

[edited version]

PEOPLE FOR THE ETHICAL TREATMENT OF ANIMALS, Plaintiff-Appellee, v. MICHAEL T. DOUGHNEY, an individual, Defendant-Appellant. DIANE CABELL; MILTON MUELLER, Amici Curiae. PEOPLE FOR THE ETHICAL TREATMENT OF ANIMALS, Plaintiff-Appellant, v. MICHAEL T. DOUGHNEY, an individual, Defendant-Appellee.

**UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT
2001 U.S. App. LEXIS 19028
August 23, 2001, Decided**

GREGORY, Circuit Judge:

People for the Ethical Treatment of Animals ("PETA") sued Michael Doughney ("Doughney") after he registered [*2] the domain name *peta.org* and created a website called "People Eating Tasty Animals." PETA alleged claims of service mark infringement under 15 U.S.C. § 1114 and Virginia common law, unfair competition under 15 U.S.C. § 1125(a) and Virginia common law, and service mark dilution and cybersquatting under 15 U.S.C. § 1123(c). Doughney appeals the district court's decision granting PETA's motion for summary judgment and PETA cross-appeals the district court's denial of its motion for attorney's fees and costs. Finding no error, we affirm.

I.

PETA is an animal rights organization with more than 600,000 members worldwide. PETA "is dedicated to promoting and heightening public awareness of animal protection issues and it opposes the exploitation of animals for food, clothing, entertainment and vivisection." Appellee/Cross-Appellant PETA's Brief at 7.

Doughney is a former internet executive who has registered many domain names since 1995. For example, Doughney registered domain names such as *dubyadot.com*, *dubyadot.net*, *deathbush.com*, *RandallTerry.org* (Not Randall Terry for Congress), *bwtel.com* (BaltimoreWashington Telephone Company), *pmrc.org* ("People's Manic Repressive Church"), and *ex-cult.org* (Ex-Cult Archive). At the time the district court issued its summary judgment ruling, Doughney owned 50-60 domain names.

Doughney registered the domain name *peta.org* in 1995 with Network Solutions, Inc. ("NSI"). When registering the domain name, Doughney represented to NSI that the registration did "not interfere with or infringe upon the rights of any third party," and that a "nonprofit educational organization" called "People Eating Tasty Animals" was registering the domain name. Doughney made these representations to NSI despite knowing that no corporation, partnership, organization or entity of any kind existed or traded under that name. Moreover, Doughney was familiar with PETA and its beliefs and had been for at least 15 years before registering the domain name.

After registering the *peta.org* domain name, Doughney used it to create a website purportedly on behalf of "People Eating Tasty Animals." Doughney claims he created the website as a parody of PETA. A viewer accessing the website would see the title [*4] "People Eating Tasty Animals" in large, bold type. Under the title, the viewer would see a statement that the website was a "resource for those who enjoy eating meat, wearing fur and leather, hunting, and the fruits of scientific research." The website contained links to various meat, fur, leather, hunting, animal research, and other organizations, all of which held views generally antithetical to PETA's views. Another statement on the website asked the viewer whether he/she was "Feeling lost? Offended? Perhaps you should, like, exit immediately." The phrase "exit immediately" contained a hyperlink to PETA's official website.

Doughney's website appeared at "*www.peta.org*" for only six months in 1995-96. In 1996, PETA asked Doughney to voluntarily transfer

the peta.org domain name to PETA because PETA owned the "PETA" mark ("the Mark"), which it registered in 1992. See U.S. Trademark Registration No. 1705,510. When Doughney refused to transfer the domain name to PETA, PETA complained to NSI, whose rules then required it to place the domain name on "hold" pending resolution of Doughney's dispute with PETA. n1 Consequently, Doughney moved the website to www.mtd.com/tasty [*5] and added a disclaimer stating that "People Eating Tasty Animals is in no way connected with, or endorsed by, People for the Ethical Treatment of Animals."

n1 When Doughney registered peta.org, he agreed to abide by NSI's Dispute Resolution Policy, which specified that a domain name using a third party's registered trademark was subject to placement on "hold" status.

