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TO THE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE TWENTY-SEVENTH  
REGULAR SESSION OF 2014

MARCH 12, 2014  
2:10 PM

TESTIMONY IN SUPPORT OF S. B. 2958, S.D. 1, RELATING TO ONLINE  
PROTECTION OF INDIVIDUAL RIGHTS.

TO THE HONORABLE ANGUS L. K. McKELVEY, CHAIR,  
AND TO THE HONORABLE DEREK S. K. KAWAKAMI, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs, Office of Consumer Protection ("OCP") appreciates the opportunity to appear today and testify in support of S. B. 2958, S.D. 1, Relating to Online Protection of Individual Rights. My name is Bruce B. Kim and I am the Executive Director of OCP.

S. B. 2958, S.D. 1 amends HRS § 481B-22(b) to delete the word "living" from the existing phrase "living person". It also deletes the word "living" from the phrase "living person" in HRS §§ 481B-23(a)(9) and 431B-24(a). The amendments expand the

protection afforded under HRS 481B-22(b) against the registration of a domain name that consists of the name of another person without that person's consent. Businesses are not currently included within HRS § 481B-22(b) because its application is restricted to "living" persons. These amendments will expand coverage under § 481B-22(b) to businesses as well as individuals.

Thank you for allowing me to testify today. If any members of the committee have any questions, I would be happy to answer them.

**LATE**

TO: House Committee on Consumer Protection and Commerce

FROM: Cheryl Park

Date: March 12, 2014  
House Conference Room 325, State Capitol

RE: Testimony on S.B. 2958, S.D. 1  
Relating to Online Protection of Individual Rights

Thank you for the opportunity to **support this bill, with further amendments**, in my capacity as a private citizen, and not on behalf of any organization.

The current cybersquatting statute, Part II of HRS Chapter 481B, imposes civil liability to register "in bad faith" a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's consent. HRS Sec. 481B-22(b). It is the burden of the claimant to prove the domain name registrant's bad faith, by a preponderance of the evidence. HRS Sec. 481B-23(a). Bad faith intent shall not be found when the court determines that the registrant "believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful." HRS Sec. 481-23(b). Additionally, a registrant is not liable if, in good faith, the person registers the name of another living person, or a name substantially and confusingly similar thereto, if the name is used in, affiliated with, or related to a work of authorship protected by the copyright laws. See HRS Sec. 481-24.

As examples of how domain names could be misused, what if "John Doe" actually registered or verbally threatened to register a domain name using his ex-girlfriend's name, "Jane Smith," where he could post pictures and fake stories written as "Jane Smith" in order to embarrass the real Jane Smith, smear her reputation, prevent her from obtaining employment or credit, disrupt her social life and friendships, or mislead people into corresponding with him in the belief that he was Jane Smith? What if "Jody Doe" used the name of "Kimo Ho," an accident victim, to solicit funds from the public who is misled into believing that their donations would help the accident victim, but the money will actually be pocketed by Jody Doe? What if "Mary Doe" registered a domain name of a legitimate non-profit organization called "Charitable Sisters" in order to collect through Mary Doe's site donations that were intended to be made to the Charitable Sisters' fundraising event?

Even when it is clear that the alleged violators "John Doe," "Jody Doe," or "Mary Doe" had no right to register domain names using "Jane Smith," "Kimo Ho," or "Charitable Sisters," the current law places the burden on the innocent victims to prove the bad faith intent of the alleged violators. (Note: Under the current state law, the Charitable Sisters would have no protection or remedy because it is not a "living" person, but S.D. 1 would change that.) To prove bad faith, the statute lists various factors that a court may consider, but many factors are primarily within the knowledge of the registrant who is the alleged violator--not the claimant who is the innocent victim--and thus requires the victim to prove the violator's state of mind, future intent, or past practices. HRS Sec. 481B-2(b). Even if the victim could prove that he/she is the rightful owner and his/her name was being used as a domain name by the alleged violator who was not similarly named, the victim could still have difficulty proving the alleged violator's bad faith. By a preponderance of the evidence, an innocent victim would currently have to

prove the alleged violator's bad faith, which may include the following factors listed in HRS Sec. 481B-23(a):

