Docket No. 02-1112

United States Court of Appeals

FOR THE FOURTH CIRCUIT

CABLE NEWS NETWORK, L.P., L.L.L.P.,

Plaintiff-Appellee,

v.

CNNEWS.COM,

Defendant-Appellant.

MAYA ONLINE BROADBAND NETWORK
(HK) COMPANY, LIMITED,

Non-Party Appellant.

**ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA AT ALEXANDRIA**

BRIEF FOR APPELLANT

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April 1, 2002

CORPORATE DISCLOSURE STATEMENT

Non-party Maya Online Broadband Network (HK) Co. Ltd. is a wholly-owned subsidiary of Shanghai Maya Online Broadband Network Co. Ltd., No. 8, Xian Xia Road, Shanghai, People's Republic of China ("PRC"). Tom.com Limited, a corporation organized and existing under the laws of the Hong Kong Special Administrative Region ("Hong Kong") of the PRC, owns 50% of the equity interests in Shanghai Maya Online Broadband Network Co. Ltd.

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STATEMENT OF JURISDICTION

The District Court purported to exercise "in rem" jurisdiction over the subject matter of this action pursuant to 15 U.S.C. § 1125(d)(2) and 28 U.S.C. § 1331. The complaint of the plaintiff-appellee purported to state a claim "arising under" the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d)(2).

This Court has appellate jurisdiction under 28 U.S.C. § 1291. The District Court entered a final decision in this action on January 11, 2002. The named "defendant" CNNEWS.COM and non-party Maya Online Broadband Network (HK) Company Ltd. ("Maya HK") timely filed a Notice of Appeal on January 15, 2002. This appeal is from a final order or judgment that disposes of all parties' claims in this action.

STATEMENT OF THE ISSUES

1. (a) Did the District Court err in concluding that the "minimum contacts" standard of International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945), was inapplicable to actions brought under 15 U.S.C. § 1125(d)(2)?

(b) Did the District Court err in concluding that the location in Virginia of a branch office of Verisign, Inc. of Mountain View, California ("Verisign") constituted, without more, a constitutionally sufficient basis for

exercising jurisdiction over the controversy pleaded in the plaintiff's First Amended Complaint?

2. (a) Did the District Court err in concluding that 15 U.S.C. § 1125(d)(2) applied extraterritorially to regulate the conduct of non-United States persons operating lawfully in Hong Kong and Shanghai, the PRC?

(b) Did the District Court err in dismissing, as purportedly irrelevant to application of 15 U.S.C. § 1125(d)(2), whether a domain name is descriptive and lawfully used in a domain name registrant's home country?

(c) Did the District Court err in concluding that an Internet "portal" business operated in Shanghai, the PRC, which neither sells, nor offers to sell, any goods outside of China, which is not advertised or promoted in the United States, which has no revenues from United States sources, and which has caused no actual economic harm to the plaintiff, nevertheless so "substantially affects" United States commerce as to bring it within the power of Congress to regulate under the Commerce Clause?

(d) Did the District Court err in concluding that the application of 15 U.S.C. § 1125(d)(2) to abrogate a domain name services agreement made in the PRC, under and in accordance with PRC law, between two PRC nationals, was

consistent with the Due Process Clause as construed in Home Ins. Co. v. Dick, 281 U.S. 397 (1930)?

3. (a) Did the District Court err in its interpretation of what constitutes "bad faith intent" within the meaning of the Anticybersquatting Consumer Protection Act of 1999, 15 U.S.C. § 1125(d) (the "ACPA")?

(b) Can statutory "bad faith intent" exist where, as in this case, a domain name is registered for the purpose of using it in the bona fide offering of goods and services in the registrant's home country, and specifically not with any view to profiting from re-sale or "trafficking" in the name itself?

(c) Does not "cybersquatting" made actionable by 15 U.S.C. § 1125(d) differ qualitatively from a claim that a business operating in a foreign (non-U.S.) jurisdiction is not properly identifying the source of its services?

4. (a) Did the District Court err in construing the statutory phrase, "reasonable grounds to believe," 15 U.S.C. § 1125(d)(1)(b)(ii), as excluding grounds existing under non-United States law?

(b) Did the District Court err in concluding that there was no genuine issue of material fact with regard to the "intent" of Maya HK, its licensee, or its predecessor, Heyu Wang, in registering and using the prefix "CN" in the domain names CNMAYA.COM, CNSPORT.COM, CNCITIES.COM,

CNNAV.COM, and CNNEWS.COM, which are used in Shanghai, China ("CN") in association with Chinese-language "web pages" whose contents are described by the names?

STATEMENT OF THE CASE

Non-party Maya Online Broadband Network (HK) Co. Ltd. ("Maya HK") is a corporation organized and existing under the laws of the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("PRC"). Maya HK's parent and licensee, Shanghai Maya Online Broadband Network Co. Ltd. ("Shanghai Maya"), operates an Internet "portal" business (the "CNMAYA Portal") which is advertised and promoted in the PRC under the name, "CNMAYA.COM" (Joint Appendix [hereinafter, "A"] 39, 67-75). In the name CNMAYA.COM, the letters "CN" refer to "China" and MAYA is a registered trademark of Shanghai Maya's affiliate in the PRC (A36-41). The District Court noted that in China, "the characters 'cn' are widely used and understood as an abbreviation for the country name 'China.' The top level domain for China is '.cn'." Cable News Network, L.P., L.L.L.P. v. CNNEWS.COM, 162 F. Supp. 2d 484, 487 (E.D. Va. 2001) (hereinafter, Cable News I).

Maya HK is the registrant of seven (7) domain names used by Shanghai Maya, namely, CNMAYA.COM, CNNAV.COM, CNSPORT,COM,

CNNEWS.COM, CNCITIES.COM, SHTODAY.COM, and CHINA110.COM (the "Domain Names"; A475, 479). Each of the Domain Names is descriptive of information categories (e.g., CNCITIES for "China cities"; CNSPORT for "China sports"; CNNEWS for "China News";[1] SHTODAY for "Shanghai Today") which are displayed at the CNMAYA Portal under the MAYA registered service mark and logo (A39, A132-33). The CNNEWS ("China News") segment of the CNMAYA Portal is operated under a license granted to Shanghai Maya by the Press Office of the State Council of the PRC Government (A41). In the year ending December 31, 2000, Shanghai Maya and related companies invested more than RMB 10,000,000 yuan on advertising and promoting the CNMAYA Portal

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[1] Plaintiff contends that the domain name CNNEWS.COM refers to "China Network News" rather than "China News." This was one of the many disputed issues of fact which the District Court improperly resolved against Maya HK in awarding summary judgment to plaintiff. Compare A39 ("At the time I registered these domain names, I believed they would be understood as indicating the general subject matter of the information services which I then contemplated establishing (e.g., China Sports, China news, China cities, etc.))"and A133 ("The Shanghai Maya Online domain names which begin with the characters 'CN' are each intended to refer to the country name China, in the same way that the 'CN' names included in Exhibit 2 refer to China") with Cable News Network, L.P. L.L.L.P. v. CNNEWS.COM, 177 F. Supp. 2d 506, 525 (E.D. Va. 2001) (hereinafter, Cable News II) ("It also appears that Maya HK, Wang, and Shanghai Maya adopted cnnews.com with the intent that consumers view the "cnnews" portion of the domain name as representing 'China Network News,'. . . ."). At all events, the record contains no expert or other evidence that in the PRC, this plaintiff would have any basis or standing for objecting to use in the PRC of the name "China Network News" or a domain name, CNNEWS, considered to be "descriptive of general news information provided under a valid and registered . . . trademark, MAYA" (A41).

business in the PRC (A40). As of April 2001, Shanghai Maya employed 251 staff at its offices in Shanghai (id.).

Maya HK and Shanghai Maya do not transact any business in the United States or with any United States persons (A41). The registration of the Domain Names was effected by contracts entered into in the PRC between Maya HK and Eastern Communications Co. Ltd. of Hangzhou, the PRC ("Eastcom") (A303). The business operations of Maya HK and Shanghai Maya are conducted entirely within the PRC, in the Chinese language, under and in accordance with the laws of the PRC (A41, A134-35). No claim is made that the U.S. Government has authority generally to tax or regulate the business or conduct of Maya HK or Shanghai Maya.

