

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

Nos. 03-20243 and 03-20291

TMI, INC.,

Plaintiff-Appellee,

v.

JOSEPH M. MAXWELL,

Defendant-Appellant.

Appeal from an Injunction and Judgment
of the United States District Court
for the Southern District of Texas, Houston Division

BRIEF FOR DEFENDANT APPELLANT JOSEPH MAXWELL

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STATEMENT REGARDING ORAL ARGUMENT

This appeal addresses an issue of first impression in this Circuit – whether a consumer “gripe site” operator, who has no commercial motivation for registering a domain name and establishes a “gripe site” which contains no commercial material, violates the trademark laws when he uses the name of the company about which he is complaining, or the name of one of its products, as the domain name for his website. This Court, like many others, has addressed the trademark ramifications of domain names in the commercial context, but there are only a handful of appellate and trial courts that have considered the question in the context of a non-commercial gripe site. The trademark issue and its First Amendment ramifications are sufficiently serious and complex that, we believe, oral argument would be useful to the Court. In addition, the size of the monetary award against the individual griper in this case, an \$80,000 award that was imposed without giving the individual a chance to address the amount, has such a potential chilling effect that it would be unfair to the individual and to the general public for the court to affirm the award without the opportunity for oral argument.

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Appellant seeks review of orders awarding \$80,000 in statutory damages and attorney fees against an individual who created a website to voice his criticisms of a local homebuilder. The court below also ordered defendant both to surrender the domain names that he registered for his website, and to refrain from further use of the homebuilder's name and any trademarks identifying its products. Because neither the Lanham Act nor the Anticybersquatting Consumer Protection Act ("ACPA") applies to noncommercial websites, because trademarks are properly used in domain names to denominate the subject of the underlying websites, and because the First Amendment forbids both prior restraints and the imposition of liability for truthful, noncommercial criticism of businesses, the judgment should be reversed.

JURISDICTION

The district court had jurisdiction under 28 USC §§ 1331, 1337 and 1338. The injunction against Maxwell was issued on February 12, 2003, RE18, R151; the Court has jurisdiction of Maxwell's appeal from that order, filed on February 21, 2003, RE7, R181, under 28 USC § 1292(a)(1). The district court entered its final judgment on February 27, 2003, RE9-10, R200-201; the Court has jurisdiction of Maxwell's appeal of the judgment, filed on March 6, 2003, RE8, R188, under 28 USC § 1291.

QUESTIONS PRESENTED

1. Do the Lanham Act's anti-dilution provision and the ACPA bar the use of a trademark in the domain name of a noncommercial website that criticizes the owner

of the trademark?

2. Does the First Amendment permit a court to forbid the use of a trademark to denominate the topic of a noncommercial website that criticizes the services provided by the trademark holder?

3. Was the award of \$40,000 in statutory damages grossly excessive, and was the award imposed without due process?

4. Is this an “exceptional case” where attorney fees were properly awarded?

STATEMENT

A. Facts.

This case arose from a dispute between defendant-appellant Joseph Maxwell and plaintiff-appellee TMI, Inc., about the building of a home that he purchased after his employer transferred him to the Houston area. Maxwell identified TMI as a desirable homebuilder, and decided he wanted a particular kind of home made by TMI under its common-law trademark, TrendMaker Homes. TMI’s salesman told Maxwell that the particular style Maxwell wanted could not be built within the time that Maxwell needed, and so Maxwell chose another model, and construction began. RE11, R158. After Maxwell noticed that the model he wanted was, in fact, being built in the desired timeframe, he complained to his sales representative. TMI attempted to mollify Maxwell by offering him a partial refund of his deposit, which he deemed insufficient. RE11-12.

Maxwell created an Internet gripe site to communicate his side of this dispute to the general public. The site was devoted primarily to telling Maxwell's story – namely, that TMI makes nice homes, but that its agents cannot be trusted, and so consumers should be careful in their dealings with this company. Maxwell also planned to include a “treasure chest” section that would allow his website's viewers to recount their own positive and negative experiences with local homebuilders and craftspeople. He would not, however, accept any remuneration for the inclusion of such information. RE21, 32, R54. None of TMI's competitors was ever listed on the website; and although he listed one tradesperson whose work he admired, the treasure chest did not otherwise come into use. RE27, R44. The website was entirely non-commercial; it did not carry any advertisements, and Maxwell did not receive financial support from anybody for his site. RE21, 32, R54.

Because the site was about Maxwell's bad experience with representatives of the maker of TrendMaker Homes, Maxwell decided that the domain name for his site should be “www.trendmakerhome.com.” When Maxwell went to register that domain name, TMI was already using the name “www.trendmakerhomes.com” for its own website; and, because domain names are registered on a first come, first served basis, TMI could have registered “www.trendmakerhome.com” had it considered that name desirable. As Maxwell explained, he did not want to use a domain name coupling the word “sucks” with TMI's trademarks because he felt that TrendMaker

houses are well built and that TMI was basically a good company; he just had a complaint about one aspect of its business practices. RE21, 34, R52.

On at least two occasions, Maxwell received emails through his website from persons that appeared to be intended for staff at TMI. RE30, R56. Only one of these emails appeared to be commercial in nature; the others were personal messages. RE28, R43. Maxwell had no desire to confuse anybody about the sponsorship of his site; indeed, his site featured a prominent disclaimer, at the very top of his home page, “This site is not affiliated with ‘TrendMaker Homes.’” RE36, 44, R50, 11. Therefore, he immediately forwarded each such email to TMI, and also provided the persons sending the emails with TMI’s actual email address. RE28, 30-31, R43, 55-56.¹

Maxwell originally registered the domain name “www.trendmakerhome.com” for one year; he allowed the name to expire, and took the website down when that year was up. Shortly after the website came down, however, Maxwell received a

demand letter from TMI, demanding that he give up the domain name and take down his website. Maxwell decided that TMI’s demand and lawsuit were unworkable, and he gained confidence from having received them that perhaps his

¹The record does not reflect the number of such emails that Maxwell received; the word “emails” is used in the plural, thus revealing that he received more than one. RE 30-31, R55-56. No evidence shows why the emails were sent to Maxwell. TMI theorized below that the senders may have thought that the website belonged to TMI, but the evidence showed only that Maxwell agreed that this was one possible reason. DEN17, at 3, R142.

website was a worthwhile endeavor. Although TMI took control of Maxwell's original domain name once his registration expired, Maxwell registered a second domain name, "www.trendmakerhome.info," which was still available. However, in deference to the pending litigation, Maxwell did not begin using that domain name for his website; he decided to wait until this case is decided. He made clear, however, that if he won the case, he would restore his website to the Internet using the "www.trendmakerhome.info" domain name. RE 31.

B. Proceedings Below.

On February 8, 2002, TMI commenced this action against Maxwell, alleging that, by using a domain name that resembled its "Trend Maker Homes" trademark for his own critical website, Maxwell had caused a likelihood of confusion in violation of the Lanham Act's unfair competition provision, section 43(a), 29 U.S.C. § 1125(a), had diluted its trademark in violation of section 43(c) of the Lanham Act, 29 U.S.C. § 1125(c), and also violated the ACPA, enacted as section 43(d) of the Lanham Act. DEN1, R2-7. Maxwell consulted a local attorney, who made clear to Maxwell how expensive it would be to defend himself in a trademark action. Without ever entering an appearance in the case, this attorney attempted to reach a settlement with TMI, and the two sides reached the point of drafting a proposed settlement agreement. DEN32, at 38. In the end, Maxwell was unwilling to agree to the terms that had been discussed between this attorney and TMI's counsel, *id.* at 52; but Maxwell also

decided that he could not afford to hire the lawyer to represent him. *Id.* at 82. Instead, Maxwell proceeded pro se throughout the proceedings below. RE1.

After obtaining answers to interrogatories and requests for admissions, RE27-40, R43-56 TMI moved for summary judgment, arguing that because Maxwell's domain name was so close to its own trademark, his conduct was improper under the various subsections of the Lanham Act as well as state anti-dilution law. DEN11, R63-82. In response, Maxwell placed a printout of the website in the record for the court for its review, DEN13, R94-114, in addition to the CD containing an electronic copy of the website that he had attached to his Answer. DEN4, R11.² Maxwell argued that the domain names he had chosen were fairly related to the subject of the website, and hence did not cause confusion about the source of the site, or represented fair use and that in any event his website was entirely noncommercial and hence outside the scope of the Lanham Act. Maxwell acknowledged that the Internet might be "in commerce" under the Lanham Act, but that his use of the domain name did not meet the statutory definition of "use in commerce." Maxwell further contended that the suit was an effort to suppress his free speech, and that the complaint was a "SLAPP suit," or "Strategic Litigation Against Public Participation," and he urged the district court to grant him a remedy that would prevent such attacks on his free speech.

²A copy of this CD is in the Record Excerpts, at 44. Instructions for viewing the site on the CD are at the bottom of the page on RE43, R23.

DEN13, R115-117.

