



NATIONAL
ARBITRATION
FORUM

START-UP TRADEMARK OPPOSITION POLICY

DECISION

Salem Five Cents Savings Bank v. Direct Federal Credit Union
Claim Number: FA0112000103058

PARTIES

The Complainant is **Salem Five Cents Savings Bank**, Salem, MA (“Complainant”) represented by **Brenda R. Sharton**, of **Goodwin Procter LLP**. The Respondent is **Direct Federal Credit Union**, Needham, MA (“Respondent”) represented by **A. Van C. Lanckton** of **Craig and Macauley**.

REGISTRAR AND DISPUTED DOMAIN NAME

The domain name at issue is **<directbanking.biz>**, registered with **Register.com**.

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 Start-up Trademark Opposition Policy (“STOP” or “Policy”) available at <http://www.neulevel.biz/ardp/docs/stop.html>, which was adopted by NeuLevel, Inc. (“NeuLevel”), as the registry operator, and approved by Internet Corporation for Assigned Names and Numbers (ICANN) on May 11, 2001, and revised by NeuLevel on September 19, 2001; and in accordance with the Rules for STOP as adopted by NeuLevel and also approved by ICANN on May 11, 2001 (“STOP Rules”) and as supplemented by the National Arbitration Forum Start-up Trademark Opposition Policy for .BIZ “STOP” Supplemental Rules then in effect (“STOP Supplemental Rules”).

Complainant has standing to file a Start-up Trademark Opposition Policy (“STOP”) Complaint, as it timely filed the required Intellectual Property (IP) Claim Form with the

Registry Operator, NeuLevel. As an IP Claimant, Complainant timely noted its intent to file a STOP Complaint against Respondent with the Registry Operator, NeuLevel and with the National Arbitration Forum (the "Forum").

Complainant submitted a Complaint to the Forum electronically on December 14, 2001; the Forum received a hard copy of the Complaint on December 17, 2001.

On December 19, 2001, a Notification of Complaint and Commencement of Administrative Proceeding (the "Commencement Notification"), setting a deadline of January 8, 2002 by which Respondent could file a Response to the Complaint, was transmitted to Respondent in compliance with paragraph 2(a) of the Rules for the Start-up Trademark Opposition Policy (the "STOP Rules").

A timely Response was received and determined to be complete on January 8, 2002.

Complainant's Additional Submission, captioned a Reply to the Response, was received on January 14, 2002.

Respondent's Additional Submission, captioned a Rejoinder to the Reply, was received on January 17, 2002.

On January 25, 2002, pursuant to STOP Rule 6(b), the Forum appointed Mr. Peter L. Michaelson, Esq. as the single Panelist.

Due to various time conflicts experienced by the Panel, the Panel issued an order dated January 28, 2002 which extended the due date of the decision from February 8, 2002 to February 15, 2002.

The Panel has now considered all the filings made by the Parties including both additional submissions.

RELIEF SOUGHT

Though the Complaint does not specifically state the relief sought by the Complainant, the Panel infers that the Complainant seeks to have the domain name transferred from the Respondent to the Complainant.

The Respondent requests that the Complaint be dismissed and that no subsequent challenges under the STOP against the disputed domain name be granted.

PARTIES' CONTENTIONS

A. Complainant

1. Identity

The Complainant contends that the disputed domain name <**directbanking.biz**> is identical to its trademark for the term "DIRECT BANKING".

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 asserts that there is no indication that the Respondent has ever been commonly known as "directbanking" or any similar variation (citing to the declaration of Mr. Jay Spahr, Senior Vice President of Electronic Commerce at the Complainant; a copy of that declaration was filed with the Complaint). Further and with reference to the Spahr declaration, the Complainant contends that: (a) there is no indication that the Respondent has ever used the term "directbanking" in connection with any of its services; (b) the Respondent presently owns several domain names, none of which includes the terms "directbanking" or "banking"; (c) the Respondent owns several federal trademarks, none of which includes the term "banking", much less "directbanking"; and (d) there is no evidence that the Respondent is the owner or beneficiary of a trade or service mark that is identical to the domain name.

The Complainant also contends that the Respondent's attempt to register the disputed domain name cannot be found to be a demonstrable preparation to use its website in connection with a bona fide offering of goods or services. In that regard, the Complainant states that:

"[i]t is inconceivable that the Credit Union [Respondent] was unaware of Salem Five's [Complainant's] directbanking.com service and of Salem Five's rights in the Mark [direct banking.com]. Salem Five and the Credit Union are located just miles apart near Boston, Massachusetts. They offer similar online services and serve the same Boston area customers. In addition, Salem Five was a pioneer in the online banking industry and has been aggressively promoting its directbanking.com service and the DIRECTBANKING.COM Mark since 1999 - especially in the metropolitan Boston area. It has been profiled numerous times in national and Boston area periodicals. To anyone cognizant of the online banking industry - which the Credit Union must certainly be - Salem Five's rights in the Mark is well known. Even minimal effort would have revealed Salem Five's established rights in the Mark".

