

The First Application of the Anticybersquatting Consumer Protection Act: *Sporty’s Farm, L.L.C. v. Sportsman’s Market, Inc.*

I. OVERVIEW 175
II. BACKGROUND 176
III. COURT’S DECISION..... 180
IV. ANALYSIS..... 183

I. OVERVIEW

Cybersquatting is a problem that has developed with the growth of the Internet.¹ Due to the rapid growth of the World Wide Web (WWW), Congress has responded with new legislation to protect against cybersquatting. This note is about the new application and effectiveness of the Anticybersquatting Consumer Protection Act (ACPA).

Sportsman’s Market, Inc. (Sportsman’s) is a mail order catalogue that caters primarily to the aviation field but has also expanded into both the tool and home markets.² In the 1960s, the business adopted the logo “sporty.”³ In 1985, the company registered “sporty’s” with the United States Patent and Trademark Office.⁴ Currently, the trademark appears in numerous aspects of the business such as on the cover of catalogs, as part of the international toll free phone number, and as part of one of the domestic toll free phone numbers.⁵ The company spends approximately ten million dollars each year promoting the logo.⁶

Sporty’s Farm is a Christmas tree business as well as a subsidiary of Omega.⁷ Omega initially registered the Web site, sportys.com, in

1. Cybersquatting occurs when “an individual or a corporation registers a domain name that is spelled the same as a pre-existing trademark, and demands money from the trademark owner before the registrant will release the domain name.” See John D. Mercer, *Cybersquatting: Blackmail on the Information Superhighway*, 6 B.U. J. SCI. & TECH. L. 11 (2000).

2. The company receives more revenue and is better known in the aviation side of the business. See *Sporty’s Farm L.L.C. v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 493-94 (2d Cir.), cert denied, 120 S. Ct. 2719 (2000).

3. See *id.* at 494.

4. See *id.*

5. See *id.*

6. See *id.*

7. See *id.* Omega is a company with a mail order catalog regarding science equipment. *Id.* Omega is not a part of the appeal. *Id.* at 495 n.8. The CEO of Omega is also the manager of

April 1995 (nine months before creating Sporty's Farm).⁸ It was not until October 1996 that Omega sold the rights to the domain name to Sporty's Farm, who used the Web site to advertise Christmas trees.⁹

Subsequently, in March 1996, Sportsman's discovered that sportys.com was a registered domain name,¹⁰ and Sporty's Farm filed a declaratory action enforcing its right to the domain name, sportys.com.¹¹ Sportsman's counterclaimed against Omega and Sporty's Farm on several counts, including trademark infringement, trademark dilution (as per the Federal Trademark Dilution Act (FTDA)), and unfair competition under the Connecticut Unfair Trade Practices Act (CUTPA).¹²

The district court found neither trademark infringement nor unfair competition.¹³ However, the district court found trademark dilution since the trademark met the FTDA requirement of being famous and distinctive, and Sporty's Farm had diluted the mark.¹⁴ Additionally, Sportsman's was precluded from using its trademark to identify itself through Sporty's Farm's use of the mark.¹⁵ The court issued an injunction preventing Sporty's Farm from using the domain name and ordered them to transfer the domain name to Sportsman's.¹⁶

The United States Second Circuit Court of Appeals held that the ACPA was applicable even though the act was passed during a pending appeal. *Sporty's Farm, L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489 (2d Cir.), *cert denied*, 120 S. Ct. 2719 (2000).

II. BACKGROUND

Between the date of the appeal and the date the Second Circuit heard the case, Congress passed the ACPA, which superseded the FTDA.¹⁷ Congress explained that the FTDA did not address the

Sporty's Farm. *Id.* at 494. He claims the name was derived from nicknaming his uncle's farm "Spotty's Farm" in memory of his runaway dog. *Id.* Sporty's Farm was a derivation from the name Spotty. *Id.*

8. *See id.*

9. *See id.* (stating the selling price was \$16,200).

10. *See id.*

11. *See id.*

12. *See id.*

13. *See id.* at 494-95. There was no trademark infringement, since the parties had unrelated businesses, and there was little chance of consumer confusion. *Id.* at 494. There was also no unfair competition since Sportsman's did not show they suffered any hardship or that Sporty's Farm was being immoral with its use of the domain name. *See id.* at 495.