Nevertheless, on December 4, 2000, the plaintiff commenced this action in the United States District Court for the Eastern District of Virginia, alleging that Maya HK's registration and Shanghai Maya's use of one of the Domain Names, CNNEWS.COM, was wrongful and purportedly actionable in the United States under 15 U.S.C. § 1125(d)(2). The plaintiff alleged that it was the owner of various service marks comprising the acronym "CNN" (A26-27), that Maya HK "operate[s] a web site under the CNNEWS.COM domain name that includes extensive Chinese language news content" (A28), that "Maya's

registration of the CNNEWS.COM domain name and its continued operation of a directly competitive web site located at the CNNEWS.COM domain name is both confusingly similar to and dilutive of CNN's famous mark" (A29), and that Maya HK had allegedly "registered and used the CNNEWS.COM domain name with the bad faith intent of profiting off the CNN mark by misleading or deceiving the public into believing that CNN is associated or affiliated with, or sponsors or endorses, the news site Maya operates under the CNNEWS.COM domain name" (A30). Plaintiff prayed for "a permanent injunction ordering that the CNNEWS.COM domain name be transferred to CNN" (A31).[2]

Acknowledging, however, that Maya HK could not constitutionally be haled into a United States court to defend the garden variety claim of purported unfair competition in the PRC alleged in the complaint (see A24; "personal jurisdiction does not exist over Maya [HK] anywhere in the United States"), the plaintiff characterized its claim as being, not for unfair competition, but purportedly for "cybersquatting"; and the plaintiff further characterized its claim as

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[2] In apparent recognition that "rem" jurisdiction does not include any power to issue injunctions, see R.M.S. Titanic, Inc. v. Haver, 171 F.3d 943, 957 (4th Cir.), cert. denied, 528 U.S. 825 (1999) ("Injunctive relief, by its very nature, can only be granted in an in personam action . . . ."), the plaintiff subsequently limited its prayer to a declaration as to the status of the disputed domain name (see A1721; final Order that "the domain name CNNEWS.COM is transferred to Plaintiff Cable News Network L.P., L.L.L.P.").

being, not a tort claim against Maya HK or its licensee, but purportedly a "property" claim lodged against a "defendant" identified only as "CNNEWS.COM."[3]

The plaintiff contended that the District Court had "rem" jurisdiction over the controversy pleaded in the plaintiff's complaint, based on the presence in Virginia of one of numerous branch offices of Verisign, Inc. ("Verisign").[4] In the alternative, the plaintiff contended that "rem" jurisdiction existed because, subsequent to the commencement of this action, litigation counsel for the plaintiff (without notice to Maya HK) contacted Eastcom, the registrar of the domain name

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[3] In lieu of any summons in other process served on Maya HK, plaintiff sought and was granted leave to render "substituted" service of process in the form of a legal notice published in two Hong Kong newspapers (A33-34). The notice was not required to name or be addressed to Maya HK or any particular person (id.), even though the plaintiff was fully aware of Maya HK's location and status as the registrant of the domain name in question (A293-94). The procedure used to commence this action was strikingly reminiscent of the one held unconstitutional in Mullane v. Central Hanover Trust Co., 339 U.S. 306 (1950), and clearly was not designed to ensure that Maya HK received timely notice of the commencement of this vexatious suit.

[4] Verisign is headquartered in Mountain View, California, and has offices located in diverse parts of the United States (see www.verisign.com). By contract with Internet Corporation for Assigned Names and Numbers ("ICANN"), Verisign receives domain name system ("DNS") information from "registrars"operating all over the world, compiles that information into a centralized database, and propagates the compiled information into Internet "zone files" resident on literally thousands of computers, called "Domain Name Resolvers," scattered across the Internet (see www.nsiregistry.com/glossary/glossary3.html; www.internic.net/faqs/authoritative-dns.html). The "zone files" compiled by Verisign do not include domain name registrant information, which registrars alone maintain (id.). It is undisputed that Verisign has no contractual or other relations with Maya HK and did not register or assign the disputed domain name to Maya HK (A121).

in Hangzhou, PRC, and received from Eastcom a faxed "Registrar Certificate" which plaintiff's litigation counsel apparently then transported to Virginia and filed with the Clerk of the District Court in mid-March 2001(A35).

Maya HK moved for dismissal of the plaintiff's suit as barred by the Due Process Clause of the Fifth Amendment in view of Shaffer v. Heitner, 433 U.S. 186 (1977). The Shaffer decision "eliminated all doubt that the minimum contacts standard in International Shoe governs in rem and quasi in rem actions as well as in personam actions." Base Metal Trading, Ltd. v. OJSC Novokuznetsky Aluminum Factory, 2002 U.S. App. LEXIS 3551, at *8 (4th Cir. Mar. 6, 2002). Nevertheless, in an Order dated September 18, 2001, the District Court ruled (directly contrary to what this Court subsequently held in Base Metal) that "Shaffer requires minimum contacts only for quasi in rem II-type cases," Cable News I, 162 F. Supp. 2d at 491, so that in the District Court's view, "in an ACPA in rem action, it is not necessary that the allegedly infringing registrant have minimum contacts with the forum; it is enough, as here, that the registry is located in the forum." Id. Thus, in the District Court's view, the plaintiff's suit could proceed in Virginia no matter how unfair or unjust such a proceeding might be to Maya HK, because "it

[was] sufficient under the ACPA and the Constitution that the registry for cnnews.com is located within this district." Cable News I, 162 F. Supp. 2d at 492.[5]

The District Court then proceeded to award summary judgment to the plaintiff, see Cable News II, 177 F. Supp. 2d 506. In granting summary judgment, the District Court rejected arguments that (1) extraterritorial application of the Lanham Act was inappropriate under the circumstances of this case;[6] (2) the conduct of Maya HK did not amount to "cybersquatting" with the meaning or intent of the ACPA,[7] (3) at the very least, genuine issues of fact precluded

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[5] The District Court initially declined – properly – to base jurisdiction on plaintiff's litigation counsel's alleged transportation into the district, post-suit, of a faxed "Registrar Certificate" purporting to evidence rights in the disputed domain name (A35). See Cable News I, 162 F. Supp. 2d at 489 n.15. See Fleetboston Financial Corp. v. FLEETBOSTONFINANCIAL.COM, 138 F. Supp. 2d 121, 135 (D. Mass. 2001) (litigation conduct of plaintiff is irrelevant to existence of jurisdiction). See also CAE Screenplates, Inc. v. Beloit Corp., 957 F. Supp. 784, 789 n.16 (E.D. Va. 1997) (Ellis, J.) ("later events may not create jurisdiction where none existed at the time of filing") (quoting Spectronics Corp. v. H.B. Fuller Co., 940 F.2d 631 (Fed. Cir.), cert. denied, 502 U.S. 1013 (1991)). Subsequently, however, the District Court reversed field and held that jurisdiction over Maya HK's interests could be based in part on the actions of plaintiff's litigation counsel subsequent to the commencement of this suit. See Cable News II, 177 F. Supp. 2d at 514 n.17.

[6] Cf. Nintendo of America, Inc. v. Aero Power Co., 34 F.3d 246, 250 (4th Cir. 1994) (appropriateness of extraterritorial application of the Lanham Act depends on whether defendant is a United States national, whether defendant is acting lawfully in the country where the allegedly wrongful acts are being committed, and whether defendant's conduct overseas has a "significant effect" on United States commerce).

[7] Cf. Virtual Works, Inc. v. Volkswagen of America, Inc., 238 F.3d 264, 267 (4th Cir. 2001) (defining "cybersquatting" as "the practice of registering 'well-known brand names as Internet domain names' in order to force the rightful owners of the marks 'to pay for the right to engage in electronic commerce under their own brand name.'") (quoting S. Rep. No. 106-140 at

(continued...)

summary judgment on the issue of whether Maya HK had "reasonable grounds to believe that use of the domain name was a fair use or otherwise lawful," 15 U.S.C. § 1125(d)(1)(b)(ii),[8] and (4) litigation of the mental state(s) of Maya HK's directors or perceptions of the CNMAYA Portal in the PRC could not reasonably or fairly be conducted in a forum 13 time zones away from where all witnesses and documents were located.[9]

On January 11, 2002, the District Court issued an Order declaring: "the domain name CNNEWS.COM is transferred to plaintiff Cable News Network L.P., L.L.L.P." This appeal followed on January 15, 2002.

STATEMENT OF FACTS

Maya HK is a corporation organized and existing under the laws of the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (A408). Maya HK's principal and only place of business is located at 48th Floor, The Centre, 99 Queen's Road, Central, Hong Kong (A408,

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[7] (...continued)
4 (1999)).

[8] Cf. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248-49 (1986) ("at the summary judgment stage the judge's function is not himself to weight the evidence and determine the truth of the matter").

[9] Cf. Borden, Inc. v. Meiji Milk Prods. Co., 919 F.2d 822, 828 (2d Cir. 1990) (affirming dismissal of Japanese trademark dispute on grounds of forum non conveniens).

A410). Maya HK is a wholly-owned subsidiary of Shanghai Maya Online Broadband Network Company Limited, a company incorporated under the laws of the PRC (A408). Shanghai Maya's principal and only place of business is located in Shanghai, the PRC (A41-42, A408).

Maya HK and Shanghai Maya are parties to a written, royalty-bearing License Agreement dated 20 December 2000 (the "License Agreement"; see (A979-81). Under the terms of the License Agreement, Shanghai Maya is granted a non-exclusive, non-transferable license to use the Domain Names for the operation of a web site (the "CNMAYA Portal") established by Shanghai Maya, subject to the terms and conditions of the License Agreement (id.).

