

Kalaydjian v. Steinle, 64 USPQ2d 1576 (NAF 2002)

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Kalaydjian v. Steinle

National Arbitration Forum

Claim No. FA0205000114371
Decided August 27, 2002

Headnotes

TRADEMARKS AND UNFAIR TRADE PRACTICES

[1] Infringement; conflicts between marks — Likelihood of confusion —Particular marks — In general (§335.0304.01)

Respondent's Internet domain name "sex.shop" is identical to complainant's "SEX.SHOP" mark for purposes of Model Domain Name Dispute Resolution Policy, since registry operator New.net Inc. has registered, with respondent's implicit authorization, complete version of disputed domain name "sex.shop.new.net," since, in this context, "sex.shop" portion in its entirety is considered to be second level domain, with "new.net" as top level domain, and since it is well established that TLD must be ignored in assessing identity/confusing similarity of domain name and mark; thus, any fourth level domain together with its associated extension is viewed as collective SLD for purposes of this analysis.

[2] Acquisition, assignment, and maintenance of marks — Acquisition through use — Priority of use (§305.0503)

Respondent used Internet domain name "sex.shop" in conjunction with bona fide offering of goods and services prior to receiving notice of instant domain name dispute, and therefore

possesses rights and legitimate interests in domain name pursuant to paragraph 4(c)(1) of Model Domain Name Dispute Resolution Policy, even though respondent offers sexually oriented materials and related products through his World Wide Web site, since paragraph 4(c)(1) does not qualify “bona fide” offering on nature of goods or services offered, and since fact that respondent charges fee for access does not change bona fide nature of offering.

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[3] Registration and its effects — Federal registration —In general (§315.0301)

REMEDIES

Non-monetary and injunctive — Equitable relief — Seizure; forfeiture (§505.0703)

Request to transfer Internet domain name “sex.shop” from respondent to complainant in proceeding under Model Domain Name Dispute Resolution Policy must be denied, since record shows that complainant engaged in reverse domain name hijacking, or “reverse cybersquatting,” by registering composite names, including “sex.shop,” as federal trademarks in order to obstruct subsequent third party registration of such names as domain names whenever, at some future date, portions of those names become available for use as top level domains, with ultimate goal of coercing significant payments from would-be third party domain name registrants.

Case History and Disposition

Complaint filed by Von Eric Lerner Kalaydjian, pursuant to New.net Model Domain Name Dispute Resolution Policy, against respondent Simon Steinle. Complainant requests that Internet domain name “sex.shop” be transferred from respondent to complainant. Denied.

Attorneys:

Michael R. Diliberto, of Kleinberg & Lerner, Los Angeles, Calif., for complainant.

No attorney listed for respondent.

Opinion Text

Opinion By:

Michaelson, panelist.

REGISTRAR AND DISPUTED DOMAIN NAME

BNA's Intellectual Property Library on CD -- Full Text of Cases (USPQ Second Series)

The domain name at issue is <*sex.shop*>, registered with *New.net, Inc.*

PANEL

The undersigned certifies that he has acted independently and impartially and to the best of his knowledge has no known conflict in serving as Panelist in this proceeding.

Mr. Peter L. Michaelson, Esq. as Panelist.

PROCEDURAL HISTORY

The Complaint was brought pursuant to the New.net Model Domain Name Dispute Resolution Policy (“Policy”) available at http://www.new.net/policies_dispute.tp which was adopted by New.net, Inc. (“New.net”), as the Registry Operator, in accordance with the Rules of Procedure also approved by New.net (“Rules”) available at http://www.new.net/policies_rules.tp and as supplemented by the National Arbitration Forum Supplemental Rules to New.net’s Model Domain Name Dispute Resolution Policy then in effect (“Supplemental Rules”).

The Complainant submitted a Complaint to the National Arbitration Forum (the “Forum”) electronically on May 21, 2002; the Forum received a hard copy of the Complaint on May 23, 2002.

On May 22, 2002, New.net, Inc. (also here acting as the “Registrar”) confirmed by e-mail to the Forum that the domain name <*sex.shop*> is registered with New.net, Inc. and that the Respondent is the current registrant of the name. New.net, Inc. has verified that Respondent is bound by the New.net, Inc. registration agreement and has thereby agreed to resolve domain-name disputes brought by third parties in accordance with the Policy.

On May 23, the Respondent sent a copy of the Complaint Transmittal Cover Sheet back to the Forum and on which he indicated that even though that sheet provided an address on the Forum’s web site where the Supplemental Rules could be found, those rules were in fact not posted to the Forum’s web site. Specifically, the Respondent noted that the only supplemental rules that existed at the specified address were the rules for a UDRP (Uniform Domain Name Dispute Resolution Policy) proceeding and not for the MDRP. Given this, the Respondent also argued that the Forum should not have accepted the Complaint.

On May 28, 2002, a Notification of Complaint and Commencement of Administrative Proceeding (the “Commencement Notification”), setting a deadline of June 17, 2002 by which Respondent could file a Response to the Complaint, was transmitted to Respondent via e-mail, post and fax, to all entities and persons listed on Respondent’s registration as technical, administrative and billing contacts.

A timely Response was received and determined to be complete on June 17, 2002.

Additional Submissions were timely received from the Complainant on June 25, 2002 but late from the Respondent on July 3, 2002.

On July 3, 2002, pursuant to the Complainant's request to have the dispute decided by a single-member Panel, the Forum appointed Mr. Peter L. Michaelson, Esq. as Panelist.