The district court did not rule on the parties' motions, but scheduled a trial. The Pretrial Order reflects the continued assertion of these legal positions. TMI cited numerous cases in which commercial rivals or commercial cybersquatters had been found in violation of the Lanham Act and ACPA for using the trademarks of others in their domain names. In response, Maxwell contended that those cases should not apply to his situation because his site was noncommercial and outside the reach of the statutes he was alleged to have violated. Maxwell also contended that the domain name for a "gripe site" can properly include a trademark of the entity being discussed, and that, in any event, his site represented "free speech in a public forum" and hence was protected. DEN17, R126-137.

Most of the facts came into the record at the trial through Maxwell's responses to TMI's interrogatories and requests for admissions. Much of the trial was devoted to the district court's questioning of Maxwell about the abortive effort to settle the case, without any apparent attention to Rule 408 of the Federal Rules of Evidence. DEN32 at 37-56, 74-82, 96-100. The judge seemed to believe that, although the lawyer whom Maxwell had consulted had never entered an appearance in the case, and even though Maxwell had never signed a proposed agreement that Maxwell's lawyer had drafted, Maxwell was bound by that proposed agreement. The judge also accused Maxwell of behaving in bad faith by allowing his lawyer to negotiate a possible

compromise while researching the law to determine whether he could defend himself against the lawsuit. RE22-24, DEN32 at 109-111.

In the end, however, the Court did not overtly rely on Maxwell's perceived misuse of settlement negotiations as a reason for its decision. Moreover, although the district court recited the eight factors that must be considered to decide "whether a mark is distinctive or famous," RE15-16, R153-154, the seven "digits" considered in "determining the likelihood of confusion," RE16, R154, and the list of nine "factors for a court to consider when determining whether a defendant acted with a bad faith intent to profit" from TMI's mark, RE13-14, R155-156, the court did not, in fact, discuss those factors or make factual findings about how and whether they should be applied. Instead, in conclusory fashion, the district court simply stated, without any citation to authority, that domain names for Internet "gripe sites" may include a trademark if, and only if, the name evidences that it **is** a gripe site (such as "xyzsucks.com"), but not if the name contains only a trademark without the negative term. RE16-17, R152-153. Without any further elaboration, the Court concluded,

Based on the undisputed evidence, the Court holds that defendant's actions have been intentional, flagrant and in bad faith. Moreover, he has shown no remorse for this actions, even in trial. Thus, the defendant's use of "trendmakerhome.com" was the kind of commercial use prohibited by the ACPA. *See Ernest & Julio Gallo Winery v. Spider Webs*, 286 F.3d 270 (5th Cir. 2002); [*Toronto-Dominion Bank v. Karpachev*, 188 F. Supp.2d at 113-114.

RE17, R152.

The only specific evidence cited by the court was that some persons “mistakenly sent e-mails to defendant’s website thinking that they were sending an e-mail to TMI’s website,” a fact which the Court said “establishes confusion and constitutes dilution.” RE17. Moreover, preventing TMI from using the particular domain names that Maxwell had selected also “constitutes dilution.” RE17-18, R151-152. The court did not address Maxwell’s defense of fair use, and the quote blocked above was its only discussion of Maxwell’s argument that his website was protected because it was noncommercial.

Based on this reasoning, the district court enjoined Maxwell from using “names, marks and domain names similar to any of the following marks owned by TMI [listing ten different trademarks, six of which had nothing to do with “Trend Maker],” and ordered Maxwell to transfer his “trendmakerhome.info” domain name to TMI. The court then gave TMI twenty days to submit evidence supporting a claim for attorney fees, as well as a proposed final judgment, and allowed Maxwell ten days after the filing of plaintiff’s documents to respond to them. RE18-19, R150-151. Maxwell appealed from this order on February 21, 2003. RE7, R181.

On February 14, 2003, TMI filed a proposed final judgment that would award it \$40,000 in attorney fees and costs, and an additional \$40,000 in statutory damages. DEN22, R176-177. The proposed form of judgment also found violations on several causes of action that had not been discussed in the judge’s memorandum and order.

Seven business days later, on February 26, Judge Hoyt signed TMI's proposed final judgment, which recited that this was an "exceptional case" in which an award of \$40,000 in attorney fees was warranted. RE10, R199. The court did not explain why the case was "exceptional" or how it selected this amount of fees. The court further awarded \$40,000 in statutory damages, \$20,000 for the domain name that Maxwell had allowed to lapse and \$20,000 for the name that Maxwell registered after he was sued. The Court provided no explanation for its decision to award statutory damages and no further explanation of the amount. The Court ordered Maxwell to give TMI a cashier's check in the amount of \$80,000. On March 6, 2003, Maxwell appealed from the judgment. RE8, R188.

Maxwell transferred the domain name as ordered, but did not pay the award of fees and damages because he does not have the money. TMI then moved to have Maxwell held in contempt, DEN29, R191-193, and Maxwell responded by arguing that he should not be held in contempt for failure to pay a money judgment, and that if the judgment were enforced he would have to declare bankruptcy to protect his home. RE30-31, R195-196. The district court has not ruled on the contempt motion.

SUMMARY OF ARGUMENT

The injunction and monetary award against Maxwell for domain names that accurately described the content of a website about his bad experience with TMI sales representative raises serious questions under the First Amendment in light of the

wholly noncommercial nature of his website and the lack of any commercial motivation for his domain names. The Court is urged to keep the constitutional issues in mind while considering Maxwell's challenge to the propriety of the trial judge's rulings under the Lanham Act, ACPA and state anti-dilution statute, because if Maxwell's statutory arguments are rejected, those questions will have to be decided.

Decision of such issues is unnecessary, however, because the statutes do not apply to noncommercial uses such as Maxwell's. Moreover, because domain names are analogous to the title of a website, and hence may properly describe the site's subject matter, use of a domain name that incorporates the trademark of a company that is criticized on the website neither infringes nor dilutes the mark, because there is no likelihood of confusion and because it is a fair use. Nor did Maxwell have the "bad faith intent to profit" required to find a violation of the ACPA.

Even if liability is affirmed, the awards of attorney fees and statutory damages should be overturned, because the district court decided to impose them without receiving an opposition from Maxwell and without waiting until after his time to oppose them had expired, TMI did not meet the requirements previously set forth by this Court for such awards, and the district court did not make the necessary findings.

ARGUMENT

I. MAXWELL'S DOMAIN NAMES NEITHER INFRINGE NOR DILUTE TMI'S TRADEMARKS.

The preliminary injunctions should be reversed because neither the domain names nor the websites infringe TMI's trademarks in the name "Trend Maker Homes." The website falls within the express statutory exception for non-commercial use of the mark, and hence cannot be actionable under section 43 of the Lanham Act. There is no likelihood of confusion about whether TMI is the sponsor of Maxwell's websites, and any risk of dilution is defeated because Maxwell has made fair use and nominative fair use of the marks on websites that are about TMI.

A. Maxwell's Use of TMI's Trademarks Falls Within the Non-Commercial Use Exception to Section 43 of the Lanham Act.

The judge's memorandum and order found Maxwell in violation of two different provisions of the Lanham Act – section 43(c), which forbids dilutive uses of famous trademarks in "commercial use in commerce," and section 43(d), the ACPA, which forbids confusing or dilutive use of trademarks with bad faith intent to profit from the misuse of the mark. Because both provisions have no application to strictly noncommercial uses like Maxwell's, the judgment below must be reversed.³

³The final judgment also identified 15 USC § 1125(a) as having been violated, but the opinion never discussed this section. That section of the Lanham Act forbids "use in commerce" of a mark in a manner likely to cause confusion; "use in commerce," in turn, is defined by section 1127 as meaning "bona fide use of a mark in the ordinary course of trade" *International Bancorp, LLC v. Societe Des Bains*, 329 F3d 359, 364 (CA4 2003). Unless TMI defends this appeal on the theory that section 1125(a) was violated here, even though the district court never explained why that section was violated or issued findings on this issue, Maxwell will not discuss the "commerce" requirement separately as it pertains to this cause of action.

Section 43(c) contains two separate limitations to commercial uses, both of which protect Maxwell. First, the body of section 43(c) authorizes relief for dilution “against another person’s commercial use in commerce of a mark or trade name . . . if such use . . . causes dilution of the distinctive quality of the mark.” Second, subsection 43(c)(4)(B) provides, “The following shall not be actionable under this section: . . . (B) Noncommercial use of a mark.” The purpose of the statute’s noncommercial use exception was to protect “parody, satire, editorial and other forms of expression that are not part of a commercial transaction.” *Dr. Seuss Enterprises v. Penguin Books USA*, 924 F.Supp. 1559, 1574 (S.D. Cal. 1996), *aff’d*, 109 F.3d 1394 (CA9 1997), quoting Congressional Record statement of Senator Hatch.

Indeed, every time Congress has considered amendments to section 43, concern has been expressed about running afoul of the constitutional protections for non-commercial speech, and Congress has carefully limited section 43 to regulate only commercial content to avoid any impact on non-commercial speech:

[T]he proposed change in Section 43(a) should not be read in any way to limit political speech, **consumer** or editorial **comment**, parodies, satires, or other constitutionally protected material. . . . The section is narrowly drafted to encompass only clearly false and misleading commercial speech.