The CNMAYA Portal is advertised in the vicinity of Shanghai, the PRC by means of outdoor signage and related materials bearing the words MAYA (stylized), WWW.CNMAYA.COM, and a circular logo (A39-40, A67-75, A133, A263-74, A1521). In the domain name CNMAYA.COM, the letters "CN" refer to China, and MAYA is the registered trademark of Shanghai Maya's affiliate, Shanghai Maya Audio Video Ltd., Co. ("Maya AV"), which operates a chain of retail stores in twelve districts and one county of the municipality of Shanghai, the PRC (A37-38).

In mainland China, the characters "CN" are very widely used and understood as an abbreviation for the country name "China" (A131). The top level Internet domain for China is ".CN" (id.). Applications for registration of domain names in the ".CN" domain are processed by the China Internet Network Information Center whose "home page" is associated with the address CNNIC.COM.CN (id., A143). In the domain name "CNNIC.COM.CN, " "CN" stands for China, the initial "N" stands for "Network," and the initials "IC" stand for "Information Center." (A131).

Active Internet web sites in the PRC associated with second level Internet domain names whose first two or three characters are "CN" or "CNN" including the following (132, A145-248):

> CNNCTV.COM (China National Communication and Television Net);
> CNNAC.COM (China Network and Communication);
> CNNETTV.NET (China Network TV Net);
> CNNC.COM.CN (China National Nuclear Corporation);
> CNNET2000.COM (China Century Net);
> CNNPOWER.COM (China Network Power);
> CNNETVIEW.COM (China Net New View);
> CNNTEXGROUP.COM (China Nantong No. 2 Textile Group Corp.);
> CNNETHK.COM (China E-Business Net);
> CNNDC.NET (China Network Data Center);
> CNNH.NET (China Non Hua [i.e., Agricultural Chemical] Net);
> CNNAVIGATE.COM (China Net Information Navigation Center);
> CNNJ110.COM (China Non Ji [i.e., Agricultural Technology])

CNMAYA.COM is the only domain name used in advertising or promotion of the CNMAYA Portal (A38-39). "Web pages" associated with the domain name CNMAYA.COM display, on upper portions thereof, the word MAYA (stylized), the domain name CNMAYA.COM, and a circular logo A40, A133, A249-62), in a form intended to resemble the CNMAYA Portal trading style displayed on outdoor signage in Shanghai, the PRC (133, A263-69) and used by MAYA retail stores in Shanghai (A37).

The text of "web pages" associated with the domain name CNMAYA.COM appears in a form of "simplified" Chinese characters known as GB 2312 (A41). "Simplified" Chinese characters are not used, as a rule, outside of mainland China (A41, A1431-34) and are difficult to understand by Chinese-speaking people familiar only with "traditional" Chinese characters (A1431-35).[10] The target audience of the CNMAYA Portal is located entirely within mainland

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[10] The District Court purported to take "judicial notice" of "the existence in this country of a not insubstantial number of persons with Chinese language skills." Cable News II, 177 F. Supp. 2d at 517 & n.26. The District Court did not address the record evidence tending to establish that all known Chinese-language newspapers in the United States are published in "traditional" Chinese characters (A1431), and that "Chinese language skills" do not necessarily include the ability to read the GB2312 "simplified" characters used in the CNMAYA Portal (A1434-35). This was another example of the District Court resolving a factual dispute against the non-movant on a motion for summary judgment.

China (id.).[11] As of April 2001, 99.5% of the registered users of the CNMAYA Portal were located within cities in mainland China (A133-34, A280-81).

"Web pages" associated with the domain name CNMAYA.COM include hypertext links identified, in simplified GB2312 Chinese characters, with the underlined words "Chinese Maya," "News Center," "Chinese Police," "TV and Entertainment," "Shanghai Life-Style," "Business Maps," "Electronic Business Center," "Maya Community," and "Maya Business" (A133, A249-62, A1522). The domain name CNNEWS.COM is associated with the "News Center" link displayed on the CNMAYA.COM "home page," just as CNCITIES.COM is associated with "Business Maps" and CNMAYA.COM is associated with "Chinese Maya" (A37-38, A132-33, A249-62, A1481-82, A1525).

The domain name CNNEWS.COM was registered to Maya HK in the PRC on or about November 27, 2000, by Eastern Communications Co. Ltd. of Hangzhou, Zheijiang, China ("Eastcom"), under a domain name services

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[11] In yet another instance of improperly resolving factual issues on a motion for summary judgment, the District Court rejected the sworn description of the PRC target audience given by Maya HK (A41), and inferred that Shanghai Maya must be targeting persons outside of the PRC based on such circumstances as its choice of the ".com" rather than the ".cn" top level domain, the fact that "news" is an English word, and a reference to what the District Court called "Shangai Maya's avowed goal, clear in the record, that it aspires to the creation of a 'megaportal' that would provide services worldwide." Cable News II, 177 F. Supp. 2d at 525-26. The District Court did not cite to where in the record this purported "avowal" is shown, because it does not exist.

agreement made in the PRC (A303). Maya HK is a holding company and does not sell any goods or services (A475). Maya HK's licensee, Shanghai Maya, does not transact any business of any nature whatsoever in the United States (A41, A1489).

In particular, Shanghai Maya does not have any offices, employees, or representatives outside of Shanghai, the PRC (A41). Shanghai Maya has never publicized or advertised any of its information services outside of the PRC (A41, A1489). Shanghai Maya does not offer any product or service for sale to any person outside of the PRC (A41, A134-35). Shanghai Maya does not accept payments from any source outside of the PRC (A41). Shanghai Maya does not advertise or solicit business in the United States (A41). Shanghai Maya does not ship any goods to the United States (id.). Shanghai Maya does not have any bank accounts or telephone numbers in the United States (id.). Shanghai Maya does not hold any property in the United States (id.). Shanghai Maya does not purchase any goods or services from persons in the United States (id.).

The domain name CNNEWS.COM was initially registered by Heyu Wang ("Mr. Wang") on or about November 12, 1999 (A38-39). At approximately the same time as he registered the domain name CNNEWS.COM, Mr. Wang also registered or caused to be registered the domain names CNMAYA.COM, CNNAV.COM, CNCITIES.COM, CNSPORT.COM, CHINA110.COM, and

SHTODAY.COM (A38-39). Mr. Wang registered the Names as part of the planning for the start-up of Shanghai Maya (A136). The Names were put into actual use in association with the CNMAYA Portal by February 2000 (A134).

The record contains no evidence that Mr. Wang, Maya HK, or Shanghai Maya ever intended or attempted to sell the domain name CNNEWS.COM (China News) to plaintiff or anyone else, or to prevent the plaintiff from using its own "CNN" (Cable News Network) service mark. The record similarly "contains no evidence of actual economic harm attributable to registration and use of the CNNEWS.COM domain name." Cable News II, 177 F. Supp. 2d at 522. Plaintiff could identify no one who has been "confused" by the disputed domain name (A1489, A1526)

SUMMARY OF ARGUMENT

In Shaffer v. Heitner, 433 U.S. 186 (1977), the Supreme Court expressly rejected "[t]he fiction that an assertion of jurisdiction over property is anything but an assertion of jurisdiction over the owner of the property . . . ." Id. at 212. Shaffer "eliminated all doubt that the minimum contacts standard in International Shoe governs in rem and quasi in rem actions as well as in personam actions." Base Metal Trading, Ltd. v. OJSC Novokuznetsky Aluminum Factory, 2002 U.S. App. LEXIS 3551, at *8 (4th Cir. Mar. 6, 2002). The District Court's conclusion, "in an ACPA in rem action, it is not necessary that the allegedly infringing registrant have minimum contacts with the forum," Cable News I, 162 F. Supp. 2d at 491, was clear error. The District Court's exercise of jurisdiction in this case did not even pretend to conform to the constitutional standard of "fair play and substantial justice," Shaffer, 433 U.S. at 207, and must be reversed on that basis (Part I, infra).

Equally erroneous was the District Court's refusal to abide case law restricting the extraterritorial application of the Lanham Act, exemplified by Steele v. Bulova Watch Co., 344 U.S. 280 (1952), and Nintendo of America, Inc. v. Aeropower Co., 34 F.3d 246 (4th Cir. 1994). Contrary to the District Court's curt dismissal of this law as "inapposite," Cable News II, 177 F. Supp. 2d at 518 &

n.28, the "international comity concerns" limiting extraterritorial application of the Lanham Act, Nintendo, 34 F.3d at 250, are clearly implicated in this case where the domain name registrant is a non-U.S. national; the registrant claims that its conduct is lawful and privileged under the laws of its home country (A41); the record shows no "significant effect on United States commerce," Nintendo, 34 F.3d at 250; and the overwhelming preponderance of the acts purportedly giving rise to the plaintiff's suit occurred in the PRC whose interest in the subject matter greatly outweighs that of any other nation. The District Court committed clear error in disregarding "the Steele three-part test," Cable News II, 177 F. Supp. 2d at 514, and in therefore giving no weight to the reasonableness and lawfulness of Maya HK's business acts under the law of the PRC, and applying United States legal standards to business activity conducted entirely in the PRC (Part II, infra).

