

356 F.3d 393, 69 U.S.P.Q.2d 1545

United States Court of Appeals,
Second Circuit.

REGISTER.COM, INC., Plaintiff-Appellee,

v.

VERIO, INC., Defendant-Appellant.

Docket No. 00-9596.

Argued: Jan. 21, 2001.

Decided: Jan. 23, 2004.

Before: LEVAL, Circuit Judge, and J.F. KEENAN, District Judge.

LEVAL, Circuit Judge.

Defendant, Verio, Inc. ("Verio") appeals from an order of the United States District Court for the Southern District of New York (Barbara S. Jones, J.) granting the motion of plaintiff Register.com, Inc. ("Register") for a preliminary injunction. The court's order enjoined Verio from (1) using Register's trademarks; (2) representing or otherwise suggesting to third parties that Verio's services have the sponsorship, endorsement, or approval of Register; (3) accessing Register's computers by use of automated software programs performing multiple successive queries; and (4) using data obtained from Register's database of contact information of registrants of Internet domain names to solicit the registrants for the sale of web site development services by electronic mail, telephone calls, or direct mail. We affirm.

Judge Parker was not in agreement with this disposition. Deliberations have followed an unusual course. Judge Parker initially was assigned to prepare a draft opinion affirming the district court. In the course of preparing the draft, Judge Parker changed his mind and proposed to rule in favor of the defendant, overturning the injunction in most respects. Judge Parker's draft opinion, however, failed to convince the other members of the panel, who adhered to the view that the injunction should be affirmed. Judge Parker died shortly thereafter, prior to the circulation of a draft opinion affirming the injunction, from which Judge Parker presumably would have dissented.

We attach Judge Parker's draft opinion as an Appendix. We do so for two reasons: One is to expose Judge Parker's views, which would have been set forth in a dissenting opinion, but for his death; the second is because his opinion contains an exceptionally thorough, detailed and useful statement of facts, including a comprehensive description of the functioning of the domain name system. We have stated the facts more briefly, mentioning only those points necessary to the arguments discussed, inviting the reader to consult Judge Parker's very thorough fact statement for a more detailed account.

BACKGROUND

This plaintiff Register is one of over fifty companies serving as registrars for the issuance of domain names on the world wide web. As a registrar, Register issues domain names to persons and entities preparing to establish web sites on the Internet. Web sites are identified and accessed by reference to their domain names.

Register was appointed a registrar of domain names by the Internet Corporation for Assigned Names and Numbers, known by the acronym "ICANN." ICANN is a private, non-profit public benefit corporation which was established by agencies of the U.S. government to administer the Internet domain name system. To become a registrar of domain names, Register was required to enter into a standard form agreement with ICANN, designated as the ICANN Registrar Accreditation Agreement, November 1999 version (referred to herein as the "ICANN Agreement").

Applicants to register a domain name submit to the registrar contact information, including at a minimum, the applicant's name, postal address, telephone number, and electronic mail address. The ICANN Agreement, referring to this registrant contact information under the rubric "WHOIS information," requires the registrar, under terms discussed in greater detail below, to preserve it, update it daily, and provide for free public access to it through the Internet as well as through an independent access port, called port 43. *See* ICANN Agreement § II.F.1.

Section II.F.5 of the ICANN Agreement (which furnishes a major basis for the appellant Verio's contentions on this appeal) requires that the registrar "not impose terms and conditions" on the use made by others of its WHOIS data "except as permitted by ICANN-adopted policy." In specifying what restrictions may be imposed, the ICANN Agreement requires the registrar to permit use of its WHOIS data "for any lawful purposes except to: ... support the transmission of mass unsolicited, commercial

advertising or solicitations *via email (spam)*; [and other listed purposes not relevant to this appeal]." (emphasis added).