Between July 4-6, 2002, the Respondent submitted electronic copies of various e-mail correspondence to the Panel which he had had with the Forum through which he strenuously questioned the propriety of the proceeding based on the unavailability of the Rules and Supplemental Rules on the Forum's web site at the time the Complaint was filed and during the ensuing Response period. In essence, the Respondent requested that the Complaint be dismissed or the proceeding terminated.

On July 11, 2002, the Panel consulted with the Forum regarding the actions it had taken in this matter, particularly with respect to posting the Rules and Supplemental Rules.

Even though the Rules and Supplemental Rules were subsequently posted by the Forum, are in fact substantially identical to the UDRP Rules and the Forum's UDRP supplemental rules, and a complete Response has been filed with thereafter additional submissions having been filed by both sides, the Panel, to eliminate even the appearance of any possible procedural prejudice to either party, however inadvertent and unintentional it may have been as a result of the Forum's actions in posting the Rules and Supplemental Rules, issued a procedural order on July 15, 2002 which, inter alia, reset the 20-day Response period under the Rules to and re-started this proceeding from July 17, 2002 with the remainder of the proceeding, as it would then normally occur thereafter and in accordance with the Supplemental Rules, commencing as of that date.

As a result of the Panel's action, the Response period was reset to end on August 6, 2002 and a draft decision from the Panel was due to the Forum on August 20, 2002.

On July 17, 2002, the Complainant, in an e-mail letter to the Forum, ratified all its prior filings, specifically its previously filed Complaint and its June 25th Supplemental Filing.

On August 5, 2002, the Respondent timely filed a complete Response by e-mail and again on August 7, 2002 but in hard-copy form containing Exhibits 1-8. The Respondent also filed several further submissions on August 5 and 8 with both the Forum and directly with the Panel.

Since then, numerous additional submissions have been filed by both parties.

Inasmuch as the Complainant ratified all its prior submissions and the Respondent has apparently filed substitute submissions, then, to simplify matters, hereinafter the Panel will collectively refer to all of those as the "submissions" and will individually refer to: (a) the originally filed complaint (now ratified) as the Complaint; (b) the August 7th response as the Response, and (c) the June 25th submission from the Complainant (now ratified) together with all the communications filed on August 5 and 8 and thereafter by the both Complainant and the

Respondent as the “Additional Submissions”.

Owing to time conflicts which the Panel was experiencing, the Panel extended the due date for its decision by one week to August 27, 2002.

The Panel has now fully considered all the submissions filed by both the Complainant and the Respondent, even though some of the latter’s submissions may have been filed late or sent directly to the Panel (as well as to the Forum)—though transmission by the Respondent directly to the Panel contravened paragraph 8 of the Rules.

RELIEF SOUGHT

The Complainant requests that the domain name be transferred from the Respondent to the Complainant.

PARTIES’ CONTENTIONS

Though both parties have put forth numerous contentions in their various submissions, only the principal contentions and particularly those having sufficient relevance to the dispositive issues under the Policy are summarized as follows.

A. Complainant

1. Identicality/confusing similarity

The Complainant contends that the disputed domain name <*sex.shop*> is identical to the term “SEX.SHOP” in which the Complainant claims trademark rights.

Specifically, the Complainant contends that the disputed domain name <*sex.shop*>, and when fully expanded as <*sex.shop.new.net*>, is identical to the Complainant’s federally registered mark “SEX.SHOP”. In that regard,

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the Complainant states the addition of the term “new.net” to the otherwise identical domain name registered by Respondent is irrelevant to this proceeding.

Hence, the Complainant concludes that the requirements of paragraph 4(a)(i) of the Policy are satisfied.

2. Rights and legitimate interests

The Complainant contends that the Respondent has no rights or legitimate interests in the disputed domain name.

Specifically, the Complainant alleges that the Respondent has made no prior or current bona fide or legitimate noncommercial use of the disputed domain name and was never commonly

known by that domain name.

As to the lack of any bona fide noncommercial use, the Complainant states that, prior to having received notice of this dispute, the Respondent has not made any such use of the disputed domain name. The Complainant notes that the Respondent uses the contested domain name for a pornographic, fee-based web site that provides sexually related materials, hence negating any claim the Respondent might have of fair use. The Respondent has provided, in Exhibit 2 to the Complaint, hard-copies of various pages from the Respondent's web site, where the Respondent's customers sign up for various fees-based accounts, such as a "Blue Account", "Gold Account" and "Platinum Account," to obtain increasing levels of access to Respondent's sexually related materials. Apparently, the Respondent charges his customers a monetary fee to view and download the Respondent's sexually related materials through each of these accounts. The Complainant also states that the Respondent's site also links to third-party pornographic web sites, for commercial gain.

With respect to the Respondent not being commonly known by the disputed domain name, the Complainant contends that he searched, through the web, for U.S. trademark registrations or applications which might show that the Respondent is or has been commonly known by the disputed domain name and has found no such applications or registrations.

Lastly, the Complainant contends that the Respondent, in the absence of making any legitimate noncommercial or fair use of the disputed domain name, intends, for commercial gain, to mislead and divert the Complainant's customers and tarnish the Complainant's registered trademark and domain names.

Thus, the Complainant concludes that the Respondent cannot demonstrate any rights or legitimate interests in the disputed domain name pursuant to paragraph 4(a)(ii) of the Policy.

