

## Cybersquatting and Number Hoarding

Not everything associated with new technology is new (or good).

Just before Christmas, a judge in the U.S. District Court for the Northern District of California issued a decision awarding Verizon a whopping \$33.15 million default judgment against OnlineNIC, a company whose business is as a registrar of domain names, for cybersquatting.

“Cyber-what?????????” I hear you asking yourself.... Cybersquatting, according to dictionary.com, is the registration of a commercially valuable Internet domain name, as a trademark, with the intention of selling it or profiting from its use. For example, if someone secured the domain name (the part of the web address between www. and .com or .org,) [www.marthabuyer.com](http://www.marthabuyer.com) not because he or she had any ties or plans to use it, but strictly for the purpose of selling it to me, the person who secured the web address would be guilty of cybersquatting (In fact, I own the domain name, and use it).

Glossing over? Stay with me for a few more paragraphs before you start scanning for weekly condo rentals in Belize.

Cybersquatting has been illegal since 1999, when the Anti Cybersquatting Consumer Protection Act (ACPA) was passed and signed into law. (It is codified at 15 U.S.C. 1125 (d)). The purpose of the law is to provide owners of trade and service marks with toothy legal remedies against defendants who obtain domain names that are either secured “in bad faith,” or “for profit,” that are either

identical or sufficiently close to existing trade and service marks so as to create confusion or diminish the value of those [existing] marks.

Under the Lanham Act as amended, (15 U.S.C. §1125 et seq.) in order for a violation to occur, these three circumstances must be present:

1. The trademark owner's mark must be unique and famous;
2. The person who owns the domain name which includes, or which implies the mark must have acted in bad faith to profit from the mark; and
3. The domain name and trademark must be either identical or confusingly similar.

Key phrases here include "bad faith" and "to profit." It was the obligations of these terms that cooked OnlineNIC's Christmas geese – 663 of them.

The current case, officially known as Verizon v. OnlineNIC, No 5:2008cv02832 (N.D. Calif.), involved OnlineNIC's registration of 663 domain names which were either identical or fiercely similar to names which are covered by Verizon trademarks. Included among those domain names which OnlineNIC registered were "myverizonwireless.com," "verizononline.com," and "iphoneverizonplans.com," among 660 others. The damages assessed were based on a fine of \$50,000 per violation. In addition, according to one source,

Online NIC has close to 900,000 domain names that resemble the names of well known companies and products.

The problem was not that OnlineNIC had registered these domain names incorrectly, but rather that it did so in clear violation of existing trademark law. Given the few domain names that were cited previously in this note, it is obvious that since Verizon's trademarks are clearly valuable to Verizon, OnlineNIC, among others who have taken similar actions with other well-known corporate monikers, sought to use at least some of the domain names it registered for profit, in clear violation of the Lanham Act.

While it remains unlikely that Verizon will collect any of its court-awarded \$33.15 million, the fact that a default judgment was entered against OnlineNIC, coupled with the apparent great lengths that the defendant's owners and employees have gone to provide false contact information to the registrar of domain names (clearly reflecting bad faith), the decision should put a chill down the spine of any individuals whose business has been built upon ownership of domain names acquired for the sole purpose of selling them to an entity whose name or products are frightfully similar to the domain name in question.

Although addressed under a different set of rules and regulations, the sale of vanity toll-free numbers is also illegal. So as much as you may want to have 1-800-BFLOBS dial into your call center, and as much as there is someone who is dying to sell you that number because he/she's been looking for a taker for

years, the sale of a number is also clearly prohibited (See 15 U.S.C. 501). The practice of number hoarding and brokering is a clear violation of FCC rules, and the entity attempting to sell the vanity number has no more right to sell it than it does to that shiny new car in your neighbor's driveway. What's particularly interesting is that there is no penalty for the purchase of a toll free vanity number. It's the selling of the number that's the problem.

As such, if a client is approached by someone offering to sell the client the vanity telephone number that he or she has been dreaming about, perhaps the client needs to get a life. Beyond that, however, in order to play by the letter of the law, the attorney or client, should advise the seller to return the number to the available pool of toll free numbers. While the client will not be subject to a penalty or sanctions for buying the number, the seller is at considerable risk, particularly if the seller is offering the number under terms that the buyer, who could blow the seller in to the FCC for hoarding, considers onerous.

The enforcement mechanism (47 U.S.C. 501 et seq.), which does have teeth, is applicable. However, threatening the seller, or engaging in any conduct which could be construed or perceived as even remotely extortional, has severe implications for all parties even though such conduct may not be *per se* illegal. Phrases like "seller's proposal has given the buyer serious concerns about the propriety of the transaction" suggest the severity of the situation, but do not cross the line. Actual threats made by the buyer regarding its intended actions as

a consequence of seller's dealings could be extremely troublesome for both the buyer and its agents.

In summary, it is illegal to sell domain names and phone numbers. What's new, particularly on the domain name side, is that the sale – or the attempted sale--can be very costly.