The District Court also committed clear error in its interpretation of what constitutes "cybersquatting" made actionable by 15 U.S.C. § 1125(d). The decision of the District Court effectively obliterates any meaningful distinction between "cybersquatting" and garden variety claims for unfair competition. The ACPA clearly was not intended to extend the jurisdiction of United States District Courts to encompass ordinary claims of alleged unfair competition, based

on nothing more than the location in the United States of a company acting as a "registry" for an entire top level domain of the Internet (Part III, infra).

In line with its improper rejection of the Steele line of authority, the District Court wrongly construed the statutory phrase, "reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful," 15 U.S.C. § 1125(d)(1)(b)(ii), as somehow excluding any grounds not bottomed on "American trademark law." Cable News II, 177 F. Supp. 2d at 527. Having thus dismissed, as irrelevant, all PRC law and practice governing operation of the CNMAYA Portal, the District Court purported to make findings on bitterly contested issues of fact, discrediting affidavit evidence submitted by Maya HK in favor of disputed and mostly inadmissible and incompetent "evidence" (e.g., an in-house lawyer's repetition of what someone on her staff allegedly told her that a person in Asia had told him about alleged activities of CNN radio, A1353) proffered by plaintiff through a Hong Kong based employee. This was clear error (Part IV, infra).

ARGUMENT

"On appeal, decisions granting summary judgment are reviewed de novo." Thompson v. Aluminum Co. of America, 276 F.3d 651, 654 (4th Cir. 2002). "The evidence of the nonmovants is to be believed, and all justifiable inferences are to be drawn in [their] favor." Continental Airlines, Inc. v. United Airlines, Inc., 277 F.3d 499, 508 (4th Cir. 2002) (quoting Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986)).

I. THE DISTRICT COURT ERRED IN REJECTING THE "MINIMUM CONTACTS" STANDARD OF DUE PROCESS.

The District Court held that it need not consider the unfairness and injustice of forcing Maya HK to litigate the plaintiff's purported claim in the Eastern District of Virginia, literally half a world away from all operative transactions and events and witnesses with knowledge, because in the District Court's view, "Shaffer requires minimum contacts only for quasi in rem II-type cases." Cable News I, 162 F. Supp. 2d at 491. This was clear error. Contrary to the District Court's opinion, the Shaffer decision in fact "eliminated all doubt that the minimum contacts standard in International Shoe governs in rem and quasi in rem actions as well as in personam actions." Base Metal Trading, Ltd. v. OJSC Novokuznetsky Aluminum Factory, 2002 U.S. App. LEXIS 3551, at *8 (4th Cir.

Mar. 6, 2002). As the record clearly demonstrates an absence of "minimum contacts" sufficient to justify an exercise of jurisdiction over the controversy pleaded in the plaintiff's First Amended Complaint, the judgment of the District Court must be reversed.

In Schaffer, the question was whether the fictional situs, in Delaware, of stock in a Delaware corporation belonging to certain directors of the corporation, constituted a sufficient basis for a Delaware court to exercise jurisdiction over a civil action alleging that the defendant directors/stockholders had breached fiduciary duties owed to the Delaware corporation. 433 U.S. at 189-92. The question presented in Shaffer "whether the standard of fairness and substantial justice set forth in International Shoe should be held to govern actions in rem as well as in personam." Id. at 206.

In answering this question "yes," and holding that "all assertions of state-court jurisdiction must be evaluated according to the standards set forth in International Shoe and its progeny," id. at 212, the Supreme Court reasoned:

> The phrase, judicial jurisdiction over a thing, is a customary elliptical way of referring to jurisdiction over the interests of persons in a thing. Restatement (Second) of Conflict of Laws § 56, Introductory Note (1971). . . . This recognition leads to the conclusion that in order to justify an exercise of jurisdiction in rem, the basis for jurisdiction be sufficient to justify exercising jurisdiction

> over the interests of persons in a thing. The standard for determining whether an exercise of jurisdiction over the interests of persons is consistent with the Due Process Clause is the minimum-contacts standard elucidated in International Shoe.
>
> . . . .
>
> The fiction that an assertion of jurisdiction over property is anything but an assertion of jurisdiction over the owner of the property supports an ancient form without substantial modern justification. Its continued acceptance would serve only to allow state-court jurisdiction that is fundamentally unfair to the defendant.

433 U.S. at 207, 212 (citations and quotations omitted).

Contrary to the opinion of the District Court, Shaffer held, not that "minimum contacts" analysis is irrelevant to whether jurisdiction can be exercised in an action purportedly seeking to establish "ownership" of "property" located in a jurisdiction, but on the contrary, that "the presence of property in a State may bear on the existence of jurisdiction by providing contacts among the forum State, the defendant, and the litigation." 433 U.S. at 207 (emphasis added). "For example," the Supreme Court observed, "when claims to the property itself are the source of the underlying controversy between the plaintiff and the defendant, . . .the defendant's claim to property located in the State would normally indicate that he expected to benefit from the State's protection of his interest." Id. at 207-208

(footnotes omitted). Similarly, the Court continued, a "State's strong interests in assuring the marketability of property within its borders and in providing a procedure for peaceful resolution of disputes about the possession of that property would also support jurisdiction, as would the likelihood that important records and witnesses will be found in the State." Id. at 208 (footnotes omitted).

Shaffer thus clearly holds, not that a property owner's contacts with a forum are irrelevant to an exercise of in rem jurisdiction, but rather that the physical location of property in a forum can, in appropriate circumstances, supply the minimum contacts required for a constitutional exercise of in rem jurisdiction. See Base Metal, 2002 U.S. App. LEXIS 3551, at *9-*10. Shaffer explicitly rejected, as "an ancient form without substantial modern justification," 433 U.S. at 212, the idea that an alleged fictional "situs" of property in a forum, without more, justifies an assertion of in rem jurisdiction regardless of the standard of fairness and substantial justice elucidated in International Shoe and its progeny. Id. at 207.

The District Court thus committed clear error when it dismissed, as purportedly "non-binding dicta," the ratio decidendi and broad holding of Shaffer quoted above, and held that "in an ACPA in rem action, it is not necessary that the allegedly infringing registrant have minimum contacts with the forum." Cable

News I, 162 F. Supp. 2d at 491.[12] As this Court recently held in Base Metal, "the minimum contacts standard in International Shoe governs in rem and quasi in rem actions as well as in personam action," and in all cases, "courts must consider the burden on the defendant, the interests of the forum State, and the plaintiff's interest in obtaining relief when determining whether the exercise of jurisdiction is reasonable in any given case." 2002 U.S. App. LEXIS 3551, at *8-*10.

The District Court's exercise of jurisdiction in this case cannot be reconciled with the "minimum contacts" standard of International Shoe -- and the opinion of the District Court did not even purport to do so. It is well-established that jurisdiction under International Shoe and Shaffer can be exercised only "[i]f a defendant has certain judicially cognizable ties with a State." Rush v. Savchuk, 444 U.S. 320, 332 (1980) (emphasis added). It is "forbidden" to rely on a plaintiff's contacts with a forum "in determining whether the defendant's due process rights are violated." Id. A fortiori, jurisdiction cannot be based on the adventitious location, in the forum, of a branch office of a non-party -- Verisign –

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[12] The District Court also misstated the jurisdictional issue raised to it as whether an exercise of "rem" jurisdiction requires the same "minimum contacts" as does an exercise of in personam jurisdiction. Cable News I, 162 F. Supp. 2d at 491. In fact, as Shaffer makes clear, "rem" jurisdiction does not necessarily require the same type or quantum of "minimum contacts" as does in personam jurisdiction. It does, however, require contacts "sufficient to justify exercising jurisdiction over the interests of persons in a thing." Shaffer, 433 U.S. at 207, quoted in Base Metal, 2002 U.S. App. LEXIS 3551, at *8.

which admittedly has no contractual or business dealings with Maya HK whatsoever (A121).[13]

Verisign is the current "registry" of entire "generic" top level domain ("gTLD"), ".com". See www.nsiregistry.com.[14] "An Internet domain name registry is an entity that receives domain name service (DNS) information from domain name registrars, inserts that information into a centralized database and propagates the information in Internet zone files on the Internet so that domain names can be found by users around the world via applications such as the world wide web and e-mail." www.nsiregistry.com/glossary/glossary3.html. "NSI Registry provides direct services to registrars only, not Internet end-users. The registry database . . . does not contain any domain name registrant or contact information." Id.