Another section of the ICANN Agreement (upon which appellee Register relies) provides as follows,

No Third-Party Beneficiaries: This Agreement shall not be construed to create any obligation by either ICANN or Registrar to any non-party to this Agreement

ICANN Agreement § II.S.2. Third parties could nonetheless seek enforcement of a registrar's obligations set forth in the ICANN Agreement by resort to a grievance process under ICANN's auspices.

In compliance with § II.F.1 of the ICANN Agreement, Register updated the WHOIS information on a daily basis and established Internet and port 43 service, which allowed free public query of its WHOIS information. An entity making a WHOIS query through Register's Internet site or port 43 would receive a reply furnishing the requested WHOIS information, captioned by a legend devised by Register, which stated,

By submitting a WHOIS query, you agree that you will use this data only for lawful purposes and that under no circumstances will you use this data to ... support the transmission of mass unsolicited, commercial advertising or solicitation via email.

The terms of that legend tracked § II.F.5 of the ICANN Agreement in specifying the restrictions Register imposed on the use of its WHOIS data. Subsequently, as explained below, Register amended the terms of this legend to impose more stringent restrictions on the use of the information gathered through such queries.

In addition to performing the function of a registrar of domain names, Register also engages in the business of selling web-related services to entities that maintain web sites. These services cover various aspects of web site development. In order to solicit business for the services it offers, Register sends out marketing communications. Among the entities it solicits for the sale of such services are entities whose domain names it registered. However, during the registration process, Register offers registrants the opportunity to elect whether or not they will receive marketing communications from it. The defendant Verio, against whom the preliminary injunction was issued, is engaged in the business of selling a variety of web site design, development and operation services. In the sale of such services, Verio competes with Register's web site development business. To facilitate its pursuit of customers, Verio undertook to obtain daily updates of the WHOIS information relating to newly registered domain names. To achieve this, Verio devised an automated software program, or robot, which each day would submit multiple successive WHOIS queries through the port 43 accesses of various registrars. Upon acquiring the WHOIS information of new registrants, Verio would send them marketing solicitations by email, telemarketing and direct mail. To the extent that Verio's solicitations were sent by email, the practice was inconsistent with the terms of the restrictive legend Register attached to its responses to Verio's queries.

At first, Verio's solicitations addressed to Register's registrants made explicit reference to their recent registration through Register. This led some of the recipients of Verio's solicitations to believe the solicitation was initiated by Register (or an affiliate), and was sent in violation of the registrant's election not to receive solicitations from Register. Register began to receive complaints from registrants. Register in turn complained to Verio and demanded that Verio cease and desist from this form of marketing. Register asserted that Verio was harming Register's goodwill, and that by soliciting via email, was violating the terms to which it had agreed on submitting its queries for WHOIS information. Verio responded to the effect that it had stopped mentioning Register in its solicitation message.

In the meantime, Register changed the restrictive legend it attached to its responses to WHOIS queries. While previously the legend conformed to the terms of § II F.5, which authorized Register to prohibit use of the WHOIS information for mass solicitations "via email," its new legend undertook to bar mass solicitation "via direct mail, electronic mail, or by telephone." Section II.F.5 of Register's ICANN Agreement, as noted above, required Register to permit use of the WHOIS data "for any lawful purpose except to ... support the transmission of mass unsolicited solicitations via email (spam)." Thus, by undertaking to prohibit Verio from using the WHOIS information for solicitations "via direct mail ... or by telephone," Register was acting in apparent violation of this term of its ICANN Agreement.

The new legend stated:

By submitting a WHOIS query, you agree that ... under no circumstances will you use this data to ... support the transmission of mass unsolicited ... advertising or solicitations via direct mail, electronic mail, or by telephone.