135 Cong. Rec. H1207, H1217 (daily ed., April 13, 1989) (emphasis added).

See also comments of Representative Kastenmeier, the sponsor of the legislation and

the Chairman of the House Subcommittee on Courts, Civil Liberties and the Administration of Justice (sponsors recognized that this change threatened to raise “a host of constitutional problems” insofar as the section applied to non-commercial speech. “To avoid legitimate constitutional challenge, it was necessary to carefully limit the reach of the section. . . . [T]he reach of the section specifically extends only to false and misleading speech that is encompassed within the “commercial speech” doctrine developed by the United States Supreme Court.” 135 Cong. Rec. H-1216, 1989 WL 191679 (April 13, 1989).) Indeed, the Sixth Circuit has stated more generally that the Lanham Act regulates only commercial speech, and hence that there is no need to decide whether an Internet domain name violates the Lanham Act if the website for which it is used is devoid of commercial content or commercial links. *Taubman v. WebFeats*, 319 F3d 770, 774-775 (2003).

The ACPA is similarly limited to regulating commercial speech. First of all, because that statute was enacted as subsection 43(d) of the Lanham Act, 15 U.S.C. § 1125(d), it is within the purview of section 43(c)(4)(B), which is not limited to subsection (c), but covers the entirety of section 43: “The following shall not be actionable **under this Section.**” (emphasis added). Second, a savings clause to the ACPA provides that the cybersquatting law does not override section 43(c)(4) of the Lanham Act. Public Law 106-113, Section 3008, 113 Stat. 1501A-551. The sponsors of the cybersquatting law specifically disclaimed any intention to provide a cause of

action against persons who registered domain names for the purpose of delivering comment or criticisms of trademark owners by identifying the owners with their marks. *See* House Report 106-412, 106th Cong. 1st Sess. (1999), at 10. Finally, an ACPA plaintiff must make two showings – in addition to showing that the domain name is dilutive or identical or confusingly similar to the mark of the senior user, 15 USC § 1125(d)(1)(A)(ii), the plaintiff must show that the defendant registered the name for the bad faith purpose of profiting from the good will that another had built up in its trademark. 15 USC § 1125(d)(1)(A)(i). The term “profit” connotes commercial use, either through obtaining payment for the domain name or obtaining money through the website. Here, although the district court found bad faith, it never made a finding that Maxwell had a bad faith “intent to profit.” The judgment should therefore be reversed.

Neither of the two cases cited by the district court supports its conclusion that Maxwell’s use was “the kind of commercial use covered by the ACPA.” RE 17, R152. In the first case, *E&J Gallo Winery v. Spider Webs*, 286 F3d 270 (CA5 2002), the defendants were commercial vendors of domain names, and had registered some three hundred domain names in the form of famous trademarks that they hoped to sell to the owners of those marks, including Gallo. In the other case, *Toronto-Dominion Bank v. Karpachev*, 188 FSupp.2d 110 (DMass 2002), the issue of commercial use was not

even raised.⁴

In sum, the judgment should be reversed for lack of commercial use.⁵

B. There Is No Likelihood of Confusion About Whether TMI is the Source of Maxwell's Websites.

1. The Relevant Confusion Is About Source; Nominative Fair Use Permits Use of the Trademark by Others to Describe the

⁴*Gallo* cited two cases for the proposition that use of a trademark in a domain name for a website attacking the trademark holder has sufficient impact on the mark holder's business to be considered to be a use "in connection with goods and services." 286 F3d at 275. The cases do not stand for the proposition that such use is commercial under the ACPA, and in any event they are distinguishable. In one of the cases, *PETA v. Doughney*, 113 FSupp2d 915 (EDVa 2000), *aff'd*, 263 F3d 359 (CA4 2001), the defendant had registered the domain name in the hope of extorting an exorbitant payment; in the other case, *Planned Parenthood Federation of America, Inc. v. Bucci*, 1997 WL 133313 (SDNY 1997), *aff'd mem.*, 152 F3d 920 (CA2 1998), the defendant was selling a book and soliciting donations for the anti-abortion cause on his website at plannedparenthood.com.

⁵No Texas case decides whether the state anti-dilution law, like the Lanham Act, requires a finding of commercial use. However, the Texas statute is based on § 12 of the United States Trademark Association Model State Trademark Bill. *Exxon Corp. v. Oxxford Clothes*, 109 F3d 1070, 1081 (CA5 1997). About thirty states, including New York, Illinois, and California, track the language of the Model Bill. 3 McCarthy § 24:80. This Court uses the law of these other jurisdictions as an aid to interpreting the Texas statute. *Exxon Corp.*, 109 F3d at 1081. Courts interpreting state laws based on the model act interpret them in a manner parallel to the FTDA. *See, e.g., Avery Dennison Corp. v. Sumpton*, 189 F3d 868 (CA9 1999) (calling the California and federal acts "substantially similar" and interpreting the two statutes together); *Network Network v. CBS*, 54 USPQ2d 1150 (CDCal 2000) ("Dilution under state law is subject to essentially the same analysis as dilution under the FTDA."); *Films of Distinction v. Allegro Film Prods.*, 12 FSupp2d 1068, 1078 (CDCal 1998). Thus, under the California statute, the defendant must be "making commercial use of the mark" before dilution can be found. *Communications, Inc. v. Animal Planet*, 172 FSupp2d 1282, 1290 & n1 (CDCal 2001).

Trademarked Goods.

“[T]he general concept underlying likelihood of confusion is that the public believe that ‘the mark’s owner sponsored or otherwise approved of the use of the trademark.’” *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186 (CA6 1988). Thus, trademark law does not protect against just any kind of confusion, but only confusion about source: “The touchstone of infringement is whether the use creates a likelihood of confusion as to the ‘source, affiliation, or sponsorship’ of Tour 18's golf course. . . . Likelihood of confusion is synonymous with a probability of confusion, which is more than a mere possibility of confusion.” *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 543 (CA5 1998). Other courts agree: “All of [the] legitimate trademark purposes derive ultimately from the mark’s representation of a single fact: the product’s source. It is the source denoting function which trademark laws protect, and nothing more.” *Anti-Monopoly v. General Mills Fun Group*, 611 F.2d 296, 301 (CA9 1979); *Smith v. Chanel*, 402 F.2d 562, 566-569 (CA9 1968) (explaining how confining trademark law to this function best serves consumers’ and companies’ interests).

There is no violation of the trademark laws when a person other than the trademark holder uses the trademark to denote the trademark holder or the trademark holder’s goods because the user of the mark desires to speak about the trademark holder or its goods. *E.g.*, *Calvin Klein Cosmetics Corp. v. Lenox Laboratories*, 815 F.2d 500, 503 (CA8 1987). As explained by Professor McCarthy:

Use of a mark in a purely communicative, non-trademark setting should be permitted or else trademark law could be used as a tool to stifle unwelcome discussion. . . . The Restatement takes the position that in cases where the trademark owner alleges injury to reputation from a non-trademark purely communicative use of its mark, trademark law, whether in the form of traditional infringement or dilution, should not apply. . . . Non-trademark uses, which do not involve a use to identify another's goods, service or business, . . . are unlikely to have [a] diluting effect. In most instances, such uses are intended to refer back to the original trademark owner and serve to confirm rather than undermine the associational significance of the mark.

5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 31:148 (4th ed. 1999).

Use of a trademark to speak about the trademark holder or its goods and services is regarded as “nominative fair use.” *Brookfield Communications v. West Coast Entertainment*, 174 F3d 1036, 1065-66 (CA9 1999); *New Kids on the Block v. New America Pub.*, 971 F2d 302, 306-309 (CA9 1992); *see also* McCarthy § 23.11. This principle ordinarily presents itself in cases where the defendant is criticizing the trademark holder, or in cases in which the defendant makes a product in competition with the trademark holder and wants to tell consumers that its product is at least as good as the trademarked product, if not better. In both cases, the courts steadfastly protect the speaker, so long as the speaker makes clear that he is not the trademark holder and, in the case of the maker of an imitative or competing product, so long as the speaker does not make false statements about the trademarked product.

Fair use principles apply with equal force when a speaker wishes to praise the

trademark holder as when he wishes to criticize. For example, in *New Kids on the Block*, a newspaper ran a poll asking readers to vote for their “fave” member of a singing group called New Kids on the Block; the Ninth Circuit held that the newspaper was free to use the name of this popular band for the purpose of talking favorably about the band and appealing to the reading public to buy its newspaper because it covered such topics. Justice Holmes articulated the same principle in *Prestonettes v. Coty*, 264 U.S. 359, 368 (1924), which upheld the right of an unauthorized reseller of trademarked goods to accurately describe his goods as having been made by the trademark owner: “When the mark is used in a way that does not deceive the public, we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.”

Just as a reseller of trademarked goods may use the mark to describe truthfully the product that he is selling, so Maxwell may use words that name plaintiff’s housing product to describe the subject of his website.

2. Because Domain Names Denote Content Generally, and Not Just Source, Trademarks May Be Used in Internet Domain Names for Sites That Speak Favorably or Unfavorably About the Trademark Holder or Its Goods, So Long as the Site Is Not Confusing About Source.

Another fundamental flaw in the decision below is that the court failed to consider carefully the role played by domain names in identifying websites for

Internet users. Courts that have analyzed the role of domain names have properly ruled that trademark law does not bar such uses. To understand why this is so, it is first necessary to consider the wide-ranging nature of information available on the Internet, the kind of information that Internet users may be seeking on the Internet, and how they use domain names to find such information (and, concomitantly, how website hosts use domain names to call their sites to the attention of users who are looking for the information that the hosts wish to communicate).

