much more effective against cybersquatters than previous legislation.

While the FTDA has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability. For example, many cybersquatters are now careful and no longer offer the domain name for sale in any manner that could implicate liability under existing trademark dilution case law. In cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law's application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.[162]

The new act was passed in order "to remedy the perceived shortcomings of applying the FTDA in cybersquatting cases."[163] Before the ACPA, an injured trademark owner had two avenues available in the pursuit of a cybersquatter. First, he could try to prove dilution, which requires the mark to be "famous."[164] If the mark was not judged to be "famous," he could claim trademark infringement. The second avenue required consumer confusion after analysis of how closely related are the goods and services. Since the majority of cybersquatters do not engage in commerce, there was always the issue of whether a mark owner can establish infringement. To rectify this, the new act stipulates that it is sufficient for the domain name to be "confusingly similar" to the mark, without any connection to goods and services. The ACPA improved on the weaknesses of the FTDA. Before the passage of the anticybersquatting law, it was difficult for the owner of a mark that was distinctive, but not famous, to prevail against cybersquatters.

A clear example under the old law can be seen in *Juno Online Servs., L.P. v. Juno Lighting, Inc.*,[165] where the court found that the defendant's "mere warehousing" of the domain name <juneonline.com>, without any use thereof, does not constitute trademark infringement of plaintiff's trademark.[166] The mere registration of the "domain name is not enough to find that defendant placed the mark on goods or 'used or displayed [the mark] in the sale or advertising of services' as required."[167] The decision in *Juno v. Juno* is essentially overturned by the new legislation and is related to the first appellate case to issue an opinion concerning section 43(d).[168]

The first appellate decision applying the ACPA was the case of *Sporty's Farm L.L.C. v. Sportsman's Market, Inc*.[169] The United States Court of Appeals for the Second Circuit received the case from the United States District Court for the District of Connecticut.[170] The case was brought to the court for adjudication under the FTDA of 1995.[171] While on appeal, the ACPA was passed.[172] The Second Circuit chose to apply the new law to this case rather than remand the case.[173] The court affirmed the prior judgment but on different grounds from those relied on by the district court.

The background of this case is classic domain-name cybersquatting with the additional twist of a third-party involvement. Sportsman's is a well-known catalog company for pilots and aviation.[174] Sportsman's has also expanded its business to include tools and home accessories.[175] The company distributes approximately 18 million catalogs yearly with a revenue of $50 million per annum.[176] Aviation sales comprise 60 percent and the other sales comprise 40 percent of the total.[177]
Sportman's began using the logo "sporty" in the 1960's and in 1985 registered the trademark "sporty's" with the U.S. Patent and Trademark Office, and the registration is current with the rules and regulations.[178] In addition, "Sporty's" appears on the cover of all of their catalogs and their international toll free number is 1-800-4Sportys.[179]

In 1995, Omega, a mail-order company owned by Arthur and Betty Hollander, decided to enter the aviation catalog business and formed a subsidiary called Pilot's Depot L.L.C.[180] Briefly thereafter, Omega registered the domain name <sportys.com> with NSI.[181] The Hollanders were familiar with the Sportsman's catalogs and the "sporty's" trademark.[182]
Shortly thereafter, Omega formed a second subsidiary called Sporty's Farm and sold it the rights to the domain name, <sportys.com> for $16,200.[183] Sporty's Farm grows and sells Christmas trees.[184] The farm soon began to advertise on its webpage.[185]

In March of 1996, Sportman's discovered Omega had registered <sportys.com>. Before Sportsman's could take any action, Sporty's Farm brought a declaratory action seeking the right to continue using <sportys.com>. "Sportsman's counter claimed and also sued Omega as a third-party defendant for, *inter alia*, (1) trademark infringement, (2) trademark dilution pursuant to the FTDA, and (3) unfair competition under state law."[186] Both sides sought injunctive relief to force the other to give up claims to the domain name.[187]

The district court rejected Sportsman's claim of "likelihood of confusion" since "the parties operate wholly unrelated businesses [and] therefore, confusion in the marketplace is not likely to develop."[188] On the trademark dilution action, the court ruled in favor of Sportsman's. The court ruled that "(1) Sporty's was a famous mark entitled to protection under the FTDA since the 'Sporty's' mark enjoys general name recognition in the consuming public,"[189] and (2) that Sporty's Farm and Omega had diluted Sporty's because registration of the <sportys.com> domain name effectively compromises Sportsman's Market's ability to identify and distinguish its goods on the Internet . . . [by] preclud[ing] Sportman's Market from using its unique identifier."[190] The court also ruled that Sportsman's could only get injunctive relief and was not entitled to "punitive damages. . . profits, and attorney's fees and costs" under the FTDA since the conduct of Sporty's Farm and Omega did not amount to willful dilution under the FTDA.[191]

The district court issued an injunction forcing Sporty' s Farm to relinquish all rights to <sportys.com>.[192] Sporty's Farm appealed the judgement.[193] Sportsman's, in addition, cross-appealed the district court's denial of damages under the FTDA and state law.[194]

The Second Circuit, after deciding that the ACPA applied, decided the case in the following manner: (1) Sporty's mark was distinctive and famous, (2) the domain name <sportys.com> was "confusingly similar" to the protected mark, and (3) there was "bad faith intent to profit" since neither Sporty's Farm nor Omega had any intellectual property rights in <sportys.com> at the time of registration of the domain name.[195] Furthermore, Omega sold the mark to Sporty's Farm under suspicious circumstances.[196]

The appeals court's determination was that under the ACPA a court may order the transfer of a domain name to the owner of the mark.[197] Therefore, the court ruled that the particular relief remained appropriate under the new law and affirmed the district court's grant of injunctive relief.[198] On the question of damages, the court ruled that under the ACPA, damages are unavailable to Sportsman's since <sportys.com> was registered and used prior to the passage of the new law.[199] The court further concluded that damages to Sportman's were unavailable under pre-existing law because the actions of Sporty's Farm were not willful.[200]

In total, the appeals court affirmed the district court's ruling by using the new ACPA. The court concluded that Sportsman's was entitled to injunctive relief under the new anti-cybersquatting consumers protection law, but that damages are not available under the ACPA, the FTDA, or state law.

