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Safe Harbor for Service Providers Under Anticybersquatting Act

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GoDaddy.com, which is the largest registrar in the United States with more than 60 million domain names under management, has been the prevailing defendant in two major lawsuits under the Anticybersquatting Consumer Protection Act (ACPA),[1] *Petroliam Nasional Berhad*[2] decided in 2013 and *Academy of Motion Picture Arts & Sciences*[3] (AMPAS) decided on Sept. 10 of this year after a bench trial a month earlier. In both cases plaintiffs sought to hold defendant liable for contributory or secondary infringement rather than "direct" cybersquatting under the ACPA. Although the factual circumstances underlying the claims are different the principal reason for plaintiffs' lack of success lies in a fundamental misunderstanding of the ACPA.

The ACPA was Congress' statutory response to the scourge of registering, trafficking in, or using domain names with the bad faith intent of profiting from marks.[4] While the ACPA is part of the Trademark Act of 1946 (the Lanham Act,)[5] cybersquatting or cyber piracy as the statute is denominated is not a traditional trademark infringement but a statutory violation of another kind. The intent necessary to prove trademark infringement and cybersquatting is measured by entirely different standards.

The cases against GoDaddy involve infringing domain names that are either registered with but hosted by other providers or for which GoDaddy is providing parking services to hosted customers. While secondary liability has been recognized under the Lanham Act for trademark infringement,[6] the U.S. Court of Appeals for the Ninth Circuit in *Petroliam Nasional* limits the ACPA to acts of cyberpiracy, and the district court explains why this must be, given the specific evidence offered in *AMPAS*.

Registrants Versus Providers

Under the ACPA and the Uniform Domain Name Dispute Resolution Policy (UDRP), in order for plaintiffs to prevail against registrants for unlawfully registering domain names identical or confusingly similar to their marks, they must prove registrants acted intentionally. Although the ACPA dictates how registrants' intentions are to be discovered none of the tests are clearly applicable to service providers. Specifically, the understanding of "intent to profit" must be different when applied to cybersquatters than to service providers for the simple reason that providers offer their services with the specific intent of making a profit from the services, not from infringing trademark rights.

Thus, as it applies to service providers it is not sufficient to prove their "intent to profit" by the fact that they offer particular services plaintiffs claim infringe their rights. The "bad faith"—at least as it applies to service providers as distinct from domain name registrants—must be supported by proof that the services are a subterfuge hiding real intentions of infringement. Since service providers' objective intent to profit from offering services to their customers is noninfringing there can be no actionable claim under the ACPA unless there is also proof of subjective intent.

Although plaintiffs in both cases are undoubtedly correct about registrants squatting on their trademarks—in *Petroliam Nasional* the domain name was redirected to a pornographic website and in *AMPAS* the infringing domain names were monetized—the statutory target under the ACPA is not the registrar but the registrant. Plaintiffs' frustration is understandable particularly because there is no instant remedy for having infringing domain names taken down as there is, for example, with claims of copyright infringements under the Digital Millennium Copyright Act (DMCA).[7]

The reason there is no instant remedy is that registrars are constrained by their agreements with the Internet Corporation for Assigned Names and Numbers (ICANN) to wait for adjudicated decisions under the Uniform Domain Name Dispute Resolution Policy or by a court of competent jurisdiction before they are authorized to cancel, suspend or transfer domain names. Plaintiffs in *Petroliam Nasional* and *AMPAS* were attempting to bypass UDRP and the district court for a quicker remedy against a deep pocket registrar.

Limits of Liability

In *Petroliam Nasional,* plaintiff, an oil and gas company that owns the trademark PETRONAS, invoked the ACPA against GoDaddy as registrar of record for <petronastower.net> and <petronastowers.net> even though GoDaddy did not host the websites that resolved from the domain names. The Ninth Circuit pertinently observed that "to avoid contributory liability, [the service provider] would presumably have to analyze its customer's subjective intent with respect to each domain name, using the nine factor statutory test."[8] It also referred to this undertaking as an "impossible task."

According to the court, in order "to succeed on a claim for cybersquatting, a mark holder must prove 'bad faith' under a statutory nine factor test….No analogous requirement exists for traditional trademark claims."[9] The court continued, "[t]hese differences highlight the fact that the rights created in the ACPA are distinct from the rights contained in other sections of the Lanham Act, and do not stem from the common law of trademarks. Accordingly we decline to infer the existence of secondary liability into the ACPA based on common law principles."

