Fordham Intellectual Property, Media and Entertainment Law Journal

Volume 7, *Issue* 1 1996 *Article* 7

VOLUME VII BOOK 1

Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute Policy

Carl Oppedahl*

*Oppedahl & Larson

Analysis and Suggestions Regarding NSI Domain Name Trademark Dispute Policy

Carl Oppedahl*

In Luna in 2075 phone numbers were punched in, not voice-coded, and numbers were Roman alphabet. Pay for it and have your firm name in ten letters—good advertising. Pay smaller bonus and get a spell sound, easy to remember. Pay minimum and you got arbitrary string of letters. . . . I asked Mike for such a . . . number. 'It's a shame we can't list you as 'Mike.''

'In service,' he answered. 'MIKESGRILL, Novy Leningrad. MIKEANDLIL, Luna City. MIKESSUITS, Tycho Under. MIKES—'[1]

INTRODUCTION

As the Lanham Act[2] enters the golden years of its fiftieth anniversary, its flexibility continues to be tested by new and rapidly advancing technologies. One such technology is the Internet's[3] domain name system:[4] "the technical name for an

---

* Member, Oppedahl & Larson. Grinnell College, B.A. 1978; Harvard University, J.D. 1981. A version of this Essay was originally presented as a paper at the Conference on Coordination and Administration of the Internet on September 9-10, 1996 at the John F. Kennedy School of Government at Harvard University. The final version of this paper will form a chapter of a volume to be published, along with other papers presented at the conference, by MIT Press as part of the Information Infrastructure Project program.

1. ROBERT A. HEINLEIN, THE MOON IS A HARSH MISTRESS (1966). I thank Bruce Albrecht <bruce@zuhause.mn.org> and Dale Worley <worley@ariadne.com> for pointing out this historic reference.

2. Trademark Act of 1946 ("Lanham Act"), ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C.A. §§ 1051-1127 (West Supp. 1996)).

3. The Internet has been defined as "a group of globally-networked computers containing several million 'host' or 'site' computers that provide information services." James West Marcovitz, *ronald@mcdonalds.com—'Owning a Bitchin'' Corporate Trademark as an Internet Address—Infringement?*, 17 CARDOZO L. REV. 85,

Internet address."[5] Heinlein not only wrote of something like the domain name system twenty years before its time, but also described what happens if the domain name a user wants is already taken.[6] MIT registered its domain name in May 1985—IBM in March 1986. It was not until about 1993, however, when the World Wide Web ("Web")[7] brought the Internet to every computer screen, that domain names began to be viewed as crucial to electronic commerce.

89-90 (1995) (citations omitted); *see also* Cynthia L. Counts & C. Amanda Martin, *Libel in Cyberspace: A Framework for Addressing Liability and Jurisdictional Issues in This New Frontier*, 59 ALB. L. REV. 1083, 1087 n.6 (1996) (defining the Internet as "a global network of computers linked by high-speed data lines and wireless systems"). *But see* Dominic Andreano, *Cyberspace: How Decent Is the Decency Act?*, 8 ST. THOMAS L. REV. 593, 599 (1996) (noting that "many would agree that the sprawling mass of interconnected computers known as the Internet is not really a definable thing[,]" because it is amorphous and constantly changing). The Internet originated in the 1970s as "a collection of computers networked together by the Department of Defense called Arpanet." *Id.* (citations omitted).

4. According to one commentator, "[d]omain names are to the Internet what addresses are to the Postal Service." Marcovitz, *supra* note 3, at 85 n.3; *see also* Byron F. Marchant, *On-Line on the Internet: First Amendment and Intellectual Property Uncertainties in the On-Line World*, 39 HOW. L.J. 477, 480 (1996) ("A 'domain name' is the designation in a Uniform Resource Locator ('URL') that identifies the address of a party's computer on the Internet."). More specifically:

> Every individual, business, or corporation with access to the Internet has its own unique Internet address. An Internet address consists of a screen name and a domain name separated by the '@' character. A screen name need not be unique. The same screen name can be used by any number of different individuals, businesses, corporations, or organizations. However, a domain name must be unique, and therefore any one domain name can only be used by a single entity. When an individual, business, or corporation wants to direct other Internet users to information services that they are hosting at a site on the Internet, they give out their domain name.

Marcovitz, *supra* note 3, at 90-91 (citations omitted).

5. Marcovitz, *supra* note 3, at 85 n.3.

6. *See supra* note 1.

7. As one commentator explains:

> One rapidly developing area of the Internet is the World Wide Web ('Web'). The Web is a system of 'pages' or 'sites' consisting of video, interactive graphics, and text. 'Hyperlinks' connect the pages and enable users to 'point and click' their way through the Web. The first page, or screen, of a location on the Web, or 'Web site,' is the 'home page.'