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The most interesting aspect of this case is the court's analysis of the bad faith intent to profit factor of the ACPA. The court held that Omega registered <www.sportys.com> for the primary purpose of preventing Sportsman's from using that domain name.[201] It was only after the lawsuit was filed that Omega created another company in an unrelated business "that received the name Sporty's Farm so that it could (1) use the <sportys.com> domain name in some commercial fashion; (2) keep the name away from Sportsman's; and (3) protect itself in the event that Sportsman's brought an infringement claim alleging that a "likelihood of confusion" had been created by Omega's version of cybersquatting."[202] This case will be illustrative of many future cases involving section 43(d) of the Lanham Act that hinge on whether the court finds a bad faith intent to profit in the defendant's activity. It is clear from this case that the bad faith intent to profit will be interpreted very broadly to cover much of the questionable activity with respect to Internet domain names. This act provides the court with a fair deal of discretion to recognize when evidence of bad faith is present.[203]

At the district court level, the Sportsman's trademark, "sporty's," was held to be a famous mark and, therefore, entitled to protection under the FTDA.[204] Now, under the new law, even owners of distinctive, but not "famous" marks, are entitled to relief.[205] In addition, while the act itself does not define the term "distinctive," the legislative history signals that if a mark enjoys trademark protection, then that mark is distinctive.[206] Thus, distinctiveness may be inherent or acquired, consistent with the traditional trademark principles.

Another aspect of the law that improves on the FTDA is in the area of dilution. This area is where owners of a mark have fared well under the Lanham Act. Several courts, including the Ninth Circuit Court of Appeals, have held that the act of registering a domain name with an intent to sell it to the trademark owner can trigger liability under the Federal Anti-Dilution Act. The two classic cases that demonstrate the above point are *Panavision Int'l, L.P. v. Toeppen*[207] and *Intermatic, Inc. v. Toeppen*.[208] In both cases, the courts held that registering a domain name with the intent to offer it for sale triggered the commercial use and subjected the cybersquatter to liability under the federal anti-dilution law. However, the protections of the FTDA are expressly limited to owners of "famous" trademarks. The new statute now provides a cause of action for the owners of distinctive marks against cybersquatters, regardless of the mark's fame.

C. Disputes Over The Use Of Sites Having Specific Domain Names

Until the passage of the ACPA, the main question was whether the registrant used the website to cause a likelihood of confusion. Under the ACPA, the determination of confusion or dilution of the mark is based solely on whether the domain name itself is confusing or dilutive of the trademark. Before the passage of the ACPA, the content of the site was needed to show likelihood of confusion. Now, content is only considered when the determination of bad faith is considered. Congress has legislatively recognized that a domain name alone can cause damage. Congress' recognition likens a domain name to a sign in front of a building and not a mere address. Therefore, even if information on a website itself is constructed in such a way that no confusion could be possible, the site can still be found to infringe based on its domain name alone. Now, cases like *Planned Parenthood*[209] and *Jews for Jesus*[210] are easily decided in favor of the trademark owner without a questionable extension of the federal trademark laws. In these cases, the domain names were confusingly similar, and the registrant had an intent to divert customers away from the trademark owners. This is where the analysis will end under the new law.

In a recent case, *Virtual Works v. Network Solutions, Inc.*,[211] the District Court for the Eastern District of Virginia applied the Anticybersquatting Consumer Protection Act to such a situation. The court balanced the bad faith factors and found that the domain name, <vw.net>, should be transferred from Virtual Works to Volkswagen. Virtual Works is a small Internet services company that registered the domain name <www.vw.net>.[212] Virtual Works was incorporated in April of 1996 and provides services related to website development, website hosting, and e-commerce. The court found that Virtual Works had a bad faith intent to profit based primarily on the fact that Virtual Works has no trademark rights in the initials "VW" and that Virtual Works offered to sell the domain name to Volkswagen.[213] The court, however, failed to recognize the value of a short domain name that is easily remembered and is related to one's company name, such as "VW" for Virtual Works. Using an abbreviation for a company name in a domain name should not be equated to be cyberpiracy. The court also failed to distinguish between an offer for sale initiated by the trademark owner and one that is initiated by the domain name holder for business reasons. The ACPA, however, gives courts great latitude in deciding whether a bad faith intent to profit is present. In the case of VW, the court felt that the actions of Virtual Works were of the type that the ACPA was intended to curtail.

The court also found that Virtual Works diluted Volkswagen's trademarks by misappropriating a domain name and attempting to sell that domain name to the rightful owner.[214] In order to be liable for trademark dilution, the defendant must prevent the company "from using their marks in a new and important business medium, diluted these marks within the meaning of the [Federal Trademark Dilution Act]."[215] In *Virtual Works*, this element was not possible because Volkswagen already operated a site at <www.vw.com>, which is the preferred site for commercial activity.

The preceding cases demonstrate that the application of the ACPA can vary greatly depending on the particular facts before the court.[216] The impact of the ACPA will not be known for some time; however, life for the trademark owner has improved because of the ACPA. Although the ACPA will be a critical weapon that trademark owners will use in the fight against individuals that register domain names that include its trademark, it does fail in two interesting respects. First, it does not address the situation where a cybersquatter has acquired a domain name that includes a trademark of two different entities. For example, if a cybersquatter registered <www.delta.com>, who would have the right to recover that domain name – is it Delta Airlines or Delta Faucets?[217] The other shortcoming lies in dealing with multiple top-level domains, e.g., .com, .net, .org, etc. If we allow a trademark owner to recover all of the domains that include their trademark, then that defeats the purpose of multiple top-level domains. It seems that the most valuable top-level domain for trademark owners is .com. It would make perfect sense to limit such actions to just the .com top-level domain; however, Congress did not speak on this issue, and at least one court believes that the ACPA applies equally to all top-level domains.[218]

D. Damages

The monetary relief provided under the anticybersquatting law is in addition to the remedies afforded in the Lanham Act. The registration, trafficking, or use of a domain name after enactment of the act makes the plaintiffs eligible for the same monetary remedies and injunctions as currently apply to other Lanham Act violations:

(1) defendant's profits;
(2) up to three times damages;
(3) costs; and
(4) in exceptional cases, attorney fees.[219]

The new act offers the plaintiffs, as an option, the ability to recover statutory damages in the amount of not less than $1,000 and not more than $100,000 for each domain name.[220] The remedies of the new act are available against any domain name registered before, on or after the date of the bill; however, monetary recovery is not possible for any action of registering, trafficking, or using a domain name that occurred prior to November 29, 1999. In addition to monetary remedies, the act offers other effective remedies as well, such as allowing the court to order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.[221]

E. Jurisdiction

Another important issue that the new ACPA addresses is the problem of obtaining jurisdiction over foreign-domiciled cybersquatters or a cybersquatter who cannot be found. The issue of personal jurisdiction has not changed from the previous discussion. However, the ACPA now allows owners of marks to bring actions *in rem*.[222] *In rem* jurisdiction over the domain name is available to the trademark owner if *in personam* jurisdiction over a person is unattainable[223] and if, through due diligence, the plaintiff was not able to find the defendant.[224] This particular aspect of the new law would make it decidedly easier for a trademark owner to establish personal jurisdiction if the registrant of the domain name cannot be found or is a foreign resident. The suit need only be brought in the judicial district where the domain name registry responsible for registering the name is located.[225]

