

[edited version]

Northland Insurance Companies, Plaintiff, v. Patrick Blaylock, Defendant.**Civil No. 00-308(DSD/JMM)****UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MINNESOTA***2000 U.S. Dist. LEXIS 14333***September 25, 2000, Decided**

David S. Doty, Judge, United States District Court.

ORDER

This matter is before the court on plaintiff's motion for a preliminary injunction or alternatively for default judgment for defendant's alleged failure to abide by the parties' stipulation, and defendant's motion for dismissal under Rule 12(b)(6) for failure to state a claim.

For the reasons stated herein, the court denies the motion to dismiss, denies the motion for default judgment, and denies the motion for a preliminary injunction.

BACKGROUND

While the details of the underlying insurance coverage dispute between plaintiff and defendant is of limited relevance to the present claims, a basic overview may facilitate an understanding of how the current matter arose.

Defendant Patrick Blaylock owned a [*2] yacht that he insured with plaintiff. In May 1998, defendant's yacht was damaged. Defendant subsequently filed an insurance claim seeking reimbursement for alleged losses of \$ 23,441.75.

A dispute over this claim escalated into litigation between the parties. Defendant sued plaintiff in conciliation court in California. Defendant prevailed, but his damage award was limited to the \$ 5,000 jurisdictional limit of the conciliation court. Defendant subsequently sought payment from plaintiff for the remaining \$ 17,341.75 of his original claim - an amount that he construes to have been "wrongfully denied" and reflective of "the unfair treatment he received at the hands of Northland Insurance Company." (Def.'s Supplemental Mem. Opp'n Prelim. Inj. at 1.)

Following the conclusion of the conciliation court case, and based upon what he perceived to be plaintiff's unfair business practices, defendant created two Internet web sites to house complaints and criticism of plaintiff's

business. The first, at issue in this dispute, bears the domain name "northlandinsurance.com" and was registered with Network Solutions, Inc. ("NSI") on or about August 29, 1999. Defendant also registered a second domain [*3] name "sailinglegacy.com" on or about September 3, 1999. Defendant admits that the first domain name was specifically selected "to make his site more easily found by web surfers" who may be interested in Northland Insurance Company. (Def.'s Mem. Supp. Mot. to Dismiss at 17.) Defendant contends, however, that the purpose of this site is to showcase to an Internet audience his own experiences with plaintiff, his commercial commentary and criticism of plaintiff's business practices, and to provide a forum for other "victims" of the plaintiff to air their complaints of mistreatment. n1

n1 Defendant explained in a letter to plaintiff dated September 20, 1999, "this site will be both strategically and hugely linked for the purpose of sharing our experiences at the hands of Northland Insurance. The Internet is not the national nighttime news but it is highly focused. I will not limit the linking to Yacht Insurance. We will solicit other victims of Northland Insurance, Co. to post their Northland experiences and documents. ... I plan on placing small cost-effective ads in sailing publications inviting boat owners to share my experiences. Communication can be powerful; Northland should try it sometime." (Sutherland Decl., Ex. O.)

[*4]

At this first web site, the Internet user sees line one which reads in small type font "Northland Insurance, Associates First Capitol, Yacht Insurance, Boat Insurance, Auto Insurance, Trucking Insurance, Business Insurance" and then below in larger and bolder font "Northland Insurance Companies ... Another Opinion! ...

If you feel you have been ABUSED at the hands of Northland Insurance please click the link above. You're not alone." (McGuire Decl., Ex. B.) The user is then directed to the second web site that describes in detail defendant's complaints about the plaintiff, an extensive history of his legal dispute, his correspondence with plaintiff, and provides other links including a link to defendant's attorney in this matter.

Plaintiff contends that the name "Northland Insurance" is a protected mark and defendant's use of it as his domain name violates trademark laws and the recently enacted federal Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. β 1125(d) (Supp. 2000). Plaintiff instituted this action alleging trademark infringement, dilution, unfair business practices, and a claim under the ACPA. Plaintiff now moves for a preliminary injunction . . .