Lastly, the Complainant avers, by reference to the Spahr declaration, that the Respondent is not the licensee or assignee of any rights in the DIRECTBANKING.COM mark, nor is it owner or beneficiary of any other trade or service mark that is identical to this mark.

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 use or registration

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

Specifically, the Complainant believes that such bad faith is evidenced by: (a) the Respondent having violated its registration agreement by attempting to register a domain name which it knew or should have known affected the rights of a third-party; and (2) the Respondent's representation of itself as a bank, when it is not a bank, is deceptive, and a violation of the Federal Trade Commission Act.

First, Respondent breached its registration agreement with its registrar by misrepresenting that the registration of the disputed domain name did not infringe any third-party rights. Specifically, paragraph 1(e) of that agreement expressly states as follows:

“By applying to register a domain name ..., you hereby represent and warrant to us that (a) the statements that you made in connection with such registration ... are complete and accurate; [and] (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party You agree and acknowledge that it is your responsibility to determine whether your domain name registration infringes or violates someone else's rights....”

Second, the Complainant expresses serious doubt that the Respondent was unaware of its neighboring competitor, Complainant's, rights in the mark when the former entered into the registration agreement. A simple visit to the website <http://www.directbanking.com> - an endeavor which the Complainant believes that the Respondent must have taken prior to its registration of the disputed domain name would have revealed the Complainant's rights in the mark. In that regard, the Complainant states that the <register.com> homepage provides a link entitled “Trademark Search” which directly connects the user to the Nameprotect.com trademark search service and easily reveals the Complainant's trademark rights. Hence, the Complainant takes the position that "representing that a domain name does not infringe the rights of a third party is evidence of bad faith where rudimentary checks such as an on-line trademark or domain name search would have revealed Salem Five's [Complainant's] rights in the Mark".

Further, the Complainant asserts that if the Respondent is allowed to maintain the disputed domain name, it would be representing that it is a bank when it is not. The Complainant states that such action would violate the Federal Trade Commission Act's proscription against unfair and deceptive trade practices. In this regard, the Complainant

specifically contends that the Respondent's misrepresentation that it is a bank would be unfair and deceptive to customers inasmuch as banks and credit unions are entirely different financial entities. They have different statutory powers and are regulated by the federal and state governments in entirely different manners. *See e.g.*, 2 U.S.C. § 21 (banks); 12 U.S.C. § 1751 (federal credit unions); MASS. GEN. LAWS ch. 168, 1 *et seq.* (state authorized savings banks); MASS. GEN. LAWS ch. 171 §1 *et seq.* (state authorized credit unions).

Consequently, the Complainant concludes that the Respondent's activities demonstrate bad faith registration or use of the disputed domain name pursuant to paragraph 4(a)(iii) of the Policy.

B. Respondent

1. Identity

While the Respondent does not contest that the disputed domain name is identical to the term "directbanking.com", it contends that, inasmuch as the term is incapable of serving as a trademark or service mark, the Complainant has no rights in it.

Specifically, the Respondent contends that the Complainant views the terms "directbanking" and "directbanking.com" as being generic and thus not susceptible of serving as trademarks. In that regard, the Respondent points to the express disclaimer of the term "directbanking.com" made by the Complainant during the course of prosecuting its Federal trademark application for a stylized version of this term (that application ultimately being registered as US registration 2,516,343).

2. Rights and legitimate interests

The Respondent contends that it has rights and legitimate interests in the disputed domain name.

Specifically, the Respondent states that the Complainant is incorrect in asserting that credit unions do not provide banking services. The Respondent states they do. The Respondent asserts that the words "direct banking" describe, i.e. as a generic descriptor, a method of providing banking services that is Respondent's entire business. Specifically, it contends that the Complainant has imitated the Respondent's business method by having started in the area of direct banking only after visiting the Respondent's facility in 1996. Accordingly, the Respondent asserts that the Complainant learned from the Respondent that the Respondent had adopted its name in 1990 specifically to highlight the Respondent's marketing strategy of direct banking.

3. Bad faith use or registration

The Respondent contends that it neither registered nor is using the disputed domain name in bad faith.

In that regard, the Respondent states that it did not register the disputed domain name: (a) primarily for the purpose of selling, renting or otherwise transferring the registration to the Complainant or its competitor; (b) in order to prevent the Complainant from reflecting any protected mark in a corresponding domain name; or (c) primarily for the purpose of disrupting the business of Salem Five Cents or any competitor. Furthermore, the Respondent states that it has not, by using the domain name, intentionally attempted to attract, for commercial gain, Internet users to its web site or other on-line location by creating a likelihood of confusion with any protected mark of the Complainant.

Moreover, with respect to the Complainants' specific allegations of bad faith, first, the Respondent did not violate its registration agreement by registering the disputed domain name <**directbanking.biz**>. Specifically, the Respondent asserts that the Complainant has no protected rights in that name standing alone, nor in any cognate name such as "directbanking.com." In that regard, the Respondent points to the express disclaimer by the Complainant of any rights to the latter term during prosecution of the latter's own federal trademark application.