Register wrote to Verio demanding that it cease using WHOIS information derived from Register not only for email marketing, but also for marketing by direct mail and telephone. Verio ceased using the

information in email marketing, but refused to stop marketing by direct mail and telephone. Register brought this suit on August 3, 2000, and moved for a temporary restraining order and a preliminary injunction. Register asserted, among other claims, that Verio was (a) causing confusion among customers, who were led to believe Verio was affiliated with Register; (b) accessing Register's computers without authorization, a violation of the Computer Fraud and Abuse Act, ; and, (c) trespassing on Register's chattels in a manner likely to harm Register's computer systems by the use of Verio's automated robot software programs. On December 8, 2000, the district court entered a preliminary injunction. The injunction barred Verio from the following activities:

1. Using or causing to be used the "Register.com" mark or the "first step on the web" mark or any other designation similar thereto, on or in connection with the advertising, marketing, or promotion of Verio and/or any of Verio's services;
 2. Representing, or committing any act which is calculated to or is likely to cause third parties to believe that Verio and/or Verio's services are sponsored by, or have the endorsement or approval of Register.com;
 3. Accessing Register.com's computers and computer networks in any manner, including, but not limited to, by software programs performing multiple, automated, successive queries, provided that nothing in this Order shall prohibit Verio from accessing Register.com's WHOIS database in accordance with the terms and conditions thereof; and
 4. Using any data currently in Verio's possession, custody or control, that using its best efforts, Verio can identify as having been obtained from Register.com's computers and computer networks to enable the transmission of unsolicited commercial electronic mail, telephone calls, or direct mail to the individuals listed in said data, provided that nothing in this Order shall prohibit Verio from (i) communicating with any of its existing customers, (ii) responding to communications received from any Register.com customer initially contacted before August 4, 2000, or (iii) communicating with any Register.com customer whose contact information is obtained by Verio from any source other than Register.com's computers and computer networks.
- . Verio appeals from that order.

DISCUSSION

Standard of review and preliminary injunction standard

A grant of a preliminary injunction is reviewed on appeal for abuse of discretion, *see* , which will be found if the district court "applies legal standards incorrectly or relies upon clearly erroneous findings of fact," or "proceed[s] on the basis of an erroneous view of the applicable law," .

Verio advances a plethora of arguments why the preliminary injunction should be vacated. We find them to be without merit. We address the most substantial of Verio's arguments.

(a) Verio's enforcement of the restrictions placed on Register by the ICANN Agreement

Verio conceded that it knew of the restrictions Register placed on the use of the WHOIS data and knew that, by using Register's WHOIS data for direct mail and telemarketing solicitations, it was violating Register's restrictions. Verio's principal argument is that Register was not authorized to forbid Verio from using the data for direct mail and telemarketing solicitation because the ICANN Agreement prohibited Register from imposing any "terms and conditions" on use of WHOIS data, "except as permitted by ICANN-adopted policy," which specified that Register was required to permit "any lawful purpose, except ... mass solicitation[] via email."

Register does not deny that the restrictions it imposed contravened this requirement of the ICANN Agreement. Register contends, however, that the question whether it violated § II.F.5 of its Agreement with ICANN is a matter between itself and ICANN, and that Verio cannot enforce the obligations placed on Register by the ICANN Agreement. Register points to § II.S.2 of the ICANN Agreement, captioned "No Third-Party Beneficiaries," which, as noted, states that the agreement is not to be construed "to create any obligation by either ICANN or Registrar to any non-party." Register asserts that Verio, a non- party, is asking the court to construe § II.F.5 as creating an obligation owed by Register to Verio, and that the Agreement expressly forbids such a construction.

ICANN intervened in the district court as an amicus curiae and strongly supports Register's position, opposing Verio's right to invoke Register's contractual promises to ICANN. ICANN explained that ICANN has established a remedial process for the resolution of such disputes through which Verio might have sought satisfaction. "If Verio had concerns regarding Register.com's conditions for access to WHOIS data, it should have raised them within the ICANN process rather [than] simply taking Register.com's data, violating the conditions [imposed by Register], and then seeking to justify its violation in this Court [Verio's claim was] intended to be addressed only within the ICANN process." ICANN asserted that the No Third-Party Beneficiary provision, barring third parties from seeking to enforce promises made by a registrar to ICANN through court proceedings, was "vital to the overall

scheme of [its] various agreements."