- (1) the alleged violator's trademark or other intellectual property rights in the domain name;
- (2) the alleged violator's prior use, if any, of the domain name in connection with a bona fide offering of any goods or services;
- (3) the alleged violator's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- (4) the alleged violator's intent to divert users 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 to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
- (5) the extent to which the domain name consists of the alleged violator's legal name or a name that is otherwise commonly used to identify the alleged violator;
- (6) the alleged violator's offer to transfer, sell, or otherwise assign the domain name for financial gain without having used or having an intent to use the domain name in the bona fide offering of goods or services, or the alleged violator's prior conduct indicating a pattern of such conduct;
- (7) the alleged violator's provision of material and misleading false contact information when applying for the registration of the domain name, the alleged violator's intentional failure to maintain accurate contact information, or the alleged violator's prior conduct indicating a pattern of such conduct;
- (8) the alleged violator's registration or acquisition of multiple domain names that the person knew were identical or confusingly similar to marks of others that were distinctive at the time of registration of the domain names, without regard to the good or services of the parties;
- (9) the alleged violator's registration or acquisition of multiple domain names that the person knew were identical or confusingly similar to the name of another living person, without the person's consent; and
- (10) the alleged violator did seek or obtain consent from the rightful owner to register, traffic in, or use the domain name.

Because the current law states that "a court may consider factors, including, but not limited to" the ones described above, it may be argued that the reference to multiple "factors" requires the victim to establish more than one factor to prove the alleged violator's bad faith by a preponderance of the evidence. Moreover, while injunctive relief may be relatively easily obtained to prevent an alleged violator from continuing its actions in improperly using a domain name, such relief would be difficult to prove under the current statute if there is an ambiguous or undocumented threat or intent to engage in such actions. Finally, while the innocent victim may be entitled to recover damages, attorney's fees, and costs, such relief is illusory if the alleged violator is not located in Hawaii, cannot be located due to the nature of internet transactions, or has no assets that can be reached. Thus, the current law makes it difficult for the victim to prove the violation and gives the victim rights, but probably no real remedy.

**The original S.B. 2958 proposed to add a provision to HRS Sec. 481-23, which would shift the burden of proof to the alleged violator once the claimant demonstrates to a court with reasonable certainty the potential of immediate and irreparable harm to the claimant through the misuse of a domain name consisting solely of the legal name of the claimant or a name that is otherwise commonly used to identify the claimant.** The alleged violator would then to have to prove by a

preponderance of the evidence that the domain name was not registered in bad faith and will not be used in an unlawful manner, using the nonexclusive statutory list of factors.

**Senate Draft 1 of this bill amended the original proposal to remove the shifting burden of proof language. It also specifies that it is unlawful to register in bad faith of a domain name of another “person” and has removed the reference to a “living” person, so that it is consistent with the statutory definition in HRS Sec. 481B-21.** Because the current statutory definition could include an individual or a corporation, unincorporated association, or any other legal or commercial entity, Senate Draft 1 broadens the state’s cybersquatting statute to cover businesses or non-profit organizations, including charitable foundations.

**I support the amendment to broaden this bill’s protection to cover unincorporated associations, such as the charitable foundation that I serve on and which was the innocent victim of cybersquatting. I continue to support the original bill’s intent to make it easier for any innocent cybersquatting victim, whose name and reputation are being hijacked, to not have to bear the burden and expense of proving the alleged violator’s bad faith. I do not object to the removal of the shifting burden of proof language from the original bill, provided that the “bad faith” provisions are removed from the current law, as proposed in the attached S.D. 2.**

**This bill is about the right to protect one’s own name, and thus reputation, and to protect the public from deception by those pretending to be the person (or entity). It seems inherently suspect that someone (“registrant”) would register the name of another person as a domain name.** Given the importance of the internet in modern life and the widespread ability of friends, family, employers, insurers, creditors, criminals, and the general public to conduct internet searches that could affect a person’s privacy, reputation, employment, credit rating, insurability, finances, and other aspects of life, it is important to protect a person’s name from being improperly used as a domain name by an alleged violator with no rightful claim to that name. **Besides protecting the claimant whose name is being misused, the general public would also be protected from deception by the registrant** who may attempt to mislead or scam them into believing that the claimant endorses misleading statements or is supporting unsanctioned services or products that are featured on or linked to the disputed domain name.

The original bill was intended to make it easier for the innocent victim to obtain legal relief through the courts in actions that could be brought on their behalf by the OCP. According to Senate Stand. Com. Rep. No. 2177, however, Senate Draft 1 removed some of the original bill’s language based on testimony that the shift in the burden of proof “raises serious due process concerns and potential federal preemption issues under the federal Anticybersquatting Consumer Protection Act.” According to the testimony before the Senate Commerce & Consumer Protection Committee by the state Office of Consumer Protection (OCP), the OCP “could not find another instance where a respondent’s guilt was presumed” as purportedly proposed by the original bill’s shift in the burden of proof. The OCP also testified that the bill raised the question of federal preemption if the proposed legislation is inconsistent with the federal Anticybersquatting Consumer Protection Act (ACPA), 15 U.S. Code Sec. 1125(a).

