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ON THE DUALITY OF INTERNET DOMAIN NAMES:
PROPERTIZATION AND ITS DISCONTENTS

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Domain names may have substantial economic and social value. They are often the object of dispute, whether based on allegations of abuse or in contests over ownership. There is a recent judicial trend, particularly in the Court of Appeals for the Ninth Circuit, toward characterizing domain names as “property” (and more specifically, “intangible property”) subject to rules of sale and transfer typical of personal property. This judicial characterization identifies “alienability” as a fundamental characteristic of domain names. This sets up a real or potential conflict with jurisdictions or forums where domain names have been judicially or administratively characterized as “contract rights” based on the legal relationship between the domain name registrant and the registrar. Pursuant to the contract rights characterization, sales and transfers of domain names are subject to rules flowing from the Internet Corporation for Assigned Names and Numbers (ICANN) that govern the relationship among registries, registrars and registrants, and prescribe certain representations and warranties in connection with sales and transfers. This includes subjecting domain name

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registrants to alternative dispute settlement under the Uniform Domain Name Dispute Resolution Policy (UDRP). Several recent decisions among Ninth Circuit courts applying the federal Anticybersquatting Consumer Protection Act (ACPA), on one side, and administrative panels applying the UDRP, on the other, call attention to the possibility for different dispute settlement outcomes depending on whether domain names are treated as freely alienable property or contract rights incorporating various obligations on transferors and transferees. In this article, the author, an experienced administrative panelist for the WIPO Arbitration and Mediation Center, analyzes the legal bases used to characterize Internet domain names, and suggests that it may not be necessary to draw a line between “intangible property” and “contract rights”. Domain names may be treated as both. There is nothing unique about attaching conditions to the transfer of intangible property. For example, U.S. law that authorizes assignment and transfer of trademarks conditions the transfer on associating the goodwill of the business. Similarly, domain names in transfer may be treated as intangible property conditioned with contract representations and warranties made pursuant to ICANN rules. The UDRP and ACPA provide for flexible assessment of the rights and legitimate interests of domain name registrants. These rules have allowed UDRP panels to consider the circumstances prevailing when a domain name transfer takes place, whether between related or unrelated parties, and this type of flexibility should appropriately take account of rights of transferors and transferees. Given the different contexts in which the UDRP and ACPA were adopted, and in which they are implemented, it should be expected that jurisprudential conflicts will from time to time arise and require attention. This article calls attention to one such conflict and proposes to resolve it through recognition that the legal character of the domain name need not be limited to a single class of subject matter.

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INTRODUCTION

There is a great deal of activity taking place in the world of Internet domain names. First, the opening up of the top-level domain name space by the Internet Corporation for Assigned Names and Numbers (ICANN) promises to transform the Internet space by widening the number of available second-level domains, by creating a range of new registrars and registries regulating their own space, and by introducing new and different mechanisms for resolving disputes regarding top-level and second-level domains.¹ Second, security-related developments in the digital environment suggest that the Internet as we have known it may not be with

¹ See Benefits and Risks of Operating a New GTLD, ICANN: NEW GENERIC TOP-LEVEL DOMAINS, <http://newgtlds.icann.org/en/about/benefits-risks>, (last visited Jan. 28, 2013). The author of this article as sole panel expert recently rendered one of the first decisions under ICANN's New gTLD Dispute Resolution Procedure for Existing Legal Rights Objections *See Express, LLC v. Sea Sunset, LLC*, WIPO Case No. LRO2013-0022 (<.express>).

us for much longer.² Unless urgent steps are taken to improve security in the digital environment, it seems likely that greater controls will be exercised in the future regarding individual access to the commercial Internet environment.³ Third, there is no assurance that domain names will retain their importance as a means of identifying locations on the Internet. The pace at which technology in the digital arena has evolved, and the ways in which individuals access content, provide assurance only that the future is uncertain. The gales of creative destruction blow through the digital environment at a pace unknown to most other fields of technology.

In this respect, an inquiry into the fundamental nature of the domain name may seem (and may in fact be) a quaint exercise.⁴ Nonetheless, to the extent that courts and alternative dispute resolution bodies are called upon to resolve issues concerning ownership and use of domain names — and, for that matter, other types of identifiers of places on the Internet (such as locators in social network environments)—it will be important to understand what those identifiers are. Legal rules regulating sales and transfers of property are different than legal rules regulating contract rights and regulation of behavior under contract.

While it is typically inexpensive to register and maintain a domain name, some of these names are created with or develop very substantial financial value.⁵

² See, e.g., Bernard R. Horovitz, *Blunting the Cyber Threat to Business; Hackers target firms world-wide, yet insurance policies rarely cover the damage*, Wall St. J., (Jan. 9, 2013), <http://online.wsj.com/article/SB10001424127887323374504578220052106443158.html>; Nicole Perlroth, *Attacks on 6 Banks Frustrate Customers*, N.Y. Times, Sept. 30, 2012, at B1, available at <http://www.nytimes.com/2012/10/01/business/cyberattacks-on-6-american-banks-frustrate-customers.html>.

³ See, e.g., Ryan Abbott, *Big Data and Pharmacovigilance: Using Health Information Exchanges to Revolutionize Drug Safety*, 99 IOWA L. REV. (forthcoming 2013) (manuscript at 8-9, 37), available at <http://ssrn.com/abstract=2246217> (discussing security and privacy issues that might arise in connection with an initiative that uses health information exchanges to inform a pharmacovigilance system).

⁴ Previous consideration of the legal character of domain names and related rights can be found in Daniel Hancock, Note: *You Can Have It, But Can You Hold It?: Treating Domain Names As Tangible Property*, 99 KY. L.J. 185 (2010-11); Sean Price, Case Note: *A Reasonable Rendition of Registration: GoPets v. Hise, Schmidheiny v. Weber, and Congressional Intent*, 22 DEPAUL J. ART TECH. & INTELL. PROP. L. 449 (2012); Ned Snow, *The Constitutional Failing of the Anticybersquatting Act*, 41 WILLAMETTE L. REV. 1 (2005).

⁵ See, e.g., *List of most expensive domain names*, WIKIPEDIA, http://en.wikipedia.org/wiki/List_of_most_expensive_domain_names (last visited Sept. 21, 2013). The Wikipedia list includes a number of domain names sold for over U.S. \$10 million. *Id.*

That financial value may be a consequence of a corresponding trademark, but it may also be a consequence of the dictionary meaning and significance of a common term.⁶ Putting aside financial value, domain names and related disputes may concern important social interests, implicating rights of speech, expression and fair use.⁷ Disputes may involve issues of privacy. In these various spheres of interest, the characterization of the disputing parties' claims from a legal standpoint may have significant consequences. Specifically, whether such disputes are characterized as disputes concerning ownership of property or disputes regarding contract relationships may influence the outcome.

The matter of defining the "domain name" has a substantial history. The Report of the First WIPO Domain Name Process defined domain names as "... the human-friendly form of Internet addresses."⁸ This definition is accurate from a functional standpoint. The domain name is an alphanumeric string that is associated with an Internet protocol (IP) address that identifies a particular computer server or other location of data.⁹ The domain name is created or selected by a person (the "registrant") that registers the name with a "registrar" that maintains data regarding the identity and contact information for the registrant. The registrant enters into a contract with the registrar defining the terms of service

However, Wikipedia's list, unlike Business Insiders' list, may include the sale of websites with other business assets or goodwill that extend beyond the sole value of the domain name. Alyson Shontell, *The 25 Most Expensive Domain Names of All Time*, BUSINESS INSIDER, (Dec. 23, 2012, 8:03 AM), <http://www.businessinsider.com/the-20-most-expensive-domain-names-2012-12?op=1>.

⁶ Both the Wikipedia list and Business Insider list are dominated by common terms, including "sex.com", "toys.com", "clothes.com", "investing.com" and "insure.com". WIKIPEDIA, *supra* note 5; Shontell, *supra* note 5.

⁷ See discussion and references in FREDERICK ABBOTT, THOMAS COTTIER & FRANCIS GURRY, INTERNATIONAL INTELLECTUAL PROPERTY IN AN INTEGRATED WORLD ECONOMY, 457-76 (2d ed. 2011).

⁸ World Intellectual Property Organization [WIPO], *The Management of Internet Names and Addresses: Intellectual Property Issues, Final Report of the WIPO Internet Domain Name Process*, at Executive Summary, WIPO Publication No. 439 (April 30, 1999), available at <http://www.wipo.int/amc/en/processes/process1/report/finalreport.html>, [hereinafter WIPO First Report]; *accord id.* ¶ 4 ("A domain name is the human-friendly address of a computer that is usually in a form that is easy to remember or to identify, such as www.wipo.int.").

⁹ *Id.* See also Office Depot Inc. v. Zuccarini, 596 F.3d 696, 698-99 (9th Cir. 2010); Hancock, *supra* note 4, at 187-90; Price, *supra* note 4, at 451.

for maintaining the domain name registration.¹⁰ The registrar transmits data concerning the association of the domain name (or alphanumeric string) to a "registry" that maintains a database of the domain name/IP address associations, and facilitates the technical process through which queries on the Internet are routed to the appropriate server or other location from and to which data may be retrieved and/or stored. When a domain name is initially registered, it is not uncommon for the registrar's server to act as the location of the registrant on the Internet (e.g., as a "parking page").¹¹

I

THE LEGAL FRAMEWORK

A. ICANN and the UDRP

Domain names are a global phenomenon, as are domain name disputes.¹² While this paper is focused on the U.S. in that it addresses specific U.S. laws and jurisprudence addressing domain names, the discussion of basic principles may nonetheless be relevant to other jurisdictions.

Domain names may be used in the commission of trademark infringement. A domain name may, for example, use the same (or a confusingly similar) alphanumeric string as a trademark. The domain name may be registered by a person other than the trademark owner (and otherwise without the owner's consent) and direct Internet users (e.g., consumers) to a website where products competing with those covered by the trademark are offered for sale.¹³ Such third-party use of a domain name may constitute an act of trademark infringement within the

¹⁰ The WIPO Second Report refers to the integrated registration system flowing from ICANN to the registrant as the "ICANN Contractual Model". See World Intellectual Property Organization [WIPO], *The Recognition of Rights and the Use of Names in the Internet Domain Name System, Report of the Second WIPO Internet Domain Name Process*, ¶¶ 73-76, WIPO Publication No. 843 (Sept. 3, 2001), available at <http://www.wipo.int/amc/en/processes/process2/report/html/report.html>, [hereinafter WIPO Second Report].

¹¹ For additional details regarding registrant-registrar-registry relations, see, e.g., Office Depot, 596 F.3d at 699; Price, *supra* note 4, at 451.

¹² The transnational character of the domain name system played a significant role in motivating development of ICANN management and related dispute settlement rules. See WIPO First Report, *supra* note 8, ¶¶ 14-21.

¹³ Trademark rights may be based on registration or they may be unregistered/common-law rights.

meaning of the Lanham Act (in the United States (U.S.)).¹⁴ The trademark owner may proceed against the accused infringer in a federal district court seeking an injunction and damages.¹⁵ This is not a type of action unique to domain names. Use of a trademark without the consent of the owner (whether in a domain name, on product packaging or on a product, on a television advertisement, etc.) may give rise to an infringement cause of action.¹⁶

In the late 1990s it was apparent that domain names presented a unique set of issues with respect to abusive acts.¹⁷ First, domain names were inexpensive to register, and typically were not subject to screening *ex ante* for potential conflict with existing trademarks. Only informal procedures with the registration authority (i.e., the combined registrar/registry, Network Solutions) existed by which trademark owners could challenge domain name registrations alleged to be improper. This informal procedure was not effective. A domain name registrant might at a very low cost engage in a financially significant abusive act toward a trademark owner. Yet the remedy for the trademark owner might well involve multiyear litigation in federal or state courts at considerable expense. Second, although registration of a domain name was geography specific,¹⁸ the use (and abuse) of the domain name was theoretically global. A domain name through a registry located in the United States might be used to abuse the rights of a trademark owner in Spain, Japan or Australia. Because an effective remedy against a registrant engaged in abuse required action at the registry (i.e. by termination of the link), and because the trademark owner might be located far from the U.S., securing an effective remedy posed serious problems. Some means for addressing abusive domain name registration and use that did not involve the complexities of enforcing foreign judgments in the U.S. was considered necessary.

These challenges were addressed through the adoption of the Uniform Domain Name Dispute Resolution Policy (UDRP) on August 26, 1999 by the Internet Corporation for Assigned Names and Numbers (ICANN). The implementing documents of the UDRP and associated Rules were approved by

¹⁴ 15 U.S.C. § 1125(c) (2006).

¹⁵ 15 U.S.C. § 1114(2)(D)(iv-v) (2006).

¹⁶ *Id.* § 1114(1) (2006). Of course, there are many potential defenses to infringement, including fair use defenses.

¹⁷ For a discussion of the historical background of domain names and the issues that arise, see WIPO First Report, *supra* note 8, ¶¶ 1-25.

¹⁸ In the late 1990s, exclusively within the U.S.

ICANN on October 24, 1999.¹⁹ ICANN also accredited four dispute resolution service providers, including the WIPO Arbitration and Mediation Center (based in Switzerland) and the National Arbitration Forum (NAF) (based in the U.S.).²⁰ ICANN rules for registrars require that domain name registrants enter into a service agreement that incorporates the UDRP and subjects domain names to mandatory administrative proceedings conducted by an authorized service provider.

Under the UDRP, a complaining party must establish three elements to succeed against a respondent registrant of the disputed domain name: (1) that the complainant has rights in a trademark, and that the disputed domain name is identical or confusingly similar to that trademark; (2) that the respondent does not have rights or legitimate interests in the disputed domain name, and; (3) that the respondent registered and is using the disputed domain name in bad faith.²¹ The rules for establishing elements (2) and (3) include nonexhaustive lists of acts that represent ways to address those elements.