This is because proper expression of the letter and spirit of ICANN policies is most appropriately achieved through the ICANN process itself, and not through forums that lack the every day familiarity with the intricate technical and policy issues that the ICANN process was designed to address.

ICANN's brief went on to state:

[E]nforcement of agreements with ICANN [was to] be informed by the judgment of the various segments of the internet community as expressed through ICANN. In the fast-paced environment of the Internet, new issues and situations arise quickly, and sometimes the language of contractual provisions does not perfectly match the underlying policies. For this and other reasons, hard-and-fast enforcement [by courts] of the letter of every term of every agreement is not always appropriate. An integral part of the agreements that the registrars ... entered with ICANN is the understanding that these situations would be handled through consultation and consideration within the ICANN process Allowing issues under the agreements registrars make with ICANN to be diverted from [ICANN's] carefully crafted remedial scheme to the courts, at the behest of third parties ..., would seriously threaten the Internet community's ability, under the auspices of ICANN, to achieve a proper balance of the competing policy values that are so frequently involved.

We are persuaded by the arguments Register and ICANN advance. It is true Register incurred a contractual obligation to ICANN not to prevent the use of its WHOIS data for direct mail and telemarketing solicitation. But ICANN deliberately included in the same contract that persons aggrieved by Register's violation of such a term should seek satisfaction within the framework of ICANN's grievance policy, and should not be heard in courts of law to plead entitlement to enforce Register's promise to ICANN. As experience develops in the fast changing world of the Internet, ICANN, informed by the various constituencies in the Internet community, might well no longer consider it salutary to enforce a policy which it earlier expressed in the ICANN Agreement. For courts to undertake to enforce promises made by registrars to ICANN at the instance of third parties might therefore be harmful to ICANN's efforts to develop well-informed and sound Internet policy.

Verio's invocation of the ICANN Agreement necessarily depends on its entitlement to enforce Register's promises to ICANN in the role of third party beneficiary. The ICANN Agreement specified that it should be deemed to have been made in California, where ICANN is located. Under , a "contract, made expressly for the benefit of a third person, may be enforced by him." . For Verio to seek to enforce Register's promises it made to ICANN in the ICANN Agreement, Verio must show that the Agreement was made for its benefit. See . Verio did not meet this burden. To the contrary, the Agreement expressly and intentionally excluded non-parties from claiming rights under it in court proceedings.

We are not persuaded by the arguments Judge Parker advanced in his draft. Although acknowledging that Verio could not claim third party beneficiary rights to enforce Register's promises to ICANN, Judge Parker nonetheless found three reasons for enforcing Verio's claim: (i) "public policy interests at stake," (ii) Register's "indisputable obligations to ICANN as a registrar," and (iii) the equities, involving Register's "unclean hands" in imposing a restriction it was contractually bound not to impose. We respectfully disagree. As for the first argument, that Register's restriction violated public policy, it is far from clear that this is so. It is true that the ICANN Agreement at the time ICANN presented it to Register permitted mass solicitation by means other than email. But it is not clear that at the time of this dispute, ICANN intended to adhere to that policy. As ICANN's amicus brief suggested, the world of the Internet changes rapidly, and public policy as to how that world should be governed may change rapidly as well. ICANN in fact has since changed the terms of its standard agreement for the accreditation of registrars to broaden the uses of WHOIS information that registrars may prohibit to include not only mass email solicitations but also mass telephone and fax solicitations. See ICANN Registrar Accreditation Agreement § 3.3.5 (May 18, 2001). It is far from clear that ICANN continues to view public policy the way it did at the time it crafted Register's agreement. In any event, if Verio wished to have the dispute resolved in accordance with public policy, it was free to bring its grievance to ICANN. Verio declined to do so. ICANN included the "No Third-Party Beneficiary" provision precisely so that it would retain control of enforcement of policy, rather than yielding it to courts.