Not surprisingly, the District Court did not hold or suggest that the mere existence in Virginia of a branch office of a provider of telecommunications

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[13] In a letter dated January 26, 2001, Verisign stated: "the Registry has no relationship, contractual or otherwise, with the registrant of a domain name, and therefore, cannot affect the registrant or the registrant's domain name registration. In fact, the Registry does not even know who a registrant is and is precluded by contract with registrars, including EASTCOM, from having such data" (A121).

[14] The ".com" domain is one of "a limited number of 'generic' Top Level Domains (gTLDs), which do not have a geographic or country designation." ICAAN, ICP-1: Internet Domain Name System Structure and Delegation (ccTLD Administration and Delegation), www.icann.org/icp/icp-s.htm.

infrastructure ("registry") services, Verisign, could be constituted "minimum contacts" between Maya HK and Virginia "such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" Base Metal, 2002 U.S. App. LEXIS 3551, at *7 (quoting International Shoe, 326 U.S. at 316 (quoting Milliken v. Meyer, 311 U.S. 457, 463 (1940)). If that were enough, then jurisdiction would be equally "fair" and "just" in any of the jurisdictions where Verisign is located and regardless of whether a domain name registrant transacts business in the United States or with any United States person. The ACPA need not and should not be interpreted as purportedly authorizing any such absurd and obviously unconstitutional result.[15]

The unfairness and injustice of requiring Maya HK to defend its business and reputation in Virginia was also and obviously rendered no less by the action of plaintiff's litigation counsel, subsequent to the commencement of this action, in secretly communicating with the registrar, Eastcom, in the PRC, and

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[15] Besides being basically inconsistent with "the standard of fairness and substantial justice" set forth in International Shoe," Shaffer, 433 U.S. at 206, the District Court's opinion rests on disregard of the express language of 15 U.S.C. § 1125(d)(2)(A) which authorizes the filing of "an in rem civil action" in "the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located . . . ." (emphasis added). It is undisputed that Verisign did not "register" or "assign" the disputed domain name to Maya HK (A121). That was done in the PRC by Eastcom (A303). The District Court effectively re-wrote the statute to delete the words, "that registered or assigned" and to replace it with the word "for".

procuring a so-called "Registrar Certificate" (A35) which plaintiff's litigation counsel then apparently arranged to be transported to Virginia and filed with the District Court. In suggesting that "the constitutionality of this action [was] further strengthened by" the post-filing actions of plaintiff's litigation counsel, Cable News I, 162 F. Supp. 2d at 492, even if wrongful coercion had been used, Cable News II, 177 F. Supp. 2d at 514 & n.17, the District Court once again disregarded the principle that jurisdiction depends on whether "a defendant has certain judicially cognizable ties with a State." Rush v. Savchuk, 444 U.S. 320, 332 (1980). The actions of plaintiff's litigation counsel in this action, subsequent to the commencement of the action, are clearly irrelevant to whether the maintenance of this suit "offend[s] traditional notions of fair play and substantial justice." Base Metal, 2002 U.S. App. LEXIS 3551, at *7. See Fleetboston Financial Corp. v. FLEETBOSTONFINANCIAL.COM, 138 F. Supp. 2d 121, 135 (D. Mass. 2001) ("A case where the res only appears in the forum state through the action of the plaintiff who sends it there for its convenience in litigation already commenced is an affront to those notions").

The purported basis of "rem" jurisdiction in this case is far, far weaker than that which was held insufficient, in Shaffer, to justify an assertion of jurisdiction by a Delaware court over a tort claim made against directors of a

Delaware corporation. As in Shaffer, the plaintiff here alleges that non-residents of the forum have engaged in allegedly tortious activity. Like the tort claim alleged by the plaintiff in Shaffer, the tort claim pleaded by plaintiff here purports to arise from acts committed outside the forum (i.e., the operation of the CNMAYA Portal in Shanghai, the PRC), by persons whom even plaintiff concedes (A24) have done nothing as would subject themselves to a suit in this country. And as in Shaffer, the plaintiff here seeks to put a non-resident, Maya HK, to the Hobson's choice of either waiving its liberty interests under the Due Process Clause of the Fifth Amendment,[16] or potentially forfeiting its interest in "property" purportedly located in the forum.

Far from constituting a "true in rem" action as suggested by the District Court, Cable News I, 162 F. Supp. 2d at 491, the complaint in this action alleges a conventional claim for alleged unfair competition in which the plaintiff has merely, for tactical reasons, limited its prayer for relief to the alleged wrongdoer's "property." The "property" in this case was purportedly seized and taken "hostage" by the plaintiff for precisely the same reason -- to force litigation

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[16] In a federal law case such as this, it is the Fifth Amendment, rather than the Fourteenth Amendment, which imposes "constitutional limitations on the exercise of territorial jurisdiction by federal courts over persons outside the United States." Fed. R. Civ. P. 4(k) Advisory Committee Note. See Fleetboston Financial Corp. v. FLEETBOSTONFINANCIAL.COM, 138 F. Supp. 2d 121, 129 (D. Mass. 2001).

of a tort claim in a distant forum -- as was the stock of the defendant directors in Shaffer.[17]

Unlike the defendant directors in Shaffer, however, Maya HK is not claimed to stand in any fiduciary relation to an entity incorporated in the forum, much less to the plaintiff. Unlike the defendant directors in Shaffer, Maya HK is not claimed to be subject generally to corporate governance or any other law of the forum. Unlike the Delaware corporate stock at issue in Shaffer, the "property" purportedly seized in this case[18] was not created by the law of the forum. Unlike the claim alleged in Shaffer, the claim of the plaintiff here purports to involve just one tiny facet of a broader, PRC-based business dispute whose entirety cannot be litigated in this country. And of course, unlike the defendant directors in Shaffer, Maya HK and its licensee are both non-United States nationals entitled to the

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[17] In Internet litigation parlance, the strategy utilized by the plaintiff in this case is commonly referred to as "reverse domain name hijacking," filing a lawsuit whose extreme geographical remoteness and defense costs are hoped by the plaintiff to exceed the value of the domain name in suit, thus resulting in a default.

[18] This case well illustrates that the subject matter of the plaintiff's suit is not, in fact, "property" in any meaningful sense. What plaintiff actually seeks – and its complaint originally prayed for – is something the District Court had no power to grant: an injunction directing a person to perform the Internet equivalent of changing the telephone number of a person located in the PRC. The declaratory relief issued by the District Court is, by definition, void as against persons over whom the District Court lacked jurisdiction. The plaintiff evidently has yet to persuade the registrar in the PRC, Eastcom, that it can or should breach its contract with Maya HK on the basis of the judgment of a U.S. court which has not been domesticated in the PRC.

benefit of the principle, ignored by the District Court, that "the unique burdens placed upon one who must defend oneself in a foreign legal system should have significant weight in assessing the reasonableness of stretching the long arm of personal jurisdiction over national borders." Base Metal, 2002 U.S. App. LEXIS 3551, at *10 (quoting Asahi Metal Indus. Co. v. Superior Court, 480 U.S. 102, 114 (1987)).

If it was unfair and unjust, in Shaffer, to require non-resident directors of a Delaware corporation to defend, in Delaware, a claim that they had breached fiduciary duties owed under Delaware law to stockholders of the corporation or else forfeit interests in Delaware of stock certificates issued by the corporation, it must be considered vastly more unfair, unreasonable, and unjust to force a non-resident of the United States, having no connection whatsoever to the plaintiff or the forum, to defend in Virginia a claim that business acts committed in the PRC allegedly constitute unfair competition against the plaintiff, or else forfeit interests under a domain name services agreement made in the PRC.

It was only by rejecting Shaffer and embracing the now-discredited "fiction that an assertion of jurisdiction over property is anything but an assertion of jurisdiction over the owner of the property," 433 U.S. at 212, that the District Court was able to justify exercising "rem" jurisdiction in this case. The plaintiff's

original demand in this case was issued by an attorney in plaintiff's Hong Kong office (A41-42, A76). The plaintiff is fully capable of commencing in Hong Kong or Shanghai, China and pleading all applicable laws (including plaintiff's apparent claim that its and Maya HK's respective rights relating to the use of CNNEWS.COM in association with Chinese-based information services are governed by U.S. federal trademark law). A reversal of the District Court's decision on jurisdictional grounds would leave the plaintiff with all of its claimed trademark rights intact, and would merely require that plaintiff assert those rights in a court where the truth and right of the matter could be determined at reasonable cost to the persons whose interests and reputations are being attacked, and with the benefit of live testimony by the corporate directors accused of "bad faith" by this plaintiff.

II. THE DISTRICT COURT ERRED IN APPLYING 15 U.S.C. § 1125(d)(2) EXTRATERRITORIALLY TO NON-UNITED STATES PERSONS, IN DEROGATION OF PRC LAW, AND IN THE ABSENCE OF ANY SIGNIFICANT EFFECT ON U.S. COMMERCE.