**Based on the federal statutes provided to me by OCP, I have attempted to address the OCP’s concerns in the attached proposed H.D. 1 to S.B. 2958, S.D. 1, which makes slight changes to the language of the state law in order to be more consistent with the overall intent of the federal laws**

**and to place the burden of proving bad faith on the violator, rather than the innocent victim.** Initially, it is important to note that Part II of HRS Chapter 481B, as originally enacted, is a hodgepodge of various federal provisions that were cobbled together to provide a **state civil remedy** under Hawaii's Unfair and Deceptive Practices statute (UDP), HRS Chapter 481B, which is enforceable by the OCP. Some of the current state statutory provisions are similar to concepts found in the federal ACPA, which amends the federal Trademark Act of 1946 at 15 U.S. Code Sec. 1117 and allows for the recovery of damages, costs, and attorney's fees for using an "identifier" that is the domain name trademarked by another person or entity, or is sufficiently similar to the trademark as to be likely to cause confusion or mistake, deception, or dilution of the trademark's distinctive quality. **The federal ACPA requires no proof bad faith for such unlawful use of another person's or entity's name.**

**The ACPA does contain a bad faith requirement, but it is for a different federal statute, 18 U.S. Code Sec. 2320(a), which relates to criminal use of a counterfeit trademark and makes it a Class B misdemeanor when a person "knowingly and fraudulently or in bad faith registers or uses an identifier" described above. **Bad faith factors are not defined in the ACPA.****

**Bad faith factors are listed in yet another federal statute dealing with cyberpiracy prevention in relation to trademarks, 15 U.S. Code Sec. 1125.** The relevant provisions of this federal cyberpiracy statute impose **civil liability on a person who "has a bad faith intent to profit"** (emphasis added) from another person's mark, "including a personal name which is protected as a mark" and who registers, traffics in, or uses a domain name that is distinctive, identical, or confusingly similar to that mark. As "bad faith" defines "intent to profit," **the bad faith factors in this federal statute apply only determining "intent to profit" from a trademarked name, which is not an element found in Hawaii's law.**

**A fourth federal statute, 15 U.S. Code Sec. 8131, provides cyberpiracy protections for individuals and provides civil liability** in section (1)(A) for "[a]ny person who registers a domain name that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party[.]" **This federal statute goes on to provide a good faith exception from liability. Similar to HRS Sec. 481B-24(a)** , the federal statute states, "[a] person who in **good faith** registers a domain name consisting of the name of another living person, or a name substantially and confusingly similar thereto, . . . if such name is used in, affiliated with, or related to a work of authorship protected under title 17, including a work made for hire as defined in section 101 of title 17, and if the person registering the domain name is the copyright owner or licensee of the work, the person intends to sell the domain name in conjunction with the lawful exploitation of the work, and such a registration is not prohibited by a contract between the registrant and the named person. **The exception . . . shall in no manner limit the protections afforded under the Trademark Act of 1946 (15 U.S.C. 1051 et.seq.) or other provision of Federal or State law ."** (18 U.S. Code Sec. 8131(a)(A) (emphasis added.) **Significantly, this latter provision shows that the federal law was not intended to preempt state laws.**

Hawaii's current law includes and excludes various provisions from these different federal statutes. As noted above, HRS Sec. 481B-24(a) includes the language of 15 U.S.C. Sec. 8131(1)(B) to create a good faith exception from liability for registering a domain name protected by intellectual property rights. But in enacting the cybersquatting statute, **the Legislature in 2001 specifically excluded**

**the federal requirement to prove “intent to profit”** as well as provisions that may have conflicted with trademark protections under federal law. House Stand. Com. Rep. No. 931, regarding S.B. No. 1276, S.D. 1, H.D. 1, “A Bill for an Act Relating to Cybersquatting” (Act 281, SLH 2001), recognized that “federal law provides inadequate protection for personal names” and that “a cybersquatter could cause harm without intending to profit by placing a person’s name on the Internet, along with information that could tarnish or disparage the person.” **Yet, for unspecified reasons, Hawaii’s law was enacted with a “bad faith” requirement that the federal law uses only to describe the “intent to profit” from trademarked names (15 U.S. Code Sec. 1125) or in relation to the criminal use of counterfeit trademarks (18 U.S. Code Sec. 2320(a)). To be more consistent with the federal law, the “bad faith” language should be removed altogether from Hawaii’s law, which contains no “intent to profit” requirement and does not provide for criminal liability.**

**If the bad faith language is removed from HRS Sec. 481B-22(a) and (b) and Sec. 481B-23, then state law would be more consistent with the federal law and the burden of proving bad faith intent would no longer fall on the innocent victim.** As it should be, the violation of the law would be the registration of a domain name using the victim’s name without consent. Thus, the victim would simply have to show the alleged violator registered a domain name using the victim’s name without consent.