14. *See id.* at 494-95.

15. *See id.* at 495.

16. *See id.*

17. *See id.* at 496.

problem of cybersquatting since cybersquatters had become more advanced and were able to avoid liability under the FTDA.¹⁸ The goal of the ACPA was to expand the application of the FTDA and to provide a federal remedy for cybersquatting.¹⁹

The ACPA holds a person liable in the following situations:

[I]n a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person: (i) has a bad faith intent to profit from that mark . . . ; and (ii) registers, traffics in, or uses a domain name that— (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark; (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or (III) is a trademark, word or name protected. . . .²⁰

The appeals court must determine whether to apply the ACPA or the FTDA (which the district court implemented).²¹ While the case law states that if the law changes after a judgment but before a decision is made by an appeals court, the new law is applicable, there is still an issue of how to interpret the newly implemented law.²²

Since the ACPA is similar to the FTDA, the court relies on interpretations of previous case law to give meaning to terms in the ACPA. To determine if the act has been violated, the court asks whether the mark in question is distinctive or famous.²³ The ACPA elaborated on the factors that contribute to the distinctiveness of a mark. Courts must look to the degree of distinctiveness of the mark, the amount of time the mark has been used in connection with the good, the extent of advertising for the mark, the amount of geography exposed to the mark, the recognition the mark, the variety of channels for which the mark is used, and finally, if the mark was registered with the United States Patent and Trademark Office (PTO).²⁴

To assist with interpreting the factors of distinctiveness, the court turns to case law previously decided under the FTDA. In *Nabisco, Inc. v. PF Brands, Inc.*, the court cited five elements of distinction

18. See S. REP. NO. 106-140, at 7 (1999).

19. See *Sporty's Farm L.L.C.*, 202 F.3d at 496.

20. 15 U.S.C. § 1125(d)(1)(A) (1999).

21. See *Sporty's Farm L.L.C.*, 202 F.3d at 497.

22. See *Hamm v. City of Rock Hill*, 379 U.S. 306, 312-13 (1964) (holding that if the rule that governs the case changes, apply the new law).

23. 15 U.S.C. § 1125(d)(1)(A)(ii). Under the FTDA the mark had to be both distinctive and famous. *Id.* § 1125(c)(1) (emphasis added).

24. *Id.* § 1125(c)(1).

under the FTDA.²⁵ The senior mark must be famous, and, distinctive.²⁶ The junior use of the mark must be of a commercial nature and the junior use must begin after the senior mark is famous.²⁷ Lastly, the junior use must cause the dilution of the senior mark's distinctive quality.²⁸ The case also noted that the more arbitrary the mark, the more distinctive the mark.²⁹ If the mark is registered with the PTO, then there is a presumption that a mark is distinctive.³⁰

To find a cybersquatter liable, the ACPA further requires that the mark and the domain name be "identical or confusingly similar."³¹ The court can use pre-existing case law to define the meaning of the terms identical or confusingly similar. In *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, the court held that differences between the domain name and the trademark were "inconsequential," since Internet addresses are not case-specific nor have spaces between words.³² Other cases have held that the difference of one letter does not prevent a finding of confusingly similar.³³ For example, the domain name "Microsoft.com" might be confusingly similar to the mark Microsoft.

Another element under the ACPA that must be met to allow protection is a "bad faith intent to profit."³⁴ The ACPA gives guidance to the meaning of the phrase by outlining the factors of bad faith; however, the list is not exclusive.³⁵ The factors outlined are: (1) whether a party has a trademark right in the domain name, (2) whether the domain name is similar (and the extent to which it is similar) to a term used to identify the company, (3) whether the person's prior use of the domain name was in conjunction with the

25. 191 F.3d 208, 215 (2d Cir. 1999) (holding that Pepperidge Farms had a distinctive mark since there is no logical relationship between goldfish and cheese crackers, that the marks were similar, and that confusion, although not necessary, was present and further diluted the mark).