TMI assumes that anybody who uses its trademarks as an Internet search term must necessarily be looking for TMI, as the owner of the trademark. Certainly, it is possible that some Internet users want to search the Internet for the developer who owns the trademark “TrendMaker Homes.” But the fact that the user is looking for information that has some bearing on a trademarked word or phrase, such as “TrendMaker Homes,” does not necessarily mean that the user wants only to know who owns this trademark and what the owner wants to tell the public. It is much more likely that the user will be looking for information **about** the trademarked product, or about the trademark holder, without caring about whether the information comes from the trademark holder – indeed, the user might prefer information from a different source in the hope of finding more impartial information. The user might also be looking for historical information; or the user might have a grievance about the trademarked item, and want information about other similar grievances. For example,

the user might be one of TMI's customers, be unhappy with the way it operates, and be trying to find out whether others have had similar problems, whether there are lawsuits pending on such issues, or whether any private organization is trying to find non-litigation solutions to the same problem (such as lobbying for passage of a law, arguing for issuance of an administrative order, or conducting a boycott).

The rules regarding the various uses of trademarks on the Internet must take into account all these potential objectives of Internet users, so that in trying to prevent customer confusion about source, the rules do not impair the ability of Internet users in general to find the information that they are seeking about the trademarked item. For example, just as an unauthorized history of TMI's two dozen years of building TrendMaker Homes could be entitled "TrendMaker Homes" without violating TMI's trademark, *see Rogers v. Grimaldi*, 875 F.2d 994, 1000 (CA2 1989); *Westchester Media v. PRL USA Holdings*, 214 F.3d 658, 664-665 (CA5 2000), the subject and title cards in a library card catalog could use "TrendMaker Homes," but the author card could not use that phrase or TMI. *See Reno v. ACLU*, 521 US 844, 853 (1997) (using analogy to a library). Similarly, the rules governing the use of trademarks on the Internet must allow for these multiple uses of a single word as a target of searches for author, title and subject of each website.

The question is, then, what is a domain name? Is it an author card? Or is it a title or subject card? A domain name can be **any of the above**. The domain name

denotes content. Although, in many cases, the domain name may be the name of the website's owner, in other cases, the domain name reflects the title or subject of the site. So, for example, a user who wants information about apples might go to www.apples.com and find information about apples, even though Apple is also a well-known trade name. *Cf. Cello Holdings v. Lawrence-Dahl Companies*, 89 FSupp2d 464 (SDNY 2000) (defendant sought domain names of several different musical instruments for purpose of selling names to persons with interest in creating sites about such items; court found no cybersquatting in suit by company holding trademark in word "cello").

If the Internet were no more than a place for businesses to advertise their services, TMI would have a better reason to assume that any person who entered one of its trademarks as a domain name must be trying to find TMI's own website. Although the business community has plunged into the Internet, and although the perception that the Internet is a key means of reaching customers surely drove the growth of the Web for several years, commerce remains a distinct minority online. Kelly, "The Web Runs on Love Not Greed," *Wall Street Journal*, January 3, 2002 (estimating that commercial websites comprise less than one-third of the web's content). Indeed, a recent report from the Markle Foundation found that the predominant public perception of the Internet is that it is a library, not a shopping mall – that is, primarily a source of information, not a place to buy products.

<http://www.markle.org/news/AccountabilityChapter1.pdf>, at 20-25. Consequently, TMI and the court below erred fundamentally when they assumed that any person who searches the Web for sites using the words “TrendMaker Homes” in their domain names necessarily is searching for TMI’s official website, and no evidence was introduced below to suggest that that is the case.

A number of cases have held that businesses used trademarked domain names in ways that infringed the trademark rights of other businesses, but those cases have little bearing here. The real issue in those cases was which of two companies was entitled to use a particular name to promote its own business on-line. Typical of the problems that such cases present is *Brookfield Communications v. West Coast Entertainment*, 174 F3d 1036, 1044-1045 (CA9 1999), which arose from a dispute about which of two companies had been the first to use the mark “moviebuff” to describe their service of providing searchable internet databases about movies available on videocassette. Brookfield sought a TRO against West Coast, claiming that it was the prior user even though West Coast had been first to register the domain name “moviebuff.com.” The district court denied the TRO but treated its ruling as the denial of a preliminary injunction so that Brookfield could appeal. On appeal, the parties’ briefs were devoted almost exclusively to substantive trademark issues, which was not surprising since the issue between the parties was which of them was entitled to the trademark “moviebuff.” The court decided that it was the plaintiff and not the

defendant that had first right to the trademark, *id.* at 1053 and consequently decided that the plaintiff was entitled to the preliminary injunction that had been denied below. *Id.* at 1061. However, because the appeal had arisen from a TRO proceeding, there was no evidence discussed in the briefs of either party about the nature of the Internet, the significance of domain names, or inferences that Internet viewers draw about the sponsorship of websites having particular domain names. Although the court made various statements about the nature of the Internet in its opinion, the court's frequently-cited pronouncements on that issue were not based on evidence and did not bear on the main issue between the parties – that is, control of the mark.

Another sort of domain name case that has been widely litigated has been between a company that wanted to use its trademark for its domain name and an individual who registered the name first, not because he wanted to use it for a website related to the name, but because he foresaw that the trademark owner might want the domain name for itself and might be willing to pay for it. In those cases, the courts must choose between a company with a longstanding connection to the trademark and somebody who had no legitimate interest in using the mark, but just wanted to be paid for thinking ahead.

For example, in *Virtual Works, Inc. v. Volkswagen of America*, 238 F3d 264 (CA4 2001), Virtual Works, Inc. (“VWI”) registered the name “vw.net” with the hope of eventually selling it to Volkswagen. *Id.* at 266-267, 269, 270. When the auto

manufacturer asked for the name, VWI responded that unless Volkswagen bought the name immediately, the name would be put up for auction to the highest bidder; VWI gave Volkswagen 24 hours to respond. The Court decided that this was a classic cybersquatting case, but warned that its holding was limited: “The fact that a domain resembles a famous trademark . . . hardly in and of itself establishes bad faith. Moreover, domain names that are abbreviations of a company’s formal name are quite common. To view the use of such names as tantamount to bad faith would chill Internet entrepreneurship with the prospect of endless litigation.” *Id.* at 269.

This Court’s only case addressing domain names is similar to *VWI. E&J Gallo Winery v. Spider Webs*, 286 F3d 270 (2002). The defendant had registered over 2000 domain names, about 300 of which used famous trademarks associated with existing business, including *ernestandjuliogallo.com*. Spider Webs was in the business of marketing domain names, refusing to accept bids of less than \$10,000. Defendant admitted that it had registered *ernestandjuliogallo.com* because of the goodwill associated with that name, and that the name had been registered in the hope “that Gallo would contact us and we could assist them in some way.” *Id.* at 277. In an attempt to avoid the conclusion that it was actually selling the domain name in violation of the ACPA, defendant averred that it was going to postpone any attempt to sell the name until after the ACPA was declared unconstitutional. *Id.* 276. In short, this Court concluded that the entire circumstances of the case showed that the reason

for registering and using the name was to extort a payment from the Gallo company, precisely the sort of conduct at which the ACPA was directed.

On the other hand, when the defendant has a legitimate interest in the domain name, the plaintiff will not automatically prevail on a claim of likelihood of confusion. Two recent appellate decisions illustrate this approach. In *Taubman v. Mishkoff*, 319 F3d 770 (CA6 2003), the court reversed injunctions that had been issued against a non-commercial “fan site” about a shopping mall (www.shopsatwillowbend.com), and a non-commercial gripe site complaining about the trademark suit against the first site (www.taubmansucks.com). The court of appeals explained that, because defendant had placed a prominent disclaimer along with a hyperlink to the official shopping mall site, and because there was no possibility of any confusion about whether either website was the official site for The Shops at Willow Bend, there was no violation of the Lanham Act. As Judge Suhrheinrich wrote, Mishkoff was entitled to scream about the mall and the resulting litigation from the rooftops:

Essentially, this is what he has done in his domain name. The rooftops of our past have evolved into the internet domain names of our present. We find that the domain name is a type of public expression, no different in scope than a billboard or a pulpit, and Mishkoff has a First Amendment right to express his opinion about Taubman, and as long as his speech is not commercially misleading, the Lanham Act cannot be summoned to prevent it.

Id. 778.

The Seventh Circuit reached a similar result in the commercial context in *Ty v.*

Prettyman, 306 F3d 509 (CA7 2002). The decision overturned an injunction issued against an unauthorized reseller of Beanie babies who used the name bargainbeanies.com for a website on which she marketed Beanie baby products. Because Prettyman was entitled under trademark law to tell the consuming public that her website was one to which they could come to find Beanie babies, Judge Posner held that trademark law could not be used to deprive Prettyman of the right to truthfully identify the content of her website by placing the trademark “Beanie” in her domain name.