There are obvious advantages to *in rem* proceedings. The first is that the domain name registrant cannot hide from process. Second, the notice and service procedures under 15 U.S.C. section 1125(d)(2)(A)(ii)(II)(aa) and (bb) are easy to meet. Third, as soon as the registry receives the complaint, the registrar must not transfer the domain name to a third party and must deposit that name with the court.[226] *In rem* action, however, does limit a plaintiff's remedies to forfeiture, cancellation, or transfer of the domain name. Damages are not available. The *in rem* proceeding stipulated under the ACPA overturns the findings in *Porsche Cars North America Inc. v. Porsche.com*,[227] where the Eastern District of Virginia held that the Lanham Act did not allow *in rem* suits. The same court that held *in rem* actions unconstitutional in *Porsche*, just recently held the new *in rem* proceeding of the ACPA to be constitutional.[228]

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Conclusion

The new technological medium of the Internet has opened a Pandora's Box of legal issues. One of the biggest issues deals with trademark law and domain names. Cybersquatting has been proven to harm the good name of companies. Customers have relied on trademarks for quality and consistency as well as the ability to locate the true source of goods and services on the Internet. Up until the passage of the Anticybersquatting Consumers Protection Act, trademark owners had to rely on the Lanham Act and the Federal Anti-Dilution Act to seek redress from cyberpirates. The process was long and costly. Now, the Anticybersquatting Act, though not perfect, does provide trademark owners with a stronger weapon in their fight against domain names that infringe on their trademark rights.

Endnotes

1. American Civil Liberties Union v. Reno, 929 F. Supp. 824, 830-31 (E.D. Penn. 1996). This case was related to First Amendment issues in connection with the Internet. The court found it necessary to develop a clear understanding of the nature of the Internet in order to hear the substantive issues of the case.
2. *Id.* at 831.
3. *Id*. at 836.
4. *See* Yahoo Inc. (visited April 4, 2000) <http://www.yahoo.com>.
5. These search terms are known as metatags and have ben the nucleus of a great deal of Trademark litigation in the last few years. *See* Playboy Enterprises, Inc. v. Calvin Designer Label, Inc., 985 F. Supp. 1220 (N.D. Cal. 1997).
6. G. PETER ALBERT JR., INTELLECTUAL PROPERTY LAW IN CYBERSPACE 10 (1999).
7. *Reno*, 929 F. Supp. at 831.
8. ALBERT, *supra* note 6 at 21.
9. Alphanumeric domain names have been assigned to specific Internet protocol addresses like 34.32.42.76.
10. Domain names are registered on a first-come, first-serve basis. Domain names in the .com, .net, .gov, .edu, and .org top level domains are registered by companies such as Network Solutions, Inc. *See* Network Solutions, Inc. (visited April 1,2000) <http:// www.nsi.com> for additional information concerning the registration of domain names.
11. Cardservice Int'l, Inc. v. McGee, 950 F. Supp. 737, 747 (E.D. Va.), *aff'd*, 129 F.3d (4th Cir. 1997).
12. Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp.2d 117 (D. Mass. 1999).
13. 15 U.S.C. § 1127 (1994).
14. Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873 (9th Cir. 1999) (citing Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 163-64 (1995)).
15. *Id*.
16. *Id*.
17. *See* 15 U.S.C. § 1082. Typically, a plaintiff not only has to show that the defendant is using a similar mark in a market related to that of the plaintiff, but also that such activity by the defendant is likely to cause confusion in the marketplace, i.e. consumers will be confused as to the source of the goods.
18. 15 U.S.C. § 1125(a) (1994).
19. *See* 15 U.S.C. § 1125 (1994).
20. H.R. REP. 104-374, at 2 (1995) *reprinted in* 1995 U.S.S.C.A.N. 1029.
21. *Id.*
22. *Id.* at 3 (citing Mortellito v. Nina of California, Inc., 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).
23. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 25, cmt. e (1995).
24. H.R. REP. 104-374, at 3 (1995).
25. *See generally*, Intermatic Inc. v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996).
26. *Id*. at 1238.
27. Avery Dennison Corp. v. Sumpton, 189 F.3d at 873-74 (citing Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1324 (9th Cir. 1998)). *See also* McCarthy, J. Thomas, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION (4th ed. 1999) §24.91. The Second Circuit Court of Appeals has developed a slightly different analysis of the requirements for dilution protection under 15 USC §1125(c)(1) (1994). The Second Circuit adds an additional requirement of distinctiveness. *See* Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999). However, it is clear that either test is substantially identical, as a mark must be distinctive in order to be adjudicated famous.
28. H.R. REP. NO. 106-412, at 6 (1999).
29. *See generally*, Intermatic Inc. v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996).
30. 985 F. Supp. 949 (C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999).
31. *Id*. at 960 (citing Panavision v. Toeppen, 945 F. Supp. at 1303).
32. Although this line of thought is accepted, at least one court was willing to consider whether the registration of a domain name including a famous trademark constituted dilution. *See* Porsche Cars North America v. Porsch.com, et al., 51 F. Supp.2d 707 (E.D. Va. 1999) (finding that an *in rem* proceeding to recover possibly infringing domain names was in violation of the Lanham Act).
33. ALBERT, *supra* note 6, at 165.
34. *Id*. at 166.
35. *Id*.
36. *Id*.
37. *Id*.
38. 947 F. Supp. 1227 (N.D. Ill. 1996).
39. 141 F.3d 1316 (9th Cir. 1998).
40. ALBERT, *supra* note 6, at 167 (quoting *Panavision*, 945 F. Supp. at 1304).
41. 189 F.3d 868 (9th Cir. 1999).
42. *Id.* at 872
43. *Id.*
44. *Id.* at 873.
45. *Id*.
46. 189 F.3d at 877.
47. *Id*. at 875
48. *Id*. (citing I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 46 (1st Cir. 1998)).
49. 189 F.3d at 876 (citing First Brands Corp. v. Fred Meyer, Inc., 809 F.2d 1378, 1383 (9th Cir. 1987)).
50. *See* Polaroid v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir.), *cert. den.*, 368 U.S. 820 (1961).
51. 818 F.2d 254 (2d Cir. 1987) (holding that likelihood of confusion existed even when at the time of purchase, no confusion as to source could have possibly been present The initial interest confusion allowed the defendant to engage in negotiations over the sale of oil, which would not have been possible without the initial confusion).
52. *See* Brookfield Communications, Inc. v. West Coast Ent. Corp., 174 F.3d 1036 (9th Cir. 1999).
53. 818 F.2d at 257.
54. Id. at 259.
55. ALBERT, *supra* note 6, at 159. This assertion is supported by the new anti-Cybersquatting legislation that equates a domain name to a trademark.
56. *Id.*
57. 993 F. Supp. 282 (D.N.J. 1998).