26. *See id.*

27. *See id.*

28. *See id.*

29. *See id.* at 216.

30. *See Equine Techs., Inc. v. Equitechnology, Inc.*, 68 F.3d 542, 544-45 (1st Cir. 1995) (holding that injunctive relief was necessary when there was a likelihood of confusion with competitor's mark and the mark was still valid since it was suggestive and not merely descriptive).

31. 15 U.S.C. § 1125(d)(1)(A)(ii)(I) (1999).

32. 174 F.3d 1036, 1055 (9th Cir. 1999) (finding that actual confusion is not necessary to violate the FTDA).

33. *See, e.g., Wella Corp. v. Wella Graphics, Inc.*, 37 F.3d 46, 56 (2d Cir. 1994) (holding that Wella was confusingly similar to Wello).

34. 15 U.S.C. § 1125(d)(1)(A)(i).

35. *See id.* § 1125(d)(1)(B)(i).

offering of goods, (4) whether the person had a noncommercial or fair use of the mark in the domain name, (5) whether the person's intent was to take customers from the mark's owner to his Web site with the intent to tarnish the mark, (6) whether a person offered to sell the mark to another, (7) whether the person used false information when registering the domain name, (8) whether the person registered numerous domain names that were identical or confusingly similar to other names, and, finally, (9) whether there is a degree of distinction (and the extent of that distinction) between the marks.³⁶ Since the list is not all inclusive, courts may look to additional factors to determine a "bad faith intent to profit."³⁷

If the facts of the case meet the required elements of the ACPA, the question then becomes one of remedy. The act allows 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."³⁸ Damages are also applicable, but only if the violation occurs after the date the act was adopted.³⁹ Another provision in the ACPA allows recovery for other types of civil actions. "The civil action . . . shall be in addition to any other civil action or remedy otherwise applicable."⁴⁰ Therefore, remedies allowed under the FTDA and state law are not precluded by the use of the ACPA.

In comparison, the FTDA allows injunctive relief and damages if there is a willful intent by the owner of a domain name to dilute another party's mark.⁴¹ Case law holds that even if the district court did not find willfulness in the conduct of the owner of the domain name, the court of appeals must review.⁴² Under state law, the CUTPA addressed unfair trade practices, stating "no person shall engage in unfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce."⁴³ Connecticut case law applies the "cigarette rule" to determine unfairness.⁴⁴ The cigarette rule states

36. *See id.*

37. *See id.*

38. *Id.* § 1125(d)(1)(C).

39. *See* Pub. L. No. 106-113, § 3010.

40. 15 U.S.C. § 1125(d)(3).

41. *Id.* § 1125(c)(2) (1994). Thus, the ACPA expands the relief granted by the FTDA by allowing other remedies beyond those in the act.

42. *See, e.g.,* *Bambu Sales, Inc. v. Ozak Trading Inc.*, 58 F.3d 849, 854 (2d Cir. 1995) (holding that the appeals court was to review the district court's finding concerning willfulness to determine if there was "clear error").

43. CONN. GEN. STAT. § 42-110b(a) (1976).

44. *See, e.g.,* *Saturn Const. Co. v. Premier Roofing Co.*, 680 A.2d 1274, 1283 (Conn. 1996).

(1) [w]hether the practice, without necessarily having been previously considered unlawful, offends public policy as it has been established by statutes, the common law, or otherwise—whether, in other words, it is within at least the penumbra of some common law, statutory, or other established concept of unfairness; (2) whether it is immoral, unethical, oppressive, or unscrupulous; and, (3) whether it causes substantial injury to consumers [competitors or other businessmen]. . . .⁴⁵

The court looks at the quality and not the quantity by which the criteria is met.⁴⁶

Additionally, there is the issue concerning the retroactive application of ACPA. The court is supposed to apply the law that applies at the time the decision is rendered, but, retroactivity may take effect if Congress has vocalized such an intent.⁴⁷ However, if Congress has not voiced its intent, there are still times in which retroactivity is appropriate.⁴⁸ In *United States v. Trans-Missouri Freight Ass'n*, the United States Supreme Court stated,