In *AMPAS* plaintiff contended that GoDaddy's parking page services hosting numerous "academy award" and "oscar" domain names infringed its rights even though GoDaddy had no control over the advertisements populating the websites. The term "parking" refers to the circumstance in which domain names are "parked" temporarily on the Internet. GoDaddy offers its customers two programs, free parking (for parking until domain names are ready to be hosted for a presence on the Internet) and cash parking (for domain names resolving to monetized websites carrying pay-per-click advertisements provided by Google's AdSense for Domains Service). As in *Petroliam Nasional* the California district court concluded that "[t]he Court cannot and does not charge GoDaddy with [the]"impossible task" of "analyz[ing] its customer's subjective intent with respect to each domain name."[10]

In advancing its theory of secondary liability in *AMPAS,* plaintiff's evidence failed to account for

GoDaddy's own subjective intent. The court concluded that "[g]iven the entirely automated nature of GoDaddy's parked page system, GoDaddy lacked the subjective intent necessary to support a finding that it had any intent to profit from the specific AMPAS Marks at issue in this litigation, let alone a bad faith intent to do so with respect to any of the Accused Domains."[11]

Because there were sufficient contested facts to withstand a motion of summary judgment in *AMPAS* where there was not in *Petroliam Nasional* the district court was able to go further in analyzing both the claim for secondary liability and the safe harbor evidence GoDaddy offered rebutting any subjective intent to profit from its customers' infringements of plaintiff's trademark rights. The answer as to whether GoDaddy intended to profit from the parked page advertising services utilized by the allegedly infringing registrants was answered by its profit motive in providing the service and the actions it took to avoid liability, nothing more.

The Petroliam Nasional court held that "[b]ecause direct cybersquatting requires subjective bad faith, focusing on direct liability also spares neutral third party service providers from having to divine the intent of their customers." The court in *AMPAS* followed up this conclusion by finding that "[a]lthough GoDaddy was not the first registrar to park pages with advertisements, prior to the filing of this lawsuit, GoDaddy had processes and practices in place (i.e., acting quickly to suspend hosting and take action upon receipt of a trademark complaint) that other registrars did not have. The fact that GoDaddy's policies for responding to trademark complaints in domain names exceeded other registrars weighs in GoDaddy's favor."[12]

Safe Harbor

In all registration agreements for domain names, registrants are required to represent that their choices are neither unlawful nor violative of any third-party trademark rights. For the parked page program, registrants also sign a separate agreement to the same effect. There was no reason for the court to reach the issue of registrant misrepresentation in *Petroliam Nasional,* but it was central to GoDaddy's defense in *AMPAS*.

The court found, "it was reasonable for GoDaddy (1) to believe that the representations made by its registrants [that their uses of the domain names were not unlawful] were true and correct at the time of registration; and (2) to rely upon those representations in good faith in allowing the placement of advertisements on parked pages resolving from those domain names by its advertising partners."[13]

The operative question is not whether GoDaddy intended to profit from domains enrolled in its parked pages program but whether it reasonably believed registrants' certifications of rights to use the domain names, and if they did not that GoDaddy had a mechanism in place to remove offending registrants from the parked pages program.

To overcome the safe harbor defense plaintiff would have had to offer "some independent information that would have put GoDaddy on notice that the registrant misrepresented his or her rights in the domain name…[Without such proof] GoDaddy is entitled to rely on its registrants' certifications and the accompanying licenses to use the domains for the purpose of advertising."[14]

The court in *AMPAS* pointed out that "[a]lthough trademark infringement is just as common of a problem as copyright infringement in cyberspace, Congress has yet to dictate a procedure by which trademark holders can enforce their rights absent the commencement of a legal action." In the absence of statutory takedown procedures of the kind Congress designed for copyright infringement the technology industry implemented its own. Thus, in *Tiffany (NJ) Inc. v. eBay,* the U.S. Court of Appeals for the Second Circuit approved of eBay's DMCA-styled "notice-and-takedown" system as a means to allow trademark holders to "report to eBay any listing offering potentially infringing items, so that eBay could remove such reported listings."[15]

Notice, Takedown Procedure

GoDaddy's clients hold over 50 million domain names. According to the court in *Petroliam Nasional,* such a magnitude of domain names makes it a "nearly impossible task [for] service providers"[16] to protect themselves from having to defend from claims of trademark infringement. To avoid liability it implemented a DMCA-styled notice-and-takedown system.