58. *Id.* at 290.
59. Albert, *supra* note 6, at 159.
60. 42 U.S.P.Q.2d 1430, 31 (S.D.N.Y. 1997).
61. *Id.*
62. *Id.*
63. Albert, *supra* note 6, at 164
64. 2000 U.S. Dist. LEXIS 794 (S.D. N.Y. February 1, 2000).
65. *Id.* at *3.
66. *Id*.
67. *Id*. at *12 (citing Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 95 (2d Cir.), cert. den., 368 U.S. 820 (1961)).
68. *Id*. at *17.
69. MTV Networks v. Curry, 867 F. Supp. 202 (S.D.N.Y. 1994).
70. Some states further restrict this limitation by requiring more con tacts through state long-arm statutes which is applied to the federal courts through Federal Rule of Civil Procedure 4(e).
71. *See* International Shoe Co. v. Washington, 326 U.S. 310 (1945).
72. *See* Burger King Corp. v. Rudzewicz, 471 U.S. 462 (1985).
73. *See* Helicopteros de Columbia, S. A. v. Hall, 466 U.S. 408 (1984).
74. *See* Asahi Metal Indus. Co. v. Superior Court, 480 U.S. 102 (1986).
75. This requirement may be a consequence of the Supreme Court's plurality of opinions in *Asahi* when determining whether into the stream of commerce is in and of itself enough to satisfy the "mini mum contacts" requirement set forth in *International Shoe* and its progeny.
76. 466 U.S. 408 (1984).
77. *Id*. at 414.
78. *See* Rannoch, Inc. v. Rannoch Corp., 52 F. Supp.2d 681 (E.D. Va. 1999); Panavision v. Toeppen, 945 F.3d 1316 (9th Cir. 1998).
79. 929 F. Supp. at 831.
80. Bensusan Restaurant Corp. v. King, 937 F. Supp. 295, 299 (S.D.N.Y. 1996).
81. Weber v. Jolly Hotels, 977 F. Supp. 327 (D.N.J. 1997).
82. Martiz, Inc. v. CyberGold, Inc., 947 F. Supp. 1328, 1334 (E.D. Mo. 1996).
83. Gary Scott Int'l, Inc. v. Baroudi, 981 F. Supp. 714 (D. Mass. 1997).
84. EDIAS Software Int'l, L.L.C. v. BASIS Int'l Ltd., 947 F. Supp. 413 (D. Ariz. 1996). See *also* California Software Inc. v. Reliability Research, Inc., 631 F. Supp. 1356 (C.D. Cal. 1986) (subjecting a Nevada bulletinboard operator to personal jurisdiction in California because of defamatory content placed on the board could be ac cessed in California).
85. 465 U.S. 770 (1984).
86. *Id*. at 770-71.
87. 471 U.S. 462 (1985).
88. Naxos Resources (USA) Ltd. v. Southam, Inc., 1996 WL 662451 (C.D. Cal. Aug. 16, 1996).
89. *See* Cottman Transmission Sys., Inc. v. Martino, 36 F.3d 291, 294 (3d Cir. 1994) (citing Tefal, S.A. v. Products Int'l Co., 529 F.2d 495, 496 n.1 (3d Cir. 1976); Indianapolis Colts v. Metro. Balti more Football, 34 F.3d 410 (7th Cir. 1994)).
90. *See* Gary Scott Int'l, Inc. v. Baroudi, 981 F. Supp. 714 (D. Mass. 1997). Defendant sold humidors with an infringing trademark on them and delivered those humidors to the forum.
91. *See* Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119 (W.D. Pa. 1997); Ty Inc. v. Clark, No. 99-C5532, 2000 U.S. Dist. LEXIS 383 (N.D. Ill. Jan. 14, 2000).
92. 937 F. Supp. 161 (D. Conn. 1996).
93. 947 F. Supp. 1328 (E.D. Mo. 1996).
94. 937 F. Supp. at 163.
95. *Id.* at 165.
96. *Id.*
97. *Id*.
98. *Cybergold*, 947 F. Supp. at 1330.
99. *Id.*
100. *Id*. at 1333.
101. *Id.*
102. *Id*.
103. *Id.* at 1332.
104. *See* Ty Inc. v. Clark, No. 99-C5532, 2000 U.S. Dist. LEXIS 383 (N.D. Ill. Jan. 14, 2000). In this case, the court found that a website that offers products for sale, provides a price list for products, so licits orders for these products, and has an e-mail icon link through which users can send messages to the defendant does not subject the defendant to personal jurisdiction in Illinois. The court held that because orders for the products could not be made over the site, jurisdiction was not proper. Consumers would have to print out a downloadable form and send their order by fax. It is unclear how this is distinctly different than using the Internet to receive orders. In fact, in most cases, that is all the consumers are doing when ordering merchandise is submitting information to the defendant at the defendant's place of business, just like a fax , phone line, or mailing.
105. 1997 U.S. Dist. LEXIS 2065 (S.D.N.Y. Feb. 26, 1997).
106. *Id*.
107. *Id.* at *10.
108. *Id.*
109. *Id.* at *32.
110. 52 F. Supp.2d 681 (E.D. Va. 1999).
111. *Id.* at 686-87.
112. 952 F. Supp. 1119 (W.D. Pa. 1997).
113. *Id*.
114. *Id.* at 1121.
115. FED. R. CIV. P. 12(b)(2) and (3).
116. *Zippo Dot Com*, 952 F. Supp. at 1121.
117. *Id.* at 1124.
118. *Id.*
119. *Id*. *See also* CompuServe v. Patterson, 89 F.3d 1257, 1268 (6th Cir. 1996).
120. *Zippo Dot Com*, 952 F. Supp. at 1124. *See also* Bensusan Restau rant Corp. v. King, 937 F. Supp. 295, 295-96 (S.D.N.Y. 1996).
121. *Zippo Dot Com*, 952 F. Supp. at 1124. *See also* Maritz, Inc. v. Cybergold, Inc., 947 F. Supp. 1328 (E.D. Mo. 1996).
122. *Zippo Dot Com*, 952 F. Supp. at 1125-26.
123. 937 F. Supp. 295 (S.D.N.Y. 1996), *aff'd*, 126 F.3d 25 (2d Cir. 1997).
124. *Id*. at 297.
125. *Id*.
126. *Id.*
127. *Id*. at 301.
128. *Id*. at 297.
129. *Bensusan Restaurant Corp*., 937 at 299.
130. *Id.* at 301.
131. Panavision Int'l., L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998).
132. *Id.* at 1321.
133. 471 U.S. 462 (1985). *See also* Asahi Metal Indus. Co., Ltd. v. Superior Court, 480 U.S. 102 (1987).
134. *Panavision Int'l, L.P.*, 141 F.3d at 1323.
135. Porsche Cars N. Am., Inc. v. Porsch.Com, 51 F. Supp.2d 707 (E.D. Va. 1999).
136. *Id*. at 709. *See* Umbro Int'l, Inc. v. 3263851 Canada, Inc., 50 U.S.P.Q.2d (BNA) 1786 (Va. Cir. 1999) (holding that domain name registrations are considered property for garnishment actions).
137. *Porsche Cars N. Am., Inc.* 51 F. Supp.2d at 712 (citing 15 U.S.C. § 1125(c)(1) (Supp. I. 1996 – Supp. IV. 1998)).
138. *Id*. (citing 15 U.S.C. § 1127 (1994)).
139. *Id.*
140. *See Panavision Int.'l., L.P*., 141 F.3d at 1332.
141. Pub. L. No. 106-113, 113 Stat. 1501A-545 (1999) (to be codified at § 1125(d)).
142. Trademark (Lanham) Act of 1946, Ch. 540, 60 Stat. 42 (1946) (codified and amended at scattered sections of 15 U.S.C.).
143. 15 U.S.C. § 1125(d)(1)(A) (West Supp. 2000).
144. S. REP. No. 106-140, at 4 (1999).
145. H.R. REP. No. 106-412, at 5 (1999).
146. *See* Caesars World, Inc. v. Caesars-Palace.com, 112 F. Supp.2d 505 (E.D. Va. 2000) (holding that the *in rem* provision of the ACPA is constitutional).