[a]ssuming such action to have been legal at the time the agreement was first entered into, the continuation of the agreement, after it has been declared to be illegal, becomes a violation of the act. The statute prohibits the continuing or entering into such an agreement for the future, and, if the agreement be continued, it then becomes a violation of the act.⁴⁹

Additionally, the Eighth Circuit has found that trademark dilution is an ongoing use; and, therefore, the wrong continues into the appeal process.⁵⁰

III. COURT'S DECISION

In *Sporty's Farm*, the Second Circuit found that the ACPA, and not the FTDA, was the applicable statute.⁵¹ In so finding, the court held that Sportsman's trademark sporty's was distinctive, and that the trademark, sporty's, and the domain name sportys.com were confusingly similar. Additionally, the court held that there was a bad

45. *Id.*

46. *See id.* (citing *Jacobs v. Healey Ford-Subaru, Inc.*, 231 Conn. 707, 725-26 (1995)).

47. *See, e.g., Landgraf v. USI Film Prods.*, 511 U.S. 244, 264 (1994) (holding that the remedy allowed in the Civil Rights Act of 1991 did not apply to the Title VII case that was pending when the act passed).

48. *See id.* at 273.

49. 166 U.S. 290, 342 (1897).

50. *See Viacom Inc. v. Ingram Enters., Inc.*, 141 F.3d 886, 889 (8th Cir. 1998) (holding that the FTDA, which was enacted during the pending appeal, was applicable since trademark dilution is a continuing wrong).

51. *See Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 496 (2d Cir.), *cert denied*, 120 S. Ct. 2719 (2000).

faith intent to profit on behalf of the domain name's owner.⁵² Injunctive relief was ordered but not damages as per the FTDA and Connecticut state law.⁵³ The injunction was permissibly retroactive.⁵⁴

The court reasoned that the law, which exists at the time of the appeal, is the law applicable to the decision.⁵⁵ However, the question then becomes whether the court of appeals could hear the case or whether it should remand the case to the district court.⁵⁶ After both sides briefed the issue, the Second Circuit decided they were well situated to hear the case under the ACPA based on the district court's findings and the record.⁵⁷

Concerning the issue of a distinctive or famous trademark, the court of appeals held sporty's was a distinctive mark.⁵⁸ The district court also held the mark was famous and distinctive under the FTDA.⁵⁹ Thus, the mark also met the broader view of distinction and fame under the ACPA.⁶⁰ The factor the court used to determine distinctiveness was an affidavit that gave the registration of Sportsman's mark a presumption of distinctiveness and incontestability.⁶¹

The court of appeals also found the mark and the domain name to be confusingly similar. Since domain names cannot include apostrophes, the names were indistinguishable despite the ".com."⁶²

When dealing with the element of a "bad faith intent to profit," the court of appeals listed the factors included in the ACPA, specifying that the factors were not exclusive.⁶³ Instead, the court relied more on Title VII case law, which envelopes the requirement that since no reasonable jury could return a verdict against Sportsman's, there was a bad faith intent to profit.⁶⁴ When addressing the factors in the statute, the court found that Sporty's Farm and Omega did not have an interest in the name at the time of registration, because the mark is not the legal name of Omega (the company that registered the domain name). Additionally, the site was not used until

52. *See id.* at 497-98.

53. *See id.* at 501.

54. *See id.*

55. *See id.* at 496.

56. *See id.* at 496-97.

57. *See id.* at 497.

58. *See id.*

59. *See id.*

60. *See id.*

61. *See id.*

62. *See id.* at 497-98.

63. *See id.* at 498.

64. *See id.*

after the claim was brought, and there were conflicting reports regarding the sale of the name to Sporty's Farm that indicated bad faith, and further, the mark is distinctive.⁶⁵

However, other factors, not in the ACPA, were found to be ultimately decisive.⁶⁶ There was evidence that Omega intended to expand its business into the aviation market, thus making the company a competitor with Sportsman's.⁶⁷ The court also stated, "[i]t cannot be doubted, as the court found below, that Omega registered sportys.com for the primary purpose of keeping Sportsman's from using that domain name."⁶⁸ It was not until after the lawsuit was filed that Omega created Sporty's Farm. The reason Omega created the subsidiary was to use the domain name commercially, to prevent Sportsman's use of the name, and to protect Omega from a potential infringement claim brought by Sportsman's.⁶⁹ The story of how Sporty's Farm got its name was also questionable.⁷⁰ It was these factors, which were not included in the outline of bad faith in the ACPA, that led the court to conclude that a factfinder could not return a verdict for anyone other than Sportsman's.⁷¹