DISCUSSION

* * *

III. Plaintiff's Motion For Preliminary Injunction

The court considers four factors in determining whether to grant a motion for preliminary injunction:

1. Is there a substantial threat that the movant will suffer irreparable harm if relief is not granted;
2. Does the irreparable harm to movant outweigh any potential harm that granting a preliminary injunction may cause the nonmoving parties;
3. Is there a substantial probability that the movant will prevail on the merits; and
4. The public interest.

Dataphase Systems, Inc. v. C L Systems, Inc., 640 F.2d 109, 114 (8th Cir. 1981) (en banc). The court balances the four factors to determine whether injunctive relief is warranted. See *id.* at 113; *West Pub. Co. v. Mead Data Cent., Inc.*, 799 F.2d 1219, 1222 (8th Cir. 1986), cert. denied, 479 U.S. 1070, 93 L. Ed. 2d 1010, 107 S. Ct. 962 (1987). The movant bears the burden of proof concerning each of them. See *Gelco Corp. v. Coniston Partners*, 811 F.2d 414, 418 (8th Cir. 1987).

A. The Threat of Irreparable Harm

Plaintiff must first establish [*10] that irreparable harm will result without injunctive relief and that such harm will not be compensable by money damages. See *In re Travel Agency Com'n Antitrust Litig.*, 898 F. Supp. 685, 689 (D. Minn. 1995) ("An injunction cannot issue

based on imagined consequences of an alleged wrong. Instead, there must be a showing of imminent irreparable injury."). Possible or speculative harm is not enough. See *Graham Webb Int'l v. Helene Curtis, Inc.*, 17 F. Supp. 2d 919, 924 (D. Minn. 1998). The absence of such a showing alone is sufficient to deny a preliminary injunction. See *Gelco*, 811 F.2d at 420; *Roberts v. Van Buren Pub. Schs.*, 731 F.2d 523, 526 (8th Cir. 1984). The court concludes that the record at this preliminary stage is devoid of any evidence or demonstration of irreparable harm.

Plaintiff asserts it will suffer irreparable harm if a preliminary injunction is not granted because Internet users are likely to presume that the domain name, "northlandinsurance.com," belongs to plaintiff and upon visiting that site become frustrated and fail to continue on to plaintiff's actual web site, "northlandins.com". Plaintiff [*11] thus far has not made a sufficient showing of this perceived harm, and the court finds this presumption of irreparable harm unpersuasive.

Plaintiff also argues that it does not need to establish irreparable harm because where there is a trademark infringement, the law presumes that irreparable harm exists. In *Mutual of Omaha Ins. Co. v. Novak*, the Eighth Circuit noted in a footnote that:

in trademark infringement, it is not necessary for plaintiff to prove actual damage or injury to obtain injunctive relief.... Injury is presumed once a likelihood of confusion has been established.... All that the complaining party must do to establish its right to an injunction is to prove the likelihood of confusion.

836 F.2d 397, 403 n.11 (8th Cir. 1988). See also *General Mills Inc. v. Kellogg Co.*, 824 F.2d 622, 625 (8th Cir. 1987) ("Since a trademark represents intangible assets such as reputation and goodwill, a showing of irreparable injury can be satisfied if it appears that [plaintiff] can demonstrate a likelihood of consumer confusion.").

Therefore, the critical determination at this preliminary stage is whether, in the absence of proof [*12] of actual harm, plaintiff has demonstrated a showing of likelihood of confusion. As detailed below, plaintiff at best has shown that a factual question exists concerning the likelihood that Internet users will be confused by the competing Internet domain names involved in this case and at worst has failed to establish any likelihood of confusion as a result of defendant's alleged infringement.

The court therefore concludes that plaintiff will not be irreparably injured absent a preliminary injunction. While this holding alone is sufficient to deny the injunctive relief sought, the court will also discuss the

remaining Dataphase factors. See *Baker Elec. Coop, Inc. v. Chaske*, 28 F.3d 1466, 1472 (8th Cir. 1994) ("No single factor in itself is dispositive ... however, a party moving for preliminary injunction is required to show the threat of irreparable harm." (internal quotation and citation omitted); *Gelco*, 811 F.2d at 420 ("Once a court determines that the movant has failed to show irreparable harm absent an injunction, the inquiry is finished and the denial of the injunctive request is warranted.").