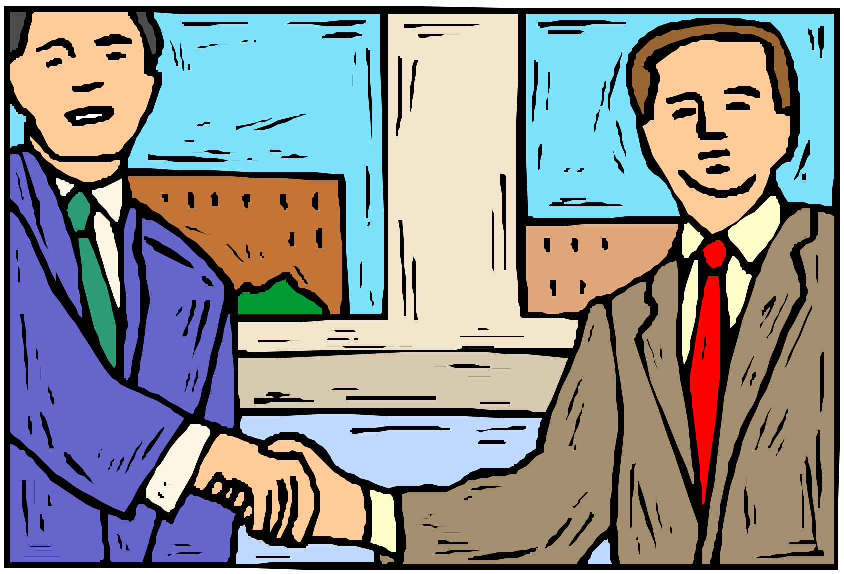
147. 15 U.S.C. § 1125(d)(2)(A)(ii) (West Supp. 2000).
148. 15 U.S.C. § 1114(2)(D)(i)(I) (West Supp. 2000).
149. 15 U.S.C. § 1114(d)(ii)(II) (limitations to this immunity are out lined in (aa), (bb), and (cc).
150. 194 F.3d 980 (9th Cir. 1999).
151. 15 U.S.C. § 1125(d)(1)(A).
152. *Id.* § 1125(d)(1)(A).
153. 15 U.S.C. § 1125(d)(1)(B)(i).
154. 15 U.S.C. § 1125(d)(1)(B)(i)(I-IV).
155. 15 U.S.C. § 1125(d)(1)(B)(i)(V-VIII).
156. 15 U.S.C. § 1125(d)(1)(B)(IX).
157. *See* Lockheed Martin Corp. v. Network Solutions, 985 F. Supp. 949 (C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999) (citing *Panavision*, 945 F. Supp. at 1303).
158. Internet Corporation for Assigned Names and Numbers (ICANN) (visited April 1, 2000) <http://www.icann.com>.
159. ICANN Uniform Domain Name Dispute Resolution Policy (visited April 1, 2000), <http://www.icann.org/udrp/udrp-policy-24oct99.htm>.
160. 15 U.S.C § 1125(d)(1)(E).
161. *Id.*
162. Sporty's Farm v. Sportsman's Market, Inc., 202 F.3d 489, 495 (2d Cir. 2000) (citing S. REP. NO. 106-140, at 7).
163. *Id.* at 496.
164. This task is not easy as such longstanding marks such as Avery and Dennison were not shown to be famous in a recent Ninth Circuit Court of Appeals' case. *See* Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873 (9th Cir. 1999).
165. 979 F. Supp. 684, 691 (N.D. Ill. 1997).
166. *Id*. at 692.
167. *Id*. at 692 (citing 15 U.S.C. §1127 (1994)).
168. *See Sporty's Farm*, 202 F.3d at 489.
169. 202 F.3d 489 (2d Cir. 2000).
170. *Id.* at 492.
171. *Id*.
172. *Id*.
173. *Id*.
174. *Id.* at 493.
175. *Sporty's Farm*, 202 F.3d at 493.
176. *Id*.
177. *Id.* at 493-94.
178. *Id*. at 494.
179. *Id.*
180. *Id.*
181. *Sporty's Farm*, 202 F.3d at 494.
182. *Id*.
183. *Id.*
184. *Id.*
185. *Id*.
186. *Id*.
187. Sporty's Farm, 202 F.3d at 494.
188. *Id*. (citing the District Court of Conn. at 282-83.)
189. *Sporty's Farm*, 202 F.3d at 494-95 (citing the District Court of Conn. at 288).
190. *Id.* at 495 (citing the District Court of Conn. at 289).
191. *Id.* at 495 (citing the District Court of Conn. at 292-93).
192. *Sporty's Farm*, 202 F.3d at 495.
193. *Id*.
194. *Id*.
195. *Id*. at 496-99.
196. *Id.* at 499.
197. *Id.* at 500.
198. *Sporty's Farm*, 202 F.3d at 500.
199. *Id.*
200. *Id*.
201. *Id*. at 499.
202. *Id.*
203. 145 CONG RED H10823-26 (1999) (statement of Rep. Coble).
204. *Sporty's Farm*, 202 F.3d at 489.
205. Although owner's of famous marks may be given more consider ation when determining whether a bad faith intent to profit was present. *See* 15 U.S.C. § 1125(d)(1)(B)(IX).
206. 145 CONG REC H10823-25 (1999) (statement of Rep. Coble).
207. 141 F.3d 1316 (9th Cir. 1998).
208. 947 F. Supp. 1227 (N.D. Ill. 1996).
209. 42 U.S.P.Q.2d (BNA) 1430 (S.D.N.Y. 1997), *aff'd mem*., 152 F.3d 920 (2d Cir. 1998).
210. 993 F. Supp. 282 (D.N.J. 1998).
211. 106 F. Supp.2d 845 (E.D. Va. 2000).
212. *Id.* at 846.
213. *Id*. at 847.
214. *Id.*
215. *Id.*
216. *See also* Cello Holdings v. Lawrence-Dahl Co. & Lawrence Storey, 89 F. Supp.2d 464 (S.D.N.Y. 2000); Spear, Leeds & Kellogg v. Rosado, 99 Civ. 11417 (JSR), 2000 U.S. Dist. LEXIS 3732 (S.D.N.Y. March 27, 2000); Shields v. Zuccarini, 89 F. Supp.2d 634 (E.D. Pa. 2000).
217. Other examples would be Dell Computer Company and Dell Book Company, Cadillac automobiles and Cadillac coffee, etc..
218. Virtual Works, Inc. v. Network Solutions, Inc., 106 F. Supp.2d at 845.
219. 15 U.S.C. § 1116(a) & (b).
220. 15 U.S.C. § 1117(d).
221. 15 U.S.C. § 1125(d)(2)(D)(i).
222. 15 U.S.C. § 1125(d)(2)(A).
223. 15 U.S.C. § 1125(d)(2)(A)(ii)(I).
224. 15 U.S.C. § 1125(d)(2)(A)(ii)(II).
225. 15 U.S.C. § 1125(d)(2)(C)(i).
226. 15 U.S.C. § 1125(d)(2)(D)(i)(I) & (II).
227. 51 F. Supp.2d 707 (E.D. Va. 1999).
228. Caesars World, Inc., 112 F. Supp.2d 502 (E.D. Va. 2000).