3. Bad faith registration and use

The Complainant contends that the Respondent's conduct evidences bad faith registration and use of the disputed domain name.

First, the Complainant states that, through the Respondent's bad faith registration and given any lack of legitimate noncommercial or fair use, various acts indicative of the Respondent's bad faith behavior can be inferred, namely, extorting, preempting, disrupting, misinforming and tarnishment.

Specifically, the Complainant states that it has not authorized or licensed the Respondent in any way to use or exploit the Complainant's registered mark. The Complainant is the owner of a business, Amazon Cosmetics and Tan Products, whose business includes the design, development, manufacturing, sale and distribution of high quality skin tanning preparations throughout the United States and the world. Through its activities, the Complainant states that it has developed a strong brand identity for the "SEX.SHOP" line of skin tanning preparation products associated with the Complainant and tremendous goodwill associated with his trademark and domain names. From 2000 to the present, the Complainant has spent many

thousands of dollars in marketing and advertising, all directly related to the “SEX.SHOP” and “SEX.SHOP.US”, “SEX-SHOP.US”, “SEX.SHOPS.US” and “SEX-SHOPS.US” brand of skin tanning preparations and the goodwill associated with the “SEX.SHOP” trademark and the <sexshop.us>, <sex-shop.us>, <sexshops.us> and <sex-shops.us> domain names.

In particular, the Complainant states that his sales have grown over the years in a manner commensurate with his marketing budget. Specifically, his sales of skin tanning preparations under the “SEX.SHOP” mark and <sexshop.us>, <sex-shop.us>, <sexshops.us> and <sex-shops.us> domain names have accounted for a majority of the Complainant’s sales on an annual basis for his skin tanning preparation products in the United States.

As a result of the Complainant’s advertising and promotion of his trademark and domain

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names, his trademark and domain names were distinctive and famous long before the time of the Respondent’s unauthorized registration of the domain name <sex.shop.new.net>.

Given this, the Complainant alleges that his famous mark creates a strong temptation for someone like the Respondent to associate the latter in some way with the Complainant’s mark and thereby at no expense to himself acquire sales channels for his own goods and services – or such goods or services as they or their successors may ultimately offer – which the Respondent would not otherwise have had. As such, the Complainant contends that such a free ride upon the Complainant’s valuable goodwill and reputation would not only deprive the Complainant of control of a portion of his reputation and image and dilute his famous trademark, but would also deceive the public.

The Complainant further contends that the Respondent’s use of the domain name, <sex.shop.new.net>, as a link to pornographic web sites has tarnished and diluted the Complainant’s registered mark.

Furthermore, the Complainant contends, on an inferential basis, that the Respondent registered the disputed domain name primarily for the purpose of extracting money from the Complainant or his competitors.

Additionally, the Complainant contends that the Respondent’s commercial use for profit of the disputed domain name leads the Complainant to suspect that the Respondent registered the disputed domain name in order to prevent the Complainant from reflecting his registered mark in a corresponding “new.net” domain name.

Furthermore, the Complainant alleges that the Respondent registered the disputed domain name primarily for the purpose of disrupting the Complainant’s business.

Lastly, the Complainant contends that the Respondent intends to attract, for commercial gain, Internet users to an on-line location by creating a likelihood of confusion with the Complainant’s registered mark as to the source, sponsorship, affiliation, or endorsement of the Respondent’s

web site or location or of a product or service on the Respondent's web site or location.

Thus, the Complainant concludes that the Respondent has registered the disputed domain name in bad faith contrary to paragraph 4(a)(iii) of the Policy.

B. Respondent

1. Identicality/confusing similarity

In contrast to the Complainant's allegation, the Respondent contends that the disputed domain name is not identical or confusingly similar to the Complainant's mark.

Specifically, the Respondent contends that a top-level domain (TLD) is not a distinctive characteristic of a domain name. In the case of the domain name <sex.shop.new.net>, the top-, the second-, and the third-level domains are also not distinctive characteristics of the disputed domain name. In that regard, the term "NEW.NET" is only an appendix that is necessary to access a domain name registered with New.net without a New.net browser plug-in or without a New.net enabled Internet Access Provider. Hence, the Respondent contends that the real domain name registered with New.net is simply <sex.shop>, as indicated by the WhoIs search results at the New.net site provided in Exhibit 1 to the Response.

Consequently, the Respondent asserts that the third level domain, SHOP, of the disputed domain name <sex.shop.new.net> should be considered as its TLD. Having done so, then only the fourth level domain, SEX, would be a distinctive characteristic of the disputed domain name <sex.shop.new.net>. Given that under the Respondent's view the fourth level domain is "SEX" and the Complainant's registered trademark is "SEX.SHOP", the Respondent concludes that not only is there no identicality or confusingly similarity (as to sight, sound and meaning) between this top level domain and the Complainant's registered mark, but also the TLD, being the single word "SEX", is a completely generic term, not susceptible of being a trademark.

Furthermore, the Respondent alleges that the Complainant's mark is not famous. In that regard, the Respondent notes that the Complainant has not provided any evidence to support his assertion of its mark having acquired any fame. In that regard, the Respondent points to an order (copy appearing in Exhibit 2 to the Response) issued February 21, 2001 in *Amazon.com, Inc v. Von Eric Lerner Kalaydjian et al*, docket C00-1740R (U.S.D.C. W.D.Wa.) wherein the Court stated:

"Kalaydjian uses the following three marks in association with his tanning oil products: (1) AMAZONTAN.COM Reg.