Disputes under the UDRP are heard by single-member panels appointed by the service provider, or by three-member panels if elected by either the complaining or responding party.²² A panel may reject a complaint, and even find that it was brought in bad faith (i.e., reverse domain name hijacking). If the panel finds in favor of the complainant, it has only two potential remedial orders. It can

¹⁹ See Internet Corp. for Assigned Names & Nos. (ICANN), *Uniform Domain Name Dispute Resolution Policy* (Oct. 24, 2009), <http://www.icann.org/en/help/dndr/udrp/policy> (last visited Feb. 1, 2013) [hereinafter UDRP]. See also WIPO Second Report, *supra* note 10, ¶¶ 8-12 (discussing adoption of UDRP and Rules by ICANN).

²⁰ *Id.* ¶ 10. The initial group of approved dispute settlement service providers included e-Resolution and CPR Institute for Dispute Resolution. e-Resolution no longer exists, and the CPR Institute no longer provides UDRP dispute resolution services.

²¹ UDRP, *supra* note 19 ¶ 4(a).

²² Internet Corp. for Assigned Names & Nos. (ICANN), *Rules for Uniform Domain Name Dispute Resolution Policy*, ¶ 3(b)(iv) (Oct. 24, 2009), <http://www.icann.org/en/help/dndr/udrp/rules> (last visited Feb. 1, 2013) [hereinafter *Rules for UDRP*]. For three-member panels, each party selects a panelist (from an approved roster), and the parties attempt to agree upon the third panelist (in default of which, the service provider selects that panelist). A prospective panelist submits a declaration regarding potential conflict of interest prior to appointment. Once appointed, the panel receives a file that includes the complaint, response, incorporated evidence, and the chain of correspondence by all parties with the service provider. The appointed panelist has fairly broad discretion to seek additional information from the parties. Absent some special circumstance, the panel is expected to transmit its decision to the service provider within 14 calendar days. *Id.* ¶ 15(b).

direct the registrar to "cancel" the disputed domain name (i.e., deleting the respondent's registration and making available the domain name to the public). Or, the panel can direct the registrar to "transfer" the disputed domain name to the complaining party.²³ When a domain name is transferred, the transferee-registrant enters into a new service agreement with the registrar (or a different registrar).

The UDRP provides a 10-day window following notification of a decision ordering cancellation or transfer of a domain name during which the responding party may initiate an action before a court objecting to the cancellation or transfer by the registrar.²⁴ Filing by the losing respondent triggers an automatic stay of the cancellation or transfer, pending review by the court.

B. *The ACPA*

The U.S. Congress also reacted to the problem of abusive domain name registration and use by adoption of the Anticybersquatting Consumer Protection Act (ACPA) in 1999.²⁵ The ACPA is part of the Lanham Act (the general trademark statute). It generally authorizes causes of action in federal district courts where jurisdiction is found based on ownership of trademark rights, including personal names protectable as trademarks.²⁶ In addition to *in personam* jurisdiction, the ACPA allows for establishing jurisdiction *in rem* against domain names when certain preconditions are met, though in such cases remedies are limited to cancellation or transfer.²⁷

²³ UDRP, *supra* note 19, ¶ 4(i).

²⁴ UDRP, *supra* note 19, ¶ 4(k).

²⁵ Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, 113 Stat. 1501A-445-552(1999) (codified at 15 U.S.C. § 1125(d) and 15 U.S.C. § 8131) [hereinafter ACPA]. This article is principally concerned with 15 U.S.C. § 1125(d) — titled "Cyberpiracy prevention" — that addresses abuse of trademark rights. 15 U.S.C. § 8131 — titled "Cyberpiracy protections for individuals" — addresses protection of names of living persons in the limited context of registration with intent to sell for financial gain to that person or third party, with remedy apparently limited to injunctive relief, including forfeiture, cancellation or transfer. *See* 15 U.S.C. § 8131(2). Unlike the trademark protective provisions, the provisions directed to protecting living persons names do not require that conflicting trademark rights exist at the time of the complained-of domain name registration. *See also* Hancock, *supra* note 4, at 189-90; Price, *supra* note 4, at 455.

²⁶ 15 U.S.C. § 1125(d)(1)(A)(ii) refers to, "A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section"

²⁷ *Id.* § 1125(d)(2).

There are differences in the legal rules between the ACPA and the UDRP. The ACPA perhaps “more expressly” provides that a cause of action may only arise if the defendant registered the disputed domain name after the complaining party had established rights in a trademark.²⁸ As discussed later, this has been a general rule also adopted by UDRP panelists, but it is not stated in such direct terms as in the ACPA text. The ACPA incorporates a somewhat longer list of actions that might constitute evidence of bad faith than the UDRP, though it is not clear that the ACPA list adds significantly to the potential grounds of bad faith under the UDRP, particularly as the UDRP list of potential evidence of bad faith is non-exhaustive. Like the UDRP, the ACPA incorporates exceptions from findings of liability based on fair use and other protective doctrines.²⁹

The most important difference between the ACPA and the UDRP concerns remedies. The ACPA authorizes a federal court to order the cancellation or transfer

²⁸ The ACPA in so far as it protects trademarks limits actions to those where the claimant had trademark rights at the time the disputed domain name was registered. 15 U.S.C. § 1125(d)(1)(A)(ii) limits actions against domain name registrants to those: “(I) in the case of a mark that is *distinctive at the time of registration of the domain name*, is identical or confusingly similar to that mark; (II) in the case of a famous mark that is *famous at the time of registration of the domain name*, is identical or confusingly similar to or dilutive of that mark” (emphasis added).”

The UDRP requires that a disputed domain name has been “registered and used in bad faith”. UDRP, *supra* note 21, ¶ 4(a). The preponderance of panelists (supported by the legislative history of the UDRP) have concluded that registration in bad faith can only be found where trademark rights exist for the complaining party. See WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition (“WIPO Overview 2.0”), “Consensus view: Generally speaking, although a trademark can form a basis for a UDRP action under the first element irrespective of its date [see further paragraph 1.4 above], when a domain name is registered by the respondent before the complainant’s relied-upon trademark right is shown to have been first established (whether on a registered or unregistered basis), the registration of the domain name would not have been in bad faith because the registrant could not have contemplated the complainant’s then non-existent right.” WIPO Overview 2.0, para. 3.1 See further discussion of the timing/sequencing issue under the ACPA and UDRP *infra*.

²⁹ 15 U.S.C. § 1125(d)(1)(B) provides that “(ii) 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.” Also, three of the nine factors that the ACPA prescribes for assessing bad faith intent of the domain name registrant are similar to factors that the UDRP uses to assess rights or legitimate interests in a disputed domain name (*compare* 15 U.S.C. §1125(d)(1)(B)(i)(III-IV),) *with* UDRP, *supra* note 21, ¶ 4(c)).

of the domain name in a manner similar to the UDRP.³⁰ However, under the ACPA a federal court also has the authority to issue an order directed against the person who registered a disputed domain name or names, enjoining them from committing future acts against the plaintiff trademark owner, including registering confusingly similar domain names.³¹ The federal court may award damages in favor of the complainant, including statutory damages.³² While it will almost certainly be more costly and time-consuming to proceed against a third-party domain name registrant in federal court than under the UDRP, the reward from successful prosecution may be more substantial. However, it is useful to bear in mind that winning a money judgment against an abusive domain name registrant and collecting that judgment are different things.³³

C. ACPA as recourse from the UDRP

For losing respondents seeking to block the cancellation or transfer of the domain name in the U.S. based on an adverse finding of a UDRP panel, the ACPA establishes the legal basis for doing so.³⁴ An action may be filed in an appropriate federal district court seeking to enjoin the carrying out of the order of cancellation or transfer. It is a curious feature of the UDRP that a request to block a transfer in the U.S. is governed by the provisions of the ACPA (and, possibly, by the provisions of the Lanham Act as a whole).³⁵ In practical effect, a decision by a UDRP panel is not reviewed on the basis of application of UDRP rules, but rather on the basis of *de novo* consideration of the case under the ACPA. Federal courts generally have decided against providing any deference to the decisions of UDRP panels.³⁶ Moreover, there is nothing that prevents either party (i.e. the domain

³⁰ 15 U.S.C. § 1125(d)(1)(C).

³¹ *Id.* §§ 1125(d)(3), 1116(a).

³² *Id.* § 1117(a), (d).

³³ *See, e.g.,* Office Depot Inc. v. Zuccarini, 596 F.3d 696 (9th Cir. 2010).

³⁴ A petition to the U.S. courts seeking an injunction to prevent an order of transfer by a UDRP panelist is governed by the ACPA (15 U.S.C. §1114(2)(D)(v); *see* Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona, 330 F.3d 617 (4th Cir. 2003). The ACPA (and perhaps the Lanham Act as whole) is applied to determine whether the transfer should be allowed or blocked (*compare id., with* Storey v. Cello Holdings, L.L.C., 347 F.3d 370 (2d Cir. 2003)). Thus, in effect, the enforceability of UDRP decisions depends on interpretation of the ACPA.

³⁵ The Federal Circuits have divided on that latter extension.

³⁶ *See, e.g.,* Barcelona.com, 330 F.3d at 626 (“[a]ny decision made by a panel under the UDRP is no more than an agreed-upon administration that is not given any deference under the ACPA.”).

name registrant challenging a transfer or cancellation order, and the party asserting trademark rights and abuse) from providing new and/or different evidence before the federal court.

A complaining party that has been denied relief by a UDRP decision may pursue the same respondent and same domain name before the federal courts under the ACPA. US federal courts have decided that there is no *res judicata* or *collateral estoppel* effect of UDRP panel decisions, and have declined to accord deference to those decisions.³⁷ They have primarily done so on the basis that the UDRP process is designed as an expedited and streamlined process that does not involve the same evidentiary standards as federal court proceedings.³⁸ As a UDRP panelist, this author has noted that UDRP panels do not enjoy the same control over parties as federal courts, nor do they have judicial enforcement powers similar to those of federal courts.³⁹ All of this may, in fact, give rise to circumstances in which the same parties in federal court are litigating a different case involving the same domain name than that presented to a UDRP panel.⁴⁰ However, it is shortsighted that federal district court judges do not give some degree of deference to UDRP panels. The more frequently selected UDRP panelists are likely to have substantially more experience in assessing trademark-domain name claims than federal and state court trial judges who may hear only a few such cases over a span of years.

³⁷ *E.g.*, *Barcelona.com*, 330 F.3d at 626 (UDRP panel decision was relevant only insofar as it enabled plaintiff to file an action under the ACPA); *Storey* 347 F.3d at 378, 380-82 (2d Cir. 2003) (stating that “an administrative proceeding does not preclude the registrant from vindicating his rights under the ACPA or trademark law in court.”).

³⁸ *See, e.g.*, *Storey*, 347 F.3d at 382-83. *Cf.* *Sallen v. Corinthians Licenciamentos Ltda*, 273 F.3d 14, 28 (1st Cir. 2001) (recognizing the overlap of the UDRP and ACPA).

³⁹ *See* *Diet Center Worldwide, Inc. v. Jason Akatiff*, WIPO Case No. D2012-1609, n.13. Other references have taken place in the context of termination orders based on contemporaneous federal court proceedings.

⁴⁰ A complainant may lose a case under the UDRP because it has failed to adequately substantiate its claim, and may initiate a federal court proceeding in order to rectify its prior failure. *Compare* *Super-Krete Int’l, Inc. v. Concrete Solutions, Inc.*, WIPO Case No. D2008-1333, *and* *Super-Krete Int’l, Inc. v. Sadleir*, 712 F. Supp. 2d 1023 (C.D. Cal. 2010). In the UDRP proceeding, the complaining party argued (and lost) on the basis of common-law trademark rights, presenting no evidence to support such rights. The plaintiff thereafter provided evidence of pre-existing trademark registrations to the federal court, and succeeded. The district court did not take note of the difference between the case pleaded by the complaining party in the UDRP proceeding and the case presented to the federal court.

II DOMAIN NAMES AS INTELLECTUAL PROPERTY

A. *The Technical Domain Name Function*

A domain name shares characteristics with various forms of intellectual property as traditionally understood, but it does not fall neatly within "traditional" categories. To begin with, a domain name is similar in function to an old-fashioned telephone number. It tells a caller (in this case, the person through a device submitting an Internet query) where to route the call (in this case, to a particular server and/or sub location). That function could be performed by a random character string associated with an IP address, and it can be performed simply by entering the appropriate IP address in a browser. But, it would be very difficult for Internet users to remember and enter strings of numbers to find who or what they are looking for, and the domain name is the "human friendly" way of solving the memory and data entry problem.⁴¹

B. *The Domain Name as Identifier*

Broadly speaking, domain names fall into a number of different categories as identifiers. Some make use of *generic or commonly descriptive terms*, e.g., "health", "drugs", "travel", as a means to attract Internet users to sources of information for goods and services that may or may not be associated with a particular supplier/provider. Despite lacking trademark status, these domain names may have a substantial financial value because of the likelihood that Internet users will use these terms, perhaps along with a generic top-level domain (gTLD) such as ".com", when broadly searching for information and resources.⁴² Many domain names incorporate the *trademark or service mark* of a business. Internet users seeking a business or its products (or services) commonly enter the trademark or service mark along with a gTLD to find the relevant resources, or enter the trademark or service mark in a browser and select the search result incorporating the trademark or service mark of the business.⁴³ The trademark or service mark of

⁴¹ It is a wonder, perhaps, that in the "old days" individuals were expected to remember 20 or so seven-digit telephone numbers to contact their family, friends and business relations.

⁴² See note 5, *supra*.

