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Innocent Bystanders of Cybersquatting: Neutral Domain Name Registrars

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Petroliam Nasional Berhad (Petronas) v. GoDaddy.com, Inc.

Addressing for the first time the issue of whether the **Anticybersquatting Consumer Protection Act** (ACPA), which added two cybersquatting causes of action to the Lanham Act, provides for secondary liability, the U.S. Court of Appeals for the Ninth Circuit affirmed that it did not. Engaging in traditional statutory interpretation, the court concluded that the ACPA did not create a cause of action for contributory cybersquatting which would have extended liability to neutral domain name registrars. *Petroliam Nasional Berhad (Petronas) v. GoDaddy.com, Inc.,* Case No. 12-15584 (9th Cir., Dec. 4, 2013) (Smith, Jr., J.).

Plaintiff Petroliam Nasional Berhad (Petronas), a Malaysian government-owned entity, holds the U.S. trademark PETRONAS. In 2003, a third party registered the domain names petronastower.net and petronastowers.net. (Petronas also owns the Petronas Twin Towers in Malaysia). Defendant GoDaddy.com, Inc. (GoDaddy) is the world's largest domain name registrar. In 2007, the third party began using GoDaddy's domain forwarding services directing the domain names to the adult web site camfunchat.com.

GoDaddy investigated the alleged cybersquatting, but took no action. Petronas sued GoDaddy alleging, *inter alia*, cybersquatting and contributory cybersquatting. The district court granted summary judgment with respect to contributory cybersquatting in GoDaddy's favor. Petronas appealed.

Under the ACPA, a person may be civilly liable "if . . . that person has a bad faith intent to profit from that mark . . . and registers, traffics in, or uses a [protected] domain name." Petronas argued that the ACPA provides a cause of action for contributory cybersquatting since Congress placed the ACPA within the Lanham Act, and by so doing, intended to incorporate common law principles of secondary liability.

The 9th Circuit disagreed. Although "[e]stablished common law principles can be inferred into a cause of action where circumstances suggest that Congress intended those principles to apply," the court concluded, for several reasons, agreeing that was not the case here: the plain text of the ACPA did not apply to contributory liability; Congress created a new cause of action distinct from traditional

trademark remedies; and allowing suits against neutral service providers would not advance the statutory goals.

First, the court noted that the text of the ACPA limits when a person can be considered a cybersquatter to those that “register, traffic in, or use a domain name” with the “bad faith intent to profit” from that protected mark. Extending liability to third parties, such as GoDaddy, would improperly expand the range of prohibited conduct to include persons who are not cybersquatters (*i.e*., who lack a “bad faith intent to profit”) but whose actions may have the effect of aiding them. Second, unlike the Lanham Act, which codified then existing common law of trademarks and unfair competition (which recognized secondary liability), the court noted that the ACPA did not result from or codify any existing common laws. Rather, it created a new statutory cause of action to address a new problem: cybersquatting. Third, the court explained that the goal of ACPA was to “ensure that trademark holders can acquire and use domain names without having to pay ransom money to cybersquatters.” This goal is not furthered by imposing contributory liability on service providers but would force them to divine the intent of their customers.

Practice Note: Although the Court concluded that the ACPA was not meant to go after neutral service providers, it did that mark holders have sufficient remedies under the ACPA (and Lanham Act) without the need for contributory cybersquatting liability.

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