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No. 106216, a trademark for identification of skin tanning preparations; (2) AMAZON, Reg. No. 53218, a service mark used for 'company advertising and producing sun tanning preparations;' and (3) AMAZON, Reg. No. 053218, a service mark used for 'producing sun tanning preparations.' ...Kalaydjian has sold approximately 100 bottles of tanning oil. Of these

one hundred bottles, Kalaydjian sold approximately ninety-eight at the flea market in Pasadena, California, one bottle to a customer in Arizona, and one bottle to a customer in Canada.... Additionally, although Amazon Tan never sold its products to Washington residents, Kalaydjian mailed a free sample of his tanning oil to a Washington resident after the resident contacted him requesting to purchase a bottle.... [Mr. Kalaydjian's] activities are too limited in breadth and frequency to be deemed 'substantial, continuous or systematic'.... Kalaydjian's Internet site is not sufficiently interactive to support a finding of purposeful availment. The Amazontan.com site does not allow users to purchase products via the Internet. The site does not facilitate interactive transactions, it merely provides information about Amazon Tan products and how customers may purchase them through the mail. In fact, the Amazontan.com site is a text-book example of a passive site because it 'does little more than make information available to those interested in it' Amazon Tan 'appears to be an operation where business was generated primarily by personal contacts of its founders'. These contacts appear to be primarily in California."

Additionally, the Respondent states that although the Complainant's web site (having an address <amazontan.com>) had been inoperable for many weeks or months (as indicated in a hard copy of web page noting an error message, a hard copy of that page being provided in Exhibit 3 to the Response), the Respondent had found and accessed an archived version of that site dated April 1, 2001 (a hard copy of the home page of that site provided in Exhibit 4 to the Response). The Respondent states that his inspection of that site reveals that the Complainant never mentioned the mark "SEX.SHOP" in any sentence nor did he offer products under the mark "SEX.SHOP" on that site.

The Respondent contends that the Complainant only filed his federal trademark application with an intent to reverse hijack the disputed domain name. The Respondent contends that this filing constitutes bad faith. In that regard, the Respondent points to a published article in the September 18, 2000 of *WIRED NEWS* (accessible at www.wired.com/news/print/0,1294,38824,00.html, a hard copy of that article appearing in Exhibit 5 to the Response) states, in pertinent part, the following including a quote from the Complainant evidencing his apparent intent:

"U.S. government trademark policies could allow speculators to beat the domain-name stampede.

'We've seen dot-everything in this office,' said Jessie Marshall, a trademark attorney with the Patent and Trademark Office....

'If they're using it as a trademark we don't care if they're not using it as a domain name,' she said, adding that sex.web could in theory become a valid mark if it is used commerce, for example, on an adult entertainment web site with a domain name different than sex.web. And that's the plan for the would-be owner of sex.web, Von Eric Lerner Kalaydjian, who has filed an intent-to-use trademark application for sex.web with the trademark office.

'I'm using the name in commerce as we speak,' Kalaydjian said. 'Basically, the government is saying, 'Look, whoever comes to us first is entitled to that domain.' '

Assuming ICANN eventually approves .web as a new TLD and assuming that Kalaydjian's intent-to-use application matures into an approved trademark registration, Kalaydjian could

potentially use his trademark rights to wrest the domain name www.sex.web from anyone who registers it, Marshall said.

‘I’m entitled to the sex.web name on the Internet,’ Kalaydjian said. ‘And if anybody tries to register sex.banc they’ve got another thing coming because my application covers banking services.’”

Furthermore, the Respondent states that, as further evidence of the Complainant’s attempt at reverse hijacking, the Complainant has applied for various federal trademarks, a list of which appears in Exhibit 6 to the Response

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(and taken from the publicly available and web-accessible Trademark Electronic Search System— TESS— provided by the United States Patent and Trademark Office – “PTO”) and includes:

Serial No.	Reg. No.	Word Mark	Live/Dead
78072101		SEX.INFO	DEAD
78014925		SEX.WEB	DEAD
78035833		SEX.PRO	DEAD
78014928		SEX.BUY	LIVE
78035843		SEX.INFO	LIVE
76031958		SEX.SHOP	LIVE
76031959		SEX.SHOPS	DEAD
76092746	2461859	SEX.SHOP	LIVE

Given this, the Respondent contends that “there is no doubt that Mr. Kalaydjian filed all those trademark applications to reverse hijack the corresponding domain names from the rightful owners”.

Hence, the Respondent contends that the Complainant has no trademark rights in the term “SEX.SHOP”.

Therefore, the Panel infers that the Respondent contends that the Complainant has failed to satisfy paragraph 4(a)(i) of the Policy.

2. Rights and legitimate interests

Contrary to the Complainant’s allegation, the Respondent contends that he has legitimate rights and interests in the disputed domain name.

First, as to the Complainant’s allegations of a lack of compliance with paragraph 4(c)(i) of the Policy, the Respondent states that, since March 2001 and before he received any notice of the present dispute, he has been using the disputed domain name *<sex.shop>* in connection with a bona fide offering of services through his web site.

In that regard, the Respondent states that those services are processed via the “Affiliate

Programm Processor” INET–CASH – RK Medienverlags GmbH (*www.inet–cash.de*). Those services are only intended and are only available to Internet users in Germany, Austria, and Switzerland with his whole web site being in the German language (a hard copy of the home page of the Respondent’s web site appears in Exhibit 8 to the Response). The Respondent’s web site is reachable through the domain name *<sex.shop>* and also through the domain name *<sex.shop.new.net>*.