⁴³ See 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:17.50, (4th ed. 2013) ("In the same way that businesses sometimes desire to have a prestige business address, businesses want a prestige address in cyberspace that corresponds to the trade name of the company or to a company trademark.").

a business may appear in a domain name for reasons other than providing the location for goods and services. It may be used by commentators or critics of the business in a legitimate way.⁴⁴ Typically with respect to legitimate noncommercial or fair use, the trademark or service mark will be combined with additional terms.⁴⁵ A subtype of the trademark-incorporating domain name is the "trade name" incorporating domain name.⁴⁶ From a technical IP standpoint, a trademark identifies a good or service that distinguishes one enterprise from another in commerce. A trade name is the name of a business that may or may not have trademark status. A third type of domain name is effectively a *random* or *quasi-random alphanumeric string* that does not signal the nature of the web location to which it will route the Internet user. There are a range of reasons why such random or quasi-random alphanumeric strings may be used.

"Identifiers" have constituted intellectual property rights (IPRs) subject matter since the inception of commerce.⁴⁷ Artisans' "marks" are as old as the crafting of pottery, whereby the artisan would identify his or her creation on the object. From the standpoint of the modern era, trademarks are subject matter of the Paris Convention on the Protection of Industrial Property of 1883 (and trade names are covered by that agreement).⁴⁸ There are other forms of IP that are identifiers, including geographical indications, appellations of origin, and other ways by which agricultural products have been designated.

While some forms of intellectual property require a creative element (e.g., patent and copyright), the trademark does not.⁴⁹ A trademark must be distinct from other trademarks for identical or similar goods, but it does not need to meet a

⁴⁴ See, e.g., Pfizer Inc v. Van Robichaux, WIPO Case No. D2003-0399, <lipitor-info.com>; Sutherland Inst. v. Continuative L.L.C., WIPO Case No. D2009-0693, <sutherlandinstitute.com>.

⁴⁵ See discussion of relationship between domain names incorporating trademark alone, and domain names using trademark in combination with other terms, in *Toyota Motor Sales, U.S.A. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010).

⁴⁶ See ABBOTT, COTTIER & GURRY, *supra* note 7, at 342. For discussion of trade names under the TRIPS Agreement, see Appellate Body Report, *United States — Section 211 Omnibus Appropriations Act of 1998*, ¶¶ 333–41, WT/DS176/AB/R (Jan. 2, 2002).

⁴⁷ MCCARTHY, *supra* note 43, § 5:1 (describing the early origins of trade symbols).

⁴⁸ Paris Convention for the Protection of Industrial Property, Mar. 20 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305.

⁴⁹ See ABBOTT, COTTIER & GURRY, *supra* note 7, at 318.

standard of novelty or originality (although it may not be generic or commonly descriptive).⁵⁰

C. Domain names as intellectual property

The domain name as an identifier may share characteristics with the trademark and trade name, but is it a distinct form of “intellectual property”?⁵¹ To illustrate the question, suppose a person starting a new financial services consulting business registers as a domain name a previously unused alphanumeric string, “1q2r3s.com” and creates a commercial website. The name of the business on the website is “Financial Planning Associates”, and the unique alphanumeric string in the domain name is not identifying the services business on the website. As a unique alphanumeric identifier, is the domain name “1q2r3s.com” a form of intellectual property distinct from a service mark or trade name because its sole function is to direct users to a location on the Internet? Is it intellectual property *as such*?

The U.S. Lanham Act defines “domain name”⁵² and provides remedies against its misuse (*see* discussion of the ACPA *supra*), but the domain name as such is not accorded specific rights typical of IP. For example, the domain name is not associated with a specific statutory right to exclude third parties from infringing use. Moreover, U.S. statutory law does not include general provisions according protection to “intellectual property” as such, as distinct from the enumerated forms (e.g., patent, copyright and trademark). A domain name may be a trademark, no doubt (e.g., Amazon.com).⁵³ To be clear concerning the illustration above, “1q2r3s.com” may well be registered as a trademark (or service mark) to the extent that it is used to identify the services of Financial Planning Associates. But the domain name is not accorded its own unique statutory protection, though it may be protected on application of general unfair competition law. It may (or may

⁵⁰ As discussed below, there are forms of intangible property that protect compilations of commercial information — database protection (e.g., in the European Union) and protection of undisclosed information in the form of regulatory data on pharmaceutical and agricultural chemical products (per Article 39.3 of the TRIPS Agreement) — that fall outside traditional notions of intellectual property.

⁵¹ *See* MCCARTHY, *supra* note 43, § 7.17.50 (“Out of the millions of domain names, probably only a small percentage also play the role of a trademark or service mark.”).

⁵² 15 U.S.C. §1127 states: “The term “domain name” means any alphanumeric designation which 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.”

⁵³ *See, e.g.*, AMAZON.COM, Registration No. 2078496.

not) be that domain names (and other “non-traditional” forms of identifier) should be accorded their own unique forms of protection. But, as a matter of current law, they are not.

D. Trademarks as property

1. Assignment and transfer

Legislatures and courts have long treated trademarks as a form of property capable of ownership. But, the transferability of trademark ownership has a complex history, and even today includes ambiguous elements and a divergence between U.S. law and international trademark law. In the United States, it has long been thought that a trademark should not be assigned and transferred without the business with which it is associated.⁵⁴ Since the function of a trademark is presumed to be providing consumers with information concerning relevant goods, or protecting trademark owners against misappropriation of their valuable corporate reputation, it is thought a logical corollary that the trademark should not be disassociated from the product purchased by the consumer or the reputation of the business owner. This concept or principle has been embodied in the U.S. both at common law and in Section 10 of the Lanham Act as a rule against “assignments in gross”.⁵⁵ A trademark is assignable only with the goodwill of the business with which the mark is used.⁵⁶

That being said, the U.S. appears to be acting inconsistently with Article 21 of the WTO TRIPS Agreement by maintaining Section 10 of the Lanham Act. Article 21 provides in relevant part, “the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which

⁵⁴ See generally, MCCARTHY, *supra* note 43, §§ 18:1–:11. A related discussion concerning licensing of trademarks is discussed in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 313–15 (1988).

⁵⁵ 15 U.S.C. § 1060(a)(1)–(5) (2006) provides, *inter alia*, “A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark.” See MCCARTHY, *supra* note 43, at § 18:2.

⁵⁶ Although there may be some hints at a move away from strict application of this rule in the U.S., it appears still to represent good law. MCCARTHY, *supra* note 43, § 18:10. McCarthy does not condone this as a mechanism for circumventing the anti-assignments-in-gross rule, but notes that goodwill “denotes only an intangible and ineffable concept: A concept which lies in the eye of the beholder.” Because “goodwill” is a fairly flexible concept, the rule may not have great practical effect on transactions that realistically are assignments in gross. A recital of “associated goodwill” as part of transferring a trademark asset may be sufficient to satisfy most purposes.

the trademark belongs.” This provision reflects the rule that apparently is most common outside the U.S.,⁵⁷ and it is difficult to stretch an interpretative argument that somehow the U.S. requirement to include the goodwill of a business in an assignment does not involve a requirement to transfer the business.

There are arguments on each side of the “assignments in gross” discussion. The U.S. position reflects the “world as it should be.” If the trademark sends a signal to the consumer, why should the consumer bear the risk and consequences of new trademark ownership by an unrelated business? The TRIPS international position may better reflect the “world as it is.” Trademarks have largely become commoditized. “Brands” include sports teams emblems more or less randomly placed on consumer goods. Should the law reflect preferred expectations or reality?

Fundamentally, trademarks are treated as a form of property that may be sold, assigned and transferred, both in the U.S. and elsewhere. In the U.S., there is a “rider” or condition attached to the property for purposes of assignment and transfer. It must be accompanied by the goodwill of the business.

2. *Antidilution*

A second element in the propertization or commodification of trademarks is the adoption of “antidilution” legislation and international rules. Article 6bis of the Paris Convention provides special protection for “well-known” trademarks, which protection has been supplemented by TRIPS Agreement rules.⁵⁸ Domestic U.S. legislation extends rights to owners of famous trademarks to prevent third parties from using the mark on dissimilar goods or services (i.e., blurring) or from disparaging the trademark (i.e., tarnishment).⁵⁹ These rules in effect establish a property boundary around the trademark, protecting its owner against a third-party diminishing the value of its trademark asset. This goes beyond protecting the traditional trademark function of informing consumers as to the quality or characteristics of products, and towards protecting the trademark as property of its owner.

⁵⁷ *Id.*

⁵⁸ See generally ABBOTT, COTTIER & GURRY, *supra* note 7, at 363-70, 375-78.

⁵⁹ See 15 U.S.C. § 1125(c) (2006); see also *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

3. *Intangible asset value*

The typical business accounting treatment of the trademark is as an intangible asset.⁶⁰ The accounting treatment varies depending on the jurisdiction. In the United States, the accounting and tax treatment may depend on whether the trademark was internally developed or purchased.⁶¹ Regardless of the precise accounting treatment, the intangible asset value of trademarks is routinely calculated and reported by business information services, and the value of a brand may reach into the billions of U.S. dollars.⁶²

III

DOMAIN NAMES IN THE COURTS

U.S. courts have expressed different viewpoints on the legal characteristics of domain names. There are principally three lines of reasoning: (1) domain names are a contract right (i.e., established by a service agreement between the registrant and the registrar); (2) domain names are a form of intangible property; and (3) domain names are a form of tangible personal property.

A. *Domain names as contract rights*

The domain name registrant advises the registrar of the alphanumeric string that it wishes to register. If the domain name is available at the registry, the registrar provides a contract to which the registrant must adhere in order to register the domain name. That registration agreement includes representations and warranties from the registrant, establishes a term of registration, terms for payment, and incorporates the UDRP as a mandatory dispute settlement procedure to which the registrant agrees to be subjected.⁶³

⁶⁰ See MCCARTHY, *supra* note 43, at § 2:19 (“In this sense, good will can be defined as the intangible value of a business beyond the value of its physical assets.”).

⁶¹ See, e.g., Donald E. Kieso, Jerry J. Weygandt & Terry D. Warfield, *Intermediate Accounting*, ch. 12 (14th ed. 2012).

⁶² Manish Modi, *Coca-Cola Retains Title as World’s Most Valuable Brand*, BLOOMBERG (Oct. 2, 2012, 11:57 PM), <http://www.bloomberg.com/news/2012-10-03/coca-cola-retains-title-as-world-s-most-valuable-brand-table-.html> (based on Interbrand’s Best Global Brands 2012 report).

⁶³ See, e.g., *Go Daddy Domain Registration Agreement*, GODADDY, http://www.godaddy.com/Agreements/ShowDoc.aspx?pageid=reg_sa (last revised Aug. 27, 2013).

Typically the domain name registration agreement provides the registrant with the right to renew the registration indefinitely, and includes a grace period provided by the registrar and/or registry in the event that the registrant allows the registration to lapse.⁶⁴ The registration agreement provides that the registrar may cancel the domain name registration in the event of a material breach of the agreement. The domain name registrant is permitted by the terms of the typical service agreement, and as mandated by ICANN rules, to transfer its domain name registration between registrars.⁶⁵

The registrant's right in a domain name is established by contract with the registrar. But, the terms are broadly established by ICANN rules governing the registry and the registrar.⁶⁶ The registrar does not have a possessory interest in individual domain names registered by third parties.⁶⁷ The registrar has limited control over the registrant of the domain name in the sense that it may not cancel the domain name "without cause."⁶⁸ Domain name registration is renewed absent the registrant's failure to consent to renewal.⁶⁹ If a registrar ceases doing business, domain name registrations will survive on the database of the registry, and can be transferred by the registrant to a different registrar.⁷⁰ The registrar essentially serves as a database administrator, with a variety of secondary functions.

⁶⁴ *Id.*

⁶⁵ See *Policy on Transfer of Registrations between Registrars*, ICANN, <http://www.icann.org/en/resources/registrars/transfers/policy> (effective June 1, 2012).

⁶⁶ See WIPO Second Report, *supra* note 10, regarding the ICANN Contractual Model; see also *Register.com, Inc. v. Verio, Inc.*, 356 F.3d 393, 395–96 (2d Cir. 2004) (discussing relationship between registrar and ICANN).

⁶⁷ *Registrar Accreditation Agreement*, ICANN ¶ 3.5, <http://www.icann.org/en/resources/registrars/raa/ra-agreement-21may09-en.htm#3> (last updated Aug. 2, 2012) (registrar expressly disclaiming all rights to exclusive ownership or use of registered names and associated IP addresses).

⁶⁸ *Id.* ¶¶ 3.7.5.1–7 (placing detailed renewal limitations and notification requirements on the registrar).

⁶⁹ *Id.* In any case, the domain name registration is effectively of indefinite and continuing duration because domain name registrants may transfer domain names between registrars in the event that registrars do not wish to continue renewal of a particular registration.

⁷⁰ The registrar is not the owner of registration of a domain name, but rather an intermediary service provider. See *id.* ¶ 3.5. The Registrar Accreditation Agreement requires that registrars have in place procedures for transferring domain names to other registrars in the event of a suspension or termination of operations. *Id.* ¶ 4.2.8–9.

Thus, while there is a reciprocal relationship between a domain name registrant and a registrar, ICANN exercises a superior authority over the relationship by prescribing mandatory rules and supervising the activities of the registrars and registries.⁷¹ The service agreement between the domain name registrant and the registrar establishes a legal “construct” that is at least somewhat unique. The registrant has more than the typical rights of a party to a services agreement because the registrar (and registry) are not free to “breach and pay” through a voluntary election to refuse to provide services in the sense of canceling a domain name registration. Cancellation may only result if the registrant is in breach of the contract.⁷²

⁷¹ *Id.* ¶¶ 2–3.