In response to Doughney's domain name dispute with PETA, The Chronicle of Philanthropy quoted Doughney as stating that, "if they [PETA] want one of my domains, they should make me an offer." Non-Profit Groups Upset by Unauthorized Use of Their Names on the Internet, THE CHRONICLE OF PHILANTHROPY, Nov. 14, 1996. Doughney does not dispute making this statement. Additionally, Doughney posted the following message on his website on May 12, 1996:

"PeTa" has no legal grounds whatsoever to make even the slightest demands of me regarding this domain name registration. If they disagree, they can sue me. And if they don't, well, perhaps [*6] they can behave like the polite ladies and gentlemen that they evidently aren't and negotiate a settlement with me. ... Otherwise, "PeTa" can wait until the significance and value of a domain name drops to nearly nothing, which is inevitable as each new web search engine comes on-line, because that's how long it's going to take for this dispute to play out.

PETA sued Doughney in 1999, asserting claims for service mark infringement, unfair competition, dilution and cybersquatting. PETA did not seek damages, but sought only to enjoin Doughney's use of the "PETA" Mark and an order requiring

Doughney to transfer the peta.org domain name to PETA.

Doughney responded to the suit by arguing that the website was a constitutionally-protected parody of PETA. Nonetheless, the district court granted PETA's motion for summary judgment on June 12, 2000. *People for the Ethical Treatment of Animals, Inc. v. Doughney*, 113 F. Supp. 2d 915 (E.D. Va. 2000). The district court rejected Doughney's parody defense, explaining that only after arriving at the "PETA.ORG" web site could the web site browser determine that this was not a web site owned, controlled or sponsored [*7] by PETA. Therefore, the two images: (1) the famous PETA name and (2) the "People Eating Tasty Animals" website was not a parody because [they were not] simultaneous.

Id. at 921.

B. Anticybersquatting Consumer Protection Act

The district court found Doughney liable under the Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125(d)(1)(A). [*17] To establish an ACPA violation, PETA was required to (1) prove that Doughney had a bad faith intent to profit from using the peta.org domain name, and (2) that the peta.org domain name is identical or confusingly similar to, or dilutive of, the distinctive and famous PETA Mark. 15 U.S.C. § 1125(d)(1)(A).

Doughney makes several arguments relating to the district court's ACPA holding: (1) that PETA did not plead an ACPA claim, but raised it for the first time in its motion for summary judgment; (2) that the ACPA, which became effective in 1999, cannot be applied retroactively to events that occurred in 1995 and 1996; (3) that Doughney did not seek to financially profit from his use of PETA's Mark; and (4) that Doughney acted in good faith.

None of Doughney's arguments are availing. First, PETA raised its ACPA claim for the first time in its summary judgment briefs. Doughney objected, noting that PETA failed to plead the claim in its complaint and failed to seek leave to amend to do so. Doughney also vigorously defended against the claim. PETA acknowledged below that it did not plead the claim, but "respectfully requested" in

its summary judgment reply [*18] brief "that the district Court apply the [the ACPA] to the case at bar[.]" Nothing in the record suggests that the district court entered an order amending PETA's complaint to include an ACPA claim. However, the district court appears to have ruled on PETA's informal motion, listing the ACPA in its summary judgment order as one of the claims on which PETA seeks summary judgment and rendering judgment as to that claim.

The Federal Rules "allow liberal amendment of pleadings throughout the progress of a case." *Elmore v. Corcoran*, 913 F.2d 170, 172 (4th Cir. 1990) (citing *Brandon v. Holt*, 469 U.S. 464, 471, 83 L. Ed. 2d 878, 105 S. Ct. 873 (1985) (petitioners allowed to amend pleadings before Supreme Court)). A party's failure to amend will not affect a final judgment if the issues resolved were "tried by express or implied consent of the parties." *Id.* (citing Fed. R. Civ. P. 15(b)). Even without a formal amendment, "a district court may amend the pleadings merely by entering findings on the unpleaded issues." *Id.* (quoting *Galindo v. Stody Co.*, 793 F.2d 1502, 1513 n. 8 (9th Cir. 1986)).

Here, PETA's summary judgment briefs [*19] essentially moved the district court for leave to amend its complaint to include an ACPA claim, and the district court appears to have granted that motion via its summary judgment ruling. While the record would have been clearer had PETA formally filed such a motion and the district court formally entered such an order, they did so in substance if not in form. Thus, we reject Doughney's first contention.