This line of analysis was further explained in *Strick Corp. v. Strickland*, 162 FSupp2d 372 (EDPa 2001), where a manufacturer of transportation equipment that owned several trademarks involving “Strick” sued a computer consultant who had registered “strick.com” for his business, using his long-standing nickname of “Strick.” The court found no likelihood of confusion because, once an Internet user reached the defendant’s website, it was clear that the Strick company was not the sponsor of the strick.com site. The court explained that the claim of likely confusion rested on the doctrine of “initial interest confusion,” namely, the concern that an Internet user might be misled into coming to the junior user’s site, and then either decide to buy goods from the junior user, or, at least, lose interest in looking harder for the trademark holder. *Id.* 377. However, the court refused to find a trademark violation based on that concept in the Internet context:

[A]ny initial confusion that arises from Defendant's use of his strick.com domain site, specifically, that consumers will realize that they are at the wrong site and will go to an Internet search engine to find the right one, is not enough to be legally significant. . . . It is clear that Internet surfers are inured to the false starts and excursions awaiting them and are unlikely to be dissuaded, or unnerved, when, after taking a stab at what they think is the most likely domain name for particular website [they] guess wrong and bring up another's webpage. [Going on to reject plaintiff's dilution claim:] It is clear that nothing in trademark law requires that title to domain names that incorporate trademarks or portions of trademarks be provided to trademark holders. To hold otherwise would create an immediate and indefinite monopoly to all famous mark holders on the Internet, by which they could lay claim to all .com domain names which are arguably "the same" as their mark. The Court may not create such property rights-in-gross as a matter of dilution law. . . . Trademark law does not support such a monopoly.

Id. at 377, 380 (quotation marks and citations omitted).

See also The Network Network v. CBS, 54 USPQ2d 1150, 1155 (CDCal 2000) ("there is a difference between inadvertently landing on a website and being confused").

Similar principles have been applied where the reason for registering a domain name including a trademark was to comment on the trademark holder. A number of these cases involve "sucks" domain names, which include some comment in the names themselves. Every court decision involving a critical website using a "sucks" internet address has been decided in favor the defendant. *Lucent Technologies v. LucentSucks.com*, 95 FSupp2d 528, 535 (EDVa 2000); *Bally Total Fitness Holding Corp. v. Faber*, 29 FSupp2d 1161, 1165 & n3 (CDCal 1998). *See also Ford Motor Co. v. 2600 Enterprises*, 177 FSupp2d 661, 664 (EDMich 2001). But a court also

found no likelihood of confusion in *Northland Ins. Co. v. Blaylock*, 115 FSupp2d 1108 (DMinn 2000), where a consumer registered “northlandinsurance.com” for a website that attacked an insurance company of that name. The fact that the website obviously was not confusing was sufficient to defeat the “initial interest confusion” argument. Similarly, in *Taubman v. Mishkoff*, *supra*, the Sixth Circuit allowed a shopping mall’s neighbor to use “shopsatwillowbend.com” for a noncommercial website about that mall.

Although several courts have granted relief against commentary sites whose domain names were identical to the trademark of the complaining mark holder, the websites at issue there were deliberately confusing and admittedly were intended to keep Internet users from reaching the mark holder’s website. *E.g.*, *Jews for Jesus v. Brodsky*, 993 FSupp 282 (DNJ), *aff’d mem.*, 159 F3d 1351 (CA3 1998) (site deliberately designed to lure doubting Jews to see pro-Jewish material); *Planned Parenthood v. Bucci*, 42 USPQ2d 1430 (SDNY 1997), *aff’d mem.*, 152 F3d 920 (CA2 1998) (site at plannedparenthood.com deliberately designed to look like home page of Planned Parenthood, drawing viewers to buy anti-abortion book).⁶

⁶ In *PETA v. Doughney*, 263 F3d 359 (CA4 2001), Doughney created a parody site for the non-existent group “People Eating Tasty Animals,” <http://mtd.com/tasty/>, which consisted of links to furriers, butchers, animal testers, and other merchants and trade groups that People for Ethical Treatment of Animals found abhorrent. The evidence cited by the court showed that Doughney’s purpose was to extort a payment from PETA to give up the domain name, not to parody PETA’s work.

Courts have also denied protection to persons who registered domain names containing trademarks and then started a gripe site only after a cybersquatting suit was brought. That is what happened in *E&J Gallo Winery v. Spider Webs*, 286 F3d 270, 272, 276 (2002), and in *Shields v. Zuccarini*, 254 F.3d 476, 485-486 (CA3 2001).

Plaintiff may cite decisions by arbitrators in proceedings before the World Intellectual Property Organization to support the proposition that the Internet community supposedly treats domain names as reflecting only source and not subject. But even in those proceedings, which are notoriously favorable to trademark owners, many arbitrators uphold domain names that use trademarks for sites commenting on the trademark owner, whether negatively, *Bosley Medical Institute v. Kremer*, http://arbiter.wipo.int/domains/decisions/html/2000/d2000_1647.html; *Mayo Found. v. Briese*, <http://www.arbforum.com/domains/decisions/96765.htm>; *Ahmanson Land Co. v. Curtis*, <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0859.html>, or positively in the form of a “fan” site. *Springsteen v. Burgar*, <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1532.html>. In *Springsteen*, the panel stated, “Users fully expect domain names incorporating the names of well known figures in any walk of life to exist independently of any connection with the figure themselves, but having been placed there by admirers or critics as the case may be.”

One important difference between early domain name cases, and more recent cases where a true gripe site has used the trademark to denominate a website about the

trademark holder, is that courts increasingly recognize the growing sophistication of Internet users and the enormous progress in Internet technology since the first cybersquatting cases in the mid-1990's. *Entrepreneur Media v. Smith*, 279 F3d 1135, 1147 (CA9 2002) (discounting confusing impact of internet domain name because “in the Internet context, consumers are aware that domain names for different Web sites are often quite similar . . . and that very small differences matter”). Moreover, in the Internet’s early days, the main way to find a company’s website was to “name-guess,” by entering the trademarked name into a web browser, followed by a top-level domain such as .com or .org. More recently, however, the technology and effectiveness of search engines has improved so markedly that Internet users who name-guess and reach a site other than what they wanted will simply guess again or visit a search engine to find what they really want. *Strick*, 162 FSupp2d at 377. David Bernstein, a prominent trademark enforcement lawyer, recently admitted that “99 times out of 100, consumers are able to find the site they are looking for.” Loomis, *Domain Name Disputes Decline as Internet Matures*, <http://www.law.com/jsp/article.jsp?id=1044059430652>. And, according to a report prepared for use in the *Taubman* case by Syracuse University Professor Milton Mueller, a leading authority on the domain name system, name-guessing has been displaced by search engines even as the **first** choice for finding an unknown website. <http://dcc.syr.edu/miscarticles/mishkoff.pdf>.

Further support for Maxwell's contention that the TrendMakerHome.com and TrendMakerHome.info domain names were fair use of TMI's mark to show the subject matter of his websites, and done without any intent to confuse, is provided by the prominent disclaimer of affiliation that appeared at the very top of his home page, which is the page that Internet viewers would reach if they typed the domain names into their browsers: "This site is not affiliated with 'TrendMaker Homes.'" This disclaimer appears in a distinctive yellow color, and remains at the top of the page even as its appearance changes as photographs fade in, followed by text explaining that Maxwell had an unpleasant experience with TMI. This explicit disclaimer, like the disclaimer that was provided by the defendant in *Taubman v. WebFeats*, supports the conclusions both that no person who reached the website could be confused about its sponsorship, and that it was no part of Maxwell's purpose to confuse. Similarly, the fact that on the occasions when Maxwell received an email that was apparently intended for TMI employees, he promptly forwarded that email to TMI and gave the sender the proper email address for TMI, RE 28, 30-31, R43, 55-56, further supports his contention that he had no desire to improperly divert traffic from TMI to his own website.⁷

⁷The fact that on at least two occasions over the course of the twelve months that Maxwell had his website online, he received emails that seemed to be intended for TMI, only one of which appeared to be commercial in nature, RE 28, R43, is not a sufficient degree of actual confusion to support a likelihood of confusion. In fact, when evidence of actual confusion is minimal, that cuts against a finding of likelihood

Unlike the defendant in *Taubman*, Maxwell's home page did not also feature a hyperlink to the official TMI website, but Maxwell is certainly willing to provide such a hyperlink in the event the decision below is reversed. Indeed, this Court could, instead of reversing outright, vacate and remand with instructions to enter a narrower injunction that required a prominent disclaimer that includes the URL of the TMI website as well as a hyperlink to that website. That approach would accord with this Court's repeated direction to the lower courts that, in order to accommodate trademark holders' rights with the free speech interests of other persons who wish to make reference to trademarked goods and services, courts should enter the narrowest injunction that protects the public against a likelihood of confusion. *E.g.*, *Westchester Media v. PRL USA Holdings*, 214 F3d 658, 672 (CA5 2000) *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F3d 526, 552 (CA5 1998); *Better Business Bureau v. Medical Directors*, 681 F2d 397, 404-405 (CA5 1982). In *Pebble Beach* and *Better Business Bureau*, this Court approved the requirement of disclaimers instead of absolute injunctions against speech about trademarked businesses, *accord*, *Consumers' Union v. General Signal Corp.*, 724 F2d 1044, 1053 (CA2 1983); in *Westchester Media*, the Court required consideration of narrow disclaimer relief even when it was a rival business that sought to use the "Polo" trademark as the title for its magazine. Surely here, where use of the TrendMaker mark is justified as fair use to

of confusion. *Elvis Presley Enterprises v. Capece*, 141 F3d 188, 204 (CA5 1998).

describe the subject of a critical website about TMI own treatment of the customers of its TrendMaker homes, an injunction requiring the adoption of a *Taubman*-style approach providing information about TMI's website along with a hyperlink is the most relief that could be justified.