We note in passing, Judge Parker's characterization of the public policy--that WHOIS information should be "free as air"--is a rhetorical oversimplification; the public policy as set forth in the ICANN Agreement expressly contemplated that the WHOIS data not be available for use in mass email solicitation. It also imposed another restriction not pertinent to this appeal and expressly reserved the possibility that further restrictions might be imposed if and when "ICANN adopts a different policy." ICANN Agreement § II.F.5.

As for Judge Parker's second argument, Register's "indisputable obligation to ICANN as a registrar" to

permit Verio to use the WHOIS information for mass solicitation by mail and telephone, we do not see how this argument differs from Verio's claim of entitlement as a third party beneficiary, which § II.S.2 explicitly negates. The fact that Register owed a contractual obligation to ICANN not to impose certain restrictions on use of WHOIS information does not mean that it owed an obligation to Verio not to impose such restrictions. As ICANN's brief in the district court indicates, ICANN was well aware of Register's deviation from the restrictions imposed by the ICANN Agreement, but ICANN chose not to take steps to compel Register to adhere to its contract.

Nor are we convinced by Judge Parker's third argument of Register's "unclean hands." Judge Parker characterizes Register's failure to honor its contractual obligation to ICANN as unethical conduct, making Register ineligible for equitable relief. But Register owed no duty in that regard to anyone but ICANN, and ICANN has expressed no dissatisfaction with Register's failure to adhere to that term of the contract. Verio was free to seek ICANN's intervention on its behalf, but declined to do so, perhaps because it knew or suspected that ICANN would decline to compel Register to adhere to the contract term. Under the circumstances, we see no reason to assume on appeal that Register's conduct should be considered unethical, especially where the district court made no such finding.

(b) Verio's assent to Register's contract terms

Verio's next contention assumes that Register was legally authorized to demand that takers of WHOIS data from its systems refrain from using it for mass solicitation by mail and telephone, as well as by email. Verio contends that it nonetheless never became contractually bound to the conditions imposed by Register's restrictive legend because, in the case of each query Verio made, the legend did not appear until after Verio had submitted the query and received the WHOIS data. Accordingly, Verio contends that in no instance did it receive legally enforceable notice of the conditions Register intended to impose. Verio therefore argues it should not be deemed to have taken WHOIS data from Register's systems subject to Register's conditions.

Verio's argument might well be persuasive if its queries addressed to Register's computers had been sporadic and infrequent. If Verio had submitted only one query, or even if it had submitted only a few sporadic queries, that would give considerable force to its contention that it obtained the WHOIS data without being conscious that Register intended to impose conditions, and without being deemed to have accepted Register's conditions. But Verio was daily submitting numerous queries, each of which resulted in its receiving notice of the terms Register exacted. Furthermore, Verio admits that it knew perfectly well what terms Register demanded. Verio's argument fails.

The situation might be compared to one in which plaintiff P maintains a roadside fruit stand displaying bins of apples. A visitor, defendant D, takes an apple and bites into it. As D turns to leave, D sees a sign, visible only as one turns to exit, which says "Apples--50 cents apiece." D does not pay for the apple. D believes he has no obligation to pay because he had no notice when he bit into the apple that 50 cents was expected in return. D's view is that he never agreed to pay for the apple. Thereafter, each day, several times a day, D revisits the stand, takes an apple, and eats it. D never leaves money.

P sues D in contract for the price of the apples taken. D defends on the ground that on no occasion did he see P's price notice until after he had bitten into the apples. D may well prevail as to the first apple taken. D had no reason to understand upon taking it that P was demanding the payment. In our view, however, D cannot continue on a daily basis to take apples for free, knowing full well that P is offering them only in exchange for 50 cents in compensation, merely because the sign demanding payment is so placed that on each occasion D does not see it until he has bitten into the apple.

