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Hospitality Law

Hospitality Online: Don't Steal This Hotel's Domain Name



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What should you do when a disgruntled employee, vendor or competitor decides to steal your website's domain name and wreak havoc on your business?

Answer, sue.

Under a federal statute known as the Anti-Cybersquatting Piracy Act (the "ACPA"), victimized website owners now have a powerful arsenal of potential remedies at their disposal including injunctive relief, damages, lost profits and attorneys' fees.

Rather than capitulate to extortionate demands from unscrupulous domain name felons, owners can fight back and defend their good names.

Recently, we were presented with a case in which our client, Hotel X, was forced to bring suit under the ACPA against its longtime vendor, an advertising representative responsible for marketing the hotel to consumers and travel agents. Several years ago, the hotel asked the advertising rep to create a website for the hotel. The rep purchased a domain name, Hotel X.com, designed the site and got it up and running. The site exclusively promoted the business of the hotel which paid the rep for his services.

One year later, the hotel terminated the rep. Within days of his termination, the rep purchased at least two dozen domain names each of which was a variation on the hotel's website, i.e., Hotel X.org, Hotel X.biz, Hotel X.info, etc. In addition, the rep stated that he would no longer forward to the hotel any information concerning reservations booked on the hotel's website. However, the rep stated that he would entertain an offer to sell the website and domain names to the hotel at the right price.

Fortunately, the ACPA presented the hotel with an effective means of resolving this dispute. In a nutshell, the ACPA is designed to prevent a party from registering a domain name of an established entity in bad faith and then offering to sell the domain name to the entity at an exorbitant price. Prior to passage of the ACPA, Congress viewed the existing remedies available for victims of domain name theft, i.e., cybersquatting, as "expensive and uncertain". To address this problem, in 1999, Congress passed the ACPA which provides for the forfeiture or cancellation of the offending domain name or for its transfer to the plaintiff as well as for damages resulting from the theft.^[1]

In addition to showing that the alleged cybersquatter's domain name either dilutes a famous trademark or is confusingly similar to a distinctive trademark, a plaintiff must show that the alleged cybersquatter acted with a "bad faith intent to profit" when he registered the domain names. The statute lists nine factors which courts "may" consider along with other facts to resolve this question. In the case of Hotel X, at least seven of the nine factors weighed in its favor and against the rep:

- the rep did not have any trademark or intellectual property rights in the domain names which were merely variations on the hotel's tradename;
- the domain names did not consist of the rep's legal name;
- there had been no prior use of the names by the rep in connection with the offering of any goods or services (other than an offering by the hotel for its goods and services);
- the rep was not using the hotel's trade name for a noncommercial purpose;
- the rep offered to sell the domain names to the hotel without having used the names in the offering of any goods or services;
- the rep registered multiple domain names which he knew were identical or confusingly similar to the hotel's tradename; and
- the hotel's trade name was distinctive under the trademark laws.^[2]

Combined with the above factors, the rep's attempt to hold the domain names hostage until the hotel paid him an exorbitant sum of money for the transfer of the names clearly represented the type of bad faith use which the statute was designed to prevent.

The moral of the story? Don't surrender to domain name piracy without a fight. Find out what your legal rights are and you, too, may be able to reclaim your good name.

[1] Under the statute, a plaintiff is given the choice between electing between an award of "statutory damages" ranging from \$1,000 to \$100,000 per domain name or an award based upon the court's determination of actual damages which may include lost profits and the cost of the lawsuit.

[2] The two factors which did not weigh in the hotel's favor were that the rep had not sought to divert consumers from the hotel's website to any other website and the rep had not provided material and misleading contact information when applying for the registration of the domain names.

Peter M. Ripin is a partner with Davidoff & Malito LLP in New York City where he practices in the areas of business litigation and dispute resolution. Mr. Ripin has represented numerous institutions and individuals in the hospitality industry including hotels in connection with disputes concerning website domain name piracy and the Anti-Cybersquatting Piracy Act, timeshare developers and managers in disputes arising out of joint ventures, restaurant franchisees in connection with actions seeking to terminate their franchise agreements and large catering halls involving significant business disputes. Mr. Ripin was formerly associated with Kelley Drye & Warren and Shea & Gould and is a cum laude graduate of Columbia University and Georgetown University Law Center. He may be reached at (212) 557-7200 and pmr@dmlegal.com

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