The ACPA is part of the Trademark Act of 1946, 15 U.S.C. § 1051 et seq., commonly known as the Lanham Act. Since early in the history of the Act, the Supreme Court and the Courts of Appeals, including this Court, have held that the Lanham Act is properly applied to conduct occurring outside the United States

"only where the extraterritorial conduct would, if not enjoined, have a significant effect on United States commerce, and then only after consideration of the extent to which the citizenship of the defendant, and the possibility of conflict with trademark rights under the relevant foreign law might make issuance of the injunction inappropriate in light of international comity concerns." Nintendo of America, Inc. v. Aeropower Co., 34 F.3d 246, 250 (4th Cir. 1994). See Steele v. Bulova Watch Co., 344 U.S. 280, 286-87 (1952).[19]

Here it is undisputed that (1) Maya HK is not a U.S. citizen; (2) the plaintiff's U.S. claim conflicts directly with what Maya HK contends is its right, in the PRC, to use CNNEWS as a descriptive designation of Chinese-language news content offered as part of the CNMAYA Portal;[20] and (3) the conduct of Maya HK and its licensee fall far short of what any court has ever before held to give rise to a

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[19] The doctrine articulated in Nintendo has been characterized as a limitation on the "subject matter jurisdiction" of United States courts. E.g., International Café, S.A.L. v. Hard Rock Café Int'l (U.S.A.), Inc., 252 F.3d 1274, 1279 (11th Cir. 2001). It is more accurately characterized as a form of abstention, see Dabney, On the Territorial Reach of the Lanham Act, 83 Trademark Rep. 465, 475-76 (1993), which is ultimately enforced by Due Process limits on application of United States substantive law. See Home Ins. Co. v. Dick, 281 U.S. 397, 410 (1930) (Brandeis, J.).

[20] In line with its rejection of the "Steele three-part test," Cable News II, 177 F. Supp. 2d at 518, the District Court deemed it irrelevant whether use of CNNEWS.COM was lawful or privileged in the PRC under PRC law. See id. at 527 ("there were no reasonable grounds for Maya HK to believe that its use of the domain name was lawful under American trademark law"); A1639 (THE COURT: "But you know, you are assuming the point in issue, that is, whether it's lawful in this country is different from whether it's lawful in China").

"substantial" or any "effect" on U.S. commerce sufficient to trigger extraterritorial application of the Lanham Act. Cf. Atlantic Richfield Co. v. Arco Globus Int'l Co., 150 F.3d 189, 192-94 (2d Cir. 1998)(Lanham Act inapplicable to use of ARCO mark outside the United States by oil trader).[21] The District Court itself acknowledged that "an effect on American commerce is not obvious" in this case, Cable News II, 177 F. Supp. 2d at 517, and relied on a novel, extra-statutory theory of "use in commerce" [22] which the plaintiff had not even argued: that "the cnnews.com website nonetheless offers news and information (i.e., 'commerce') to persons with Chinese language skills in this country." Id. at 517-18. On the

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See, e.g., International Café, 252 F.3d at 1278-79 (Lanham Act inapplicable to alleged infringement in Lebanon; royalties received by U.S. licensor did not constitute "substantial effect" on U.S. commerce for purposes of Steele analysis); Buti v. Impressa Perosa, S.R.L., 139 F.3d 98, 104-05 (2d Cir. 1998)(Lanham Act inapplicable to Italian restaurant whose services formed no part of the trade between Italy and the United States); Totalplan Corp. v. Colborne, 14 F.3d 824, 830 (2d Cir. 1994)(Lanham Act inapplicable to use of mark on goods sold in Japan); Star-Kist Foods, Inc. v. P.J. Rhodes & Co., 769 F.2d 1393, 1396 (9th Cir. 1985) (Kennedy, J.) (Lanham Act inapplicable where claimed effects on U.S. commerce was "relatively insignificant compared to the effect on Philippine commerce"); Lithuanian Commerce Corp. v. Sara Lee Int'l, 47 F. Supp. 2d 523, 535-36 (D.N.J. 1999) (Lanham Act inapplicable where U.S. trademark owner proved no loss of profits from alleged infringement abroad), modified, 248 F.3d 1130 (3d Cir. 2000); Space Imaging Europe, Ltd. v. Space Imaging L.P., 1999 U.S. Dist LEXIS 10898, at *11-*15 (S.D.N.Y. 1999) (Lanham Act inapplicable to unauthorized use of mark in Greece); Aero Group Int'l, Inc. v. Marlboro Footworks, Ltd., 955 F. Supp. 220, 227-28 (S.D.N.Y. 1997) (Lanham Act inapplicable to activity in Canada), aff'd, 152 F.3d 948 (Fed. Cir. 1998). See also United States v. Lopez, 514 U.S. 549, 559 (1995) (in Commerce Clause analysis, "the proper test requires analysis of whether the regulated activity 'substantially affects' interstate commerce").

[22] 15 U.S.C. § 1127 defines "use in commerce" as requiring "goods" to be "sold or transported in commerce" or "sale or advertising of services".

District Court's theory, anyone who answers the telephone in the PRC is one who "offers" "commerce" to the caller; for after all, it is even easier to call a person on the telephone than it is to visit such a person's "web site."

As with its rejection of the Shaffer doctrine, the District Court made no attempt to reconcile its ruling with the legal standards announced in Steele, Nintendo, or other decisions limiting extraterritorial application of the Lanham Act. Those decision were all "inapposite" to this case, the District Court said, Cable News II, 177 F. Supp. 2d at 518 & nn. 28-29, because plaintiff sought, not an Order enjoining Maya HK to cease use of the disputed domain name (the District Court having no authority to issue injunctions in an in rem action),[23] but rather an Order declaring "that the domain name CNNEWS.COM is transferred to Plaintiff" (A1721), which Order the District Court evidently assumed would be acted on by a non-party, Verisign, in the United States, based on the fictional "situs" of the "property" in the United States.[24]

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[23] See R.M.S. Titanic, Inc. v. Haver, 171 F.3d 943, 957 (4th Cir.), cert. denied, 528 U.S. 825 (1999) ("Injunctive relief, by its very nature, can only be granted in an in personam action . . . .").

[24] Verisign is qualified to do business in Hong Kong. Verisign could thus be held liable for damages in Hong Kong if it were to attempt to sabotage the Maya HK-Eastcom contract on the basis of a judgment rendered in the admitted absence of in personam jurisdiction over Maya HK. Particularly in view of the admitted lack of jurisdiction to issue injunctive relief in an in rem action, R.M.S. Titanic, Inc. v. Haver, 171 F.3d 943, 957 (4th Cir.), cert. denied, 528 U.S. 825

(continued...)

But contrary to the District Court's apparent view, the "international comity concerns" identified in Nintendo are unquestionably and directly implicated by the plaintiff's suit; and if anything, the admitted lack of personal jurisdiction over Maya HK should have led the District Court to exercise more, rather than less, caution in taking action designed to interfere with the operation of a business outside the United States. In the typical case where the Steele doctrine is applied, the defendant is a United States national or is otherwise subject to personal jurisdiction in this country, and the question is whether the defendant's activities in a foreign country should be restrained. E.g., International Café, S.A.L. v. Hard Rock Café Int'l (U.S.A.), Inc., 252 F.3d 1274 (11th Cir. 2001); Star-Kist Foods, Inc. v. P.J. Rhodes & Co., 769 F.2d 1393 (9th Cir. 1985) (Kennedy, J.).

By contrast, in the present case, the person whose business is under attack admittedly is not subject to personal jurisdiction in this country and the plaintiff is seeking to accomplish, indirectly, what it cannot accomplish directly, namely, establish a right to injunctive relief against Maya HK. The District

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[24] (...continued)
(1999), any attempt to force Verisign to execute on a judgment void against Maya HK would raise substantial Due Process questions as to Verisign. Cf. Western Union Telegraph Co. v. Pennsylvania, 368 U.S. 71, 75 (1961) (Due Process Clause precluded escheat of intangible property, where court could not protect stakeholder against rival claim made in second jurisdiction).

Court's apparent suggestion that a non-party, Verisign, might be expected to abrogate rights of Maya HK by virtue of an Order which is, by definition, void as against Maya HK, is extraordinary and completely unprecedented. "Use of judicial equity powers to coerce a party over whom the court has no jurisdiction or likelihood of obtaining jurisdiction is unheard of." United States v. First National City Bank, 379 U.S. 378, 389 (1965) (Harlan, J. dissenting).

This is not a case in which a United States national, operating abroad, applied a trademark to goods which found their way back into the United States and were purchased by American consumers. Compare Steele v. Bulova Watch Co., 344 U.S. 280 (1952) (upholding Lanham Act jurisdiction where U.S. national caused Mexican-made watches to be sold to consumers in the United States) with Totalplan, 14 F.3d at 829-31(no Lanham Act jurisdiction where non-resident exported accused goods to Japan).