Verio's circumstance is effectively the same. Each day Verio repeatedly enters Register's computers and takes that day's new WHOIS data. Each day upon receiving the requested data, Verio receives Register's notice of the terms on which it makes the data available--that the data not be used for mass solicitation via direct mail, email, or telephone. Verio acknowledges that it continued drawing the data from Register's computers with full knowledge that Register offered access subject to these restrictions. Verio is no more free to take Register's data without being bound by the terms on which Register offers it, than D was free, in the example, once he became aware of the terms of P's offer, to take P's apples without obligation to pay the 50 cent price at which P offered them.

Verio seeks support for its position from cases that have dealt with the formation of contracts on the Internet. An excellent example, although decided subsequent to the submission of this case, is . The dispute was whether users of Netscape's software, who downloaded it from Netscape's web site, were bound by an agreement to arbitrate disputes with Netscape, where Netscape had posted the terms of its offer of the software (including the obligation to arbitrate disputes) on the web site from which they downloaded the software. We ruled against Netscape and in favor of the users of its software because the users would not have seen the terms Netscape exacted without scrolling down their computer screens, and there was no reason for them to do so. The evidence did not demonstrate that one who

had downloaded Netscape's software had necessarily seen the terms of its offer.

Verio, however, cannot avail itself of the reasoning of In the users in whose favor we decided visited Netscape's web site one time to download its software. Netscape's posting of its terms did not compel the conclusion that its downloaders took the software subject to those terms because there was no way to determine that any downloader had seen the terms of the offer. There was no basis for imputing to the downloaders of Netscape's software knowledge of the terms on which the software was offered. This case is crucially different. Verio visited Register's computers daily to access WHOIS data and each day saw the terms of Register's offer; Verio admitted that, in entering Register's computers to get the data, it was fully aware of the terms on which Register offered the access.

Verio's next argument is that it was not bound by Register's terms because it rejected them. Even assuming Register is entitled to demand compliance with its terms in exchange for Verio's entry into its systems to take WHOIS data, and even acknowledging that Verio was fully aware of Register's terms, Verio contends that it still is not bound by Register's terms because it did not agree to be bound. In support of its claim, Verio cites a district court case from the Central District of California, , in which the court rejected Ticketmaster's application for a preliminary injunction to enforce posted terms of use of data available on its website against a regular user. Noting that the user of Ticketmaster's web site is not required to check an "I agree" box before proceeding, the court concluded that there was insufficient proof of agreement to support a preliminary injunction.

We acknowledge that the decision gives Verio some support, but not enough. In the first place, the Ticketmaster court was not making a definitive ruling rejecting Ticketmaster's contract claim. It was rather exercising a district court's discretion to deny a preliminary injunction because of a doubt whether the movant had adequately shown likelihood of success on the merits.

But more importantly, we are not inclined to agree with the court's analysis. There is a crucial difference between the circumstances of where we declined to enforce Netscape's specified terms against a user of its software because of inadequate evidence that the user had seen the terms when downloading the software, and those of where the taker of information from Ticketmaster's site knew full well the terms on which the information was offered but was not offered an icon marked, "I agree," on which to click. Under the circumstances of we see no reason why the enforceability of the offeror's terms should depend on whether the taker states (or clicks), "I agree."