B. The Balance of Harm Between the Parties [*13]

The second Dataphase requirement is that the harm to plaintiff in the absence of a preliminary injunction outweighs the potential harm that granting a preliminary injunction may cause to defendant. *Dataphase*, 640 F.2d at 114. The essential inquiry in weighing the equities is whether the balance tips decidedly toward the movant. See *General Mills*, 824 F.2d at 624.

Plaintiff has failed to make a specific showing of the damages it will incur if a preliminary injunction is not granted. Plaintiff makes broad statements of the irreparable harm it will suffer due to the possibility that consumers will confuse the differing web sites, but plaintiff has not proffered any evidence of a decrease in Internet traffic or sales of its products, or evidence of customer confusion as to the existence of defendant's Internet site. By contrast, the court is concerned that a preliminary injunction would inflict substantial harm on the defendant since the potential curtailment of his First Amendment rights itself constitutes an irreparable injury. See *Elrod v. Burns*, 427 U.S. 347, 373, 49 L. Ed. 2d 547, 96 S. Ct. 2673 (1976) ("The loss of First Amendment [*14] freedoms, for even minimal periods of time, unquestionably constitutes irreparable injury."). Therefore, the court concludes that the balance of harms weighs against the preliminary injunction.

C. The Likelihood of Success on the Merits

Under the third Dataphase requirement, plaintiff must establish a substantial probability of success on the merits. *Dataphase*, 620 F.2d at 114. Plaintiff raises multiple claims, none of which, at this preliminary stage, appear likely to succeed on the merits.

* * *

4. The Anticybersquatting Consumer Protection Act

Congress passed the Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125(d)(1)(A) (Supp. 2000) to protect "consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by

prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks--a practice commonly referred to as 'cybersquatting'." *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 495 (2d Cir. 2000) (quoting S. Rep. No. 106-140, at 4 (1999)).

To succeed on an ACPA claim a plaintiff must show that: (1) plaintiff's mark is distinctive or famous; (2) defendant's domain name is "identical or confusingly similar" to [*34] plaintiff's mark; and (3) defendant used, registered, or trafficked in the domain name with a bad faith intent to profit from the sale of the domain name. 15 U.S.C. § 1125(d)(1)(A). See also *Sporty's Farm*, 202 F.3d at 496-98 (describing elements of an ACPA claim); *Harrord's Limited v. Sixty Internet Domain Names*, 2000 WL 1175103, *1, F. Supp.2d (E.D. Va. Aug. 15, 2000) ("The ACPA reflects Congress' intent to address the cybersquatting problem, not the innocent or good-faith registration of domain names that may infringe existing trademarks. ... Bad faith intent to profit is a necessary element...") (citing H.R. Conf. Rep. No. 106-464, (1999) ("The bill is carefully and narrowly tailored ... to extend only to cases where the plaintiff can demonstrate ... bad faith intent to profit ... Thus, the bill does not extend to ... someone who ... registers a domain name containing the mark for any reason other than with the bad faith intent to profit ...")). The ACPA protects both registered and common law trademarks. See *Spear, Leeds and Kellogg v. Rosado*, 2000 WL 310355, *1 (S.D.N.Y. Mar. 27, 2000). [*35]

While the first two elements are satisfied here, the last element, bad faith intent to profit, is not. Defendant does not appear to fit the "classic" cybersquatter profile, i.e. a person who registers multiple domain names and attempts to sell them for the highest price obtainable. See *Panvision Intern. L.P. v. Troeppen*, 945 F. Supp. 1296, 1299 (C.D. Cal. 1996). Plaintiff, however, argues that an inference can be made that defendant's intent is to use this Internet domain name as leverage to extract a sum of money that will help compensate him for his perceived losses from the underlying insurance settlement. While this argument has some merit, at this preliminary stage of the litigation, this court cannot conclude that plaintiff is likely to prevail on the merits of an ACPA claim because the record does not sufficiently reflect a bad faith intent to profit.