Further, the Respondent states that “[t]he focus of any legitimate use of the domain name *<sex.shop>* is to offer adult services and products, and I do that. Consumers would be confused if they would find a site about tanning oil under the domain name *<sex.shop>*.”

Second, as to the Complainant’s contention, apparently under paragraph 4(c)(iii) of the Policy, that the Respondent is using the domain name to mislead and divert the Complainant’s customers and tarnish the Complainant’s mark, the Respondent states his use does not mislead or divert any of the Complainant’s customers nor does it tarnish the Complainant’s mark given the very limited mode through which the Complainant actually uses that mark. In that regard, the Respondent states:

“His ten or twenty customers a day at the flea market in Pasadena, California? This is the only distribution channel Kalaydjian has, if one can call a flea market a distribution channel. How can anyone tarnish a trademark that is not in use? By the way is there any flea market stand in Pasadena, California which sells tanning oil, too (aka competitor)?”

Hence, the Panel infers that the Respondent contends that the Complainant has failed to satisfy paragraph 4(a)(ii) of the Policy.

3. Bad faith use and registration

Here, the Respondent challenges the Complainant’s allegations by stating that the Respondent has neither registered nor used the disputed domain name in bad faith.

First, as to the Complainant’s assertions that the Respondent registered the disputed domain name primarily for the purpose of extracting money from the Complainant or his competitors or to prevent the Complainant from reflecting his registered trademark in a corresponding “new.net” domain name, the Respondent counters by stating that he registered the disputed domain name to offer goods and services for adults, and so uses that name but only in Germany, Austria and Switzerland.

Given the Complainant’s actions, the Respondent contends that the Complainant federally registered the mark “SEX.SHOP” for the purpose of disrupting the Respondent’s business, hence evidencing bad faith of the Complainant.

Second, with respect to the Complainant’s allegation that the Respondent, in registering

the disputed domain name is attempting to create a likelihood of confusion with the

Complainant's mark, the Respondent answers by contending that: (a) he only registered the top level domain "SEX", which is all that "should count", while the Complainant's mark is "SEX.SHOP", and (b) that the Respondent registered the disputed domain name <*sex.shop*> to offer goods and services for adults. Further, the Respondent states:

"How should I create a likelihood of confusion when even the old ladies at the flea market in Pasadena, California do not know your trademark. Internet users would be confused if they would found a Internet site about tanning oil under the domain name <*sex.shop*>. By the way I only offer my services in Germany, Austria and Switzerland."

Consequently, the Panel infers that the Respondent contends that the Complainant has failed to satisfy paragraph 4(a)(iii) of the Policy.

C. Additional submissions

Both the Complainant and the Respondent have each filed numerous additional submissions. In spite of the fact that most of these submissions were filed late, the Panel has considered all of them. Nevertheless, the Panel finds, that, in good measure but certainly not entirely, those submissions are tangential and, in many instances, irrelevant to the dispositive issues discussed below. Hence, for the sake of brevity, the Panel will merely dispense with summarizing any of those submissions.

FINDINGS

Despite the lengthy and numerous allegations, the facts underlying this dispute are, not surprisingly, quite simple.

A. The Complainant's registered mark

The Complainant owns a United States trademark registration for the mark "SEX.SHOP" on which this dispute is based. A hard copy printout of the entry for this mark, from TESS, appears in Exhibit 1 to the Complaint. This registration is currently active with its particulars as follows.

SEX.SHOP (block letters)

US registration 2,461,859; filed July 17, 2000, registered June 19, 2001

This mark was registered for use in connection with: "Skin tanning preparations, namely tanning oils" in International class 3. This mark claims first use of March 1, 2000 and first use in interstate commerce of June 26, 2000. This application was published for opposition on March 27, 2001.

B. The Complainant and his activities

The Complainant owns a business named "Amazon Cosmetics and Tan Products" (Amazon Tan), which includes design, development, manufacturing, sale and distribution of skin tanning preparations throughout the United States and the world.

The Complainant indicates that he has expended thousands of dollars in advertising and that he is currently using his mark "SEX.SHOP" in commerce to sell his tanning oil products.

However, the record before this Panel contains no evidence that independently corroborates this advertising or any such usage of the mark. As such, the Panel rejects the Complainant's assertions as to its advertising and current usage of its mark.

In contrast to the Complainant's assertions, the Panel relies on the above-quoted passage of the Court's opinion in *Amazon.com, Inc v. Von Eric Lerner Kalaydjian et al*, docket C00-1740R (U.S.D.C. W.D.Wa.) which is based on the Complainant's sworn testimony. There, in essence, the Complainant is said to have sold approximately 100 bottles of tanning lotion, though none have apparently been sold under the "SEX.SHOP" mark. Of those bottles, 98 of them have been sold at a flea market in Pasadena, California, one bottle to a customer in Arizona and the last bottle to a customer in Canada. Furthermore, the Court noted that the Complainant's site, at the time, was a passive site that was incapable of supporting Internet-based sales. This site, when the Respondent accessed an archived version, apparently did not mention the mark "SEX.SHOP" in any sentence nor offer products under that mark.