Further, the Respondent asserts that it is also not misleading the public or anyone else by describing the services it provides as "banking" services. It takes the position that those services are the very services that all credit unions provide. The use of that term "directbanking" does not in any way suggest or imply that that the Respondent is a bank rather than a credit union. No visitor to its web site or reader of its advertisements could possibly think otherwise, given the numerous references that the Respondent makes to itself as a credit union.

Specifically, the Respondent states that it is a federal credit union. Federal credit unions are regulated by the National Credit Union Administration ("NCUA") under Chapter 14 ("Federal Credit Unions") of Title 12 ("Banks and Banking") of the United States Code, 12 U.S.C. §§ 1751 et seq. As defined in § 1752(1), a federal credit union is "a cooperative association organized in accordance with the provisions of [Chapter 14 of Title 12] for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes."

The Respondent states Federal law grants to every federal credit union the following powers, among others: to make loans and extend lines of credit to its members; to receive deposits (known as "payments, representing equity, on shares and share certificates"); to invest its funds in loans to members, in certain securities and in other specified investments; to make deposits in other financial institutions; to borrow within specified limits; to levy late charges for failure of members to meet their obligations to the credit union promptly; to enforce loan obligations by offsetting liens on shares and dividends of members; to sell negotiable checks, money orders and similar money transfer instruments

to members; to cash checks and money orders for members for a fee; to purchase, sell, pledge or discount or otherwise receive or dispose of any eligible obligations of its members. See 12 U.S.C. § 1757. In short, the Respondent asserts, contrary to the Complainant, that federal credit unions engage in the business of banking.

The Respondent states that the same conclusion follows from examining Massachusetts state law. In Massachusetts credit unions that are not federal credit unions are regulated by a state official. In Massachusetts, that official is the Commissioner of Banks. See Mass. Gen. Laws, Ch. 171, § 1. Moreover, state credit unions are specifically subject to all of the provisions of the Massachusetts statute pursuant to which the Commissioner of Banks regulates banks, "so far as applicable." Mass. Gen. Laws, Ch. 171, § 6.

Consequently, the Respondent asserts that it is in the direct banking business and had every right to register the disputed domain name. It states that it had no obligation to point out the existence of the domain name <directbanking.com> to the registrar because the Complainant has no trademark protection for that name and no superior right to those of the Respondent for registering the domain name <directbanking.biz>.

C. Additional Submissions

1. The Complainant's Reply

The Complainant, through its reply, counters, contrary to the Respondent's view, that the term "directbanking.com" is not a generic mark, inasmuch as that term does not refer to a genus of online financial services which the particular product or service is a species.

In particular, the Complainant asserts that this term is a suggestive mark. In that regard, it asserts that the term "directbanking.com" suggests a streamlined, efficient and rapid financial transaction. Hence, the Complainant contends that " it takes some degree of imagination and thought to conclude that the term DIRECTBANKING.COM refers to a service allowing customers to conduct a wide variety of financial transactions over a personal computer. Therefore, DIRECTBANKING.COM is an inherently distinctive suggestive composite mark that is entitled to trademark protection without proof of any secondary meaning."

Further, the Complainant contends, through its reply, that even if "DIRECTBANKING.COM is categorized as simply descriptive of Complainant's online financial services, it is nevertheless a protected trademark" inasmuch as this mark has acquired sufficient secondary meaning in the marketplace. The Complainant states that such secondary meaning is often established by showing that the owner of the mark -- as the Complainant contends it has done -- has successfully promoted and advertised the goods and services sold under the mark.

In that regard, the Complainant states that since 1999 it has expended a significant amount of money promoting its DIRECTBANKING.COM mark and its <directbanking.com> service. These endeavors have included national television, radio, print and online advertisements, as well as outdoor signage in the Boston area. Further, Salem Five's <directbanking.com> service has garnered significant press coverage in publications such as The Wall Street Journal and The Boston Globe, as well as in many financial industry publications. As a result of this promotion, the Mark has acquired strong secondary meaning and distinctiveness, and has become well known among online banking customers.

As to the disclaimer in its federal trademark application, the Complainant contends that it agreed to the disclaimer "[n]o claim is made to the exclusive right to use DIRECTBANKING.COM apart from the mark as shown" only at the insistence of the Patent and Trademark Office examiner and merely for "obtaining approval of this application". In fact, in amending its trademark application, the Complainant explicitly stated that it was adding the disclaimer "solely for the purpose of obtaining approval of this application." See Applicant's Response to Office Action No. 2 issued by the US Patent and Trademark Office (PTO) during prosecution of the 75/835,936 federal trademark application, a copy of both of which have been included in Annex H to the Response.

Further, in its response, the Complainant explicitly stated that "[t]he foregoing disclaimer should not be construed as a waiver of any of [Salem Five's] other rights and defenses with respect to any element of the mark." *Id.* Hence, the Complainant contends that it expressly reserved all of its common law and state trademark rights in the mark. Given this, the Complainant states that any disclaimer it added to its federal trademark application is wholly irrelevant to the trademark protection afforded by the common law and state trademark laws.

Moreover, the Complainant states that it only disclaimed the term "apart from the mark as shown"; hence, it contends that its disclaimer is irrelevant to its position that the Respondent's maintenance of the disputed domain name would be confusingly similar to and infringe upon the stylized version of the DIRECTBANKING.COM federal trademark.