The ACPA provides nine nonexclusive factors to assist a court in assessing whether the defendant had the requisite bad faith intent. 15 U.S.C. § 1125(d)(1)(A) n8; *Broadbridge Media L.L.C. v. Hypercd.com*, 106 F. Supp. 2d 505, 512 (S.D.N.Y. 2000) (noting that the "bad [*36] faith" list is not exclusive, and that the court may consider other factors relevant to finding bad faith intent

to profit). While the first three factors support a finding of bad faith intent (defendant possessed no intellectual property rights in this domain name when he registered it, it is not defendant's legal name nor does it otherwise identify defendant, and defendant had not engaged in prior use of the domain name in connection with prior offering of goods or services), the court finds that the fourth factor, noncommercial use, strongly weighs in defendant's favor since there is no direct evidence of commercial use. Plaintiff argues that defendant has used this domain name for commercial purposes in that he ultimately seeks to sell it to plaintiff. The record, however, does not indicate any attempt to sell this domain name on defendant's part. Defendant has never expressly offered to sell the domain site to plaintiff and has never used the web site for anything other than commentary. The next two factors (intent to divert for commercial gain or to tarnish, and any offers to sell) weigh against a finding of bad faith because, while defendant admits he intends to attract Internet [*37] users interested in plaintiff's business, the record does not reflect that he does so for commercial purposes or to tarnish, and the record does not reflect that defendant sought financial gain through an offer to sell this domain name. The next factor (provision of material misleading information) is inconclusive because, while defendant did falsely indicate that he represented a nonexistent entity named "North Land Insurance Company," defendant points out that this was not material since the actual contact information (i.e. registrant's address) was correct and defendant subsequently corrected the initially false information. The eighth factor (the registration of multiple domain names) does not apply to defendant here and thus does not support a finding of bad faith. In this regard, defendant does not fit the classic cybersquatter profile because there is no evidence that he has registered other variants of plaintiff's name or previously has registered other marks as domain names. Finally, plaintiff's trademark was distinctive and famous at the time defendant registered the domain name in 1999 for purposes of meeting the ninth factor.

n8 These nine factors are summarized as follows: (I) the trademark or other intellectual property rights of the person, if any, in the

domain name; (II) the extent to which the domain name consists of the legal name of the person or a name that is commonly used to identify that person; (III) the person's prior use, if any, of the domain name in connection with the offering of any goods or services; (IV) the person's bona fide noncommercial or fair use of the mark; (V) the person's intent to divert consumers from the mark owner's online location to a site that could harm the goodwill represented by the mark, either for commercial gain or to tarnish or disparage the mark by creating a likelihood of confusion as to source, sponsorship, or endorsement; (VI) the person's offer to sell or assign the mark for financial gain, or the person's prior conduct indicating a pattern of such conduct; (VII) the person's provision of material and misleading or false contact information when applying to register the domain name; (VIII) the person's registration or acquisition of multiple domain names that are identical or confusingly similar to marks of others; (IX) the extent to which the mark is or is not distinctive and famous. See *15 U.S.C. § 1125* (d)(1)(B)(i)(I) - (IX).

[*38]

Based upon these factors, the court concludes that the record does not establish that the defendant possessed the requisite bad faith intent to profit sufficient to establish the likelihood of success of plaintiff's claim under the ACPA warranting the issuance of injunctive relief. See *15 U.S.C. § 1125(d)(1)(A)* (Supp. 2000). While the evidence indicates that defendant has perhaps exhibited bad intent in setting up this web site to criticize plaintiff's business practices, his "intent to profit," is not sufficiently discernable at this stage and presents an issue that seems best resolved by the trier of fact.

In summary, since the court cannot conclude that plaintiff is likely to succeed on the merits of any of its claims at this preliminary stage, a preliminary injunction is not warranted.