A published article in the September 18, 2000 of *WIRED NEWS*, as referenced and quoted above, clearly evidences the Complainant's intent to obtain federal trademark registrations based on filing intent-to-use applications in the US PTO, for various composite marks, for use in blocking others from registering and/or using domain names identical or confusingly similar to those in his trademark

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registrations. In that regard, the Complainant has applied for various federal trademarks as listed above (though he has abandoned approximately half of them) for various domain names, some of which contain TLDs that are not yet available for registration (such as .WEB, .BUY and .SHOPS, and, apparently by the Complainant's own admission, .BANC) while others contain domain names that have ICANN sanctioned TLDs (.PRO and .INFO) and still others contain a private TLD (here being .SHOP) solely supported by the Registrar.

C. The Respondent and his activities

The Respondent registered the disputed domain name <sex.shop> with the Registry Operator, acting as the Registrar, on March 5, 2001. This date, while after the filing date of the Complainant's federal trademark application nevertheless preceded the dates on which the PTO published the mark for opposition and then registered it.

The Respondent uses the disputed domain name in conjunction with a web site, which he operates, that provides adult content, i.e., sexually related material, and related products. This entire site is in German. Hard copies of various pages of this site, as accessed through <sex.shop.new.net> have been provided in Exhibit 2 to the Complaint. This web site has been in operation since March 2001, which is well prior to the date (May 21, 2002) on which the Respondent received notice of this dispute.

Through this site, Respondent's customers sign up for various fee-based accounts, such as a

“Blue Account”, “Gold Account” and “Platinum Account,” to obtain increasing levels of access to various portions of the materials that the Respondent has posted to his site. Service charges incurred for user access to the Respondent’s web site are processed via the “Affiliate Programm Processor” INET-CASH-- RK Medienverlags GmbH (www.inet-cash.de). Access to the Respondent’s web site is only intended for and only available to users in Germany, Austria, and Switzerland (a hard copy of the home page of the Respondent’s web site appears in Exhibit 8 to the Response). This web site can be accessed via the disputed domain name <*sex.shop*> or <*sex.shop.new.net*>.

D. The Registry Operator’s activities relating to the disputed domain name

The Respondent registered the disputed domain name <*sex.shop*> through the Registry Operator, New.net, which here is also acting as the Registrar. This particular registry supports various TLDs, specifically including “.SHOP”, that are not sanctioned by ICANN as approved generic top level domains (gTLDs), hence not susceptible of direct translation into a numeric IP (Internet Protocol) address by the hierarchical and existent DNS system in the Internet. New.net refers to these supported, though non-ICANN sanctioned, TLDs as being “domain name extensions”. Certain ISPs, that are “New.net enabled”, also support these particular TLDs.

Accordingly, to use any of these non-sanctioned TLDs, an Internet user can proceed in any one of three methods, depending on the capabilities of his/her ISP.

First and as understood by the Panel, if that user is accessing the Internet through an ISP that is not “New.net enabled”, then that user can obtain a free browser plug-in from New.net (or any of its affiliated registrars). This plug-in, once installed, presumably appends <NEW.NET>, as a suffix, to any such domain name that contains a New.net supported top level domain, e.g., <*sex.shop*> is converted to <*sex.shop.new.net*>. Inasmuch as the gTLD “.NET” is supported by the existent DNS system, then that system is able to translate “NEW.NET” into an IP address for the New.net server. This server then translates, through its internal DNS (domain name service) tables, <*sex.shop*> into a corresponding numeric IP address. Alternatively, for those Internet users who do not have the plug-in, they would simply form and enter a complete domain name into their browsers, including what appears to the user as a second level domain and its domain name extension – which collectively form the registered name portion – followed by “NEW.NET”. As a result of doing so, the existent DNS system would then provide DNS translation of <NEW.NET> so as to point to a New.net server which, in turn, would thereafter translate the registered name portion and return a corresponding IP address therefor to the user’s browser.

Second, if that user is receiving Internet access from a “New.net enabled”ISP, then the user need not utilize the browser plug-in and

can simply enter the domain name, ending in its domain name extension, as registered with New.net. The ISP then handles the appropriate <NEW.NET> appending task otherwise performed by the plug-in.

Though the Respondent asserts that he only registered <sex.shop> with the Registry, New.net, acting as the Registrar, in response to and automatically on behalf of the Respondent, has also registered the complete domain name <sex.shop.new.net> in its own database such that those Internet users without the browser plug-in can properly reach and access the Respondent's web site. Hence, the Respondent's registration request to New.net resulted in not one domain name being registered to the Respondent, but instead two separate, though closely related domain names: one with a <NEW.NET> suffix and the other without.

DISCUSSION

Paragraph 15(a) of the Rules instructs this Panel to “decide a complaint on the basis of the statements and documents submitted in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable.”

Paragraph 4(a) of the Policy requires that the Complainant must prove each of the following three elements to obtain an order that a domain name should be cancelled or transferred:

- (i) the domain name registered by the Respondent is identical or confusingly similar to a trademark or service mark in which the Complainant has rights;
- (ii) the Respondent has no rights or legitimate interests in respect of the domain name; and
- (iii) the domain name has been registered and is being used in bad faith.

For all practical purposes, the MDRP, particularly those elements recited above, is identical to the Uniform Domain Name Dispute Resolution Policy (“UDRP”). Given that a large corpus of several thousand UDRP decisions currently exists and which provides very useful guidance for many of the same issues that arise under the MDRP, the Panel, where appropriate and pursuant to paragraph 15(a) of the Rules, will exercise its discretion and rely on relevant UDRP decisions as applicable precedent to the extent necessary.