Mediating Technology Cases: Ten Tips for Successful Lawyer Advocacy

By Steven L. Schwartz
Sommers, Schwartz, Silver & Schwartz, P.C.

Mediation Comes to Michigan—Something Else to Learn!

Just when you thought, "Finally, after all of these years of practicing law I can actually start being a lawyer," the powers that be come up with ADR—yet something else to *practice*! On August 1, 2000, the Michigan Supreme Court Michigan adopted MCR 2.410 and 411 making ADR a formal part of our civil justice system for resolving disputes. On that day, Michigan joined the almost universal move by State legislatures and judiciaries and the Federal government in making ADR part of the legal establishment. The meaning of these new Rules for Michigan lawyers it that virtually all civil cases will be subject to some form of ADR process . In most cases, the ADR process of choice will be mediation—real mediation that is and not MCR 2.403—what the rest of the country calls "*Michigan Mediation*" now renamed "case evaluation" under the new ADR amendments. Catching on to the new vocabulary will be easy compared to the new advocacy skills that even, and especially, the most experienced litigators will need to learn. This article will provide a few tidbits of advice, from the mediator's viewpoint, about how to succeed under our new mediation process.



Mediation—New Rules and New Roles

Lawyer advocacy in mediation is different that lawyer advocacy in litigation. For example, in mediation it is important for the client to be able to speak, discuss the case and directly participate in the settlement negotiations. In litigation, the lawyer does all of the talking—and the last thing a lawyer wants is the client speaking unless the "speech" is carefully scripted. Furthermore, in litigation, the aggressive go-for-the-jugular adversarialism approach is generally considered a "good" thing. In mediation, the least effective tactic is to start off asking the opposing lawyer, in the presence of the parties, how he/she likes having a crook for a client! Yet, another contrast is that the thorough and extensive preparation is necessary for real mediation. This is not the experience of most Michigan lawyers where preparing for "mediation" has meant readiness to be the first to interpret during the 15-30 minute session or reading the file for the first time while waiting for the case to be called.

"Winning" in 2.411 mediation is also a different kind of victory and requires a new set of skills. Success in based upon both the lawyer's and client's ability to persuade the opposition to make its very best and last offer through persuasion, communication and a perceived commitment to proceed to trial if the case cannot be settled. To obtain this desired offer, it is absolutely essential that both lawyer and client be able to (1) identify and discuss the strengths and weaknesses of the client's and the opposition's case, (2) assess the rewards of settlement versus the risks of proceeding, (3) keep an open mind throughout the negotiation and be alert to and having the flexibility to adjust to new information or developments and (4) distinguish between legal positions and the interests to be resolved that underlie the dispute.

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In mediation, the "why" of the dispute and "how" of the resolution take front and center stage once the legal positioning is exhausted—which may take only a few minutes or several hours. Once the parties are at the mediation table, the pristine nature of the legal arguments and truckloads of evidence are there to serve one purpose and one purpose only: To fully inform each side of what lies ahead so that what can be done in the present makes sense. Determining whether the opposition's last and best offer makes sense is a decision that is not made by a third party—judge, jury, or case evaluator—but by the lawyer and client. In mediation, the power to control one's destiny is preserved for and reserved to the actual client-litigant. The client's exercise of that decision-making power is guided by the lawyer acting more as a counselor-at- law rather than a combatant-at-law. To "win" at mediation, therefore, requires developing some new lawyer talents and retooling traditional abilities into effective mediation advocacy skills.

Skills Useful for Mediation (and for Litigation if the Case Doesn't Settle)

There are often many doors through which the parties can enter to reach settlement. The doors are closed and locked, however, at the moment the parties and their counsel pull up their chairs to the mediation table—they are at impasse or they wouldn't be there in the first place. The following are among the keys that can be used to unlock the doors to a mediated settlement:

Know Your Client. Understand why the client came to you and what the client needs. If you can determine the motivation and the needs, then you can intelligently and realistically discern the appropriate legal theories and remedies. Know what is important to your client. More frequently than one would imagine, mediation reveals that the lawyer has one view of the client's most important interests and the client has an entirely different view. The opposing counsel, as well as the mediator, will most likely be able to detect such a divergent situation. The mediator will try to help client and lawyer resolve the difference; the opposition will try to exploit it.