**To protect a registrant who has a legitimate reason to use the same name as the victim, Hawaii’s law should be further amended to provide a good faith exception from liability, using the same factors currently listed in the law at HRS Sec. 481B-23(a) to assist the court in determining whether or not good faith exists.** Thus, the registrant could avoid liability by proving good faith, such as by proving his/her/its: trademark or other intellectual property rights to the name; prior use of the domain name in connection with a bona fide offering of any goods or services; or legal name that is also the victim’s name. HRS Sec. 481B-23(a)(1), (2), and (5). On the other hand, the registrant’s offer to sell the domain name for financial gain would go against a finding of good faith. HRS Sec. 481B-23(a)(6). **While the registrant may be able to prove good faith intent, this may not absolve the registrant from all liability so the court should retain the discretion to determine the appropriate damages or other remedies pursuant to the existing provisions of HRS section 481B-25(b).**

I note that while the law governing the internet is largely regulated by federal and international law, I believe that Hawaii should continue its efforts to do what it can to protect its citizens. **This bill would be a step in the right direction by making it possible for the innocent victim to obtain a state judgment that may be used as evidence of an unlawful act in a subsequent federal or international action to prevent the alleged violator from using the internet address for the domain name.**

Finally, I recommend adding a **severability clause** to the bill in case a particular provision is struck down by the courts, but the remainder of the bill is upheld.

Thank you for considering my testimony and considering the attached proposed amendments to create an H.D. 1 to S.B. 2958, S.D. 1.

**LATE**

481B-13

TRADE REGULATION AND PRACTICE

am L 2008, c 19, §17]

**[§481B-14 Hotel or restaurant service charge; disposition.]** Any hotel or restaurant that applies a service charge for the sale of food or beverage services shall distribute the service charge directly to its employees as tip income or clearly disclose to the purchaser of the services that the service charge is being used to pay for costs or expenses other than wages and tips of employees. [L 2000, c 16, §2]

**[§481B-15] Ticket brokers; fees; cancellation.** (a) No ticket broker shall charge a fee for the use of a credit card to purchase tickets without first disclosing that a fee will be charged.

(b) A ticket broker shall refund any and all service fees charged for the purchase of a ticket when the public exhibition, game, contest, or performance for which the ticket was purchased is canceled.

(c) For the purposes of this section, "ticket broker" means any person engaged in the business of selling tickets of admission or any other evidence of right of entry to a theater, place of amusement or entertainment, or other place where public exhibitions, games, contests, or performances are held, at a price greater than the price printed on the ticket. [L 2007, c 185, §1]

**[PART II.] CYBERSQUATTING**

*Suggested HD 1  
for SB 2958*

**[§481B-21] Definitions.** As used in this part, unless the context otherwise requires:

"Claimant" means the person alleging a violation of this part.

"Domain name" means any alphanumeric designation that is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

"Mark" includes "trademarks", "trade names", and "service marks" as defined in [section] 481A-2.

"Person" means an individual, corporation, government, governmental subdivision or agency, business trust, estate, trust, partnership, limited liability company, association, joint venture, public corporation, unincorporated association, two or more of any of the foregoing having a joint or common interest, or any other legal or commercial entity.

"Traffic in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, or any other transfer for consideration or receipt in exchange for consideration. [L 2001, c 281, pt of §1]

**[§481B-22] Cybersquatting and cyber piracy prohibited.** (a) A person shall be liable in a civil action by the owner of any distinctive mark registered and used in Hawaii, without regard to the goods or services of the parties, if that person ~~in bad faith~~ registers, traffics in, or uses a domain name that is identical or confusingly similar to that mark.

(b) Any person who ~~in bad faith~~ registers a domain name that consists of the name of another ~~living person~~, or a name substantially and confusingly similar thereto, without that person's consent, shall be liable in a civil action by the person.

(c) A person shall be liable for using a domain name under [subsection (a)] only if that person is the domain name registrant or the registrant's authorized



an exception to liability under section 481B-22 if the person registering the domain name proves good faith intent.