Identical and/or confusingly similar

No doubt exists whatsoever that the contested domain name is identical to the Complainant's “SEX.SHOP” mark. The difference between the domain name and the registered mark is simply the inclusion of the <NEW.NET> TLD to the domain name. This difference is de minimus and hence will be ignored. See, e.g., in the context of ignoring TLDs for purposes of assessing confusingly similarity under the UDRP: *AutoNation Holding Corp. v. Rabea Alawneh*, D2002-0058 (WIPO May 1, 2002), *Ticketmaster Corporation v. DiscoverNet, Inc.*, D2001-0252 (WIPO April 9, 2001), *NetWizards, Inc. v. Spectrum Enterprises*, D2000-1768 (WIPO April 4, 2001), *MSNBC Cable, LLC v. Tsys.com*, D2000-1204 (WIPO December 8, 2000), *Wine.com, Inc. v. Zvieli Fisher*, D2000-0614 (WIPO September 11, 2000) and *Lana Marks, Ltd., Inc. v. SYP Web*, D2000-0304 (WIPO June 23, 2000).

[1] The Panel rejects the Respondent's argument that he has only registered, as a SLD, the generic term "SEX", when in fact, and with his implicit authority, the Registry Operator New.net has also registered the complete version of the disputed domain name <sex.shop.new.net>. The Panel views the entire portion <SEX.SHOP> as an SLD, within this context the TLD effectively and collectively being <NEW.NET>.

Therefore, the Panel finds that sufficient similarity exists under paragraph 4(a)(i) of the Policy for the contested domain name.

If this Panel were to hold otherwise, then, this Panel envisions a significant cybersquatting threat potentially arising to owners of composite word-based marks, whenever a cybersquatter forms and registers a domain name formed of a generic or descriptive portion of a mark as an SLD with the remainder of the mark constituting a TLD in that name. This threat would only increase as additional non-ICANN sanctioned domain name extensions become available through registry operators (such as New.net), registrars and/or third parties that implement private DNS translation services. This Panel, being cognizant of that threat, will not tolerate it and now acts to affirmatively squelch it in its incipiency.

Specifically, it is now well-established law under numerous prior panel decisions (including various prior decisions from this Panel)

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under the UDRP, that a TLD (e.g., ".COM", ".NET" and ".ORG") itself is to be ignored when assessing identity/confusing similarity between a domain name and a mark. Any similarity or identity must lie between the SLD and the mark. Then, under those panel decisions, any domain name formed from a composite mark with the SLD itself being a generic or descriptive term from that mark would not be susceptible to trademark protection and hence fall outside the purview of that policy, hence inviting misappropriation and exploitation of those names by cybersquatters.

For example, consider the composite marks "Pizza Hut" and "Home Depot", for which this Panel takes judicial notice of their long-term distinctiveness, incalculable secondary meaning, substantial goodwill and unquestioned fame. No one would doubt that these marks are immensely valuable to their respective owners.

It is quite conceivable, given the existence and expected proliferation of registry operators (such as New.net) that provide private DNS translation of non-ICANN sanctioned domain name extensions, that, at some point in time, if not quite soon, the terms "HUT" or "DEPOT" will be available for registration as TLDs, hence leading to the domain names <WWW.PIZZA.HUT> and <WWW.HOME.DEPOT>. If a cybersquatter could readily and successfully argue that the terms "PIZZA" and "HOME", being SLDs, were generic and hence not susceptible in and of themselves of being marks, then no trademark rights would be recognized in the names

<PIZZA.HUT>and <HOME.DEPOT> when, in fact, these names (by virtue of being identical to the corresponding marks) would probably have more potential to cause confusion, if held by parties unrelated to the owners of those marks, than would <PIZZAHUT.COM>or <HOMEDEPOT.COM>. This, in turn, could well preclude the applicability of the UDRP or any similar policy to these names and thus substantially frustrate efforts by the owners of those marks in seeking transfer of those names from their cybersquatting domain name registrants.

At its core, DNS translation simply involves a table-lookup operation. An SLD followed by a domain name extension would be input to a DNS translation table at a given registry operator/registrar which, in turn, would yield an associated IP address that would be returned to a user's browser. Hence, it is well within the realm of reasonable contemplation, that at some point in the near future, domain name applicants will be able to specify whatever TLD they want which, when used, would be routed to an appropriate server at a registry operator/registrar for private DNS translation; thus further exacerbating the potential for composite mark based cybersquatting.

Hence, those trademark owners would be unable to avail themselves of the UDRP (and/or its progeny policies) and, contrary to the underlying goal of that policy, seek cost-effective and expeditious redress against cybersquatting –which is a result that this Panel simply can not accept and one which this Panel will not tolerate.

As such, to preclude such cybersquatting by permitting ready application of the Policy (whether it be as here the MDRP, the UDRP or any similar policy), the Panel views any fourth level domain together with its associated extension as a collective SLD.

Rights or legitimate interests

The Panel finds that the Respondent did utilize the disputed domain name in conjunction with a bona fide offering of goods or services prior to receiving notice of this dispute, hence possessing rights and legitimate interests to that name pursuant to paragraph 4(c)(i) of the Policy.

Specifically and as best understood by the Panel, the Complainant apparently takes the position that the Respondent's commercial use of the disputed domain name is not bona fide because the sexually related material accessible through the latter's web site is pornographic.