We recognize that contract offers on the Internet often require the offeree to click on an "I agree" icon. And no doubt, in many circumstances, such a statement of agreement by the offeree is essential to the formation of a contract. But not in all circumstances. While new commerce on the Internet has exposed courts to many new situations, it has not fundamentally changed the principles of contract. It is standard contract doctrine that when a benefit is offered subject to stated conditions, and the offeree makes a decision to take the benefit with knowledge of the terms of the offer, the taking constitutes an acceptance of the terms, which accordingly become binding on the offeree. *See, e.g.,* ("[S]ilence and inaction operate as an acceptance ... [w]here an offeree takes the benefit of offered services with reasonable opportunity to reject them and reason to know that they were offered with the expectation of compensation."); 2 Richard A. Lord, *Williston on Contracts* § 6:9 (4th ed. 1991) ("[T]he acceptance of the benefit of services may well be held to imply a promise to pay for them if at the time of acceptance the offeree has a reasonable opportunity to reject the service and knows or has reason to know that compensation is expected."); Arthur Linton Corbin, *Corbin on Contracts* § 71 (West 1 vol. ed. 1952) ("The acceptance of the benefit of the services is a promise to pay for them, if at the time of accepting the benefit the offeree has a reasonable opportunity to reject it and knows that compensation is expected."); ("Where a person, with reasonable opportunity to reject offered services, takes the benefit of them under circumstances which would indicate, to a reasonable man, that they were offered with the expectation of compensation, a contract, complete with mutual assent, results."); (buyer of hats was bound to pay for hats when buyer failed to return them to seller within five days of inspection as seller requested in clear and obvious notice statement).

Returning to the apple stand, the visitor, who sees apples offered for 50 cents apiece and takes an apple, owes 50 cents, regardless whether he did or did not say, "I agree." The choice offered in such circumstances is to take the apple on the known terms of the offer or not to take the apple. As we see it, the defendant in and Verio in this case had a similar choice. Each was offered access to information subject to terms of which they were well aware. Their choice was either to accept the offer of contract, taking the information subject to the terms of the offer, or, if the terms were not acceptable, to decline to take the benefits.

We find that the district court was within its discretion in concluding that Register showed likelihood of success on the merits of its contract claim.

(c) *Irreparable harm*

Verio contends that an injunction is not appropriate to enforce the terms of a contract. It is true that specific relief is not the conventional remedy for breach of contract, but there is certainly no ironclad rule against its use. Specific relief may be awarded in certain circumstances.

If an injury can be appropriately compensated by an award of monetary damages, then an adequate remedy at law exists, and no irreparable injury may be found to justify specific relief. . But, irreparable harm may be found where damages are difficult to establish and measure. . We have found, for example, that injunctive relief is appropriate where it would be "very difficult to calculate monetary damages that would successfully redress the loss of a relationship with a client that would produce an indeterminate amount of business in years to come."

The district court found it impossible to estimate "with any precision the amount of the monetary loss which has resulted and which would result in the future from the loss of Register.com's relationships with customers and co- brand partners," by reason of Verio's actions. In our view, the district court did not abuse its discretion in finding that, unless specific relief were granted, Verio's actions would cause Register irreparable harm through loss of reputation, good will, and business opportunities.

(d) *Trespass to chattels*

Verio also attacks the grant of the preliminary injunction against its accessing Register's computers by automated software programs performing multiple successive queries. This prong of the injunction was premised on Register's claim of trespass to chattels. Verio contends the ruling was in error because Register failed to establish that Verio's conduct resulted in harm to Register's servers and because Verio's robot access to the WHOIS database through Register was "not unauthorized." We believe the district court's findings were within the range of its permissible discretion.

"A trespass to a chattel may be committed by intentionally ... using or intermeddling with a chattel in the possession of another," , where "the chattel is impaired as to its condition, quality, or value," *id.* ; *see also* (citing the Restatement definition as New York law).

The district court found that Verio's use of search robots, consisting of software programs performing multiple automated successive queries, consumed a significant portion of the capacity of Register's computer systems. While Verio's robots alone would not incapacitate Register's systems, the court found that if Verio were permitted to continue to access Register's computers through such robots, it was "highly probable" that other Internet service providers would devise similar programs to access Register's data, and that the system would be overtaxed and would crash. We cannot say these findings were unreasonable.

