

Competing for domain names in the cosmetic industry: registrants versus trademark owners

GERALD M. LEVINE, ESQ., LEVINE SAMUEL, LLP.

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Domain names exist solely on the Internet. They are primarily functional elements. Trademarks exist in actual as well as virtual marketplaces. They, too, are functional when they act as domain names, but they have an additional dimension. And therein lie opportunities for infringement of rights and deceptions popularly known as cybersquatting or cyberpiracy. While domain names are essentially denotative and can belong in no other medium, trademarks are essentially connotative as identifiers of sources and qualities of goods and services, which is the basis for their great power to attract consumers and why they are attractive for persons eager to take advantage of their established good will and reputations.

These infringements and deceptions have opened up a whole new apparatus of legal proceedings in the cosmetic industry. It would be ill-advised to ignore the legal tools for protecting valuable rights. In the majority of cases, claims of infringement by domain names favor cosmetic trademark owners because most choices of identical or confusingly similar domain names to trademarks are indefensible.

In the cyber marketplace, the question arises whether the competing domain names infringe trademarks when they appear to mimic them. There are a couple of takeaways:

- Frustration for newly formed businesses without any history in commerce is inevitable and understandable because by this time every word in the dictionary with a good selection of adjectives and adverbs has been registered and are expensive to obtain.
- Priority of use of character strings for domain names that could also serve as trademarks is a major factor in determining infringement.

PROTECTABILITY OF DOMAIN NAMES AND TRADEMARKS

To some extent, domain names registered with no thought of any trademark in mind are protectable assets but only under the right circumstances. For example, dictionary words such as “landmarks” and descriptive phrases such as “bright signs” that may qualify as trademarks by achieving secondary meaning in the marketplace are likely to have associations having nothing to do with anyone’s trademarks.

Address all correspondence to Jeffrey Sussman at marketingpro@aol.com.

It is only when domain names are registered after the corresponding trademarks are in commerce that there is question whether the domain name holder had actual knowledge of the trademark and is surreptitiously taking advantage of its potential attractive power. The suspicion alone coupled with the content of the website is sufficient to commence a Uniform Domain Name Dispute Resolution Policy (UDRP) proceeding, but if trademarks lack priority in commerce, i.e., where domain name registrations predate trademark acquisition, there can be no actionable claim for cybersquatting regardless whether domain names correspond to trademarks.

There are a couple of takeaways:

- Not every domain name identical or confusingly similar to a trademark supports an actionable claim.
- It is not sufficient to allege cybersquatting, it has to be proved, which requires evidence the trademark owner actually has a right, the domain name holder lacks either right or legitimate interest in the domain name and has registered and is using it in bad faith.
- Where domain names are unlawful, the registrations can either be cancelled or transferred to the trademark owner by using an online dispute resolution procedure known as the UDRP that the Internet Corporation for Names and Numbers implemented in 1999.

OVERREACHING BY THE TRADEMARK OWNER

Again, inevitably, frustration has led some trademark owners with newly created rights to proceed incautiously to capture domain names, but here the business/trademark owner has to be careful. Abusing the arbitral proceedings carries little penalty, except forfeiture of the domain name. However, if the action is carried further to U.S. federal court under the Anticybersquatting Consumer Protection Act (ACPA), there can be significant money damages against the trademark owner.

This problem is less understood, but there are cases now coming down that businesses and trademark owners should be aware of. While incaution is essentially inconsequential under the UDRP for the reasons I have stated, the consequences can be very severe under the ACPA in which damage awards are granted equal in amount for either party based on proof of a domain name holder's infringement or a trademark owner's reverse domain name hijacking up to \$100,000.

One takeaway from this is that overreaching rights can come at a cost in damages and attorneys' fees.

Two recent ACPA actions in the U.S. federal courts commenced by losing domain name holders in UDRP proceedings illustrate the risk of attempting reverse domain name hijacking. In both cases, in the Federal District Court for the District of Columbia and the District Court for the District of Colorado, respectively, the trademark owners prevailed in UDRP proceedings although neither had priority of registration. Once the lawsuits were filed, both trademark owners quickly entered into stipulated settlements and consent judgments for \$25,000 and \$50,000, respectively, including permanent injunctions.

The defendant trademark owners made these settlements for good reasons, namely their claims were indefensible even though they prevailed at the UDRP level. Once dragged into federal court they had no choice because overreaching is indefensible and to defend such an action in federal court would have been a waste of time and resources as well as

exposing them to damages as much as \$100,000 plus reasonable attorney fees for their wasted efforts.

The last takeaways are as follows:

- Buying, selling, and monetizing domain names are not unlawful activities.
- If the most desirable domain name is held by a party with priority, “be creative” in choosing the right moniker that works both as a trademark and a domain name.
- When deciding on a trademark always make sure the domain name is available first.
- When deciding on a domain name always make sure the trademark is available.

And, finally, this area of the law is very specialized. Consult counsel with trademark and Internet knowledge to be sure you are right.

Gerald M. Levine is an intellectual property and Internet attorney. He is the author of the newly published and highly acclaimed definitive guide, *Domain Name Arbitration: A Practical Guide to Asserting and Defending Claims of Cybersquatting*. The book is available from Amazon.com and Barnes & Noble. “It is an important and incredibly helpful guide for trademark owners, domain name registrants and their legal representatives,” Doug Isenberg, Domain Name attorney and UDRP panelist. The E-book edition is available from September 1, 2015. Purchasers of the book will also have free access to the ongoing supplement.