2. The Respondent's Rejoinder

First, the Respondent contends that inasmuch as the Complainant has conceded that it disclaimed Federal trademark protection for the term "directbanking.com" standing alone, then this concession suffices to show that the Respondent did not act in bad faith in registering the disputed domain name.

Responding to the Complainant's allegation that it has common law rights in the term "directbanking.com", the Respondent contends that the term is merely descriptive,

specifically descriptive of the banking services which the Complainant directly provides to its customers. Further, the Respondent contends that, in the absence of showing that this term has acquired sufficient secondary meaning, this term is not susceptible of gaining status as a common law trademark. In that regard, the Respondent cites to language apparently propounded by the Supreme Court of North Carolina (though without citing to a specific case) stating:

"When a particular business has used words *publici juris* for so long or so exclusively or when it has promoted its product to such an extent that the words do not register their literal meaning on the public mind but are instantly associated with one enterprise, such words have attained a secondary meaning. That is to say, a secondary meaning exists when in addition to their literal, or dictionary meaning, words connote to the public a product from a unique source.

Proof that others are using a term descriptively on the same or closely related goods, is evidence tending to rebut alleged secondary meaning in a descriptive term.

. . . .

The more descriptive the term, the greater the evidentiary burden on plaintiff to prove secondary meaning. The "descriptive" category is not a monolithic set of terms. Some terms are only slightly descriptive and need only a minimum quantum of evidence of secondary meaning. Other terms are highly descriptive and may need a massive quantity and quality of secondary meaning evidence to become a trademark."

With this in mind, the Respondent contends that, given the highly descriptive nature of the term "directbanking.com", the Complainant is impressed with a very heavy evidentiary burden to show secondary meaning, and simply stated, its proof fails to meet that burden. In particular, the Respondent takes the position that regardless of the expenditures which the Complainant incurred in advertising, those expenditures are irrelevant inasmuch as no amount of advertising will suffice to overcome the descriptive nature of the term.

Lastly, the Respondent takes the position that the Complainant conceded that it visited the Respondent's headquarters, observed the Respondent's business and did not begin offering its direct banking services until some time after that visit. Hence, the Respondent concludes that since it, and not the Complainant, was the first entity to offer direct banking services, it and not the Complainant has the right to register the disputed domain name.

FINDINGS - FACTUAL BACKGROUND

A. The Complainant's registered mark

The Complainant owns a United States service mark registration for the mark

"directbanking.com", in a stylized fashion, on which this dispute is partially based. A copy of the entry for this mark, from the US PTO Trademark Electronic Search System (TESS), appears in Annex 3 to the Response. This registration is currently active.

directbanking.com (stylized)

US registration 2,516,343; registered December 11, 2001

This mark was registered for use in connection with: "Banking services" in International class 36. This mark claims first use and first use in inter-state commerce in both classes of March 13, 1999.

B. The Parties and their respective businesses and marks

The Complainant states that it was founded in 1855 in Salem, Massachusetts and is now a billion-dollar financial services company and a national leader in online banking. In 1995, the Complainant established an online banking division, making it one of the first banks in the world to offer banking services on the Internet, and the first New England bank to do so. Subsequently, starting no earlier than March 13, 1999 (the first use date it claims for its 2,516,343 trademark), the Complainant re-branded its online banking services as "directbanking.com" and proceeded to offer those services from its website located at <http://www.directbanking.com>. Since that time, the Complainant has provided comprehensive full service online banking to customers around the world under the disputed name <directbanking.com>. Such banking services allow the Complainant's customers to perform personal banking transactions over the Internet. Through its web site at "directbanking.com", the Complainant's customers can access their account information, transfer funds among accounts, and pay bills electronically through a personal computer. As a result of its endeavors, the Complainant has been nationally recognized as an online banking pioneer and leader, having received the following accolades and awards:

Named 1995 Internet Bank of the Year by *Gomez Advisors*;
Gomez Advisors' Top Ten List of Internet Banks for five consecutive quarters;
Named a National Torch Bearer for Community Banks by *Financial Services Online Magazine*;
Forbes Magazine Top Ten List of Internet Banks;
Yahoo! Internet Life Magazine Top Ten List of Internet Banks;
Online Banking Report Top Ten List of Internet Banks; and
Mother Earth News Top Ten List of Internet Banks.

During October 2000, the Complainant opened a physical branch for "directbanking.com" in the heart of Boston's financial district at 52 Congress Street. This branch is the physical manifestation of the "directbanking.com" brand and features six so-called "video banker" Internet kiosks with video conferencing capabilities, a stock ticker, and on-site staff to help customers navigate the options that are available. At that

branch, customers are able to participate in live video conferencing with financial consultants and learn the nuances of Internet banking from trained professionals. The investment in the branch was over \$1 million and was well reported in The Wall Street Journal and The Boston Globe. *Id.*; see The Wall Street Journal, July 20, 2000, The Boston Globe, Oct. 18, 2000, (copies of all of which are enclosed along with the Spahr Declaration annexed to the Complaint).