Inform Your Client About ADR/Mediation Processes. Most clients have a completely fictional idea of how the legal process works let alone what happens at mediation. It is critical, therefore, that the client be educated about some very important concepts like: What a "day in court" is like; the fact that only a fraction of cases ever go to trial; the reality that the case will be resolved by some form of settlement process; the importance of investigating and preparing for both the client's case and the opposition's; the importance of making a realistic assessment for settlement and trial purposes and what factors will be considerations for whether to settle or to try the case. Clients often have unrealistic views of a case's value or what can be achieved in the legal process. Lawyers sometimes assess the case differently at the beginning of a client relationship then at a more mature phase of the dispute. These views should be discussed and differences resolved before coming to the mediation table. Lawyer and client need to be of a common mind when trying to achieve a mediated settlement.

Know the Facts of Your Case. Know the facts of the case—what is important and what is not and what is disputed and what isn't. Parties and counsel entering the mediation session unaware of what they agree or disagree upon or what is important to the case and what isn't can be frustrated by the exercise required at the session to figure this out. The mediation can be greatly expedited when parties and their counsel have prepared the facts that are critical and disputed/undisputed versus those facts that are merely background or ancillary. Be prepared to substantiate your factual assertions with evidence. Given liberal discovery rules, the likelihood that some critical fact will have been missed is slim. If you have a fact that is critical to "winning" your case, and you believe the opposition is unaware of it, and you refuse to disclose it at the mediation, don't be shocked if your opposition fails to make the offer you want. There is nothing wrong with conducting some discovery at mediation—just don't go there expecting to do it all.

Know the Law of Your Case. A mediation can turn totally ineffective when an applicable statute or case is missed or misapplied. The ability to obtain the opposition's last best offer absolutely requires that all legal claims have been identified and the strong ones separated from the not-so-strong ones. Advance your strongest legal position and be able to fully support, debate and explain contrary authority. Understand why your best position is the best contrast to another legal position that would be great for another case—but not this one. Advocate the case in front of you, not a hypothetical one; be specific and not vague. Remember the opposition is no dummy and if you think they are, then you have not adequately prepared! And you certainly won't get the best offer they are prepared to make.

Know Your Remedies/Defenses. Mediation is an opportunity to obtain a realistic remedy for your client's problem or to demonstrate the substantiality of your defense. The law may provide a variety of remedies or defenses only some, or one, of which are/is applicable to your case. Advocate the remedy/defense that most closely tracks the facts and your client's needs and interests. A well-advocated remedy/defense is not merely a pristine legal theory but is practical and realistic. Comparison verdicts or similar settled/dismissed disputes can be of value provided the opposition knows about them, has had a chance to study them and is convinced that they may be applicable. Be aware of the strengths and limitations of the defenses to the claim and arguments why the remedy/defense, otherwise potentially applicable to your case, is rejected or minimized because of the particular nuances in your case. Correspondingly, having a pending motion for summary disposition may be a persuasive; don't mediate if your client would rather have or needs the motion decided first.

Know Your Best Alternatives to a Negotiated Settlement (BATNA).
Knowing where you can go and what can be or needs to be done if the case doesn't settle frees up decision-making for the mediation. This entails asking several questions and getting realistic answers: What is "a win/a loss" at trial for your case? How long and how expensive it will be to proceed with remaining court procedures and trial? What are the possible outcomes of a trial and possible appeals? What are the consequences of the possible outcomes and the client's options for each of those possible outcomes? What else is going on in the client's life or business that materially effect a decision to settle or go to trial?

Select the Right Mediator for the Case. The on-going debate is whether to select a mediator steeped in substantive knowledge of the case or go for one skilled in the process of effective dispute resolution. Generally, lawyers experienced in mediation advocacy believe that the most important characteristics of a mediator are the ability to be persistent, creative and to bring the parties to closure over the dispute. Most experienced mediators will say that the they don't need to be experts in the field because the lawyers will brief them on the applicable law, industry practices, terminology and other key components of the case. Therefore, when deciding on a mediator, keep in mind that the mediator is <u>not</u> deciding the case but present to assist the parties and counsel in examining the issues and exploring solutions. If subject matter expertise seems to be absolutely necessary, consider whether another ADR process is more appropriate—like arbitration.

Provide a Meaningful Mediation Summary. An effective mediation summary is much different from a case evaluation summary. Certainly, it is important to advocate the law and facts of your case in the most favorable light and to identify the weaknesses of your opposition's best arguments. However, it is understanding and addressing the "below the water line" stuff that often makes the difference in obtaining the resolution you want let alone getting any resolution at all. Be able to (1) isolate what is driving the controversy, (2) identify the barriers to settlement, (3) suggest ways to overcome them, (4) understand the strengths and weakness of both sides and (5) be able to articulate all of this in your summary. If you have information felt to be too confidential to disclose to the other side in your summary, provide the information to the mediator on a confidential "mediator's eyes only" basis until the time you are prepared, if at all, to disclose it to the other side. As the neutral, the mediator can be helpful having this confidential information even if it is not shared with the other side.

Partial Settlement of Issues May Lead to Full Resolution. A primary goal of mediation is full settlement of the case. However, many times mediation serves to clear the path towards full settlement by resolving peripheral matters, reaching agreements to set aside certain issues until the main claims are addressed, making stipulations for interim measures and defining and scheduling steps aimed at breaking logjams and moving ahead towards reconciliation. Mediation also presents a unique opportunity to hear both sides of the issues side-by-side—a comparison not available through traditional discovery or litigation procedures.

Familiarize Yourself with the Negotiation and Mediation Process. Study, read, take a course, do what you need to do to become familiar with the ADR framework for resolving disputes. Negotiating at a judicial settlement conference is different. Negotiating between lawyers, only, is different. Arbitrating and litigating a case is very different. Learn what makes a good mediator good and what promotes success at a media-

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tion. Remember that what distinguishes mediation from most other dispute resolution processes is that you and your client have direct input into and control the outcome of the resolution—it is a voluntary process and not something that imposed upon you by an outside decision-maker.

Mediating the Technology Case— The Technology Environment

If the technology and "dot-com" is teaching us anything it is that technology changes rapidly and that impediments to that change often have undesirable consequences. This basic reality effects developers, purveyors and users of everything from telecommunications, computers, software and hi-tech manufacturing to air traffic control, ATM's and "911" dispatch systems. Underlying this reality is that technology disputes tend to be uniquely interdependent and can effect everyone up-stream and down-stream in a transaction. If the software copyright holder objects to the use of its software by a distributor as beyond the scope of its license agreement, the bank that obtains the software from the distributor and uses it to run its ATM's will be subjected to interruption of its daily operations and the customer may find that no cash is available from the ATM (at 8 PM on the way to the movie theatre). In a confidential joint technology development agreement, the inadvertent disclosure of the technology by a departing employee may result in a business opportunity being lost to a foreign manufacturer who comes to market with the unique application or product first. An investment transaction involving the purchase of stock is delayed because of a computer malfunction. The investor sees his/her investment loss as the fault of the stock brokerage and sues for damages. Pick a situation and the possibility that technology is involved is pretty good.