Nor is there merit to Verio's contention that it cannot be engaged in trespass when Register had never instructed it not to use its robot programs. As the district court noted, Register's complaint sufficiently advised Verio that its use of robots was not authorized and, according to Register's contentions, would cause harm to Register's systems.

(e) *Lanham Act*

On Register's claim for trademark infringement and unfair competition under the Lanham Act, the district court enjoined Verio from using Register's marks, including "Register.com" and "first step on the web," as well as from committing acts "calculated to or ... likely to cause third parties to believe that Verio" is sponsored, endorsed or approved by Register. By letter submitted after oral argument, Register agreed to the deletion of the prohibition concerning use of "first step on the web." *See* Letter from William Patry, Counsel for Register, to the U.S. Court of Appeals for the Second Circuit (May 22, 2001). We accordingly direct the district court to modify the preliminary injunction by deleting the prohibition of use of "first step on the web."

Verio contends there was no adequate basis for the portion of the injunction based on the Lanham Act. We disagree. In our view, the injunction was within the scope of the court's permitted discretion.

The district court found two bases for the injunction. The first was that in its early calls to recent registrants to solicit the sale of web site development services, Verio explicitly referred to the registrant's registration with Register. The evidence showed that a number of registrants believed the caller was affiliated with Register. The evidence further showed that Verio's marketers, calling registrants almost immediately following their registration, left messages saying they were calling "regarding your recently registered domain name," and asked to be called back. The district court found that the script was misleading. It noted that Verio in fact was not calling "regarding the recently registered domain name," but was rather calling regarding the registrant's establishment of a web site for which Verio wanted to offer services. Evidence presented to the district court showed that registrants who received such calls were prompted to call back immediately because the message led them to believe the call indicated some problem with Register's registration of the domain name, and that they assumed from the nature of the message that the entity calling was affiliated with Register.

We believe Register has shown an adequate basis to support the district court's exercise of discretion in

issuing the injunction. Verio's use of Register's name alone was sufficient basis for the injunction. Notwithstanding that Verio had agreed, prior to the initiation of the suit, to cease using Register's name, Verio had previously used Register's mark in its solicitation calls. The fact that it had agreed to cease doing so was a factor that might have led the court to decline to issue the injunction, but it did not prevent the court from considering Verio's previous infringing behavior as a justification for the injunction.

The district court was also within its discretion in concluding that Verio's script for the solicitation calls was misleading. Verio's calls, while prompted by the recent registration of the domain name, were not "regarding your recently registered domain name." Verio's interest was not in the domain name but in the opportunity to offer web services to the owner of a new site. The district court was within its discretion in finding that the reference to the recently registered domain name misleadingly induced registrants to call back, believing the registration of their domain name had encountered a problem, and that the calling party was affiliated with the registration. Verio could easily change the text of its message so as to avoid the misleading implication, without detriment to its legitimate efforts to solicit business. We conclude that there was adequate basis for the issuance of the injunction.

Nor does the mere fact that Verio's representatives identified themselves as "calling from Verio" preclude a finding of misleading practice. The statement that the solicitor was "calling from Verio" did not prevent customers from assuming that Verio was connected with the registrar of their domain names. *Compare* (presentation of a mark in conjunction with a house mark may lessen the likelihood of confusion); (same), *limited on other grounds by* ; (same), *superseded by rule on other grounds as stated in* , *with* (citing) (the addition of a house mark or trade name may aggravate the likelihood of confusion if "a purchaser could well think [one party] had licensed [the other] as a second user").

We reject Verio's contention that the district court had no adequate basis for the Lanham Act injunction.

(f) *Other claims*

The rulings outlined above justify the affirmance of the preliminary injunction, without need to discuss the other contentions raised.

CONCLUSION

The ruling of the district court is hereby AFFIRMED, with the exception that the court is directed to delete the reference to "first step on the web" from paragraph one of its order.