Since March 13, 1999, the Complainant has used its trademark "directbanking.com" continuously in connection with its <directbanking.com> online banking service, bank statements and credit cards. The Complainant has owned the domain name <directbanking.com> since 1996 and has operated its "directbanking" service from that domain continuously since March 13, 1999. Since 1999, the Complainant has also owned the domain names <directbanking.net> and <directbanking.org>.

The Complainant has actively marketed its online banking services in the United States using its "directbanking" mark since 1999 using a wide variety of media outlets. Specifically, it has promoted its directbanking.com brand with advertisements on popular Boston area radio stations WBZ, WBOS and WCRB. It has placed television advertisements on national networks such as CBS, NBC and ABC and on targeted cable television stations, including New England Sports Network. It has also actively promoted <directbanking.com> by using the Mark in print advertisements in The Boston Globe, The Boston Business Journal and various local Massachusetts newspapers, as well as in regional issues of national magazines Newsweek and Business Week. To attract technology-savvy banking customers, the Complainant has also placed advertisements for its site at <directbanking.com> in high technology magazines such as PC Week.

Furthermore, the Complainant has also advertised its site at <directbanking.com> over the Internet by placing banner ads at popular websites and portals such as Yahoo!, America Online, <bankrate.com> and <quicken.com>. Finally, the Complainant has also placed highly visible outdoor billboards promoting <directbanking.com> on highways that surround the metropolitan Boston area.

In fiscal years 2000 and 2001, the Complainant spent US \$1,000,000.00 and \$750,000.00, respectively, promoting <directbanking.com> and the its "directbanking" mark. The Complainant has also expended US \$1,600,000 alone building and promoting its "directbanking.com" branch office in Boston. As a result of the Complainant's promotional, its business through <directbanking.com> has grown to serve clients in all fifty states and in fourteen foreign countries.

On October 29, 1999, the Complainant filed an application in the PTO to federally register a stylized mark that includes the term "directbanking.com." In an office action dated December 14, 2000, the examining attorney at the US PTO stated that the wording "DIRECTBANKING.COM" was merely descriptive and, as such, required the Complainant to specifically disclaim any trademark protection for that term apart from its stylized mark shown in the application. The Examiner set forth a properly worded

disclaimer for the Complainant to adopt. On January 5, 2001, the Complainant filed a response to the office action in which it provided the required disclaimer and in the language sought by the Examiner. The disclaimer reads "No claim is made to the exclusive right to use 'DIRECTBANKING.COM' apart from the mark as shown."

The Respondent is a credit union based in Massachusetts and has its offices located less than 10 miles away from the Complainant's directbanking.com's branch situated in downtown Boston. Similar to the Complainant, the Respondent allows its customers to perform various personal banking functions over the Internet. The Respondent operates its online financial services at its website located at <http://www.direct.com>, and has apparently done so since the inception of its online financial services. The Complainant and Respondent are direct competitors, offer similar online financial services and compete for the same Boston area banking customers.

Specifically, the employees of the Polaroid Corporation founded the Respondent in 1953. It was then called "Polaroid Employees Federal Credit Union." Its field of membership was limited at that time to Polaroid employees and their families. See the affidavit, a copy of which is annexed to the Response, of Mr. David C. Breslin, President and Chief Executive Officer of the Respondent.

The Respondent changed its name in 1990 to "DIRECT Federal Credit Union" to support a business strategy that the Respondent developed by that time. The Respondent was then moving away from using branch locations for individuals to interact with tellers and, in doing so, had moved to adopt a business plan involving direct banking. This form of banking included the following:

- (a) encouraging members to use direct deposits;
- (b) encouraging members to use the mail;
- (c) expanding the use of automatic teller machines;
- (d) introducing and then expanding touch-tone telephone banking;
- (e) creating a "call center" staffed by the Respondent's employees equipped with headsets and computers to handle banking transactions through telephone conversations with members; and
- (f) making available banking services directly over the Internet through the Respondent's web site.

As the Respondent expanded its services in the field of direct banking, it adopted and has used the domain name <direct.com>, which it obtained in 1996. The Respondent has operated a web site with the domain name <direct.com> since 1998. The site makes clear from its welcoming page that the Respondent is a "federally chartered credit union." The site describes the Respondent's banking services as "DIRECT access banking" and identifies those services as: "Call Center, Direct Deposit, ATM Card, Telephone Banking, Web Banking, Bank By Mail." The site further describes the Respondent's call center under the heading "CALL 24 Telephone Banking." The site includes the full text of the "Direct.Com Web Banking Agreement & Schedule of Fees" which describes in

detail the types of transactions that can be conducted using the Respondent's web banking service.

As a result of its business efforts, by the year 2000, the Respondent had grown to become the seventh largest credit union in Massachusetts, with more than 100 sponsor companies and approximately 35,000 members.

On October 25, 1990, the Respondent filed an application with the PTO to federally register as a word mark the terms "DIRECT Federal Credit Union", claiming first use from April 1, 1991. The PTO issued registration number 1,717,173 on September 15, 1992, for that mark in the field of "federal credit union services". On April 17, 1991, the Respondent filed an application in the PTO to federally register a mark that includes the words "DIRECT Federal Credit Union" and a logo, and claimed first use of April 1, 1991. The PTO issued registration number 1,699,401 on July 7, 1992, for that mark in the field of "credit union and related financial services". Copies of the entries from the PTO TESS system for these marks appear in Annexes B and C to the Response.