On the issue of remedy, the Second Circuit held Sportsman's was entitled to injunctive relief only.⁷² Once the court found that Sporty's Farm had a bad faith intent to profit from the mark, and had registered or used a domain name that was distinctive and confusingly similar to the mark, the court applied an injunction per 15 U.S.C. § 1125(d)(1)(A). Sporty's Farm was also precluded from further use of the domain name.⁷³

Sportsman's did not receive damages under the ACPA since the act had passed after sportys.com had been registered and put to use.⁷⁴ Since the ACPA does not prevent recovery under preexisting laws the Second Circuit sought remedies beyond the act.⁷⁵ Using the FTDA, the district court ordered Sporty's Farm to release and transfer the domain name in question to Sportsman's.⁷⁶ However, the Second Circuit found damages were not recoverable under the FTDA because

65. *See id.* at 498-99.

66. *See id.* at 499.

67. *See id.*

68. *Id.*

69. *See id.*

70. *See id.*

71. *See id.*

72. *See id.* at 501.

73. *See id.* at 500.

74. *See id.*

75. *See id.*

76. *See id.*

there was not enough evidence of willful intent on the part of Sporty's Farm.⁷⁷

The Second Circuit then turned to Connecticut state law.⁷⁸ Applying the cigarette rule, the court found that although Sporty's Farm's conduct offended public policy, the conduct did not meet the second requirement of being "immoral, unethical, oppressive, or unscrupulous."⁷⁹ The court also found that the conduct did not meet the third requirement of "causing substantial injury to consumers."⁸⁰ Thus, Sportsman's was limited solely to injunctive relief.

Focusing on the issue of retroactivity, the court found that the injunction was permissible. Based on previous case law, trademark infringement is a continuing harm; thus, a new statute passed after the lawsuit was initiated was applicable.⁸¹ Further, since the injunction merely avoided continuing injury to Sportsman's, there was no retroactivity problem.⁸²

IV. ANALYSIS

Sporty's Farm was the first case to apply the recently enacted ACPA and has since been the basis of subsequent courts' application of the law. For instance, in *Morrison & Foerster, LLP v. Wick* the court relied heavily on the interpretation of the ACPA in *Sporty's Farm*.⁸³ *Wick* used *Sporty's Farm* to describe the World Wide Web, to define distinctiveness of a mark based on nationwide use, money spent in advertising, and its registration with the federal authorities. *Wick* also used both factors of bad faith outlined in the act as well as other factors; and to determine relief.⁸⁴

However, *Sporty's Farm* has received negative treatment with respect to retroactively applying the ACPA when it contained

77. *See id.* The court did note that the question was "a very close one, for the facts make clear that, as a Sportsman's customer, Arthur Hollander (Omega's owner) was aware of the significance of the sporty's logo." *Id.*

78. *See id.* at 500-01.

79. *Id.* at 501. Again, the court noted, "the line between business tactics with respect to domain name use that were unfair and those that, if hard-nosed, were nonetheless legitimate was blurry." *Id.*

80. *Id.*

81. *See id.*

82. *See id.*

83. *See Morrison & Foerster, LLP v. Wick*, 94 F. Supp. 2d 1125, 1130-31, 1134 (D. Col. 2000) (holding that the owner of the domain name violated the ACPA and found a bad faith use of the name).