Doughney's second argument -- that the ACPA may not be applied retroactively -- also is unavailing. The ACPA expressly states that it "shall apply to all domain names registered before, on, or after the date of the enactment of this Act[.]" Pub. L. No. 106-113, § 3010, 113 Stat. 1536. See also *Sporty's Farm L.L.C. v. Sportsman's Market, Inc.*, 202 F.3d 489, 496 (2d Cir. 2000) (same). Moreover, while the ACPA precludes the imposition of damages in cases in which domain names were registered, trafficked, or used before its enactment, Pub. L. No. 106-113, § 3010, 113 Stat. 1536 ("damages under subsection (a) or (d) of section 35 of the Trademark Act of 1946 (15 U.S.C. 1117), ... shall not be available with respect to the registration, [*20] trafficking, or use of a domain name that occurs before the date of the enactment of this Act"), it does not preclude the

imposition of equitable remedies. See also *Virtual Networks, Inc. v. Volkswagen of America, Inc.*, 238 F.3d 264, 268 (4th Cir. 2001). Here, the district court did not award PETA damages (nor did PETA request damages), but ordered Doughney to relinquish the domain name, transfer its registration to PETA, and limit his use of domain names to those that do not use PETA's Mark. *Doughney*, 113 F. Supp. 2d at 922. Thus, the district court properly applied the ACPA to this case.

Doughney's third argument -- that he did not seek to financially profit from registering a domain name using PETA's Mark -- also offers him no relief. It is undisputed that Doughney made statements to the press and on his website recommending that PETA attempt to "settle" with him and "make him an offer." The undisputed evidence belies Doughney's argument.

Doughney's fourth argument -- that he did not act in bad faith -- also is unavailing. Under 15 U.S.C. § 1125(d)(1)(B)(i), a court may consider several factors to determine whether a [*21] defendant acted in bad faith, including

- (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 otherwise commonly used to identify that person;
- (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
- (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used,

or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior [*22] conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section. 15 U.S.C. § 1125(d)(1)(B)(i).

In addition to listing these nine factors, the ACPA contains a safe harbor provision stating that bad faith intent "shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe [*23] that the use of the domain name was fair use or otherwise lawful." 15 U.S.C. § 1225(d)(1)(B)(ii).

The district court reviewed the factors listed in the statute and properly concluded that Doughney (I) had no intellectual property right in peta.org; (II) peta.org is not Doughney's name or a name otherwise used to identify Doughney; (III) Doughney had no prior use of peta.org in connection with the bona fide offering of any goods or services; (IV) Doughney used the PETA Mark in a commercial manner; (V) Doughney "clearly intended to confuse, mislead and divert internet users into accessing his web site which contained information antithetical and therefore harmful to

the goodwill represented by the PETA Mark"; (VI) Doughney made statements on his web site and in the press recommending that PETA attempt to "settle" with him and "make him an offer"; (VII) Doughney made false statements when registering the domain name; and (VIII) Doughney registered other domain names that are identical or similar to the marks or names of other famous people and organizations. *People for the Ethical Treatment of Animals*, 113 F. Supp. 2d at 920.

Doughney [*24] claims that the district court's later ruling denying PETA's motion for attorney fees triggers application of the ACPA's safe harbor provision. In that ruling, the district court stated that Doughney registered the domain name because he thought that he had a legitimate First Amendment right to express himself this way. The Court must consider Doughney's state of mind at the time he took the actions in question. Doughney thought he was within his First Amendment rights to create a parody of the plaintiff's organization.

People for the Ethical Treatment of Animals, Inc. v. Doughney, 2000 U.S. Dist. LEXIS 13421, *5, Civil Action No. 99-1336-A, Order at 4 (E.D. Va. Aug. 31, 2000). With its attorney's fee ruling, the district court did not find that Doughney "had reasonable grounds to believe" that his use of PETA's Mark was lawful. It held only that Doughney thought it to be lawful.

Moreover, a defendant "who acts even partially in bad faith in registering a domain name is not, as a matter of law, entitled to benefit from [the ACPA's] safe harbor provision." *Virtual Works, Inc.*, 238 F.3d at 270. Doughney knowingly provided false information to NSI upon registering the domain [*25] name, knew he was registering a domain name identical to PETA's Mark, and clearly intended to confuse Internet users into accessing his website, instead of PETA's official website. Considering the evidence of Doughney's bad faith, the safe harbor provision can provide him no relief.

AFFIRMED