This also is not a case in which a U.S. domestic trademark owner claims that it has been prevented from carrying on business in the United States under its own brand name. Cf. Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1322 (9th Cir. 1998) ("cybersquatter" held to have caused "effects" in jurisdiction where it specifically targeted trademark owner and engaged in attempted extortion).

Rather, this is a case in which the plaintiff seeks to force a PRC national to stop using a descriptive second level domain name in "a generic" Top Level Domain (gTLD)[25] to identify online services provided in the Chinese language to residents of the PRC, under and in accordance with the laws of the PRC. In Procter & Gamble Co. v. Colgate-Palmolive Co., 1998 U.S. Dist. LEXIS 17773 (S.D.N.Y. 1998), aff'd, 199 F.3d 74 (2d Cir. 1999), the Court used language which is highly apposite here:

> Although the evidence concerning Chinese law is not conclusive, applying Lanham Act extraterritorially to Colgate's seashell demonstration in China would appear to lead to an American court declaring that P&G has rights in China, that Chinese courts have not afforded P&G under Chinese law.

1998 U.S. Dist. LEXIS 17773, at *196.

III. THE DISTRICT COURT ERRED IN ITS INTERPRETATION OF WHAT CONSTITUTES STATUTORY "BAD FAITH INTENT."

As its name suggests, the Anticybersquatting Consumer Protection Act ("ACPA") was enacted as a remedy for "cybersquatting," that is, "the practice of registering 'well-known brand names as Internet domain names' in order to

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[25] The ".com" domain is considered to be "generic" and not to have any geographic designation. See text posted at http://www.icann.org/icp/icp-1.htm. The TLD for the United States is ".us". Id.

force the rightful owners of the marks 'to pay for the right to engage in electronic commerce under their own brand name.'" Virtual Works, Inc. v. Volkswagen of America, Inc., 238 F.3d 264, 267 (4th Cir. 2001) (quoting S. Rep. No. 106-140 at 5 (1999)). See Sporty's Farm L.L.C. v. Sportsman's Market, Inc., 202 F.3d 489, 493 (2d Cir.), cert. denied, 530 U.S. 1262 (2000); Panavision International, L.P. v. Toeppen, 141 F.3d 1316, 1322 (9th Cir. 1998).

The term "cybersquatting," and the statutory terms, "bad faith intent to profit," clearly refer to a type of conduct, and a type of commercial motivation, which differs in kind from conventional infringement or dilution:

> The primary purpose of the ACPA is to eliminate a practice which has become as known as "cybersquatting" or "cyberpiracy," by "individuals seeking extortionate profits by reserving Internet domain names that are similar or identical to trademarked names with no intention of using the names in commerce themselves."

Hartog & Co. v. SWIX.COM, 136 F. Supp. 2d 531, 536 (E.D. Va. 2001) (Jones, M.J.) (Emphasis in original; quoting H.R. Rep. No. 106-412 (1999)). See also Harrods Ltd. v. Sixty Internet Domain Names, 110 F. Supp. 2d 420, 426 (E.D. Va. 2000) (Brinkema, J.) ("the ACPA reflects Congress's intent to address the cybersquatting problem, not the innocent or good-faith registrations of domain names that may infringe existing trade marks").

The statutory terms, "bad faith intent to profit," refer to an intent "to force the rightful owners of the marks 'to pay for the right to engage in electronic commerce under their own brand name.'" Virtual Works, 238 F.3d at 267 (quoting S. Rep. No. 106-140, at 4 (1999)). That is to say, "cybersquatting" involves conduct by an actor who seeks to profit, not from the offering of goods and services in commerce (which activities would be subject to all the traditional remedies for alleged unfair competition), but from exploitation of rights and powers associated with a domain name registration per se:

> Cybersquatting involves the registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners. Since domain name registrars do not check to see whether a domain name request is related to existing trademarks, it has been simple and inexpensive for any person to register as domain names the marks of established companies. This prevents the use of the domain name by the mark owners, who not infrequently have been willing to pay "ransom" in order to get "their names" back.

Sporty's, 202 F.3d at 493.

The way in which a "cybersquatter" "profits" from domain name registrations was similarly described by this Court in Virtual Works, 238 F.3d at 267:

> Cybersquatting is profitable because while it is inexpensive for a cybersquatter to register the mark of an established company as a domain name, such companies are often vulnerable to being forced into paying substantial sums to get their names back.

The narrow scope of the statutory terms, "bad faith intent to profit," is further reflected in the holdings of actual cases finding violations of the statute. For example, in Virtual Works, the defendant engaged in conduct which the Fourth Circuit described as follows:

> Anderson left a voice mail message for Linda Scipione in Volkswagen's trademark department. In the message, Anderson stated that he owned the rights to vw.net. He also said that unless Volkswagen bought the rights to vw.net, Virtual Works would sell the domain name to the highest bidder.

238 F.2d at 267.

Virtual Works was thus a case in which a domain name registrant sought to "profit" by inducing a known trademark owner to purchase rights in a domain name. Similar conduct was described in the case of People for Ethical Treatment of Animals v. Doughney, 263 F.3d 359 (4th Cir. 2001), wherein the registrant "made statements to the press and on his website recommending that [plaintiff] attempt to 'settle' with him and 'make him an offer.'" Id. at 368. This

conduct, the Fourth Circuit concluded, "belie[d]" the defendant's contention "that he did not seek to financially profit from registering a domain name." Id.

A similar fact pattern was presented in Sporty's Farm L.L.C. v. Sportman's Market, Inc., 202 F.3d 489 (2d Cir.), cert. denied, 530 U.S. 1262 (2000). In that case, "bad faith intent to profit" was found where the registrant "registered Sports.com for the primary purpose of keeping [plaintiff] from using that domain name. " 202 F.3d at 499. Here again, a registrant sought to "profit" from rights and powers conferred by a domain name registration, as distinct from commercial activities which happened to involve use of a domain name.

Similarly, in Panavision Int'l L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998), the defendant registered the domain names PANAVISION.COM, PANAFLEX.COM, and "domain names for various other companies including Delta Airlines, Neiman Marcus, Eddie Bauer, Lufthansa, and over 100 other marks." 141 F.3d at 1319. The defendant was found to have "engaged in a scheme to register Panavision's trademarks as his domain names on the Internet and then to extort money from Panavision by trading on the value of those names." Id. at 1327. The Panavision case is a paradigm of the type of conduct which the ACPA was enacted to remedy.

In sharp contrast, the disputed domain name in this case was put into actual commercial use shortly following its registration (A38-39, A134). There is no evidence, and not even an allegation, that that domain name was registered with a view to its being held for resale to the plaintiff or anyone else. The plaintiff does not contend that it has ever traded as "CNNEWS.COM," or sought to do business under that name. There is not a shred of evidence, or even an allegation, that the plaintiff has been blocked or prevented from carrying on its normal business by reason of the disputed domain name registration, or that Maya HK or anyone associated with Maya HK ever believed or expected that "profit" could be derived from such non-existence "blockage."

Rather, plaintiff complains that Maya HK is "profiting" from the ongoing operation of the CNMAYA Portal. The undersigned respectfully submits that this ongoing business activity does not constitute "cybersquatting" within the meaning or intent of the ACPA. If it were, there would be no reason for the nine factors listed in 15 U.S.C. § 1125(d)(1)(B). The entire thrust of the ACPA is to address the conduct of domain name registrants who do not make actual, bona fide use of a domain name in a commercial business operation. See Hartog & Co. v. SWIX.COM, 136 F. Supp. 2d 531, 536 (E.D. Va. 2001) (Jones, M.J.).

The various factors identified in 15 U.S.C. § 1125(d)(1)(B) are designed to help distinguish between domain name registrants (a) who seek to profit from such "piracy" or "extortion" vis-a-vis trademark owners, and (b) domain name registrants who act for some other purpose, including "the bona fide offering of any goods or services." 15 U.S.C. § 1125(b)(1)(D)(III). The alleged conduct of Maya HK is virtually the antithesis of the factual scenario which the ACPA was adopted to remedy. The ACPA clearly was not designed or intended to bring under U.S. jurisdiction, in U.S. courts, every trademark dispute arising anywhere in the world, one aspect of which involves use of a domain name in a top level domain ("TLD") whose "registry" happens, at a point in time, to be located in the United States.

The legislative history of the ACPA, and case law interpreting the ACPA, overwhelmingly point to an interpretation of the terms, "bad faith intent to profit from that mark," as referring to just that, an intent to engage in extortionate behavior vis-a-vis a trademark owner, "profiting" from rights and powers flowing from a domain name registration. Such a "profit" motivation is fundamentally different from the motivation of a business owner who seeks to profit from operations of a business. Commercial use of domain names to misrepresent the source of services has always been actionable under applicable trademark and

unfair competition law, subject to conventional rules of territoriality and jurisdiction. Nothing in the text or legislative history of the ACPA suggests any intent to displace non-United States court and non-United States laws whenever a non-United States business name or descriptor is incorporated in ".com" domain name.