84. *See id.*

“damage provision[s] for new causes of action.”⁸⁵ For example, in *Betts*, the court limited *Sporty’s Farm* to its facts and noted another line of case law.⁸⁶

The Second Circuit’s interpretation of the ACPA via the noted case followed Congress’s intent to give more protection to mark owners (even beyond that of trademark infringement and dilution laws).⁸⁷ The act achieves this by broadening the scope and protection of basic trademark law.⁸⁸ With the ACPA, trademark owners have more control over the use of their mark as a domain name than was previously allowed under trademark law.⁸⁹

Since the Second Circuit was at the forefront of applying new legislation, they were able to manipulate existing case law (decided under the FTDA) to apply to the similar elements required by the ACPA. For instance, the FTDA required both fame and distinctiveness as elements for liability.⁹⁰ In comparison, the ACPA requires only distinctiveness or fame, not both.⁹¹ By applying *Nabisco*, the court also found other elements of distinctiveness under the FTDA and applied them to *Sporty’s Farm*. This manipulation allowed the court to address the problem of cybersquatting in the continually expanding Internet, and to successfully expand trademark law via the ACPA to combat cybersquatting.

Despite the cohesiveness of the Second Circuit’s decision in *Sporty’s Farm*, there are still some areas that have yet to be addressed.⁹² One such area is when two parties have equal rights to a domain name.⁹³ The ACPA gives protection to people who have suffered harm due to another’s bad faith intent to profit; but the

85. *Thomas & Betts Corp. v. Panduit Corp.*, 2000 WL 1004943, at *6 (N.D. Ill. 2000) (holding that an amendment to the Lanham Act enacted while a case was pending was applicable).

86. *See id.* at *7.

87. *See, e.g.*, Neil L. Martin, *The Anticybersquatting Consumer Protection Act: Empowering Trademark Owners, But Not the Last Word on Domain Name Disputes*, 25 J. CORP. L. 591, 595 (2000).

88. *See id.* at 603.

89. *See Gregory B. Blasbalg, Masters of Their Domains: Trademark Holders Now Have New Ways to Control Their Marks in Cyberspace*, 5 ROGER WILLIAMS U. L. REV. 563, 566 (2000).

90. 15 U.S.C. § 1125(d)(1)(A)(ii) (1999).

91. *Id.* § 1125(c)(1) (1994).

92. *See, e.g.*, Cynthia A.R. Woollacott, *Name Dropping: Recent Anticybersquatting Legislation Offers Some Relief to Trademark Holders*, 23-JUN L.A. LAW. 28, 54 (2000) (using Ritz crackers and the Ritz hotel as an example of two owners with equal rights in a name).

93. *See id.*

question still remains, who receives a domain name when two people have an equal stake in a domain name?⁹⁴

Another unresolved problem is consumer confusion.⁹⁵ There are two ways a consumer can find a Web site; they can either type in the name of the object they are looking for followed by “.com” (typing sportys.com to find the aviation catalog), or they can use a search engine (i.e., they type in a name and the search engine finds a listing of sites that use that word).⁹⁶ Finally, a reasonable consumer may also use a company's nickname or initials to find the desired Web site.⁹⁷ During the consumer search methods used above, the risk of consumer confusion is very real, especially with the use of company nicknames and acronyms in domain names.

Under traditional trademark law, several people can use the same registered mark as long as the public is not confused.⁹⁸ However, there can only be one domain name owner.⁹⁹ This is increasingly difficult when domain names do not recognize grammatical differences such as punctuation and capitalization.¹⁰⁰ Eventually this problem may lead to the elimination of the requirement of distinctiveness in trademark law.¹⁰¹

Although *Sporty's Farm* was the first case to interpret the ACPA, there are still several issues that were not addressed, and have yet to be resolved. The Internet is continually growing and the ACPA is evidence of Congress's attempt to adapt to these changes. The Second Circuit, through the manipulation of existing case law, has provided a framework to interpret the elements of the ACPA and a basis for other courts to apply the ACPA.

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94. *See id.*

95. *See, e.g.,* Blasbalg, *supra* note 89, at 585.

96. *See, e.g.,* Sporty's Farm, L.L.C. v. Sportsman's Mkt., Inc., 202 F.3d 489, 493 (2d Cir.), *cert denied*, 120 S. Ct. 2719 (2000).

97. *See* Woollacott, *supra* note 92, at 54.

98. *See, e.g.,* Blasbalg, *supra* note 89, at 586.

99. *See id.*

100. *See* Woollacott, *supra* note 92, at 55.

101. *See id.*

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