⁷² See *Registrant Rights and Responsibilities Under the 2009 Registrar Accreditation Agreement*, ICANN., <http://www.icann.org/en/resources/registrars/registrar-rights-responsibilities> (last visited Feb. 1, 2013) (the “right for the Registrar to cancel the registration . . . is not absolute.”).

By way of illustration, the provision for termination in the GoDaddy.com domain name registration agreement provides as follows:

7. SUSPENSION OF SERVICES; BREACH OF AGREEMENT

You agree that, in addition to other events set forth in this Agreement:

- i. Your ability to use any of the services provided by Go Daddy is subject to cancellation or suspension in the event there is an unresolved breach of this Agreement and/or suspension or cancellation is required by any policy now in effect or adopted later by ICANN;
- ii. Your registration of any domain names shall be subject to suspension, cancellation or transfer pursuant to any ICANN adopted specification or policy, or pursuant to any Go Daddy procedure not inconsistent with an ICANN adopted specification or policy (a) to correct mistakes by Go Daddy or the registry operator in registering any domain name; or (b) for the resolution of disputes concerning any domain name.

"You agree that your failure to comply completely with the terms and conditions of this Agreement and any Go Daddy rule or policy may be considered by Go Daddy to be a material breach of this Agreement and Go Daddy may provide you with notice of such breach either in writing or electronically (i.e. email). In the event you do not provide Go Daddy with material evidence that you have not breached your obligations to Go Daddy within ten (10) business days, Go Daddy may terminate its relationship with you and take any remedial action available to Go Daddy under the applicable laws. Such remedial action may be implemented without notice to you and may include, but is not limited to, cancelling the registration of any of your domain names and discontinuing any

There is limited U.S. case law jurisprudence regarding the nature of domain names either as contractual rights or property. The leading decision supporting characterization of domain names as contract rights is that of the Supreme Court of Virginia in *Network Solutions v. Umbro*.⁷³ In this case, the holder of a money judgment sought to garnish a group of domain names registered by the judgment debtor with a view to sale by the sheriff's office. Network Solutions, the registrar of the domain names, objected to the garnishment on grounds that domain names are the product of a conditional contract for registration services, and are not subject to garnishment and execution. It should be noted that the facts at issue in this case preceded ICANN's adoption and implementation of rules regulating registration of domain names, and the establishment of the UDRP. The judgment creditor, Umbro, argued that the exclusive right granted to a domain name registrant is intangible property subject to garnishment. The Supreme Court of Virginia said:

Irrespective of how a domain name is classified, we agree with Umbro that a domain name registrant acquires the contractual right to use a unique domain name for a specified period of time. However, that contractual right is inextricably bound to the domain name services that NSI provides. In other words, whatever contractual rights the judgment debtor has in the domain names at issue in this appeal, those rights do not exist separate and apart from NSI's services that make the domain names operational Internet addresses. Therefore, we conclude that "a domain name registration is the product of a contract for services between the registrar and registrant." . . . A contract for

services provided by Go Daddy to you. No fees will be refunded to you should your Services be cancelled or terminated because of a breach.

Go Daddy's failure to act upon or notify you of any event, which may constitute a breach, shall not relieve you from or excuse you of the fact that you have committed a breach."

Go Daddy Domain Registration Agreement, GODADDY, http://www.godaddy.com/agreements/showdoc.aspx?pageid=REG_SA (last revised Aug. 27, 2013).

⁷³ *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80 (Va. 2000). See also Hancock, *supra* note 4, at 191–94.

services is not “a liability” as that term is used in [the enforcement of judgments statute] and hence is not subject to garnishment.⁷⁴

In its decision, the Virginia Supreme Court expressed concern that allowing garnishment of a domain name services contract would open the door to garnishment of practically any services contract (e.g., prepaid services for satellite television) as well as garnishment of corporate names. The Court recognized that some jurisdictions had allowed jurisdiction over property including telephone numbers that are products of services contracts, but disagreed with those holdings. The court distinguished contract rights for a sum of money due under a contract (which might be garnishable) from a contract for the performance of the service. The Court refused to allow the judgment creditor to “step into the shoes” of the judgment debtor.⁷⁵ Two dissenting Justices, including the Chief Justice, said “Because NSI has received everything required to give the judgment debtor the exclusive right to use the domain names registered, the contractual right, a valuable asset, is the intangible personal property in which the judgment debtor has a possessory interest.” Such intangible personal property, they believed, was subject to garnishment under the relevant statute.

It should be noted that because the Virginia Supreme Court rendered its decision prior to establishment by ICANN of rules that largely standardize obligations of domain name registrars and registrants, the Court was not addressing the same type of “regulated contract” to which domain name registrants are subject today. This might have influenced its reasoning about the contingent nature of the services Network Solutions would be performing.

A California State appellate court decided in *Palacio Del Mar Homeowners Ass'n v. McMahan* that “Domain name registration supplies the intangible ‘contractual right to use a unique domain name for a specified period of time.’ . . . Even if this right constitutes property, it cannot be taken ‘into custody.’”⁷⁶ In

⁷⁴ *Network Solutions*, 529 S.E.2d at 86 (quoting *Dorer v. Arel*, 60 F. Supp. 2d 558, 561 (E.D. Va. 1999)).

⁷⁵ See *Hancock*, *supra* note 4, at 191-94 (arguing that the majority opinion in *Network Solutions v. Umbro* is often misread for the proposition that a domain name cannot be a property right). It is correct that the court did not expressly reject the proposition that a domain name may constitute property (intangible or otherwise). But, the court refused to treat the domain name as a liability within the meaning of the garnishment and execution statute because the domain name was “inextricably bound” to a contingent services contract with the registrar.

⁷⁶ *Palacio Del Mar Homeowners Ass'n v. McMahan*, 95 Cal.Rptr.3d 445, 449 (Cal. Ct. App. 2009) (footnote omitted) (quoting *Network Solutions*, 529 S.E.2d at 86). See also *In re Forchion*,

Palacio Del Mar, the principal rationale of the California Court of Appeal was that domain names should not be considered the equivalent of tangible property, citing with supporting Ninth Circuit precedent, as discussed below, that domain names are “intangible property.”

Domain name registration agreements are not by any means the only type of contract that is regulated, and that may not be cancelable absent certain conditions.⁷⁷

The situation of domain names is not dissimilar from some other forms of intellectual property, such as the patent. Once a patent is registered with the national patent office, that office may not cancel (for example, invalidate) the patent absent some defect or dereliction on the part of the patent holder. Indeed, the patent only exists because it is granted by the patent office. But, the granted patent is regulated by rules superior to those of the patent office that are established by the national legislature.⁷⁸ It is because of these superior rules that the patent is often referred to as a form of property, even though it is only a form of legislated “temporary property” because it is defined by a term of years. It expires.

A domain name effectively has an indefinite duration and is durable. This is more characteristic of property than of typical contract rights.⁷⁹ In this respect, a domain name might alternatively be considered some form of “legislated property” in that its operational life depends on the train of legislation from the establishment

130 Cal. Rptr. 3d 690, 709-10 (Cal. Ct. App. 2011) (“Regardless of whether a domain name is a registrant’s property or merely the product of a services contract . . .”).

⁷⁷ For example, many utility contracts between suppliers of goods and services, on one side, and consumers on the other, may not be canceled by the provider absent some specified type of default by the consumer. *See, e.g., Consumer Protection*, MARYLAND OFFICE OF PEOPLE’S COUNSEL, <http://www.opc.state.md.us/ConsumerCorner/ConsumerProtection.aspx> (“Maryland law permits non-regulated competitive companies to offer electricity and gas supply services to residential customers in Maryland. These companies must receive a license from the [Maryland Public Service Commission], and must follow the Commission’s rules on marketing and solicitation, non-discrimination, *contracts and termination of service*.”) (emphasis added). This is because utilities (e.g., electricity suppliers) often provide essential services for which there are no alternatives available in a particular area.

⁷⁸ Within parameters defined by international intellectual property rules.

⁷⁹ BLACK’S LAW DICTIONARY 1335–36 (9th ed. 2009) (defining property as “1. The right to possess, use, and enjoy a determinate thing (either a tract of land or a chattel); the right of ownership <the institution of private property is protected from undue governmental interference>. — Also termed *bundle of rights*. 2. Any external thing over which the rights of possession, use, and enjoyment are exercised <the airport is city property>.”).

of ICANN through establishment of registries and registrars, and the registrant's act of requesting registration. But, it remains that the rights and obligations of the domain name registrant are expressly defined by contract with the registrar, and are not a direct product of legislation.

B. Domain names as intangible property

1. Conceptually

A domain name is an alphanumeric string that is electronically encoded to function on and through a computing device connected to a network (and a network of networks). The electronically encoded alphanumeric string that constitutes the domain name ultimately has a physical reality in the sense of being stored as magnetic charges on a disk drive or other electronic storage device, but it is not a human-tangible physical reality. Similarly, the domain name typically appears as an alphanumeric string entered into a web browser address line, but that also is an electronic representation that is not human-tangible, although it is "perceptible". The domain name might be represented in a tangible medium, such as in plastic signage, but that would be a transformative expression of the functional electronic coding, not the "thing itself". Although some U.S. courts have differed (see discussion below regarding tangible property), it is reasonable to conclude that the domain name is "intangible" in its primary functional state.

Property is traditionally defined as a determinate thing over which ownership and control may be exercised. Because the registrant of a domain name holds the exclusive right to control the use of that specific alphanumeric string (subject to various limitations and exceptions typical of trademark law) the domain name may be characterized as a form of property.

Because the domain name is "intangible" and a form of "property", it seems reasonable to conclude that the domain name is a form of "intangible property," though not to be conflated with "intellectual property".⁸⁰

⁸⁰ There are many things that are "intangible property", but not "intellectual property". For example, the electronic records of a hospital are "intangible" and a determinate thing over which the hospital may exercise control (i.e., property), but generally lack the characteristic of the established forms of intellectual property (e.g., as recognized in the WTO TRIPS Agreement). World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights, arts. 15-39. While the European Union has created a system of rights in favor of database owners, these rights are not generally considered "intellectual property". Similarly, an electronic

As discussed earlier, a domain name may share characteristics with one or more forms of intellectual property (e.g., a trademark or trade name), but not in all cases. In that regard, some domain names may be intellectual property because they share attributes of recognized forms, e.g. the trademark, others not.⁸¹ That, however, is a different question than whether domain names are considered “intellectual property” as a class.

2. *Ninth Circuit Precedent*

The leading case in which the Ninth Circuit Court of Appeals determined domain names to constitute intangible property, *Kremen v. Cohen*,⁸² is important both because of its basic holding, and also because of the facts that distinguish it from those that today are generally operative with respect to domain names. The case involved a domain name, “sex.com”, registered and subject to fraud in 1994. This was prior to the establishment of ICANN rules regarding activities of registries, registrars and registrants, including ICANN’s rules regarding the contract rights of registrants. The registry, Network Solutions, was accused, *inter alia*, of breaching an implied contract with the initial registrant and true owner of the subject domain name when it allowed a fraudulent transfer. The Ninth Circuit found that there was no contract or contract right, express or implied, between the registrant and Network Solutions primarily on grounds of lack of consideration.⁸³

The court went on to consider whether domain names as a class “are a species of property”⁸⁴ by applying a three-part test: is a domain name (1) an interest capable of precise definition, (2) capable of exclusive possession or control, and (3) with a legitimate claim to exclusivity? It compared domain names to corporate stock and plots of land, finding they are precisely defined. It found that registrants control the location to which domain names direct Internet users. It determined that registrants have a legitimate claim to exclusivity because the act of

wire transfer instruction of a bank is intangible, and is a determinate thing over which the bank exercises control, but it is not “intellectual property”.

⁸¹ See *Int’l Bancorp, L.L.C. v. Societe des Baines de Mer et du Cercle des Etrangers a Monaco*, 192 F. Supp. 2d 467, 488-89 (E.D. Va. 2002) (discussing whether trademark infringement by a domain name is an injury to property), *aff’d on other grounds*, 329 F.3d 359 (4th Cir. 2003).

⁸² *Kremen v. Cohen*, 337 F. 3d 1024 (9th Cir. 2003). See also *Hancock*, supra note 4, at 194-96.

⁸³ Registration was free at the relevant time.

⁸⁴ *Kremen v. Cohen*, 337 F.3d at 1030 n.5.

registration excludes others from registering the same domain name. In a concise and straightforward manner, the Ninth Circuit found that domain names as a class are intangible property.⁸⁵

The Ninth Circuit thereupon rejected a distinction drawn by the lower district court between types of intangible property. In doing so, it conceptually declined to follow a proposal by the Restatement (Second) of Torts § 242 (1965) to differentiate between intangibles “merged” in a document and those that are not. It read the leading California Supreme Court decision and subsequent lower court and federal precedent to reject such a requirement. Nonetheless, the Ninth Circuit said that it did not need to “settle the issue once and for all” in this particular case because, “Assuming *arguendo* that California retains some vestigial merger requirement [with a document], it is clearly minimal, and at most requires only *some* connection to a document or tangible object -- not representation of the owner’s intangible interest in the strict *Restatement* sense.”⁸⁶ The Ninth Circuit found that the distributed electronic database (i.e. the Domain Name System, or DNS) that associates domain names with particular computers is “a document (or perhaps more accurately a collection of documents)”, albeit an electronic one.⁸⁷ The Court rejected arguments from Network Solutions that because DNS records may be stored in more than one place, the DNS is not a document, and that the DNS is not a document because it is refreshed every twelve hours.⁸⁸ The Court

⁸⁵ *Id.* at 1030.

⁸⁶ *Id.* at 1033.

⁸⁷ *Id.* at 1033-34.