Since 1991, the Respondent has spent more than US \$ 5,000,000 to advertise services under its registered marks so as to for an association in the public mind between the word "DIRECT" and the Respondent's banking services.

In 1996, an individual then employed by the Respondent had a conversation with an individual who had been his supervisor in another financial institution and was, at the time of the conversation, employed by the Complainant. In that conversation, the two agreed that representatives of the Complainant could come to the Respondent's office in Needham, Massachusetts, to observe the direct banking services that the Respondent was then providing. The planned visit occurred shortly thereafter. The Respondent gave the representatives of the Complainant a full tour of the Respondent's Call Center and provided a full description of the direct banking services that the Respondent then provided. At the time of the visit, the Complainant had not been using the term "direct banking" in connection with its business. After that visit, the Complainant began using that term in connection with its service offerings.

Other entities have sought trademark protection for a mark that includes the term "directbanking" or "direct banking", specifically: the United Services Automobile Association (mark USAA DIRECTBANKING, now registration 2,166,151 claiming first use of May 31, 1995), Chase Manhattan Bank (mark CHASE DIRECT BANKING, now registration 2,436,735 claiming first use of September 17, 1999) and Raymond James Bank (mark RAYMOND JAMES DIRECT BANKING, registration 2,358,038 claiming first use of May 31, 1997). All have expressly disclaimed any trademark protection for that term, in identical language: "no claim is made to the exclusive right to use 'directbanking' apart from the mark as shown." Copies of the entries from the PTO TESS system for these marks appears in Annexes E, F and G to the Response, respectively.

On August 28, 2001, the Complainant submitted an Intellectual Property Claim to Neulevel.com, the exclusive registry operator, for "directbanking.biz"

On November 19, 2001, the Respondent registered the disputed domain name <**directbanking.biz**> with the Registrar. A copy of the WHOIS registration record for this name has been supplied by The Forum. In response to the registration, Neulevel.com placed the registration on "hold" and informed the Complainant Five that the Respondent had attempted to register a domain name identical to the Intellectual Property Claim submitted by the Complainant for its directbanking.com mark.

On December 14, 2001, The Complainant timely filed its STOP Complaint (ticket number 18G79F6cK9, challenge priority First) with The Forum to challenge the Respondent's registration of the disputed domain name, and to which the Respondent has timely responded.

DISCUSSION

Paragraph 15(a) of the STOP 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 STOP Policy requires that the Complainant must prove each of the following three elements to obtain an order that a domain name should be transferred:

- (1) the domain name is identical to a trademark or service mark in which the Complainant has rights; and
- (2) the Respondent has no rights or legitimate interests in respect of the domain name; and
- (3) the domain name has been registered or is being used in bad faith.

Substantial commonality exists between the ICANN policies governing both the Uniform Domain Name Dispute Resolution Policy ("UDRP") and STOP proceedings. While relatively few, if any, STOP decisions having been rendered to date, a corpus of several thousand UDRP decisions currently exists and which provides very useful guidance for many of the same issues that arise under STOP. Hence, the Panel, where appropriate and pursuant to paragraph 15(a) of the STOP Rules, will exercise its discretion and rely on relevant UDRP decisions as applicable precedent here.

Identity/Complainant's rights in its mark

Under the STOP proceedings, a STOP complaint, as here, may only be filed where the disputed domain name is identical to a trademark or service mark for which a complainant has registered an Intellectual Property (IP) claim form. Therefore, every STOP proceeding necessarily involves a disputed domain name that is identical to a

trademark or service mark in which a complainant asserts rights. The existence of the “.biz” generic top-level domain (gTLD) in the disputed domain name is not a factor, and hence is to be ignored, in determining whether a disputed domain name is identical or not to the mark in which the Complainant asserts rights. In that regard, UDRP panels -- including this one -- have repeatedly and uniformly held that gTLDs are to be ignored in assessing confusing similarity/identity under paragraph 4(a)(i) of the UDRP. See, e.g., *Ticketmaster Corporation vs. DiscoverNet, Inc.* D2001-0252 (WIPO Apr. 9, 2001) and *Ticketmaster Corporation v. Dmitri Prem*, D2000-1550 (WIPO Jan. 16, 2001).

Therefore, as a threshold matter, identity between the Complainant's mark and the disputed domain name should never be an issue in a STOP proceeding. It certainly is not here.

Given this, the Panel faces the question as to whether the Complainant has rights in the mark "DIRECT BANKING"; if it does not, the Complaint must be dismissed.

By virtue of its active federal registration for the mark "directbanking.com" though in stylized form, the Complainant has rights in this particular mark. The Panel has no reason, based on the very limited record before it, to doubt the validity of the Complainant's registration.