C. Maxwell's Use of the TrendMakerHome Domain Names for His Websites About TrendMaker Homes Did Not Dilute TMI's Marks Under Either Federal or State Law.

The judgment also cannot be justified on the ground that Maxwell's domain names diluted the TrendMaker Homes trademark under the Lanham Act or the Texas Antidilution Statute ("ADS"). In addition to the fact that the use of the trademark was entirely noncommercial, discussed above at page – to –, such use does not constitute dilution, but rather represents the fair use of the trademark in a domain name to accurately describe the subject of the website. *Ty v. Prettyman*, 306 F3d 509 (CA7 2002). Fair use is a defense to a dilution claim, even if the use is commercial, just as it is a defense to an infringement action. 15 U.S.C. § 1125(c)(4)(A).

Moreover, dilution law cannot properly be applied to domain names that truthfully identify the subject of the website as being related to the trademark holder. After all, the purpose of dilution law is to prevent the use of a famous trademark in a way which, although unrelated to the ways in which the trademark holder uses the mark (and, therefore, non confusing and not subject to being enjoined as infringement), nevertheless has the effect of loosening the association of the mark

with the trademarked goods and services. As Professor McCarthy has explained, however, when a trademark is used to indicate the subject matter of criticism, the impact of the use is not to dilute the strength of the mark but to increase it. 3 McCarthy on Trademarks § 24-105. *See also* American Law Institute, *Restatement (Third) of Unfair Competition* § 25, Comment on Subsection (2), at 272 (1995). The Texas Court of Appeals has embraced a similar analysis while expressing skepticism of claims that the use of a trademark as an Internet identifier for messages that criticize employees of the trademark holder constitute dilution under the ADS. *Express One Int'l v. Steinbeck*, 53 SW3d 895 (2003). In that case, a former employee of Express One posted an anti-union message on an Internet message board, using the pseudonym “ExpresONE,” and the company sued him, inter alia, for dilution under the ADS. The court affirmed grant of summary judgment dismissing this claim, holding that the statute “was not intended to address non-trademark uses of a name to comment on, criticize, ridicule, parody or disparage the goods or services of the name’s owner.” 53 SW3d at 899.

Thus, the use of TrendMaker’s name in the domain names fo Maxwell’s commentary site was fair use.

II. MAXWELL DID NOT VIOLATE THE CYBERSQUATTING LAW.

The arguments set forth above show that there was no violation of the ACPA, both because the case falls within the statutory exception for noncommercial speech,

and because there can be no violation of the ACPA if there is no likelihood of confusion and no actionable dilution. However, Maxwell is also entitled to judgment on TMI's ACPA claim because the evidence does not support the conclusion that Maxwell registered or used his domain names with a "bad faith intent to profit from the goodwill associated with the mark," as required by 15 USC § 1125(d)(1)(A)(i). The purpose of this prong of the cybersquatting statute undercuts TMI's claim. Both the House and Senate Committees explained this purpose in almost identical language, which was repeated in the Conference Report reconciling the House and Senate Bills:

The bill is carefully and narrowly tailored, however, to extend only to cases where the plaintiff can demonstrate that the defendant registered, trafficked in, or used the offending domain name with bad-faith intent to profit from the goodwill of a mark belonging to someone else. Thus, the bill does not extend to . . . someone who is aware of the trademark status of the name but registers a domain name containing the mark for any reason other than with bad faith intent to profit from the goodwill associated with that mark.

. . . The [nine enumerated] factors are designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc.

House Report 106-412, at 10; Senate Report No. 106-140, at 12-13; House Conf. Report 106-464, at 109.

As the House Committee explained, "the first four [of the nine factors] suggest circumstances that may tend to indicate an absence of bad faith intent to profit," while the remainder point in the opposite direction. House Report, at 10. Unlike the factors

that bear on likelihood of confusion, which must be considered in every case, *Data Concepts v. Digital Consulting*, 150 F3d 620, 624 (CA6 1998), a plaintiff cannot simply run through the four “pro-registrant” factors and argue that the absence of some of them outweighs others; each of the four factors addresses separate situations, some of which are mutually exclusive, such as “noncommercial use” under factor (IV) and use for a bona fide offering of the registrant’s own goods under factor (III). Here, Maxwell’s domain names fit squarely within the protection of factor (IV) – his domain name made “bona fide noncommercial or fair use of the mark in a site accessible under the domain name.” Nor do any of the “negative” factors apply to Maxwell. Indeed, plaintiff’s legal arguments below did not specify any ACPA factors that allegedly showed Maxwell’s bad faith intent to profit, and the district court did not find that any applied. Accordingly, its conclusory determination that Maxwell violated the ACPA cannot stand.

Finally, Congress was quite clear about the limits of the ACPA remedy. It recognized that persons who do not own a trademark may still have a valid reason for registering a domain name using that mark. Accordingly, the bill included a safe harbor barring a finding of “bad faith intent” in any case in which “the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.” Section 1125(d)(1)(B)(ii). As the Conference Committee explained, “the bill does not extend . . . even to someone who is aware of

the trademark status of the name but registers a domain name containing the mark for any reason other than with a bad faith intent to profit.” House Conf. Report 106-464, 106th Cong. 1st Sess. (1999) at 109. Here, Maxwell told the district court that he registered the domain names because he felt this was an appropriate means of denominating the subject of his website. DEN4, at 2, 5. Moreover, the existence of cases such as *Northland Insurance v. Blaylock* and *Taubman v. WebFeats* lends credibility and reasonableness to Maxwell’s belief that he was entitled to use TMI’s trademark in domain names for his website about TMI. Accordingly, insofar as the judgment rests on the ACPA, it should be reversed.

III. THE JUDGMENT SHOULD BE REVERSED BECAUSE IT IS IMPERMISSIBLE UNDER THE FIRST AMENDMENT.

The judgment should be also reversed because it violates the First Amendment. In trademark cases, unlike copyright cases where fair use is largely co-extensive with the First Amendment, *Harper & Row Publishers v. Nation Enterprises*, 471 US 539, 560 (1985), First Amendment considerations routinely receive separate discussion, although they also inform statutory interpretation. Where, as is true here, the defendant is engaged in non-commercial speech, the mere application of trademark law may violate the First Amendment. *L.L. Bean v. Drake Publishers*, 811 F2d 26, 32-33 (CA1 1987). Even if a trademark has been used in a commercial context, courts are required to construe the trademark laws narrowly to avoid impingement on First

Amendment rights. *Cliffs Notes v. Bantam Doubleday*, 886 F2d 490, 494 (CA2 1989).

Moreover, First Amendment interests are weighed as a factor in deciding whether a trademark violation should be found. *Anheuser-Busch v. Balducci Publications*, 28 F3d 769, 776 (CA8 1994). Injunctions must be narrowly crafted to comply with the general rule against prior restraints of speech. *Id.* at 778 ; *Better Business Bureau v. Medical Directors*, 681 F2d 397, 404-405 (CA5 1982); *Consumers' Union v. General Signal Corp.*, 724 F2d 1044, 1053 (CA2 1983). “Restrictions imposed on deceptive commercial speech can be no broader than reasonably necessary to prevent the deception.” *FTC v. Brown & Williamson Tobacco Corp.*, 778 F2d 35, 43-44 (CA5 1985), *citing In re RMJ*, 455 U.S. 191, 203 (1982); *see also Castrol v. Pennzoil*, 987 F2d 939, 949 (CA3 1993).

The application of the First Amendment is also significant because it affects the standard of review. The normal standard of review of an injunction is for abuse of discretion; under that standard, errors of law are reviewed de novo, and factual findings are reviewed for clear error. However, because First Amendment rights are at stake in this case, any factual findings about the nature of the speech are subject to “an independent examination of the whole record in order to make sure that the [injunction] does not constitute a forbidden intrusion on the field of free expression.” *Bose Corp. v. Consumers Union*, 466 US 485, 499 (1984); *Hurley v. Irish-American Gay Group*, 515 US 557, 567 (1995). *Accord Lindsay v. City of San Antonio*, 821 F2d

1103, 1108 (CA5 1987) (factual findings in First Amendment cases subject to constitutional fact review standard); *Herceg v. Hustler Magazine*, 814 F2d 1017, 1021 (CA5 1987) (in First Amendment cases, appellate court must conduct "an independent review of the record to be sure the speech in question actually falls within the unprotected category").

A. The First Amendment Protects Maxwell's Websites.

An injunction obtained by a private party, or an award of damages, constitutes government action by a court, subject to scrutiny under the First Amendment. *Organization for a Better Austin v. Keefe*, 402 US 415, 418 (1971); *New York Times v. Sullivan*, 376 US 354 (1964). It cannot be disputed that Maxwell's website is protected by the First Amendment. Many cases hold that consumer commentary is core speech protected by the First Amendment. For example, in *Bose Corp. v. Consumers Union, supra*, the Supreme Court applied the *New York Times* standard to a libel action brought by a manufacturer claiming that a consumer group had maligned its product. Many other cases have similarly treated discussions of a company's products as speech protected by the First Amendment. *Semco v. Amcast*, 52 F3d 108, 111-114 (CA6 1995); *Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109, 1119-1121 (CA8 1999).

Maxwell's use of domain names that incorporate TMI's trademarks are just the sort of commentary that courts scrupulously protect. Maxwell's commentary would

be wholly mysterious if he had to omit the name of the company to which his website is devoted. This speech is fully protected by the First Amendment.

Furthermore, it is not just the website generally, but Maxwell's use of plaintiff's trademark in his domain name, that constitutes protected speech. The courts have repeatedly held that the use of trademarks constitutes speech protected by the First Amendment. *E.g.*, *Bad Frog Brewery v. New York State Liquor Authority*, 134 F3d 87, 94-97 (CA2 1998); *ACLU of Georgia v. Miller*, 977 FSupp 1228, 1233 (NDGa 1997). Use of a trademark in a domain name is analogous to the use of a trademark in the title of a creative work, to which the courts give First Amendment protection because it is part of the author's expression, calling attention to the content of the work in question. *E.g.*, *Westchester Media v. PRL USA Holdings*, 214 F.3d 658, 664-665 (CA5 2000); *Twin Peaks Production v. Publications Int'l*, 996 F2d 1366, 1379 (CA2 1993); *Rogers v. Grimaldi*, 875 F2d 994, 999 (CA2 1989). Similarly, Maxwell's use of TMI's trademarks in his domain names serves to communicate to web users that his site contains information about TMI and its housing developments.

B. The Injunction Is An Impermissible Prior Restraint.

The injunction should be reversed as a prior restraint. The Supreme Court has repeatedly held that injunctions barring defendants from speaking, printing, or broadcasting statements about topics of public concern are prior restraints that require

the most extraordinary justifications before they may be approved. *New York Times v. United States*, 403 US 713 (1971); *Near v. Minnesota*, 283 US 697 (1931); *Gates v. Cook*, 234 F.3d 221 (CA5 2000). The law is clear and unequivocal – prior restraints are not permitted except in the most exceptional circumstances, involving “a grave threat to a critical government interest or to a constitutional right.” *Procter & Gamble Co. v. Bankers Trust Co.*, 78 F3d 219, 225 (CA6 1996). Because no such circumstance is present here, the injunction should be reversed.

Nor can the prior restraint in this case be justified based on the district court’s assertion that Maxwell’s website constitutes commercial speech, where the doctrine does not apply. The reasons given by the district court – Maxwell’s supposed bad faith, his supposed intent, and his supposed lack of remorse – are all irrelevant to the question whether the speech on his website is commercial. They do not show that Maxwell’s site was one that proposed a commercial transaction, which is the fundamental test for commercial speech. *Bolger v. Youngs Drug Prod. Corp.*, 463 U.S. 60, 66-68 (1983). Nor do they suggest that Maxwell’s attacks on TMI had any economic motivation, which the key element that is required for a determination that speech is commercial. *Procter & Gamble Co. v. Amway Corp.*, 242 F3d 539, 552-553 (5th Cir. 2001).

That Maxwell’s website complains about the conduct of a commercial enterprise, or might have the tendency to harm TMI’s business, does not render his

speech “commercial” and hence outside the full protection of the First Amendment. Speech that seeks to **criticize** commercial activities, and that threatens the commercial interests of those who are engaged in such activities, nevertheless remains non-commercial speech with the full protection of such First Amendment doctrines as the rule against prior restraints. For example, in *Organization for a Better Austin v. Keefe*, 402 US 415 (1971), a civil rights group circulated flyers accusing a realtor of engaging in racial discrimination, and the realtor obtained an injunction against dissemination of the flyers because they were hurting his business. The Supreme Court had no difficulty in holding that the flyers were fully protected by the First Amendment and hence that the injunction was an impermissible prior restraint: “No prior decisions support the claim that the interest of an individual in being free from public criticism of his business practices in pamphlets or leaflets warrants the use of the injunctive power of a court.” 402 US at 419. Because *Keefe* was decided several years before *Virginia St. Bd. of Pharmacy v. Virginia Consumers Council*, 425 US 748 (1976), when the Supreme Court first extended limited First Amendment protection to commercial speech, it is apparent that the Court was not treating the leaflets as commercial. Similarly, in *NAACP v. Claiborne Hardware*, 458 US 886 (1982), a civil rights group organized a boycott of local businesses, and the businesses sued for harms caused by violence that had accompanied some of the boycott activities. The Supreme Court held that the speech was fully protected by the First

Amendment and not subject to the sort of regulation typically permitted for economic activity *Id.* at 913. Indeed, the Court applied the highly protective requirements of showing actual ratification, and the *Brandenburg* standard protecting advocacy unless it incites imminent lawless action, that are reserved for fully protected noncommercial speech, even though the speeches urged activities that were intended to harm local businesses. *Id.* at 927-932.

Speech similar to defendant's was found non-commercial in a recent case. *CPC Int'l v. Skippy*, 214 F3d 456 (CA4 2000). The plaintiff made Skippy peanut butter, and had already won an injunction preventing the creator of a cartoon character named Skippy from using the "Skippy" mark to promote food products. The cartoonist's daughter created a website, www.skippy.com, to complain about the high-handed treatment that her father had experienced and to tell her side of the trademark litigation that had resulted in the first injunction. Chief Judge Harvie Wilkinson, writing for the Fourth Circuit, acknowledged that her account was one-sided and potentially harmful to the peanut butter company, but held that such considerations did not justify an order requiring that the critical commentary be removed from the [skippy.com](http://www.skippy.com) website: "[J]ust because speech is critical of a corporation and its business practices is not a sufficient reason to enjoin the speech. . . . It is important that trademarks not be transformed from rights against unfair competition to rights to control language. [citation omitted]. Such a transformation would diminish our ability

to discuss the products or criticize the conduct of companies that may be of widespread public concern and importance.” 214 F3d at 462. Judge Wilkinson squarely rejected the contention that such criticism constituted commercial speech with reduced protection under the First Amendment. *Id.* at 462, 463.

In sum, Maxwell’s website was entirely noncommercial, and thus the injunction runs afoul of the prior restraint doctrine, and should be reversed.⁸

IV. THE AWARDS OF ATTORNEY FEES AND STATUTORY DAMAGES SHOULD ALSO BE REVERSED.

Even if the Court does not overturn the judgment on the grounds argued above, which show that Maxwell was improperly held liable under the federal and state trademark laws, the monetary awards should be reversed. The district court’s decision on these points was issued in violation of due process, because Maxwell was not given a chance to respond to the motion seeking the award; the awards should also be reversed on the merits. Although an abuse of discretion standard applies to selection of the amounts of fees and damages, the violations of due process and the district court’s failure to explain its decision or apply the proper standards are subject to *de novo* review.

⁸The injunction is also overbroad in two respects. First, it forbids Maxwell from using ten different TMI trademarks, most of which were never at issue in this action. Second, it forbids using the trademarks not only in domain names, but in any “names [or] marks.” Read literally, this language forbids Maxwell from using TMI’s name or identifying its products by name in the text of a website. No trademark theory permits such a prohibition.

A. Maxwell Was Denied the Right to Respond to TMI's Motion for Fees and Statutory Damages.

The first reason why the monetary awards should be reversed is that the district court did not afford Maxwell an opportunity to respond to TMI's motion seeking attorney fees and statutory damages. The district court's Memorandum and Order following the trial did not mention the issue of statutory damages, and did not decide whether an award of attorney fees was appropriate; however, the court gave TMI twenty days to file affidavits in support of a request for attorney fees, and directed Maxwell to respond within ten days of that filing. Under Rule 6(a) of the Federal Rules of Civil Procedure, when computing a period of time allowed by a court order, Saturdays, Sundays and legal holidays are excluded from any time period less than eleven days.

On Friday, February 14, 2003, TMI filed affidavits in support of an award of attorney fees, as well as a proposed form of final judgment awarding \$40,000 in attorney fees and \$40,000 in statutory damages in its own favor. Its certificate of service reflected that a copy of this filing was sent to Maxwell by first-class mail. Because Presidents' Day, a legal holiday, fell on February 17, Maxwell did not even receive this filing until February 18, and the tenth day from the filing was Monday, March 3, 2003.

However, on February 26, 2003, the district judge signed the proposed final

judgment, crossing out the word “March” that TMI had placed on the proposed document in recognition of the fact that Maxwell would not even be filing his opposition until after February. February 26 was five calendar days and three business days before Maxwell’s response was due. Thus, the court below awarded \$80,000 against an individual consumer defendant without any reason to believe that he could afford to make such a payment and without giving him an opportunity to respond. This violation of Maxwell’s rights under the Federal Rules as well as the Due Process Clause is alone a sufficient reason to overturn the monetary awards.