⁸⁸ *Id.* at 1034-35. Hancock argues against characterization of domain names as intangible property largely because of some apparent inconsistency among U.S. states regarding whether the Restatement’s merger requirement allows such treatment. Hancock, *supra* note 4, at 197. The decision cited by Hancock to substantiate this concern is a 2007 District Court decision from the Northern District of Texas indicating that Texas conversion law concerns only physical property, and would apparently not extend to intangible domain names. *Emke v. Compana, L.L.C.*, No. 3:06-CV-1416-L, 2007 WL 2781661 (N.D. Tex. Sept. 25, 2007). More recently, see *Entm’t Merch. Tech., L.L.C. v. Houchin*, 720 F. Supp. 2d 792, 799 (N.D. Tex. 2010) (holding that no cause of action arises under Texas law for conversion of intellectual property rights). A similar conversion statute problem leads the court in *In re Paige*, 413 B.R. 882 (D. Utah 2009), discussed *infra* note 91, to characterize domain names as tangible property. In *In re Paige* the bankruptcy court based its refusal to characterize domain names as intangible property on grounds that a prior federal district court decision considered that the Utah Supreme Court would follow the Restatement approach and reject the flexible document merger approach of the Ninth Circuit in *Kremen v. Cohen* (not that the Utah Supreme Court had actually done that). See *Margae, Inc. v. Clear Link Techs., LLC* 620 F.Supp.2d 1284, 1286-88 (D. Utah 2009) . But

held that Network Solutions should be open to liability for the tort of conversion of intangible property because it gave away the rightful owner's domain name, whether or not it did so negligently (saying "the common law does not stand idle while people give away the property of others"⁸⁹).

In a subsequent case, *Office Depot v. Zuccarini*, the Ninth Circuit affirmed that domain names are intangible property under California law, subject to a writ of execution, for purposes of establishing *quasi in rem* jurisdiction over property as a predicate to having it used to satisfy a money judgment. The Court determined that for purposes of asserting *quasi in rem* jurisdiction domain names are located where the registry is located as well as (in self-acknowledged *dictum*) where the relevant registrar is located. In other words, domain names can be seized and executed against as intangible property for the purpose of satisfying a money judgment.⁹⁰

even if some states have yet to recognize the importance of various forms of intangible property to modern commerce, this does not argue in favor of re-characterizing modern commerce to fit the mold of the steamboat era. The law of the State of New York appears to be evolving toward recognition of intangibles as the subjects of conversion. *See generally* Mark A. Berman and Aaron Zerykler, *Can 'Intangible' Electronic 'Property' Be 'Converted' in NY?*, NEW YORK LAW JOURNAL (Apr. 26, 2006), <http://www.newyorklawjournal.com/PubArticleNY.jsp?id=900005452214>.

⁸⁹ *Kremen*, 337 F.3d at 1036.

⁹⁰ In *Office Depot v. Zuccarini*, 596 F.3d 696, 701-02 (9th Cir. 2010), the Ninth Circuit acknowledged that the California Court of Appeal in *Palacio Del Mar Homeowners Ass'n v. McMahan*, 95 Cal.Rptr.3d 445 (Cal. Ct. App. 2009), had decided that domain names were not property subject to a turnover order because they cannot be taken into custody, but observed that the California Court had cited *Kremen* with approval, and had made its decision on the basis of a specific interpretation of language in the California Civil Procedure Code. The California Court of Appeals in *Palacio Del Mar* reasoned that the relevant California Code provision:

[L]imits itself to tangible property that can be "levied upon by taking it into custody" (or tangible, "documentary evidence of title" to property or a debt). . . . Domain name registration supplies the intangible "contractual right to use a unique domain name for a specified period of time." . . . Even if this right constitutes property, it cannot be "taken into custody."

Palacio, 95 Cal.Rptr.3d at 448-49 (citations omitted). In this regard, the California Court of Appeals appeared to set a limit on the extent to which the database referred to by the *Kremen* court constituted a document for purposes of serving as a proxy for property. Presumably, the electronic database is not sufficiently tangible to be taken into custody.

C. Domain names as tangible property

At least one US court has characterized domain names as “tangible property”. It did so on the theory that domain names can be perceived by the senses and access to them can be restricted by passwords and other security measures.

The case in question, *In re Paige*, was in federal bankruptcy court, and involved a complex dispute over ownership of registration of a valuable domain name, <freecreditscore.com>, contested as to forming part of a Chapter 7 bankruptcy estate.⁹¹ The allegation of the trustee in bankruptcy was that a party claiming adverse ownership had unlawfully converted the domain name from its true owner who was the subject of the bankruptcy. In a lengthy factual finding the court determined that the bankrupt party owned the domain name, and prepared to consider whether certain defendants had unlawfully converted the asset. Before doing so, it needed to determine whether a domain name is property capable of conversion. The court rejected the contract right approach of the Virginia Supreme Court in *Umbro*,⁹² because that court applied Virginia state law, and the bankruptcy court was obligated to apply Utah law. For similar reasons, the bankruptcy court rejected reliance on *Kremen* because the Ninth Circuit had applied California law, and because it accepted that Utah would not follow *Kremen*, though in fact the state courts of Utah had not reached that question or made such a decision. Instead, the bankruptcy court followed the reasoning of a federal court case applying Utah law, *Margae, Inc. v. Clear Link Techs., LLC*, that considered conversion of webpages and other intellectual property (not domain names).⁹³ The *Margae* court relied on precedent from the Utah Supreme Court addressing the characteristics of computer software that it held to be “tangible personal property” for purposes of applying a state sales tax.⁹⁴ The bankruptcy court in *In re Paige* concluded:

Based on the reasoning in *Margae*, which the Court elects to follow, the Court determines that like web pages and software, domain names can be perceived by the senses and access to them can be physically restricted by the use of passwords and other security

⁹¹ *In re Paige*, 413 B.R. 882 (D. Utah 2009).

⁹² *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80 (Va. 2000), discussed *supra* [text at note 73].

⁹³ *Margae, Inc. v. Clear Link Techs., LLC* 620 F.Supp.2d 1284 (D. Utah 2009).

⁹⁴ *Id.* at 1288 (citation omitted).

measures. In fact, the reason that the Plaintiffs cannot access the Domain Name at this point is because [the defendant] has “locked out” or physically restricted their access by changing the username and password. Moreover, unlike a mere idea that can only be stored in a person's mind, domain names can and do have a physical presence on a computer drive. Accordingly, the Court concludes that like web pages and software, the Domain Name at issue is a type of tangible property that is capable of conversion.⁹⁵

On the question of perception by the senses, if this court was correct, then “light” would presumably constitute “tangible” property because it is perceived by the senses. It is hard to accept the idea that because something can be perceived (e.g., a movie on a screen) it is therefore tangible. The fact that access to an electronically encoded alphanumeric string can be restricted by a password or other security device may be a factor in characterizing the domain name as “property”, but that does not make it “tangible”. Access to an online science database may be restricted by a password, but that does not make it physical or tangible property.⁹⁶

It may be that courts are somewhat more reluctant to treat “intangible property” as assets that can be blocked, transferred, restricted, etc. because of concerns about whether such intangible assets are capable of “possession” and “control”. Additionally, it may be that certain statutes address personal property in a way that might seem to exclude intangible property.⁹⁷ But, if these concerns are present, it may be preferable to revise the way the rules are framed than to attempt to characterize something that is electronic and cannot be touched by a human as “tangible”. “Perceivable” and “tangible” are different concepts.⁹⁸

⁹⁵ *In re Paige*, 413 B.R. 882, 918 (D. Utah 2009).

⁹⁶ Hancock, *supra* note 4, at 200-02, highlights the distinctions between domain names and websites to argue that the district court in *In re Paige* should have concluded that websites would meet the Restatement merger requirement as a collection of electronic documents, but that domain names do not meet the merger requirement because they are only data points on the DNS database.

⁹⁷ *See supra* note 90.

⁹⁸ The author is aware of science-fiction works, in particular those of Philip K. Dick (*see, e.g., VALIS* (1981)), suggesting that there is no definable separation between intangible data, electronic or otherwise, and human biological material, but is reluctant to transpose this philosophical construct to the legal sphere.

IV A DUAL NATURE

Based on the foregoing analysis, it may be suggested that domain names have a dual or two-fold nature. They are *contract rights* created on the basis of a regulated contract between the registrant and registrar, and of indefinite duration pursuant to that contract (contingent on the payment of renewal fees). They are also *intangible property* insofar as the registrant may exercise a right to exclude others from using the same domain name, and may control use of the domain name. They are not, however, tangible, and are not tangible personal property.⁹⁹

In their two-fold nature, domain names seem to be relatively unique. Typical “intellectual property” is not a creation of contract. Trademarks are registered by a trademark office, but their use is governed legislatively, and not by a contract between the trademark office and the trademark owner. Unregistered trademarks may arise on the basis of use, and be recognized by judicial authorities, but they are not creations of contract. Trade names may arise on the basis of use, and also may be registered with local authorities. But, trade names are not created or regulated by a contract. Much the same is true for patents. Patents are granted by a patent office, and registered with that office. Patents are the subject of extensive legislation. But, they are also not created by contract (though they *are* subject to payment of renewal fees).

As discussed earlier, domain names share characteristics with forms of intellectual property, and might constitute their own type or class.¹⁰⁰ But that is not something yet accorded by statute. And, since U.S. law does not provide a general catch-all form of intellectual property protection, it would be premature to suggest that the courts use the concept of “intellectual property” as something distinct from contract rights and intangible property. Because domain names overlap with trademarks and trade names, careful consideration would need to be accorded to defining this new form of IP.

⁹⁹ Hancock, *supra* note 4, at 202-09, acknowledges that treating domain names as tangible property is problematic from a conceptual standpoint, but argues that it makes better sense to treat them as such because it would facilitate legal actions based on ownership of property, such as conversion actions. In other words, because legislatures and courts in some jurisdictions refuse to acknowledge that intangible property is subject to conversion rules, they should be characterized as tangible property, something they clearly are not.

¹⁰⁰ See, e.g., Ryan B. Abbott, *Treating the Health Care Crisis: Complementary and Alternative Medicine for PPACA*, 14 DEPAUL J. HEALTH CARE L. 35, 73 (2012) (discussing *sui generis* regimes for protecting unique IP subject matter).

Bearing that in mind, the introduction by ICANN of open registration of top-level identifiers may accelerate interest in establishing a new form of protection. Given the level of investments being made in new domain name rollouts, the entities relying on those domain names may consider that the additional layer of protection would be useful.

V

UNDERVALUING THE DUAL NATURE

A. *Propertization standing alone*

We have observed that domain names are reasonably characterized as both contract rights and intangible property. Yet, a recent line of decisions in the Ninth Circuit Court of Appeals cast doubt as to whether federal courts are prepared to acknowledge this dual nature. There is a nascent trend to treat domain names as intangible property subject to the ordinary rules of personal property, but without taking into account the “contract model” (to use the terminology of the WIPO Second Report) under which domain names are registered and regulated. Under the emerging jurisprudence, the domain name “owner” of the property is entitled to sell or transfer the property to a third-party along with accrued rights. The purchaser takes the property along with the accrued rights that may insulate it from third-party claims. The fact that the purchaser enters into a new contractual arrangement with the registrar is not taken into account despite the fact that the purchaser makes representations and warranties as part of its contract with the registrar that might otherwise preclude it from asserting rights previously acquired by the seller.

1. *GoPets v. Hise*

The first decision by a federal appellate court to explicitly adopt the characterization of a domain name as intangible property in order to protect the transferee of a domain name is *GoPets v. Hise*, 657 F.3d 1024 (9th Cir. 2011).¹⁰¹ Although the express characterization by the Ninth Circuit was novel, the result in the case was consistent with customary administrative panel practice under the UDRP, and for this reason the decision may not have attracted significant attention. In *GoPets*, the initial domain name registration was undertaken prior to the acquisition of trademark rights by the complaining party that sought a finding

¹⁰¹ For a more detailed discussion of the case history, see Price, *supra* note 4, at 461-67.

of abusive domain name registration and use, first before a UDRP panel.¹⁰² The UDRP panelist, consistent with long-standing precedent on this issue, decided that the initial registration could not have been undertaken in bad faith within the meaning of Paragraph 4(b) of the UDRP because the initial registrant/respondent could not have intended to abuse trademark rights that did not exist at the time of registration.¹⁰³

Subsequently, the initial registrant transferred the disputed domain name to a related party/family member.¹⁰⁴ By that time, the complaining party had established trademark rights. The complaining party sought relief in the federal courts under the ACPA, arguing that the related-party transfer constituted a “new registration” within the meaning of the ACPA so that the prior rights of the initial domain name registrant were extinguished.¹⁰⁵ Again consistent with the preponderance of UDRP panel practice, the Ninth Circuit decided that the related party transfer undertaken by the initial domain name registrant did *not* constitute a new registration within the meaning of the ACPA.¹⁰⁶ UDRP panelists have generally not regarded related party transfers as new registrations because there are a substantial number of good faith business reasons why holders of registrations may want to transfer registration to a related entity, and depriving the domain name owner of its pre-existing registration rights in such circumstances ordinarily would be unfair.¹⁰⁷

¹⁰² *GoPets v. Hise*, 657 F.3d 1024, 1027 (9th Cir. 2011).

¹⁰³ The Ninth Circuit decision in *GoPets* followed a WIPO panel decision, *GoPets Ltd. v. Edward Hise*, WIPO Case No. D2006-0636, that rejected the complaint based on respondent registration prior to complainant acquisition of trademark rights, although prior to related party transfer. The panelist in that decision quoted the first WIPO Overview of WIPO Panel Views on Selected UDRP Questions that stated “The UDRP makes no specific reference to the date of which the owner of the trade or service mark acquired rights. However, it can be difficult to prove that the domain name was registered in bad faith as it is difficult to show that the domain name was registered with a future trade mark in mind.” As the Ninth Circuit noted: “... the arbitrator held that WIPO rules only compel the transfer of a disputed domain name if the name was initially registered in bad faith. Since Edward Hise had registered gopets.com five years before *GoPets Ltd.* was founded, gopets.com was not registered in bad faith.” *GoPets v. Hise*, 657 F.3d 1024, 1028. *See also* *Digital Overture Inc. v. Chris Bradfield*, WIPO Case No. D2008-0091.