UNFAIR AND DECEPTIVE PRACTICES

481B-24

licensee. [L 2001, c 281, pt of §1]

good [§481B-23] <sup>Exception</sup> Determining <sup>good</sup> bad faith intent. (a) In any action brought pursuant to this part, it shall be the claimant's burden to prove by a preponderance of the evidence the person's bad faith intent. In determining whether there is <sup>or not</sup> bad faith intent pursuant to section 481B-22 a court may consider factors, including, but not limited to, the following:

- (1) The trademark or other intellectual property rights of the person, if any, in the domain name;
- (2) The person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- (3) The person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- (4) The person's intent to divert users 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 to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
- (5) 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 the person;
- (6) The person's offer to transfer, sell, or otherwise assign the domain name 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 conduct indicating a pattern of such conduct;
- (7) 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;
- (8) The person's registration or acquisition of multiple domain names that the person knew were identical or confusingly similar to marks of others that were distinctive at the time of registration of the domain names, without regard to the goods or services of the parties;
- (9) The person's registration or acquisition of multiple domain names that the person knew were identical or confusingly similar to the name of another living person, without the person's consent; and
- (10) The person sought or obtained consent from the rightful owner to register, traffic in, or use the domain name.

Good (b) [Bad] faith intent described in subsection (a) <sup>may</sup> shall not be found in any case in which the court determines that the person alleged to be in violation of this part believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful. [L 2001, c 281, pt of §1]

but shall not preclude the court from awarding damages or other remedies as provided in section 481B-25 (b).

<sup>Other</sup> [§481B-24] Exceptions. (a) A person who in good faith registers a domain name consisting of the name of another living person, or a name substantially and confusingly similar thereto, shall not be liable under section 481B-22 if the name is used in, affiliated with, or related to a work of authorship protected under Title 17, United States Code, including a work made for hire as defined in section 101 of Title 17, United States Code, and if the person registering the domain name is the copyright owner or licensee of the work, the person intends to sell the domain name in conjunction with the lawful exploitation of the work, and the registration is not prohibited by a contract between the registrant and

the named person. The exception under this subsection shall apply only to a civil action brought under this part and shall in no manner limit the protections afforded under the Trademark Act of 1946 (15 U.S.C. 1051 et seq.) or other federal or state law.

(b) The domain name registrar or registry or other domain name authority shall not be liable for damages or other remedies under section 481B-25 for the registration or maintenance of a domain name for another, regardless of whether the domain name is finally determined to infringe the mark. [L 2001, c 281, pt of §1]

**[§481B-25] Damages and remedies.** (a) Any persons whose rights under section 481B-22 have been violated may bring a civil action against the person responsible for the violation.

(b) In any civil action brought under this part, if the court finds a violation of section 481B-22, the court may award:

- (1) Injunctive relief, including the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark;
- (2) Equitable relief;
- (3) Compensatory damages;
- (4) Punitive damages;
- (5) Costs of the action; and
- (6) Reasonable attorney's fees.

(c) A claimant who files suit under this part, prior to the commencement of trial, may elect to recover, instead of compensatory and punitive damages, an award of statutory damages in an amount of not less than \$1,000 or threefold damages by the claimant sustained, whichever sum is the greater, and reasonable attorney's fees together with the costs of the suit. [L 2001, c 281, pt of §1]

## CHAPTER 481C DOOR-TO-DOOR SALE

### SECTION

- 481C-1 DEFINITIONS
- 481C-2 DECEPTIVE TRADE PRACTICE
- 481C-2.5 UNLICENSED CONTRACTING
- 481C-3 BALLOON PAYMENTS
- 481C-4 PENALTIES
- 481C-5 INCONSISTENCIES WITH FEDERAL LAWS
- 481C-6 COMPLIANCE WITH CREDIT SALE CONTRACT LAW

### Cross References

Water treatment units, see §481H-6.

### Case Notes

Trial court correctly applied the discretionary language of §481C-1 in ruling that plaintiff roofing contractor did not "solicit" homeowner to purchase new roof, so as to bring the transaction under the provisions of this chapter where homeowner approached contractor at a home show and requested a home visit to discuss the suitability and cost of a new roof, contacted the contractor on another occasion and visited the company's warehouse prior to the start of work, and contractor visited home several times to discuss the project with homeowner. 110 H. 248, 131 P.3d 1230.

**§481C-1 Definitions.** In this chapter, unless the context or subject matter otherwise requires: