



SECOND CIRCUIT REVIEW

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The Anticybersquatting Act: 'Mattel' and In Rem Jurisdiction

IN THIS month's column, we discuss a significant U.S. Court of Appeals for the Second Circuit decision, *Mattel, Inc. v. Barbie-Club.Com, et al.*,¹ which interprets the in rem jurisdiction provision of the Anticybersquatting Consumer Protection Act (the act).

Addressing this issue of first impression, the court, in an opinion written by Judge Sonia Sotomayor, held that in rem jurisdiction under the act obtains exclusively in the judicial district in which the registrar, registry or other domain-name authority that registered or assigned the disputed domain name is located. In the course of its opinion, the Court of Appeals clarified the differences between subject matter jurisdiction and in rem jurisdiction — an issue that has proved confounding to many under the act.

Background

In 1999, Mattel, the owner of registered trademarks such as "Barbie" and "Hot Wheels," filed a trademark action in the Southern District of New York against captainbarbie.com and 56 other domain names, based on their



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allegedly improper use of Mattel's trademark.² Mattel, however, was unable to obtain in personam jurisdiction over defendants, in part, because the registrant of these domain names was a foreign entity. Accordingly, Mattel sought to utilize the in rem jurisdictional provisions of the act.

The act was enacted by Congress in 1999 to prevent "cybersquatting." Cybersquatting occurs when non-trademark holders register well-known trademarks as domain names and then try to sell the names back to the trademark owners, who frequently have been willing to pay high fees to obtain use of these names. Mattel attempted to avail itself of the in rem provisions of the act (15 USC §1125(d)(2)(A)), which permits the owner of a trademark to bring a suit directly against a domain name "in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain is located" This in rem jurisdiction was provided, in part, to address the very situation faced by Mattel in this

case — i.e., where "a non-U.S. resident cybersquats on a domain name that infringes upon a U.S. trademark."³

Captainbarbie.com, as well as most of the other domain names, was registered in Maryland, Virginia and California. Therefore, §1125(d)(2)(A) did not provide a basis for in rem jurisdiction in the Southern District of New York. To establish in rem jurisdiction in New York, Mattel obtained "registrar's certificates" for each of the domain names sent by their respective domain-name authorities and deposited these certificates with the district court in the Southern District of New York. Mattel then argued that this maneuver created in rem jurisdiction in the Southern District of New York, based on §1125(d)(2)(C), which states that the "situs" of a domain name in an in rem action shall be deemed to be: "in the judicial district in which (i) the domain name, registrar, registry, or other domain name authority that registered or assigned the domain name is located; or (ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the Court." (Emphasis added.)

Captainbarbie.com moved to dismiss plaintiff's complaint for lack of in rem jurisdiction, arguing that §1125(d)(2)(C) is not a grant of jurisdiction, in rem or otherwise. The district court granted defendants' motion and the Second Circuit affirmed.

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Statutory Interpretation

In deciding that §1125(d)(2)(C) is not a grant of jurisdiction, the Second Circuit considered the language and structure of the act, as well as its legislative history, finding that both supported its holding. The court agreed with defendants that §1125(d)(2)(C) did not grant jurisdiction, but dealt only with legal situs, finding that “the arrangement of section 1125(d)(2) separates, conceptually and chronologically, the prescriptive jurisdiction-granting language of subsection (d)(2)(A) from the descriptive language of legal situs in subsection (d)(2)(C).”⁴ Moreover, the Court found that because §1125(d)(2)(C) begins with the words “[i]n an in rem action under this paragraph,” it plainly presupposes that such action already has been filed in a judicial district referred to in §1125(d)(2)(A).

In further support of its conclusion, the court applied the canon of statutory construction known as *generalia specialibus non derogant*, which dictates that general provisions do not qualify specific provisions. Applying this canon, the court noted that “[i]t would be odd for Congress to have taken pains to enact subsection (d)(2)(A) with its specific procedure for filing an in rem action ... only to qualify, and indeed nullify, that circumscribed requirement by effectively creating nationwide in rem jurisdiction in subsection (d)(2)(C).”⁵

The court also found that the legislative history of the act supported its conclusion, because Congress expressly referenced the time period “when a court of appropriate jurisdiction receives a complaint.”⁶ The Second Circuit reasoned that this comment would be meaningless if it were read to suggest that the filing of a complaint in any United States District Court would render that court one of “appropriate jurisdiction.”⁷

Finally, the court addressed plaintiff’s

argument that Congress would have conjoined §§(d)(2)(C)(i) and (d)(2)(C)(ii) with an “and” — instead of an “or” — if it actually had intended to confine in rem jurisdiction to the judicial district of registration. The court rejected plaintiff’s position, explaining that subsection (d)(2)(C) describes “legal situs” rather than jurisdiction. Moreover, the court found that the choice of the word “or” was meaningful because it makes subsection (d)(2)(C) a savings provision, in at least two situations. First, the court hypothesized about a situation in which an in rem action is properly filed where the disputed domain name’s registrar is located, but, prior to depositing the documentation with the district court, the registrar moves out of state. In that case, the “or” would suggest that the case could continue in the court in which the action was filed, once the registrar had dispatched documents from its new state sufficient to secure the original state as the legal situs of the domain name.

Second, the court suggested a scenario in which the domain name’s “registry” is located in a state different from its “registrar.” In this hypothetical scenario, a plaintiff files his case in the “registrar” state only to learn that the “registry” is the entity that maintains and issues official records regarding domain name registration. Rather than refile in the “registry” state, the plaintiff could simply take steps to ensure that the registry deposited documentation sufficient to establish the domain name’s legal situs in the registrar state.

Implications

The Second Circuit’s decision in *Mattel* has potentially significant implications for those seeking to register domain names, for registrars, and for potential plaintiffs. A company seeking to register domain names should consider doing so with registrars located

in the state in which it would prefer to defend an action under the act. Correspondingly, registrars should consider locating themselves in states in which potential customers would prefer to defend an action under the act. Additionally, the hypothetical scenario discussed by the Second Circuit — where the “registry” is located in a different state than its “registrar” — suggests that registrars should consider maintaining their registry, registrar and operations in one state so as to limit the number of states in which their clients can be sued.

Finally, the Second Circuit’s decision in *Mattel* may make it more difficult (or, at least, more inconvenient) for plaintiffs to protect their trademarks under the act. Plaintiffs will lose the ability to forum shop and now will be required to file suit in the state in which the domain name is registered. The loss of the ability to forum shop, however, is tempered by the fact that much of the law relevant to these types of litigations will be federal, derived either from the act or other federal trademark statutes.



(1) No. 01-7680, 2002 WL 31478839 (2d Cir. Nov. 7, 2002).

(2) A domain name is a unique string of characters or numbers that typically is used to designate and permit access to an Internet web site. See *id.* at *1.

(3) *Mattel, Inc.*, 2002 WL at *4, quoting 145 Cong. Rec. H10,823, H10,826 (Oct. 26, 1999).

(4) *Id.* at *5.

(5) *Id.*

(6) *Id.* at *6, quoting 145 Cong. Rec. at H10,826 (Oct. 26, 1999).

(7) *Id.*

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