¹⁰⁴ *GoPets*, 657 F.3d at 1028.

¹⁰⁵ *Id.* at 1030.

¹⁰⁶ *Id.* at 1032.

¹⁰⁷ Transfers between related entities are generally not considered “new registration”, *see, e.g.*, *Schweizerische Bundesbahnen SBB v. Gerrie Villon*, WIPO Case No. D2009-1426, absent

To illustrate, imagine that an individual in 2003 registered the domain name “facebook.com” and was using that to host a high school yearbook website. The Facebook social media website of 2013 did not exist in 2003, and there was no service mark associated with it. The social media company registered FACEBOOK at the USPTO in 2010. Under long-standing UDRP panel practice, the social media company could not successfully pursue a claim for abusive domain name registration and use against the individual 2003 registrant of “facebook.com” because the initial registrant could not have undertaken its registration in bad faith when no adverse trademark rights existed. It is now 2013. Imagine that the individual registrant from 2003 has formed a limited liability company (LLC) through which to operate his/her high school yearbook website. The domain name registration from 2003 is transferred into the name of the LLC, but nothing about the high school yearbook website changes. Should this now allow the Facebook social media company to successfully pursue a claim for abusive domain name registration and use? The answer from UDRP panelists generally has been “no”.

From the standpoint of UDRP precedent, there was nothing about the result reached by the Ninth Circuit in *GoPets* out of line with the way the case would ordinarily have been decided under the UDRP. However, the express reasoning of the Court raised an issue. The Ninth Circuit said:

[T]he text of § 1125(d)(1) considered in isolation does not answer the question whether “registration” includes re-registration. Looking at ACPA in light of traditional property law, however, we conclude that Congress meant “registration” to refer only to the initial

some exceptional circumstance demonstrating that the related party transfer was itself undertaken for bad faith purposes. *See, e.g.,* *Intelligen LLC v. Converg Media LLC*, WIPO Case No. D2010-0246. The WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition (“WIPO Overview 2.0”), <http://www.wipo.int/amc/en/domains/search/overview2.0/>, states:

Panels have tended to the view that formal changes in registration data are not necessarily deemed to constitute a new registration where evidence clearly establishes an unbroken chain of underlying ownership by a single entity or within a genuine conglomerate, and it is clear that any change in WhoIs registrant data is not being made to conceal an underlying owner's identity for the purpose of frustrating assessment of liability in relation to registration or use of the domain name.

WIPO Overview 2.0, para. 3.7.

registration. It is undisputed that Edward Hise could have retained all of his rights to gopets.com indefinitely if he had maintained the registration of the domain name in his own name. We see no basis in ACPA to conclude that a right that belongs to an initial registrant of a currently registered domain name is lost when that name is transferred to another owner. The general rule is that a property owner may sell all of the rights he holds in property. GoPets Ltd.'s proposed rule would make rights to many domain names effectively inalienable, whether the alienation is by gift, inheritance, sale, or other form of transfer. Nothing in the text or structure of the statute indicates that Congress intended that rights in domain names should be inalienable.

We therefore hold that Digital Overture's re-registration of gopets.com was not a registration within the meaning of § 1125(d)(1). Because Edward Hise registered gopets.com in 1999, long before GoPets Ltd. registered its service mark, Digital Overture's re-registration and continued ownership of gopets.com does not violate § 1125(d)(1).¹⁰⁸

Recall that the facts of *GoPets* involved a related party transfer. The Ninth Circuit did not allude to this factor in the reasoning quoted above. It plainly stated that domain names constitute property, subject to traditional property law, and that the rights of domain name owners are “alienable” or transferable.¹⁰⁹ While the

¹⁰⁸ *GoPets*, 657 F.3d at 1031-32.

¹⁰⁹ Neither *GoPets v. Hise* on the definition of “registration” nor *Kremen v. Cohen* on domain names as “intangible property” are the uniform law of the United States. For example, in *Schmidheiny v. Weber*, 319 F.3d 581 (3d Cir. 2003), the Court of Appeals for the Third Circuit held that registration under a new contract at a different registrar to a different registrant constituted a *new registration* under the ACPA:

[W]e conclude that the language of the statute does not limit the word “registration” to the narrow concept of “creation registration.” . . . We hold that the word “registration” includes a new contract at a different registrar and to a different registrant. . . . To conclude otherwise would permit the domain names of living persons to be sold and purchased without the living persons' consent, ad infinitum, so long as the name was first registered before the effective date of the Act. We do not believe that this is the correct construction of the Anti-cybersquatting Act.

Schmidheiny, 319 F.3d at 583 (citations omitted).

Court noted that it was engaged in statutory interpretation of the ACPA, it did not provide further guidance as to how the property characteristic of domain names might influence results in contexts different than the related party transaction undertaken in *GoPets*.

2. *AIRFX.com v. AirFX LLC*

While the decision of the Ninth Circuit in *GoPets* mirrored the result that would in all likelihood have been reached by a UDRP panel, a subsequent federal district court decision from Arizona applied the language of *GoPets* in a different, yet foreseeable, factual context where the results would likely (and did) differ. *AIRFX.com v. AirFX LLC* involved the purchase of a domain name by a party unrelated to the initial registrant.¹¹⁰ The initial registration took place prior to the complaining party's establishment of trademark rights, but the purchase and

Note, however, that (as discussed and distinguished by the Ninth Circuit in *GoPets*) the decision in *Schmidheiny v. Weber* (1) addressed a claim under the living persons names provisions of the ACPA, (2) the domain name at issue had been registered before the effective date of the ACPA, and (3) this otherwise insulated it under those provisions. Unlike the trademark protective provisions of the ACPA, living person's name protection is not predicated on a pre-existing trademark. Had the disputed domain name in *Schmidheiny v. Weber* been registered after the effective date of the ACPA, it would have been subject to liability as abusive irrespective of whether a subsequent transfer was considered a new registration. The Ninth Circuit suggested this would eliminate the Third Circuit's cause for concern, though it did not explain how that might eliminate concerns raised by its own *GoPets* decision. *GoPets*, 657 F.3d at 1031.

¹¹⁰ *AIRFX.com v. AirFX LLC*, No. CV 11-01064-PHX-FJM, 2012 WL 3638721 (D. Ariz. Aug. 24, 2012). In a subsequent order, *AIRFX.COM v. AIRFX, LLC*, No., CV 11-01064-PHX-FJM, 2013 WL 857976 (D. Ariz. March 7, 2013), the Arizona District Court went on to consider a motion to award attorney's fees to the plaintiff on grounds that defendant's action (in the form of a counterclaim) was groundless and unreasonable. The District Court agreed and awarded attorney's fees. The Court affirmed its reliance on *GoPets* in strong terms, saying:

As we noted in our order, *GoPets* is squarely on point in this matter, and there is nothing in its language indicating that it should be read as narrowly as defendant suggested in its briefs. . . . Defendant should have withdrawn its ACPA counterclaim once it discovered that the original registration date of *airfx.com* preceded the registration of the AirFX mark.

Id. at *2.

Clearly, the District Court has not had "second thoughts".

reregistration by an unrelated party took place after the establishment of trademark rights.¹¹¹ In holding that the purchaser/transferee could not have registered the domain name in bad faith under the ACPA, the Arizona District Court said:

Defendant argues that *GoPets* is distinguishable, because in *GoPets* Hise transferred the domain name to an entity he co-owned, and here Lurie purchased *airfx.com* from an unrelated third party. According to defendant, the purpose of the ACPA will be undermined if a cybersquatter who purchases a domain name in bad faith is immune from liability simply because the domain name he purchased existed before a mark was distinctive. Nothing in the language of *GoPets* indicates that it should be read as narrowly as defendant suggests. *GoPets* did not distinguish between transfers of a domain name to related parties and other kinds of domain name transfers. To the contrary, *GoPets* broadly reasoned that if an original owner's rights associated with a domain name were lost upon transfer to "another owner," the rights to many domain names would become "effectively inalienable," a result the intention of which was not reflected in either the structure or the text of the ACPA. *Id.* at *4 [citation omitted].

The District Court went on to hold that the issue whether the domain name holder registered in bad faith was determined at the time of the initial registration by an unrelated third party when the complaining party had not yet established trademark rights.¹¹²

In *AirFX.com* the District Court departed from general UDRP panel practice that has treated the acquisition of a domain name by a party unrelated to the previous registrant as a new registration within the meaning of the UDRP. The circumstances existing at the time of that new registration govern whether the new holder has undertaken the registration in bad faith.¹¹³ UDRP panels have not

¹¹¹ *AIRFX.com v. AirFX LLC*, No. CV 11-01064-PHX-FJM, 2012 WL 3638721, at *2.

¹¹² *See Id.* In so holding the District Court was rejecting a contrary determination under the Policy made by a National Arbitration Forum panel in *AirFX, LLC v. ATTN AIRFX.COM*, NAF Claim No. FA1104001384655. In the NAF case, the panelist was aware of a potential sequencing problem, but did not address it to any meaningful extent in ordering the transfer.

¹¹³ *See, e.g., Ticketmaster Corporation v. Global Access*, WIPO Case No. D2007-1921, and references therein.

generally treated domain names as freely alienable property carrying the pre-existing interests of prior registrants through to unrelated transferees.

Following the reasoning of the Arizona District Court, derived from seemingly unambiguous language of the Ninth Circuit, might result in a significant change to panel practice under the UDRP, unless there is some difference between the ACPA and UDRP that would provide a basis for distinguishing the way the same terms should be interpreted.

B. WIPO panelists react

WIPO panels have addressed the holding in *GoPets* regarding the meaning of “registration” and unrelated transferees. The first such decision preceded the *AIRFX.com* District Court decision: *Twitter, Inc. v. Geigo, Inc.*, WIPO Case No. D2011-1210. The second post-dated *AIRFX.com: Diet Center Worldwide, Inc. v. Jason Akatiff*, WIPO Case No. D2012-1609.¹¹⁴ Employing very similar reasoning, these panels rejected the *GoPets* approach, finding that transfers between unrelated parties constitute new registrations. Both panels relied on the contractual relationship between the domain name registrant-transferee and the registrar, and the representations made at the time of modification of registrant data or registrar change. In the decision post-dating *AirFX.com*, this author (sitting as sole panelist) said:

As other UDRP panels have also done in cases such as *Twitter, Inc. v. Geigo, Inc.*, WIPO Case No. D2011-1210, this Panel will continue to follow the general approach of WIPO UDRP panelists and consider that the transfer of a domain name to an unrelated third party constitutes a new registration for purposes of assessing bad faith. Although the Panel recognizes that domain names have attributes of intangible property, the rights of the domain name registration holder are contractual in nature and subject to the terms and conditions of a registration agreement.¹¹⁵ When an unrelated third party changes registrant data and/or re-registers with a new registrar, that party is accepting representations and warranties under the registration

¹¹⁴ See also, by this author as panelist, more recently, *Urban Home v. Technology Online LLC / Whois Privacy Service Pty Ltd.*, WIPO Case No. D2012-2437.

¹¹⁵ The question of the contract and/or property characteristics of domain names is addressed differently by courts in the United States. Compare *Kremen v. Cohen*, 337 F.3d 1024 (9th Cir. 2003) with *Network Solutions v. Umbro*, 529 S.E.2d 80 (Va. 2000).

agreement as of the date of the change.¹¹⁶ These effectively include that the new registration is being undertaken in good faith (see paragraph 2 of the Policy).

With the greatest deference owed to the national courts,¹¹⁷ this Panel observes that the Ninth Circuit Court of Appeals decision in *GoPets v. Hise* was interpreting the ACPA, not the Policy. The precise holding addressed the situation of related party transfers and in that regard was consistent with general WIPO UDRP panel practice under the Policy. The language used by the Ninth Circuit can also be read more broadly, as the Arizona District Court did in *AIRFX.com v. AirFx LLC*. But, again, that court was interpreting the ACPA. Given the significant differences in the legislative history and the language of the ACPA and the Policy, this Panel is not inclined to extrapolate from the apparent ACPA-related development in the Ninth Circuit, noting that there is at least some disagreement among the Circuits regarding interpretation of the term “registration” as it is used in the ACPA.¹¹⁸ While administrative panels under the Policy tend to look

¹¹⁶ See, applicable to the parties in this proceeding, Network Solutions Service Agreement Version 9.22, Schedule A, para. 3, and Incorporated Schedule F, Registrant Name Change Agreement, para. 3 (“By applying for this Registrant Name Change, you agree to be bound by and to perform in accordance with the terms and conditions of the Agreement, which includes Network Solutions' current Domain Name Dispute Policy.”)

¹¹⁷ See *Twitter, Inc. v. Geigo, Inc.*, *supra*.

¹¹⁸ Compare *Kremen v. Cohen* with *Schmidheiny v. Weber*, 319 F.3d 581 (3d Cir.2003). In the *Schmidheiny* case, the Third Circuit stated:

The words “initial” and “creation” appear nowhere in § 1129, and Congress did not add an exception for “non-creation registrations” in § 1129(1)(B). . . . The District Court's rationale that “if Congress chose to treat re-registrations as registrations, it could have used words appropriate to impart that definition,” is not a sufficient reason for courts to infer the word “initial.” Instead, we conclude that the language of the statute does not limit the word “registration” to the narrow concept of “creation registration.” See *Sweger v. Chesney*, 294 F.3d 506, 516 (3d Cir.2002) (holding that if the language of a statute is plain, we need look no further to ascertain the intent of Congress).