B. This Is Not an “Exceptional Case” Warranting an Award of Fees.

The award of attorney fees should also be reversed on the merits. The district court did not explain why it believed an award of fees was appropriate, and apart from reciting the statutory requirement that a case be “exceptional,” TMI never offered any explanation for its argument that it was entitled to an award of fees. Under this Court’s precedents,

“an exceptional case is one where the violative acts can be characterized as ‘malicious,’ ‘fraudulent,’ ‘deliberate,’ or ‘willful.’ *Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486, 491 (5th Cir.1992) (quoting the Act’s legislative history). We have recognized that the statutory provision has been interpreted by the courts ‘to require a showing of a high degree of culpability on the part of the infringer, for example, bad faith or fraud,’ and a few cases have gone as far as to require ‘very egregious conduct’ to constitute an ‘exceptional’ case.”

Seven Up. Co. v. Coca-Cola Co., 86 F.3d 1379, 1390 (CA5 1996).

Moreover, although evidence of economic damage is not an absolute requirement, the presence or absence of such damage is an important consideration. *Texas Pig Stands v. Hard Rock Café Int'l*, 951 F.2d 684, 697 n23 (CA5 1992). See also *Pebble Beach Co. v. Tour 18 I*, 155 F.3d 526, 556 (5th Cir. 1998) (“[L]ack of damages is an important factor in determining whether a case is exceptional.”).⁹ “[T]he prevailing party must demonstrate the exceptional nature of a case by clear and convincing evidence. *CJC Holdings v. Wright & Lato*, 979 F.2d 60, 65 (CA5 1992).

There was neither bad faith nor fraud here; there was no evidence of economic damage; and the district judge did not apply the requisite clear and convincing evidence standard. To be sure, the trial judge used the term “bad faith,” accompanied by his accusation that Maxwell “has shown no remorse for his actions, even in trial.” RE17, R152. This conclusion seems to reflect no more than that Maxwell honestly believed that he had done nothing wrong by using one of TMI’s trademarks to denominate a website about TMI’s bad customer relations.

Moreover, the fact that several other courts, such as the Sixth Circuit in *Taubman v. WebFeats*, the Seventh Circuit in *Ty v. Prettyman*, and the Minnesota District Court in *Northland Insurance v. Blaylock*, have agreed with Maxwell’s

⁹Other circuits similarly treat the absence of actual damages as a factor militating against finding cases exceptional. *Tamko Roofing Prods. v. Ideal Roofing Co.*, 282 F.3d 23, 33 (CA1 2002); *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1224 (CA10 1998); *Ferrero USA v. Ozak Trading*, 952 F.2d 44, 49 (CA3 1991); *Hindu Incense v. Meadows*, 692 F.2d 1048, 1052 (CA6 1982).

contention that a domain name may properly use the trademark for a website about the trademark holder or its products, surely supports the conclusion that this is not an “exceptional” case. In an analogous context, courts have frequently held that, when various courts disagree about whether the constitution permits or forbids official conduct, a public official cannot be found to have violated the constitutional rights of a citizen in “bad faith” as required to strip the official of qualified immunity. *Wilson v. Layne*, 526 US 603, 618 (1999); *McDuffie v. Estelle*, 935 F.2d 682, 689 (CA5 1991). Indeed, this Court has held that fees should not be awarded when the party presents what it believes in good faith may be a legitimate defense. *CJC Holdings v. Wright & Lato*, 979 F.2d 60, 66 (CA5 1992). So, too, the existence of substantial precedent supporting Maxwell’s conduct negates TMI’s contention, and the district court’s conclusion, that Maxwell was proceeding in bad faith when he registered “trendmakerhome.com” and “trademakerhome.info” as the domain names for his consumer commentary site about TMI.

C. The Award of Statutory Damages Was Excessive.

Under section 35(d) of the Lanham Act, the district court’s award of \$40,000 exceeds the damages awarded in cases involving even far more egregious violations. The award is therefore excessive and should be reduced even if TMI ultimately

prevails on the merits.¹⁰

Section 35(d) of the Lanham Act, which authorizes statutory awards of between \$1,000 and \$100,000, is the only statutory damages provision applicable to this case. An analysis of other damage awards under this section demonstrates that the district court's award of \$40,000 here was clearly excessive. This Court in *E&J Gallo Winery*, for example, found that the defendant was in the business of “develop[ing] internet address names,” that he had registered more than 2,000 domain names – many of them confusingly similar to famous trademarks of other business, and that he resold these domains on the internet for a minimum of \$10,000 each. 286 F3d at 272. On the site at issue there, a political message discussing the risks of alcohol use had been posted, but only after the lawsuit had already been filed. *Id.* Even though the defendant was engaged in egregious and lucrative cybersquatting activity for purely commercial purposes, this Court upheld the district court's award of only \$25,000 in statutory damages. *Id.* at 277-78.

In *Shields v. Zuccarini*, the Third Circuit upheld a \$10,000 award per infringing domain name. 254 F3d 476, 479 (CA3 2001). Zuccarini was a domain name

¹⁰ 15 USC § 1117(c) also authorizes statutory damages, but only for use of a “counterfeit mark,” which is defined by 15 USC § 1116(d) as a “counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office.” Since the TrendMaker Homes trademark was not registered at the time of the infringement, TMI is not entitled to recovery under this section.

“wholesaler,” who had registered thousands of domain names that were confusingly similar to famous trademarks or personal names. *Id.* at 479, 485. By selling advertising on the infringing sites, Zuccarini made between \$800,000 and \$1 million per year. *Id.* at 486. Once again, Zuccarini had posted political material on his site only after the plaintiff had already filed suit. *Id.* Yet, despite the much more egregiously commercial cybersquatting activity in *Shields*, the court upheld an award of damages just half the size of the amount awarded here. *Id.* at 479.

Other cases upholding awards of statutory damages also involved conduct that was much more egregious than that of Maxwell, not to speak of having been lucrative for those defendants. *See Pinehurst v. Wick*, 256 FSupp2d 424, 426, 433 (MDNC 2003) (awarding damages of \$50,000 per domain name against defendant who had owned as many as 10,000 domain names, many of which were confusingly similar to famous marks, and earned \$187,000 in one year from their sale); *Victoria's Cyber Secret v. V Secret Catalogue*, 161 FSupp2d 1339, 1347, 1356 (SDFla 2001) (awarding \$10,000 per domain name for domain name infringements “intended to be used for commercial gain to advertise, promote and offer for sale goods through adult entertainment websites”); *Louis Vuitton Malletier v. Veit*, 211 FSupp2d 567, 585 (EDPenn 2002) (awarding \$100,000 in statutory damages against defendant who sold counterfeit goods from the infringing domain name); *Electronics Boutique Holdings Corp. v. Zuccarini*, 2000 WL 1622760, *4 n.11, *8 (EDPa 2000) (finding \$100,000

in statutory damages against repeat offender and “notorious cybersquatter”).

In contrast to the career cybersquatters examined in these other cases, Maxwell maintained only one infringing site, for which he had only one domain name at any one time; he neither gained money from his activity, nor caused any actual economic harm to TMI. It was also unfair to award separate damages for each of the two names, because Maxwell allowed the first one to lapse and then registered the second one only so that he would have it if he won this case, while deliberately not using it in deference to this pending litigation. Moreover, the damages award, coupled with the fee award, is substantially more than Maxwell’s assets, and will drive him into bankruptcy if the judgment is affirmed. RE 30-31, R55-56.

The district court’s mere finding of bad faith cannot alone justify an award at the higher end of the statutory range, since a “bad faith intent to profit” is required as a precondition to a finding that the ACPA was violated in the first place. *See* 15 USC § 1125(d)(1)(A)(i). Instead, even when a defendant acts with bad faith, a lower statutory award is justified when conduct is not “malicious” or “fraudulent,” and when there is no “finding of actual economic harm.” *Int’l Bancorp v. Societe des Bains de Mer*, 192 FSupp2d 467, 491 (EDVa 2002), *aff’d other grounds*, 329 F3d 359 (CA4 2003) (awarding statutory damages of \$1,000 to \$5,000 per infringing domain name against gambling web site operators, despite the “purely commercial” nature of the infringement); *see also* *Mattel v. Adventure Apparel*, 2001 WL 1035140, at *5 (SDNY

2001) (awarding minimum statutory damages “since little if any actual harm has been done”). Rather, “courts reserve the high-end of the \$1,000 to \$100,000 range for the most egregious offenders.” *Int'l Bancorp*, 192 FSupp2d at 490. Even cases deemed to be “exceptional” – thereby warranting attorney’s fees – do not necessarily warrant an award at the high end of the range. *Id.* And in cases involving multiple infringements, courts typically discount damage awards to avoid an unjust windfall to the plaintiff. *See, e.g., Louis Vuitton Malletier*, 211 FSupp2d at 584. An award of the statutory \$1,000 minimum would thus have been more appropriate in this case, and the district court’s award of \$40,000 should be reduced accordingly.

* * *

If the award of \$80,000 is allowed to stand against Maxwell, driving him into bankruptcy despite his evident good faith belief that he had done nothing wrong, despite Maxwell’s caution about re-posting his site and using his second domain name once this litigation began, and despite the absence of any real harm to TMI, the decision will have a dangerous chilling effect on individuals who consider using the Internet to air their grievances. The Court is urged to reverse the fees and damages outright, even if it leaves the injunction standing.

CONCLUSION

The judgment and injunction under appeal should be reversed.

Respectfully submitted,¹¹

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