[2] First, the Panel clearly points out to the Complainant that paragraph 4(c)(i) of the Policy does not qualify a bona fide offering on the nature of the goods or services then being offered, but only requires that the offering itself of those goods or services be "bona fide". The Panel finds no evidence of record that the Respondent's offerings were anything other than bona fide. In that regard, the Respondent began offering his content for access during March 2001— again a point which the Complainant does not refute, which is on the order of 15 months prior to the earliest date, May 21, 2002, on which the Respondent first received notice of this dispute. To date, the Respondent

continues to offer his content. The fact that the Respondent charges a fee for such access does not change the bona fide nature of the offering.

It is simply not within the purview of this Panel to assess whether the nature of the content of the Respondent's web site is legitimate or objectionable, let alone prohibited. That issue is a matter strictly within the realm of the national courts and/or other appropriate law enforcement authorities that have jurisdiction over the operation of the Respondent's web site and/or the Respondent himself. This means that, in the context of the present dispute, any such assessment must be made by the proper government and/or judicial bodies within Germany, Austria or Switzerland, but clearly not by this Panel. What this Panel can assess is whether the offering of that material, as a service, through the Respondent's web site is "bona fide" and it has done just that.

Hence, the Respondent has satisfied its burden under paragraph 4(c)(i) of the Policy and has rights and legitimate interests in the contested domain name within paragraph 4(a)(ii) of the Policy.

Registration and use in bad faith

Given that the Respondent registered the disputed domain name before any evidence of that name was publicized, i.e., before the Complainant's mark was registered let alone published, it strains the Panel's credibility to consider that the Respondent could be charged with having any prior notice of this mark at all. Moreover, even though publication in the Official Gazette of the PTO provides constructive notice to parties in the United States, it is open to debate whether that notice, in all fairness, should extend to foreign parties not located within the United States. Fortunately, with the publication date here having occurred subsequent (by over two weeks) to the date on which the Respondent registered the disputed domain name, this Panel need not consider that question.

It is clear from the record before this Panel that the Respondent's intent in registering this name was to utilize that name as soon as possible as an address for his web site. In fact, he did just that by having placed his site in operation during March 2001 – apparently very shortly after he registered that name on March 5, 2001.

Given this, the Panel finds that the Respondent not only registered the disputed domain name in good faith but also is so using that name.

Hence, the Complainant has failed to meet its burden under paragraph 4(a)(iii) of the Policy.

Reverse Domain Name Hijacking

[3] As to the Respondent's contention of reverse domain name hijacking, the Panel not only

agrees with the Respondent but also finds that the Complainant's actions in that regard are clear, unmistakable and reprehensible.

The Complainant's intent on registering composite domain names, such as that at issue namely <*sex.shop*> and others as shown by the TESS entries listed hereinabove, as federal trademarks is to obstruct subsequent third-party registration of those names as domain names whenever, at some future date, portions of those names become available for use as TLDs. These trademark registrations, at least when viewed from the perspective of the mark underlying the present dispute, are apparently predicated on questionable and possibly de minimus ("token") use of the mark in commerce, and likely are not supported by bona fide continuing use. Clearly, such marks, while being applications, are vulnerable to being opposed and, after having been registered, are vulnerable to cancellation. Yet opposition and cancellation actions before the Trademark Trial and Appeal Board of the PTO tend to be rather time-consuming and expensive.

Given this, the Panel infers that the Complainant's goal in pursuing, and in effect investing in, such registered trademarks is ultimately to coerce significant payments, at some future time, from would-be third party domain name registrants. Specifically, by securing federal trademark registrations for domain names that are presently incapable of being registered, the Complainant would be in a position to offer such marks, at considerable profit, to those third parties: (a) free of challenge from the Complainant whenever that party seeks to subsequently register any such composite mark as a domain name, (b) alternatively, in exchange for terminating any such future challenge in the event such a domain name registration had then been initiated, and/or (c) to avoid risks and much higher costs inherent in prosecuting either an opposition or cancellation proceeding against the Complainant. If this goal was not driven by the Complainant's perceptions of potentially

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large future profits, then what other plausible reason would the Complainant have to justify his actions? The Panel sees none.

The Panel views this overall conduct as "reverse cybersquatting", i.e., having acquired a registered mark, particularly as here of questionable validity, simply as an obstacle to be placed in the path of future domain name registrants who seek to register and legitimately use their chosen domain names – whenever the TLDs of those names become available for registration.

Fortunately, this Panel believes that the UDRP, MDRP and other similar progeny policies, by virtue of providing a respondent with an ability to thwart a domain name transfer request by showing that the respondent has rights and legitimate interests in that name, provide a suitable and highly effective modality to squelch such cybersquatting. This Panel implores all future panels faced with such cybersquatting to be vigilant and painstaking in assessing a respondent's conduct in order to effectively to root out and eliminate this offensive and potentially pernicious form of complainant-based cybersquatting.

This Panel views the Complainant's conduct here, particularly when seen in the context of a

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broad pattern of pursuing trademark registrations for a series of marks each constituting a corresponding domain name then not susceptible of registration as such, for what it collectively is: reverse cybersquatting that amounts to nothing less than reverse domain name hijacking.

Hence, under paragraph 15(e) of the Rules, the Panel finds that the Complainant brought its Complaint in bad faith and specifically in an attempt to engage in reverse domain name hijacking.

DECISION

In accordance with paragraphs 4(i) of the Policy and 15 of the Rules, the relief sought by the Complainant is hereby *DENIED*.

**- End of Case -
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