. . . We hold that the word “registration” includes a new contract at a different registrar and to a different registrant. In this case, with respect to Famology.com that occurs after the effective date of the Anti-cybersquatting Act.

To conclude otherwise would permit the domain names of living persons to be sold and purchased without the living persons' consent, *ad infinitum*, so long

to the law of the country of the parties when they are within the same country, the Policy is a set of rules that operates within its own unique context.¹¹⁹ The UDRP incorporates generally accepted principles of trademark law, without representing a linear application, to the extent that this would even be possible in its international setting. For example, in order to provide safeguards for registrants, a UDRP transfer requires bad faith on behalf of the registrant, going in this respect beyond conventional trademark law. In this connection, the Panel further notes the mutual jurisdiction provisions which enable party recourse to national courts. The Panel observes that it will assess the bad faith element as of the time Respondent by its own account acquired the disputed domain name.... [Footnotes renumbered from original]

C. *The ACPA and the UDRP*

1. *Bad faith*

Both under the ACPA, and under the UDRP as predominantly interpreted by panelists, a finding of bad faith registration is predicated on the existence of a conflicting or adverse trademark at the time of domain name registration.¹²⁰ The statutory language of the ACPA clearly establishes this predicate (and it has been

as the name was first registered before the effective date of the Act. We do not believe that this is the correct construction of the Anti-cybersquatting Act. We are therefore satisfied that Famology.com, Inc. engaged in a “registration” that is covered by the Anti-cybersquatting Act.... 319 F.3d at 582-83.

The Panel in the present proceeding further notes that although Respondent in this proceeding is situated within the Ninth Circuit, Complainant is situated within the Sixth Circuit.

¹¹⁹ The Panel notes, however, that subject to meeting jurisdictional requirements, a domain name registrant may seek an injunction from a US court to prevent a registrar from transferring that name pursuant to a panel decision, and that the US court will thereupon apply the ACPA, and potentially the Lanham Act more broadly (*compare, e.g., Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617 (4th Cir. 2003) *with Storey v. Cello*, 347 F.3d 370 (2d Cir. 2003)). Thus, while a panelist may choose to apply the Policy consistently with norms that have evolved within the WIPO UDRP administrative system, the panelist is also cognizant that enforceability of his or her decision may depend on interpretation of the ACPA (see *Barcelona.com*).

¹²⁰ As noted earlier, *e.g., supra* notes 25 and 107, the living persons name protection provisions of the ACPA do not establish the predicate of pre-existing trademark rights.

confirmed by court decision).¹²¹ UDRP panels have applied the logic that a domain name registrant cannot act in bad faith by taking unfair advantage of trademark rights that do not exist.¹²²

¹²¹ In order to successfully pursue a claim under the ACPA, the express language requires that the complaining party possess trademark rights *at the time the disputed domain name was registered*. See 15 USC 1125(d)(1)(A) and *Storey v. Cello*, 347 F.3d 370, 386 (2d Cir. 2003) (cited by *Lahoti v. Vericheck*, 586 F.3d 1190 (9th Cir. 2009)) (followed in *DSPT International v. Nahum*, 624 F.3d 1213 (9th Cir. 2010)).

¹²² See WIPO Overview 2.0, *supra* note 107, para. 3.1:

Consensus view: Generally speaking, although a trademark can form a basis for a UDRP action under the first element irrespective of its date . . . , when a domain name is registered by the respondent before the complainant's relied-upon trademark right is shown to have been first established (whether on a registered or unregistered basis), the registration of the domain name would not have been in bad faith because the registrant could not have contemplated the complainant's then non-existent right.

There has been a minority view expressed by certain WIPO panels. As stated by the WIPO Overview 2.0, *id.*,

Irrespective of whether the domain name was registered before the relevant trademark was registered or acquired, a small number of panels have begun to consider the effect of the requirement of paragraph 2 of the UDRP, which states: "By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that . . . (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else's rights." Some panels have regarded this as a warranty at the time of registration that the domain name will not be used in bad faith, finding that, by breaching such warranty, use in bad faith may render the registration in bad faith. Other panels have looked at the totality of the circumstances in assessing "registration and use in bad faith," as a unitary concept, given that some of the circumstances listed as evidence of bad faith registration and use in paragraph 4(b) of the UDRP appear to discuss only use and not registration. Still other panels that have considered these approaches have instead reaffirmed the "literal" interpretation of bad faith registration and bad faith use regardless of paragraphs 2 or 4(b) of the UDRP. This is a developing area of UDRP jurisprudence.

Proponents of a minority approach taken, for example, in *City Views Limited v. Moniker Privacy ServicesIXander, Jeduyu, ALGEBRALIVE*, WIPO Case No. D2009-0643, <mummygold.com>, read the conjunctive "and" out of "has been registered and is being used in

There is a perhaps-subtle distinction between ACPA jurisprudence and the prevalent UDRP panel approach regarding post-registration evidence of bad faith. Under the ACPA, if the predicate of a pre-existing conflicting trademark is met, the court may determine that the domain name was registered and used in bad faith based on conduct subsequent to registration.¹²³ From the perspective of most UDRP panelists, on the other hand, while the prior existence of trademark rights is a predicate to finding bad faith, it is not the end of the inquiry with respect to bad faith which must exist at the time of domain name registration. Additional factors concerning the intent of the registrant remain to be assessed under Paragraph 4(b) as of the time of registration. For example, if on registration a domain name registrant commences operation of a legitimate web-based business, but later on engages in conduct that might appear to take unfair advantage of a trademark owner, the subsequent conduct is generally not the basis for a finding of bad faith registration and use. Bad faith “registration” entails bad faith at the time of registration.¹²⁴

bad faith”. Decisions by such panelists might not be directly influenced by GoPets/AIRFX.com because there apparently is no need to find bad faith registration. Whether the complainant holds a trademark at the time of registration is presumably not determinative; an unrelated transferee is subject to the same “use” rules as the initial registrant. Application of this approach, of course, would not resolve a conflict with the ACPA, since the ACPA imposes the condition that a trademark exist at the time of initial domain name registration.

¹²³ See *Lahoti v. Verichack*, 586 F.3d 1190, 1202 (9th Cir. 2009): “Evidence of bad faith may arise well after registration of the domain name. See *Storey v. Cello Holdings, LLC*, 347 F.3d 370, 385 (2d Cir. 2003) (‘Congress intended the cybersquatting statute to make rights to a domain-name registration contingent on ongoing conduct rather than to make them fixed at the time of registration.’).” See also *DSPT International v. Nahum*, 624 F.3d 1213, 1220 (9th Cir. 2010). Some language in the *GoPets* decision, 657 F. 3d 1024, 1030, might seem to suggest otherwise:

To prevail on its ACPA claim, GoPets Ltd. must show (1) registration of a domain name, (2) that was “identical or confusingly similar to” a mark that was distinctive at the time of registration, and (3) “*bad faith intent*” *at the time of registration*. See 15 U.S.C. § 1125(d)(1). [italics added]

¹²⁴ UDRP, *supra* note 19, ¶ 4(a)(iii) & (b). The difference in jurisprudence between courts interpreting the ACPA and UDRP panelists regarding post-registration conduct has a basis in differences in terminology between the statute and the UDRP. Pursuant to the ACPA, liability attaches to a person who “registers, traffics in, *or* uses a domain name” [italics added] in bad faith.¹²⁴ Registration and use are in the disjunctive “or.” Pursuant to the UDRP, a determination

The distinction between ACPA jurisprudence and UDRP panelist jurisprudence on this timing issue is referred to as “perhaps-subtle” because there are contexts under the UDRP in which after-the-fact conduct can be used as evidence of intent at the time of registration. The language of paragraph 4(b) of the UDRP suggests that. But, there are limits to how far after-the-fact conduct can be stretched to determine intent at the time of registration. A link back to the initial registration is needed.¹²⁵ To be clear, however, under both the ACPA and UDRP there must be a conflicting trademark in existence at the time of registration for bad faith to be found.¹²⁶

2. *A class of insulated domain names*

The combined holdings of *GoPets* and *AirFX.com* create a perpetually protected set of domain names under the ACPA. A domain name initially registered or created when no conflicting trademark rights were in existence can never be successfully claimed against because neither a related or unrelated party transfer triggers a reassessment of the conditions of registration, while a pre-existing trademark is an express condition to a finding of bad faith.

On its face, direct transposition of the *GoPets* and *AirFX.com* decisions into UDRP jurisprudence -- removing unrelated party transfers from treatment as new registrations -- likewise would create a class of “insulated” domain names that were initially registered prior to the acquisition of trademark rights by third parties. Because bad faith under the UDRP requires that a trademark be in existence at the time of registration, and because the rights acquired by the initial registrant would be freely transferable, a domain name initially created prior to the establishment of the trademark could never be successfully attacked. They would, as under the ACPA, be “alienable without limit”.¹²⁷

of abusive conduct requires “registration *and* use” in bad faith. Bad faith “use” in the absence of bad faith “registration” does not meet the UDRP abuse standard.

¹²⁵ See *The Proprietors of Strata Plan No. 36, A Turks and Caicos Corporation v. Gift2Gift Corp.*, WIPO Case No. D2010-2180 (noting that “allowing subsequent conduct to override actual intentions at the time of registration, as opposed to providing an inference about what those intentions were, would appear impermissible.”).

¹²⁶ Although in a few exceptional circumstances under the UDRP abuse has been found when trademark rights have not yet ripened (see WIPO Overview 2.0, para. 3.1).

¹²⁷ The author is not aware of an estimate of the number of such potentially “immunized domain names”, though it would not be surprising if a distinct market developed for them.

The decision by the Ninth Circuit in *GoPets* did not flow from any express statutory requirement. The court was interpreting an otherwise undefined term in the ACPA, that is, “registration” (as used in the phrase “at the time of registration”). It decided that the term “registration” was addressed to the initial or creation registration of a domain name, and not to a subsequent registration by an unrelated transferee because of the transferor’s property interest in the domain name. That interpretative approach did not take into account the contract accepted upon acquisition of the domain name by the transferee, which contract incorporates a proviso that the transferee not registering the domain name in bad faith. Other than articulating an interest in an apparent supra-sanctity of property rights, the Ninth Circuit did not explain why the new registrant/transferee of a domain name that conflicts with an existing trademark and evidences other bad faith elements should be subject to different contractual treatment than the “creation” registrant.

It appears that under the Ninth Circuit’s rationale, the owner of a domain name registration that has risen in value because a third party has developed trademark rights in the same or a substantially similar term is encouraged to take advantage of that newly established trademark-based value through sale of the domain name. It can be argued that no enterprise starting a business and developing a valuable trademark should do so without first securing the corresponding domain name, and that an enterprise that does so should be subject to paying whatever the market dictates to acquire the domain name after-the-fact. And, it may be that the Ninth Circuit was engaged in a conscious exercise in risk allocation, adjudging the enterprise developing a new trademark in a better position to assess its own domain name-related situation than the holder of the creation registration. The Ninth Circuit may have intended to send a message that no one should develop a business name or trademark without having first secured the relevant Internet address.

The value to the creation-owner of the domain name in such circumstance may well be serendipitous. It may just have happened to register a term or string that someone later developed into a valuable brand. Just as likely, the registered term (i.e. domain name) may be held by a firm that registers domain names speculatively in the expectation that some percentage of those names will eventually acquire a value as a consequence of the development of third-party trademark rights. The Ninth Circuit approach in *GoPets* (as applied by the District Court in *AirFX.com*) encourages the speculative registration business model by

immunizing transfers of previously created domain names from scrutiny.¹²⁸ If transposed to the UDRP, because domain names created prior to the existence of trademark rights may never be attacked as abusive, transferees would never be subject to comparatively fast and efficient dispute settlement proceedings. Only traditional trademark infringement proceedings would remain in the trademark owner's arsenal, but typically at substantial expense.

Because the registration of a domain name is typically very inexpensive (in the range of US\$10 or less), the Ninth Circuit's reason for elevating the interests of the creation registrant over that of the subsequent trademark owner is not clear. If the creation-owner and the transferee are engaged in a good-faith enterprise, and this has value, it should be protected under the UDRP (as well as under the ACPA) at the time of the new registration (as discussed below). The creation-owner may lose the serendipitous benefit of a sale and transfer to a transferee without legitimate interests in the domain name, or that is acting in bad faith, but it is not apparent why such benefit should be superior to the interests of the owner of a newly developed trademark.

VI

TREATING UNRELATED TRANSFERS AS NEW REGISTRATIONS

A. *Related party transfers*

As discussed earlier, UDRP panels have so far distinguished transfers between related parties (as in *GoPets*) and unrelated parties (as in *AirFX.com*). UDRP panelist practice can be analogized to the U.S. rule requiring that assignments and transfers of trademarks be accompanied by the goodwill of the business. In the U.S., if a trademark is assigned and transferred for corporate organization purposes (e.g., for beneficial tax treatment or change in corporate form), the nature of the underlying business is not changed. Goods or services, for example, continue to be provided with the same quality. A company that has owned and developed rights in a trademark or brand over the course of 50 years does not give up the strength of the brand (such as is gained, for example, by filing of a certificate of incontestability) merely because of the intra-firm transfer. It seemed logical to extend this general principle to domain names. UDRP panels have presumed that transfers between related parties involve a continuity of ownership that entitles the registrant to maintain its rights and financial position, and have been unwilling to penalize domain name registrants because of a mere

¹²⁸ *Accord Price*, *supra* note 4, at 482.

change in form. Some exceptions from this general rule have been recognized when a related party transfer had been viewed as a bad faith transaction.

However, related party transfers are not the only circumstances where the rights of the domain name registration owner/seller and purchaser/transferee should be protected.