However, for federal purposes, the Complainant has expressly disclaimed any rights in the words "directbanking.com" themselves. Regardless of the Complainant's reason behind the disclaimer, i.e. as it suggests "solely for the purpose of obtaining approval of this application" (see the Complainant's Response filed January 5, 2001 in the US PTO appearing in Annex H to the Response), the fact is that the Complainant acquiesced to the Examiner's request. While doing so clearly did expedite approval of the application -- by resolving an issue raised by the Examiner, nevertheless, this acquiescence was willingly made and manifested acceptance of a "bargain" offered by the Examiner: disclaim the term and the application will be approved. If the Complainant felt that the term was not merely descriptive, then it should have rejected the Examiner's offer and filed argumentation, supplemented by appropriate and adequate evidentiary proof, to the effect that the term "directbanking.com" was not descriptive. It simply did not do so and will be held to the consequences of its bargain.

In viewing the effect of disclaimers, the US Circuit Court of Appeals for the Eleventh Circuit in *Lone Star Steakhouse & Saloon, Inc. v. Longhorn Steaks, Inc.* 41 U.S.P.Q.2d 1896 (CA11 1997) stated at page 1902, quoting from *McCarthy on Trademarks and Unfair Competition* (3d ed. 1992) at § 19.20 [1]:

"The disclaimer does not have the effect of removing from the registered mark the matter disclaimed. It disclaims only a claim that the federal registration gives an exclusive right in those disclaimed words or symbols per se. That is, *the applicant is merely stating that he is claiming only the whole composite mark as his property*, and makes no claim to those particular portions disclaimed."

(emphasis in original).

Hence, for purposes of the present dispute, the Complainant's federal registration, when viewed as a whole as it must be, i.e. necessarily including the design element, is not identical to the disputed domain name. In that regard, the Court in *Lone Star* noted *ibid* that, when faced with a disclaimer to the word "CAFE" by the plaintiff-registrant of a composite federal registration for "LONE STAR CAFE":

"The district court properly concluded that the validity of Plaintiff's LONE STAR CAFE mark is to be determined by viewing the trademark as a whole and not just the words 'Lone Star.' *Estate of P.D. Beckwith, Inc. v. Commissioner of Patents*, 252 U.S. 538, 545-46, 40 S.Ct. 414, 416-17, 64 L.Ed. 705 (1920) ("The commercial impression of a trade-mark is derived from it as a whole, not from its elements separated and considered in detail."); see also *California Cooler v. Loretto Winery, Ltd.*, 774 F.2d 1451, 1455 [227 U.S.P.Q. 808] (9th Cir. 1985) [T]he validity of a trademark is to be determined by viewing the trademark as a whole." (citing *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 379; 188 U.S.P.Q. 623 (7th Cir.), cert. denied, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 [191 U.S.P.Q. 416] (1976))."

In *In re K-T Zoe Furniture Inc.* 29 U.S.P.Q.2d 1787 (CAFC 1994) (an appeal from a refusal by the Trademark Trial and Appeal Board affirming a refusal by a Trademark Examiner to permit federal registration of a stylized form of the mark "THE SOFA AND CHAIR COMPANY"), the Court stated at page 1789:

"The purpose of the disclaimer practice is to enable, not to bar, registration. Although occasionally criticized, e.g., Saul Lefkowitz, 'Disclaimers--May They Rest in Peace', 71 Trademark Rep. 215 (1981), the practice can facilitate the commercial purposes of the trademark law, by enabling registration of a distinctive style of displaying words when the words themselves are not registrable. See, e.g., *In re Miller Brewing Co.*, 226 U.S.P.Q. 666, 668 (TTAB 1985) (configuration of disclaimed word "LITE" may be registered on Principal Register if the style of lettering functions as a trademark). However, a distinctive configuration of words does not of itself impart registrability to the words standing alone."

Therefore, to the extent the Complainant has any rights pertinent to the disputed domain name, those rights must arise from its common law rights. At first blush, the words "direct banking" appear to immediately connote to this Panel a class of banking services directly rendered by a bank to its customers and as such seem to be highly descriptive or possibly even generic. However, the question as to whether a highly descriptive mark has acquired, through promotional, advertising and other activities, sufficient distinctiveness in its marketplace (both as to territory and services offered) as to have developed requisite secondary meaning is by necessity a highly factual one. A generic mark, no matter how heavily it is promoted, is simply incapable of ever acquiring any distinctiveness and, as such, is unable to ever attain trademark status at common law.

Even though a textual component of a stylized mark may be disclaimed as being descriptive for federal purposes, the disclaimer does not deprive the mark of any common law rights it may have in the disclaimed matter. See *Official Airline Guides, Inc. v. Goss* 8 U.S.P.Q. 1157, 1158 (CA9 1988). However, to acquire common law rights, the mark, as perceived by its consumers, must be shown to have acquired distinctiveness. As textual portions of a mark become increasingly descriptive of the associated goods or services, increasingly more evidence is required to show that the mark, as perceived by its consumers, has acquired requisite secondary meaning in the minds of those consumers.