Mediating the Technology Case— Special Considerations

While the same general principles apply to mediating technology cases as in any case, a number of special considerations make these cases a class apart. Representative of these unique considerations is the following:

Confidentiality. Communications occurring during the mediation process are confidential and cannot be disclosed or used outside of the mediation in all cases. In technology disputes, the need for confidentiality is often heightened due to the trade secret nature of the disputed subject matter. Consequently, it is advisable for the parties and mediator to consider a mediation agreement that provides for special handling of the confidential material. Similarly, individual party representatives taking part in the mediation should be required to sign addenda to the agreement confirming the limited use and disclosure of the confidential subject matter.

Experts and Objective Standards. A common barrier to settlement in technology cases is that the parties offer differing interpretations over the meaning of technical terms from the same facts. This kind of conflict may be only a preliminary level of dispute preventing the parties from addressing more substantial issues. One mechanism for overcoming this problem is for the parties to mediate a common standard against which the more substantial issue will be measured. The mediator working with the parties to agree upon a common technical expert can do this or standard whose assessment, opinion or authority will be acceptable to everyone. In the case of the expert, the individual is retained, signs the confidentiality agreement, examines the material, meets with the parties and mediator, gives his assessment and the parties move on to the next set of issues. In the case of a standard, the parties negotiate agreement on the standard and proceed to use it as a common authority for applying the facts or the law.

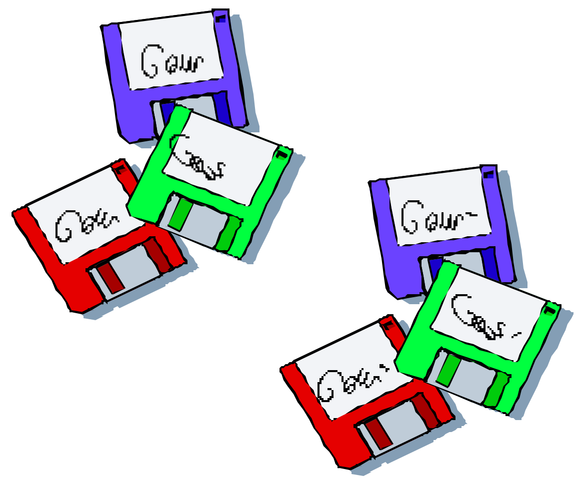
On-going Relationships. Disputes of this kind have the potential for disrupting existing business relationships between the parties and relationships with third parties doing business with them. It is often the case that the contesting parties have devoted substantial time, effort and resources to developing a technology or an application upon which they become mutually dependent or upon which their respective customers or suppliers rely. In the traditional litigation environment, an injunction remedy is frequently considered as an initial tool for restoring a party to its rights. On the other hand, such a remedy can have extremely disruptive impacts upon the business partners and third parties. It may be that the law support an injunction but at the same time have the undesirable result disrupting the business relationships to such a degree that no subsequent effort to restore them would be successful.

Effective use of mediation can result in affording the contesting parties the opportunity to immediately and confidentiality resolve their dispute. The parties can meet, address their dispute and with the assistance of the mediator develop creative mechanisms for preserving their investment and/or the advantages enjoyed from the relationship while they work to resolve the legal issues threatening to divide them. Such an approach can also result in avoiding disruption with third party relationships that, in turn, often have the unintended result of instigating separate legal proceedings by the third parties against the chief antagonists.

Confusing International Litigation Forums. Unquestionably, international commerce is commerce in technology either as the means for conveying the technology or because it is, itself, the technology. Given the diversity of national forums that exist around the world, technology disputes are especially susceptible to the nuances of these forums. Differing laws, languages, customs, distances and time zones all contribute adding confusion and complications to the resolution of cross-border disputes. Mediation offers a common denominator to unite resolution of such claims. Mediation is a flexible tool that permits the parties to minimize the confusion and complications attendant to addressing conflicts on an international scale by traditional litigation means. Mediation's flexible nature also allows the parties to design informal proceedings and avoids the burden and tension that detailed and inflexible rules of procedure produce. This by itself can facilitate a solution. Cultural differences can be addressed around the conference table and accommodations reached that would be impossible to obtain in the courtroom. Similarly, a mediation provision in a technology agreement can avoid forum shopping, minimize the risk of multiple proceedings in competing foreign forums with potentially inconsistent results. Moreover, the parties can devise solutions to enforceability by agreement thereby avoiding further uncertainty even after a supposedly binding decision has been reached.

Conclusions

Achieving simplicity in what seems to be an ever-complicating world is an on-going objective both for lawyers and clients, alike. While technology offers us the promise of simplicity, it creates, at the same time, greater interdependence and reliance upon each other. When the inevitable dispute arises, swift, certain, reliable and creative solutions become both the objectives and absolute necessities. Achieving resolution according to these requirements demands the availability of flexible and responsive conflict resolution tools and processes. Traditional litigation retains its importance as a dispute resolution mechanism. It is, however, no longer the only or even the mechanism of choice. The advent of ADR, in particular mediation, as a popular approach to conflict resolution can be traced directly to need for a response to match the times in which we live. Lawyers adapt with the times—because we respond to the needs of our clients and because we provide crucial leadership in virtually every aspect of society. Learning and employing effective mediation advocacy is yet another way to provide relevant service to our clients and to vital leadership to the world.



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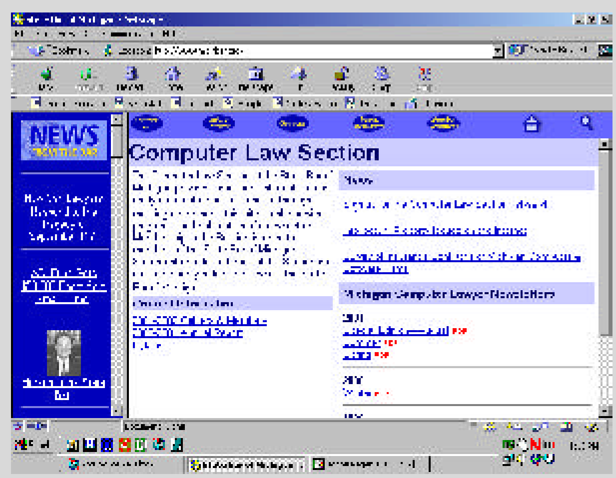

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1. The award will be given to the student article, which in the opinion of the judges makes the most original and significant contribution to the knowledge and understanding of current computer law issues. The article should demonstrate original, creative and useful thought and insight into the law relating to computers.
2. The top three papers will receive awards of $500, $300 and $200 respectively (in US dollars)
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 post-marked by June 30, 2002.
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