B. New registration and contract

1. A new assessment

The courts in *GoPets* and *AirFX.com* assessed the rights of domain name registrants and transferees as if their relationship was governed solely on the basis of property rights. However, the better approach both under the ACPA and UDRP may be to accept that domain names have a two-fold or dual character. They have attributes of intangible property, yet the rights of the domain name registration holder also are contractual in nature and subject to the terms and conditions of a registration agreement. When an unrelated third party changes registrant data and/or re-registers with a new registrar, that party is accepting representations and warranties under the registration agreement as of the date of the change. These effectively include that the new registration is being undertaken in good faith.¹²⁹

Assume that the transferor initially registered the disputed domain name when there was no adverse trademark, and thus had been insulated from a finding of abusive domain name registration and use. If the unrelated transferee acquires the domain name when there is an existing adverse trademark, under the ACPA and UDRP it would have met the predicate or *but for* condition for a finding of bad faith. However, the fact that there is an existing adverse trademark does not mean that the unrelated purchaser/transferee is engaging an abusive domain name

¹²⁹ Paragraph 2 of the UDRP reads as follows:

2. Your Representations. By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (a) the statements that you made in your Registration Agreement are complete and accurate; (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party; (c) you are not registering the domain name for an unlawful purpose; and (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else's rights.

registration and use. Although the assessment criteria under the ACPA and UDRP may be somewhat different, the complaining party/trademark owner must still demonstrate -- in terminology of the UDRP -- that the new registrant lacks rights or legitimate interests in the disputed domain name, and has otherwise registered the domain name in bad faith. The brief discussion of the assessment criteria that follows is based on the terms of the UDRP and administrative panel precedent, but the statutory assessment criteria used to determine bad faith under the ACPA are substantially similar.

2. *Rights or legitimate interests*

The fact of a trademark owner's rights in a mark, and that the disputed domain name is identical or confusingly similar to the trademark, is the beginning of the analysis—not the end. Most of the more important decisions under the UDRP from a jurisprudential standpoint address whether the complained-against domain name registrant has rights or legitimate interests (or has registered and used in bad faith, which may involve similar factors). In focusing on the alienability of domain names, the Ninth Circuit appears to be expressing concern over the risk that legitimate owners of domain names will be deprived of rights in property without adequate justification. But, paragraph 4(c) of the UDRP is intended to give domain name registration owners, and transferees of domain names, opportunity to defend their right to ownership. It places the burden of establishing lack of rights or legitimate interests on the complaining party.¹³⁰

¹³⁰ Paragraph 4(a) of the UDRP provides:

- a. Applicable Disputes. You are required to submit to a mandatory administrative proceeding in the event that a third party (a "complainant") asserts to the applicable Provider, in compliance with the Rules of Procedure, that
 - (i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
 - (ii) you have no rights or legitimate interests in respect of the domain name; and
 - (iii) your domain name has been registered and is being used in bad faith.

In the administrative proceeding, the complainant must prove that each of these three elements are present.

Paragraph 4(c) of the UDRP provides:

Any of the following circumstances, in particular but without limitation, if found by the Panel to be proved based on its evaluation of all evidence presented,

Similarly, four of the nine factors used to assess bad faith intent under the ACPA are directed toward establishing the legitimate interests of the domain name registrant, and there is a general defense for registering based upon reasonable belief regarding lawfulness.¹³¹

Up until now, there has not been significant issue within UDRP jurisprudence arising from an inability of third-party transferees of domain names initially registered prior to existence of trademark rights to establish rights in the transferred domain names. This is probably because transferees with legitimate interests in those domain names have been able to establish that before the panels.

shall demonstrate your rights or legitimate interests to the domain name for purposes of Paragraph 4(a)(ii):

(i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or

(ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or

(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

¹³¹ 15 USC §1125 (d)(1)(B)(i) provides, *inter alia*,

In determining whether a person has a bad faith intent . . . a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

Also, 15 USC §1125 (d)(1)(B)(ii), provides:

Bad faith intent . . . shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

The ACPA does not expressly allocate the burden of proof regarding rights and legitimate interests as those paragraph 4(a) of the UDRP.

But, it may be that administrative panelists need to be particularly watchful in cases of such transfers, especially when the transferee is acquiring some type of ongoing enterprise that has a substantial commercial value.

C. The sale and purchase of a business

While there is a market for domain names “standing alone”, a valuable domain name may well be so because it is associated with a successful ongoing business. That business may have been established by the domain name registration owner when there was no “adverse trademark”, and the business may be insulated against a claim of abusive registration and use under either the ACPA or the UDRP because of the initial domain name registration date.

This paper has suggested that the good or bad faith of an unrelated domain name purchaser/transferee should be tested at the time of purchase and reregistration. But, might not such a general rule have an unduly harsh effect on the initial registrant owner of the website business identified by that domain name? Would an unrelated third party purchaser be able to purchase the business, including the domain name, without being subject to a finding of abusive domain name registration and use?

If there was an ongoing business associated with the complained-against domain name that predated the acquisition by the trademark owner of its trademark rights, the purchaser of that ongoing business may be determined to have a legitimate interest in the domain name because of the continuity of the business. This would seem to depend on the characteristics or facts of individual cases, but some possible general cases might be anticipated. For example, it may be that the initial registrant/transferor of the disputed domain name commenced its business (but did not register its domain name) before the “newer” trademark owner secured rights in the trademark (such as by registering with the USPTO).¹³² In such case,

¹³² Coincidentally, this author as sole panelist has just rendered a decision involving just such a set of facts. *Saltworks, Inc. v. Gary Pedersen, Salt Works*, WIPO Case No. D2013-0984. In this case, an Arizona provider of salt for utility purposes (e.g., to soften water for hotels) had engaged in business under the name “Salt Works” for a number of years prior to a Washington State business commencing the sale of gourmet and bath salts under the name SaltWorks, primarily on the Internet. The Arizona commercial supplier registered its disputed domain name after the Washington gourmet and bath salt retailer secured registration for the trademark Salt Works. The panel found that the domain name registrant established rights or legitimate interests in the disputed domain name because it had been commonly known by that name, and because it had made good-faith use of the term corresponding to the domain name in connection with the sale of

the registrant/transferor of an ongoing business (and domain name) would likely have a priority right under traditional trademark law principles to continue using its domain name because it was using the relevant term earlier than the trademark owner. The disputed domain name registrant should be able to establish its rights or legitimate interests under paragraph 4(c)(i) and/or (ii) of the UDRP. Under the ACPA, there is a similar assessment factor as in UDRP paragraph 4(c)(i), which should yield a comparable result. In such circumstances, the subsequent transfer of the domain name to a new business owner should not affect the rights or legitimate interests in the domain name since, *inter alia*, the business has been commonly known by the domain name and/or there has been a prior good-faith offering of goods or services.

If the initial domain name registrant-transferor establishes an online business subsequent to the acquisition by the trademark owner of rights (such as evidenced by registration), the issues with respect to a third-party transferee of the domain name may be more contestable. Traditional trademark infringement analysis may again factor in. An analysis of rights or legitimate interests may turn on whether the initial domain name registrant/transferor is operating in the same class or line of business as the trademark owner, and might assess evidence regarding whether the initial registrant/transferor was aware of the trademark owner when it began to operate its online business. If the initial registrant-transferor and the transferee are in different national jurisdictions than the trademark owner, this might well influence an assessment of the extent of knowledge (and intent).

It is important to note that the individual factors listed in paragraph 4(c) of the UDRP as potentially establishing rights or legitimate interests are expressly non-exhaustive. A panel may consider whatever evidence or factors it considers appropriate to jurisprudential analysis of the rights or legitimate interests of a third-party transferee of a disputed domain name. A panel may determine that the issues are sufficiently close that the complaining party has not carried its burden of persuasion, and that a federal court may be a more appropriate forum for a full domain name/trademark infringement proceeding, with more extensive submissions of evidence, testimony, etc.¹³³

products and services prior to notice of the dispute. There was, however, no transfer to an unrelated third party domain name purchaser involved in this case.

¹³³ It would also be possible to assess the purchase and sale transaction between unrelated parties under paragraph 4(b) of the UDRP dealing with the element of bad faith. Generally speaking, the good-faith purchaser of a domain name and associated business should not have

D. Other rights or legitimate interests

Rights or legitimate interests are not limited to ongoing commercial enterprises. A domain name may be used for fair use or legitimate noncommercial purposes and not be subjected to a finding of abusive domain name registration and use under the UDRP or ACPA. Should interest in such use be transferable to unrelated parties? The answer to this question is likely to be quite fact specific. An unrelated purchaser/transferee may present evidence of intention to continue a legitimate use. As a practical matter, the same elements that would establish a defense prior to a transfer are likely to be relevant after the transfer. Under the UDRP, since the complaining party bears the burden of proof to demonstrate that the domain name registrant lacks rights or legitimate interests, this should not place an undue burden on unrelated purchaser-transferees. Under the ACPA, there is a general defense of reasonable good faith belief in fair or other lawful use. Conversely, an unrelated purchaser/transferee that is unable to demonstrate rights or legitimate interests should not have grounds for retaining a domain name that is subject to an adverse trademark right.

E. The ACPA revisited

The suggestion of this author is fairly modest: that when the Ninth Circuit has the opportunity to revisit the definition of “registration” within the meaning of the ACPA that it limit the holding of *GoPets* to the factual context in which it was adopted. That is, the Ninth Circuit might maintain the interpretation of “registration” that excludes related party transfers (as per the facts of *GoPets*), but clarify that unrelated party transfers of domain names (and the accompanying transferee provision of new registrant information and acceptance of the registration agreement) are within the definition of “registration”. Indeed, the author is encouraging the Ninth Circuit to bring its jurisprudence into line with that so far developed by UDRP panels, and naturally does so with deference to the

difficulty demonstrating that it did not make the purchase with the intent to sell the domain name to the trademark owner or a third-party, to prevent the trademark owner from registering its trademark as a domain name (as part of a pattern), or to disrupt the competitor’s business, although specific evidence provided by the complaining party might prove otherwise. Analysis under paragraph 4(b)(iv) regarding confusingly similar use in connection with a website for commercial gain would be context specific.

A third-party purchaser/transferee of a domain name that finds itself subject to an adverse ruling by a UDRP panel, and an order of transfer (or cancellation), may file a petition in federal court to block the transfer by the registrar. A UDRP panel ruling does not deprive the purchaser/transferee of its day in court.

place of the Ninth Circuit in the U.S. jurisprudential hierarchy. Yet it is only the “philosophical language” in *GoPets* that has given rise to the apparent conflict in jurisprudence (as per *AirFX.com*). A different formulation limited to related party transferees would have achieved the same result.

At least one commentator has suggested to amend the ACPA so as to expressly define “registration” and to broaden the category of domain name transfers that are treated as new registrations.¹³⁴ Opening up a broad statutory scheme for a minor change not infrequently serves as a prelude to a larger scale exercise in legislative revision. The law of unintended consequences is always at work. This article is not encouraging amendment of the ACPA for purposes of addressing what is a comparatively modest issue.

Perhaps more important, the ACPA is invoked much less frequently than the UDRP. UDRP panelists are not obligated to follow jurisprudential developments under the ACPA, or to take into account the language of the ACPA. As a practical matter, UDRP panelists can maintain their current practice more or less irrespective of how jurisprudence in the Ninth Circuit develops. The UDRP is not explicitly tied to any national jurisdiction, and less to any particular Court of Appeals of the United States. Nonetheless, UDRP panelists pay attention to such jurisprudence, and there are good reasons to seek an approximation of the rules, if for no other reason than to provide more legal certainty to domain name registrants.

VII

THE CONTINUING ROLE OF TRADEMARK LAW

It must be emphasized that trademark law, e.g., the Lanham Act in the U.S., continues to apply to potential abuse of domain names.¹³⁵ A domain name may infringe a trademark, and a website incorporating a domain name may infringe a trademark, whether or not the domain name was acquired in good faith or bad, and whether the domain name owner or its predecessor at some time in the past had rights or legitimate interests in that domain name. A domain name owner may escape an order of transfer or cancellation under the UDRP, or a finding of abusive

¹³⁴ See Price, *supra* note 4, at 482. Note that Price does not suggest a specific definition, but rather one that would cast a wide net.

¹³⁵ 15 USC § 1125(d)(3) provides: “The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.”

conduct under the ACPA, yet still face a claim for trademark infringement on grounds outside those found in these two legal mechanisms. In that regard, one should not over-emphasize the role of the UDRP and ACPA. Trademark owners can protect their valuable identifiers -- assuming they have legitimate causes of action -- against infringers more or less irrespective of the "container" in which the infringing item is placed.

VIII THE WIDER PICTURE

At the outset of this article, the author observed that an inquiry into the "fundamental nature" of the domain name may be a quaint exercise. Yet there are "real world" circumstances in which it is important to determine whether a domain name is "property" that can be freely assigned and transferred, or is a contract right subject to the conditions established by a chain leading from ICANN. There is a third option suggested by this article, that domain names are "both". They are a form of intangible property that is created by and subject to contract. As intangible property, they may be subject to security interests, considered assets in bankruptcy, and generally assigned and transferred. But being also contract rights, they are subject to certain conditions when acquired by new (unrelated) owners. They should not be acquired in bad faith. They may legitimately be acquired as part of an ongoing business in order to protect the interests of the seller built up in that business, even in the presence of an adverse trademark if the initial registrant/seller had been operating legitimately and in good faith.

It is difficult to foresee all of the circumstances in which the legal characterization of domain names will be important. Given the different contexts in which the UDRP and ACPA were adopted, and in which they are implemented, it should be expected that jurisprudential conflicts will from time to time arise and require attention. This article calls attention to one such conflict and proposes to resolve it through recognition that the legal character of the domain name need not be limited to a single class of subject matter. This characterization might become more important as ICANN's rollout of new top-level domains begins to transform the domain name space.