The District Court effectively construed the statutory language, "bad faith intent," as supposedly connoting nothing more than "intent" to engage in unfair competition, that is, to operate a business using a domain name which the plaintiff contends is likely to cause confusion or "dilution" of its U.S. legal rights. This interpretation extends 15 U.S.C. § 1125(d)(2) far beyond its stated scope, namely, "cyberpiracy prevention."

This Court should take the opportunity provided by this case to clarify that statutory phrase, "bad faith intent to profit," refers to the type of profit motivation identified in Virtual Works, Sporty's, Panavision, and similar cases -- a motivation basically different from that involved in conventional infringement actions. This is a separate and independent ground for reversal.

IV. THE DISTRICT COURT MISINTERPRETED 15 U.S.C. § 1125(d)(1)(b)(ii) AND FURTHER ERRED IN CONCLUDING THAT THERE WERE NO GENUINE ISSUES OF FACT CONCERNING WHETHER MAYA HK HAD REASONABLE GROUNDS TO BELIEVE THAT USE OF THE DISPUTED DOMAIN NAME

WAS FAIR OR OTHERWISE LAWFUL IN THE PRC.

15 U.S.C. § 1125(d)(1)(B)(ii) provides:

> Bad faith intent described under subparagraph (A) shall not be found in any case in which the Court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

The plaintiff thus bore the heavy burden of proving that Maya HK had no "reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful." Maya HK has a five person Board of Directors (A408). Likely due to the extreme distance and cost involved, the plaintiff did not notice or take any depositions in this case. The Record is thus entirely silent with respect to the state of mind of four of the five individuals comprising the Maya HK board.

In April 2001, Maya HK's director, Heyu Wang, averred under oath (A39, A41):

> At the time I registered these domain names, I believed that they would be understood as indicating the general subject matter of the information services which I then contemplated establishing (e.g., China sports, China news, China cities, etc.). I believe that Shanghai Maya Online's use of CNCITIES, CNNEWS, CNSPORT, and CNNAV is entirely lawful and fair descriptive usage of the letters and words comprising the names. . . . I categorically deny that I registered the domain name CNNEWS.COM or any other CN-formative domain name with any "bad faith intent" to sell or otherwise

> "profit" from the names or from any goodwill with the plaintiff may claim to have in "CNN" in China. I have never seen any television broadcast of anything called "Cable News Network" or "CNN" in China. . . .The target audience of the MAYA online services is located entirely within mainland China.

The plaintiff has proffered no expert or other evidence that Mr. Wang's and Maya HK's belief in the lawfulness of their actions is incorrect as a matter of Hong Kong or PRC law. Yet the District Court found, as a purported "fact" beyond genuine dispute, that Maya HK's "intent" in registering the domain name CNNEWS.COM was not as described by its director, Mr. Wang, but rather was "bad faith intent to profit" from the "CNN" mark claimed by plaintiff to be "famous" in China. Cable News II, 177 F. Supp. 2d at 524-27.

In making this "finding," the District Court departed from the plain language of 15 U.S.C. § 1125(d)(1)(b)(ii) and also departed from first principles of summary judgment practice, including that "[t]he evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in their favor." Anderson, 477 U.S. at 255, quoted in Continental Airlines, 277 F.3d at 507. In addition, the District Court ignored all evidentiary objections (A1464-1475) which had been raised to the newspaper clippings and kindred, patently inadmissible and

incompetent “evidence” which appears to form the principal basis of the District Court’s factual determinations.

A. The District Court Impermissibly Restricted the Grounds of Defense Cognizable Under 15 U.S.C. § 1125(d)(1)(b)(ii)

As a threshold legal matter, the District Court interpreted the statutory phrase, "reasonable grounds to believe," 15 U.S.C. § 1125(d)(1)(b)(ii), as excluding consideration of any "grounds" not bottomed on United States law. At oral argument on December 7, 2001, the following exchange occurred (A1639):

> ATTORNEY DABNEY: I am not aware of any situation in which, in a contested matter, where the registrant claimed that it had the legal right to use a descriptive term, was doing so lawfully, under the law of its country –
>
> THE COURT: But you know, you are assuming the point in issue, that is, whether it's lawful in this country is different from whether it's lawful in China.

Thus, quite in line with its rejection of the Steele line of cases as described above, the District Court here ruled that Maya HK and its directors could have acted entirely lawfully and properly in the PRC and be fully compliant with PRC law, and could have violated no duty owed to this plaintiff imposed by PRC law, and yet still have no "reasonable grounds to believe that use of the domain name was a fair use or otherwise lawful," within the meaning of 15 U.S.C. § 1125(d)(1)(b)(ii). Thus the District Court ruled, "there were no reasonable grounds for Maya HK to believe that its use of the domain name was lawful under

American trademark law." Cable News II, 177 F. Supp. 2d at 527 (emphasis added).

But on its face, the statute relied on by Maya HK includes no language restricting the "grounds" justifying use of a domain name to grounds bottomed on "American" law, much less "American trademark law." The District Court effectively re-wrote 15 U.S.C. § 1125(d)(1)(b)(ii) to read, "reasonable grounds under American trademark law to believe . . . ." There is absolutely no basis in the statute, its legislative history, or common sense to suggest that a business operating in a foreign country, doing no business with persons outside the country, cannot "reasonably" believe that its conduct is governed by the law of its home country, and if lawful there, is lawful period.

As the plaintiff failed completely to controvert the reasonableness of Maya HK's contention, quoted above, that in the PRC, CNNEWS.COM is an entirely lawful and fair, descriptive abbreviation of "China News" (or even as plaintiff apparently would have it, "China Network News"), the District Court's grant of summary judgment to the plaintiff was clear error.

B. The District Court Engaged in Impermissible Weighing of Evidence and Fact Finding on a Motion for Summary Judgment.

The District Court rejected affidavit evidence that CNNEWS.COM referred to "China News" (A39, A133), and "found" that CNNEWS.COM was intended to refer to "China Network News", Cable News II, 177 F. Supp. 2d at 525-26, apparently based on an October 2000 newspaper article (A973) which reported some unidentified translator's rendition of some unidentified reporter's characterization (not even a quotation) of an alleged interview with a partially identified employee of Maya HK's licensee who was never deposed. Such a "finding" was clearly impermissible, not only because on a motion for summary judgment "[t]he evidence of the nonmovant is to be believed," Anderson, 477 U.S. at 254, but because the "evidence" apparently relied on by the District Court (without record citation) was patently incompetent and inadmissible.

The District Court similarly rejected Mr. Wang's affidavit testimony that the target audience of the CNMAYA Portal is located entirely within mainland China (A41). The District Court "found" that Mr. Wang's testimony must be false because the word "news" is an English word, and the domain name was registered in the "generic" Top Level Domain, ".com" rather than the ".cn" domain associated with China. Cable News II, 177 F. Supp. 2d at 525. Here again, the

District Court engaged in clearly impermissible fact finding and drawing of factual inferences adverse to the non-movant, in violation of first principles governing summary judgment practice, and once again based on non-existent "evidence." The District Court went to far as to refer to "Shanghai Maya's avowed goal, clear in the record, that it aspires to the creation of a 'megaportal' that would provide services worldwide." Id. This Court will review the record in vain for any such purported "avowal".

Continuing its careless and inappropriate fact finding, the District Court stated that Maya HK purportedly had provided "contact information" to the registrar, Eastcom, that was "not valid." Cable News II, 177 F. Supp. 2d at 526. This "finding" not only was baseless, but the plaintiff had actually stipulated, for purposes of summary judgment, that the "contact information" cited by the District Court was completely accurate (A1021, fact nos. 51-52; A1549, not contesting fact nos. 51-52), which it was sworn to be (A408).

The District Court "found" that Maya HK had no "legitimate rights" in the disputed domain name, because it was not related to "trademarks" owned by Maya HK. Cable News II, 177 F. Supp. 2d at 524. In making this "finding," the District Court either ignored or discredited Maya HK's affidavit testimony that the name was descriptive and entirely lawful in the PRC (A39, A131-33).

The District Court also rejected evidence that "CNN" was little-known in mainland China (A39, A134), the service not being available in consumer households in mainland China (A1516) or listed in TV listings in the PRC (A1512), the CNN.COM "web site" being inaccessible in mainland China (A39, A1536), and the plaintiff having offered no PRC sales figures, no PRC advertising figures, and no survey evidence relating to public awareness of "CNN" in mainland China, and credited, instead, such "evidence" as newspaper accounts purporting to describe results of surveys which plaintiff never put before the Court (A1465-75).

CONCLUSION

The judgment of the District Court should be reversed with directions to dismiss the complaint.

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