The Panel notes that given the highly descriptive nature of these terms "direct" and "banking", bordering possibly on being generic, the Complainant faces an extremely heavy, and possibly insurmountable, burden of proof in showing that its composite mark, "directbanking", and as perceived and understood by its consuming public, has acquired requisite distinctiveness and hence secondary meaning so as to afford it common law protection. Such proof is lacking here. The Complainant has submitted no survey, testimony by individual consumers or other evidence directly probative as to how consumers perceive its "directbanking" mark, whether as a descriptive/generic term indicative of a class of banking services, or, as is necessarily the case with a service mark, as a source identifier associating those services with the Complainant and only the Complainant as their source. Secondary meaning can also be shown indirectly through circumstantial evidence, such as the nature and extent of advertising and promotion of the mark, and the efforts made to promote a conscious connection by the public between the mark and the source of the product or service, but doing so requires at least some evidence that consumers associate the mark with the source. Although such circumstantial evidence of the pervasiveness of the mark may support a conclusion that the mark has acquired secondary meaning, such evidence cannot stand alone. See *Yankee Candle Co. v. Bridgewater Candle Co.* 59 U.S.P.Q. 2d 1720, 1730-1731 (discussed in the context of trade dress)

Unfortunately, summary ICANN arbitration proceedings, such as STOP and UDRP proceedings, simply do not accord the parties an adequate opportunity to construct a sufficiently well-developed record to permit a Panel to rule on whether a mark, particularly one that is arguably highly descriptive as here, has become sufficiently distinctive and hence susceptible of common law protection. As such, ICANN proceedings, as this one is, are inappropriate vehicles for deciding such issues.

Notwithstanding the inadequacy of the record and the Panel's inability to decide the existence of common law rights, as will be seen below, this issue is moot given the Panel's finding on rights and legitimate interests.

Rights or Legitimate Interests

The Panel's inquiry now turns under the Policy to assessing whether the Respondent has rights and legitimate interests in the disputed domain name. If the Respondent has such rights and legitimate interests, then, under paragraph 4(a)(ii) of the Policy, the Panel must dismiss the Complaint and permit no subsequent challenges, as against this Respondent, to the disputed domain name. Alternatively, if the Respondent does not possess any rights or legitimate interests, the Panel directs its inquiry, under paragraph 4(a)(iii) of the Policy, to determining whether the Respondent has registered or is using the disputed domain name in bad faith.

The record before this Panel is clear and undisputed that the Respondent has been offering banking services that are encompassed by the descriptive phrase "direct banking" since 1991 -- a market which the Complainant did not enter until 1995. In fact, the record shows that the Complainant and Respondents are competitors -- providing highly similar, if not identical banking services, with the Complainant, in fact, having visited the Respondent in 1996, i.e. five years after the Respondent started offering its banking services, to ostensibly learn about the direct banking services which the Respondent then offered and specifically how the Respondent then provided those services.

It simply makes no sense to this Panel to preclude the Respondent from registering and using a domain name that accurately describes the type of banking services it offers. To do anything else would be to deny a domain name registrant, and correlatively the Internet community, if not the public at large, of the benefit of using a term, consistent with its common ordinary meaning that accurately describes that registrant's services; to do otherwise would unjustifiably withdraw such terms from the public lexicon. Furthermore, this view is particularly telling inasmuch as the Respondent (not the Complainant) is the party which first registered the name.

Therefore, regardless of whether the Complainant is ultimately able to prove it has any common law rights in simply the term "directbanking" standing alone -- and the Panel seriously questions whether it will ever be able to do so, clearly the Respondent by providing such services for several years prior to the time the Complainant entered the market is certainly and legitimately entitled to utilize a domain name, here <**directbanking.biz**>, that merely but accurately describes its own service offerings.

In finding rights and legitimate interests, the Panel notes that under the language of paragraph 4(c) of the STOP, the specific examples of a respondent's conduct in paragraphs 4(c)(i-iii) that would demonstrate its having rights and legitimate interests in a disputed domain name are not exhaustive. While none of these specific examples seem to directly apply here, nevertheless the Panel finds support for its finding of such rights and legitimate interests here under the broad inclusive provision of paragraph 4(c), namely: "Any of following circumstances, in particular *but without limitation* shall demonstrate ... rights or legitimate interests" [emphasis added].

Thus, this Panel concludes that the Respondent has rights and legitimate interests in the disputed domain name under paragraph 4(a)(ii), and specifically paragraph 4(c), of the Policy.

Registration or Use in Bad Faith

Inasmuch as the Panel believes, as discussed above, that the Respondent has rights and legitimate interests in the disputed domain name when it registered the disputed domain name and continued using it, the Panel finds that the Respondent's actions do not evince bad faith use or registration of the disputed domain name under paragraph 4(a)(iii) of the Policy.

DECISION

In accordance with paragraphs 10 of the Policy and 15 of the STOP Rules:

- (a) the relief sought by the Complainant is hereby **denied**; and
- (b) the relief requested by the Respondent is hereby **granted**, i.e., the Panel orders that the Complaint be **dismissed**.

Further, inasmuch as the Panel finds that the Respondent does have rights and legitimate interests in the disputed domain name, the Panel orders that **no** subsequent STOP challenges to this domain name, as against the present Respondent, will be permitted.

Peter L. Michaelson, Esq., Panelist
Dated: February 15, 2002