Without any system at all, continued the court in *Petroliam Nasional*, service providers "would then be forced to inject themselves into trademark and domain name disputes. Moreover, imposing contributory liability for cybersquatting would incentivize 'false positives,' in which the lawful use of a domain name is restricted by a risk-averse third party service provider that receives a seemingly valid take-down request from a trademark holder. Entities might then be able to assert effective control over domain names even when they could not successfully bring an ACPA action in court."

The court in *AMPAS* concluded from the Petroliam Nasional decision that the Ninth Circuit "implicitly approv[ed] of [GoDaddy's]takedown process under the ACPA [when it] caution[ed] that imposing contributory liability under the ACPA would incentivize abuse of that takedown system."[17] It is in response to the "nearly impossible task" of parsing domain names for infringement that the DMCA-style notice-and-takedown process receives encouragement by the court.

As in *Tiffany,* the court in *AMPAS* approved GoDaddy's procedures: "[b]y adopting a DMCA-style notice and takedown procedure to help address alleged instances of trademark infringement, GoDaddy filled the gap left by Congress, managing to streamline enforcement efforts for tens of thousands of claims by trademark holders and to simplify the process for the removal of problematic material upon notice."

In addition to the procedures in place, the court found that "GoDaddy routinely responded to each AMPAS cease and desist letter related to GoDaddy's placement of advertising on websites resolving from domain names that AMPAS considered to be infringing by removing all advertisements from the domain names, often on the same day GoDaddy received a complaint and sometimes as quickly as minutes after receiving the request."

It should be emphasized that this notice-and-takedown system in no way contradicts the ICANN policy. Offending domain names are neither canceled, suspended, nor transferred as they would be in a UDRP proceeding or ACPA action: "Upon notice of infringement by a trademark owner, GoDaddy will manually override its automated systems to ensure that a domain name in one of the parked page programs always resolves to a page containing no ads pending resolution of the dispute, regardless of the perceived viability of the trademark owner's claim of infringement."

Although GoDaddy worked with AMPAS to remove offending domain names before AMPAS filed its lawsuit, and continued to do so during the pendency of the lawsuit, AMPAS's goal was to shut down the service because it allegedly harbored other offending domain names. Citing the Senate Report associated with the ACPA the court rejected this goal: "in seeking to curb [cybersquatting], Congress must not cast its net too broadly or impede the growth of technology, and it must be careful to balance the legitimate interests of Internet users with the other interests sought to be protected."[18] In essence plaintiffs invoked the ACPA not for what it was intended but for claims beyond the reach of the statute.

Conclusion

The Petroliam Nasional and AMPAS plaintiffs sought to enlarge the remedies of the ACPA to include remedies for secondary liability. However the courts (not just in these two cases) have ruled that the ACPA does not make service providers liable for failing to do the impossible. What GoDaddy did in implementing a notice-and-takedown process went beyond the requirements of the ACPA. In doing so, it filled a gap by creating a remedial procedure Congress omitted in passing the statute.

The takeaway from these cases is that ACPA is not an "all-purpose tool"[19] for trademark owners to shut down services that may give opportunistic registrants a means of infringing third-party rights. The appropriate procedure is to commence a UDRP proceeding (that can be concluded within 45 to 60 days) or ACPA action (not swift and more expensive) against infringing registrants.

Endnotes:

1. 15 U.S.C. §1125(d) Cyberpiracy Prevention.

2. 737 F.3d 546 (9th Cir. 2013).

3. CV 10-03738 (C.D.Ca. Sept. 10, 2015).

4. 15 U.S.C. §1125(d)(1)(A)(i and ii).

5. 15 U.S.C. §§1051-1129.

6. *Inwood Labs. v. Ives Labs*., 456 U.S. 844, 854, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982).

7. Copyright Act of 1976, as amended, 17 U.S.C. §512.

8. *Petroliam*, supra. 553.

9. Id. 552-553.

10. *AMPAS* citing to *Petroliam* at 553.

11. *AMPAS* Findings of Fact p. 76, para. 33.

12. Id. Conclusions of Law at 93, para. 79.

13. Id., p. 72, par. 23.

14. Id., p. 122.

15. 600 F.3d 93, 99 (2d Cir. 2010).

16. *Petroliam*, supra at 553.

17. *AMPAS* at p. 89, footnote 16.

18. S. Rep. 106-140 at 8.

19. *Gioconda Law Grp. v. Kenzie*, 941 F.Supp.2d 424, 437 (SDNY 2013).

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