Nicholas Robbins, *Baby Needs a New Pair of Cybershoes: The Legality of Casino Gambling on the Internet*, 2 B.U. J. SCI. & TECH. L. 7, ¶ 6 (1996) (citations omitted).

Since then, trademark collisions over domain names have became increasingly common.[8] Many large corporations which were slow to recognize the commercial potential of the Web, and which eventually sought Web sites,[9] discovered that the domain names they wanted—usually, the corporation's name followed by the top-level domain ("TLD"),[10] ".com"—were already taken.[11] Often, the holders of these

---

8. *See, e.g.*, Toys "R" Us, Inc. v. Akkaoui, 40 U.S.P.Q.2d (BNA) (N.D. Cal. 1996); Intermatic Inc. v. Toeppen, 40 U.S.P.Q.2d (BNA) 1412 (N.D. Ill. 1996); Hasbro, Inc. v. Internet Entertainment Group, Ltd., 40 U.S.P.Q.2D (BNA) 1479 (W.D. Wash. 1996); Actmedia, Inc. v. Active Media Int'l, Inc., No. 96-C3448, 1996 WL 466527 (N.D. Ill. July 17, 1996); Panavision Int'l, L.P. v. Toeppen, 40 U.S.P.Q.2d (BNA) 1908 (C.D. Cal. 1996). Playboy Enters., Inc. v. Imagnet, Inc., No. 95 Civ. 5859 (S.D.N.Y. filed Aug. 8, 1995); MTV Networks v. Curry, 867 F. Supp. 202 (S.D.N.Y. 1994). The disputes arise from the fact that "[a] given domain name, the exact alphanumeric combination in the same network and using the same suffix, can only be registered to one entity." *Intermatic*, 40 U.S.P.Q.2d at 1415.

9. A "Web site" is essentially an electronic bulletin board. *See generally* JASON J. MANGER, THE ESSENTIAL INTERNET INFORMATION GUIDE (1st ed. 1995) (explaining the many features of the Internet).

10. Essentially, the domain name system is structured as a hierarchy of names. *RFC 1591*, *Domain Name System Structure and Delegation*, ¶ 2 (visited Jan. 6, 1997) <ftp://rs.internic.net/rfc1591.txt> [hereinafter *RFC 1591*]. First, there is a set of generic TLDs, which include: (1) ".com" for a commercial entity; (2) ".net" for network; (3) ".gov" for government organizations; (4) ".int" for international organizations; (5) ".org" for miscellaneous organizations; (6) ".edu" for educational institutions; (7) ".mil" for the U.S. military; and (8) various country codes, such as ".us" for the United States. HARLEY HAHN & RICK STOUT, THE INTERNET COMPLETE REFERENCE 2 (1st ed. 1994); Marcovitz, *supra* note 3, at 91 n.32; *RFC 1591*, *supra*, at 1-3. Under each TLD, there are "second-level domains," which are additional sets of domain names registered directly to individual organizations. *Id*. The administrator of each individual organization may establish additional levels of domain names, which may include third-, fourth-, and fifth-level domain names. *See id*. Each domain level is separated by a "dot." Mummery et al., *supra* note 13, at S8 n.1. For example, in the domain name, "clue.hasbro.com," ".com" is the TLD, ".hasbro" is the second-level domain, and ".clue" is the third-level domain.

11. As the *Intermatic* court explained: "[i]t is axiomatic that companies seek to register their trademarks as domain names so that consumers can easily find information about them or their products and services." 40 U.S.P.Q.2d at 1418. As another court has observed:

> Because users may have difficulty accessing web sites or may not be able to access web sites at all when they do not know (or cannot deduce) the proper domain name, businesses frequently register their

domains are other corporations with similar names.[12] Consequently, the "slow-to-recognize" corporations have turned to trademark law as a means of stripping domain names from their holders—even where those holders are not infringing any trademarks.

Caught in the middle of these trademark battles are domain name registration authorities, some of which hastily devised domain name registration policies in response to lawsuits and mounting legal expenses. At present, nearly all Internet domain names are administered by Network Solutions Inc. ("NSI"), which is the temporary administrator of domain names for the term of a five-year contract with the National Science Foundation that expires in 1998.[13] Consequently, NSI's policies are very important and will be examined from several perspectives in this Essay; nonetheless, the recommendations made here are of general applicability to other domain name registration authorities and to proposed new TLDs.

This Essay discusses how registration authorities currently resolve certain types of trademark disputes on the Internet, and offers suggestions as to how registration authorities might approach such disputes in the future.[14] Part I

> names and trademarks as domain names. Therefore, having a known or deducible domain name is important to companies seeking to do business on the Internet, as well as important to consumers who want to locate those businesses web sites.

Panavision Int'l, L.P., 40 U.S.P.Q.2d at 1910.

12. Other times, such holders are "cyber-squatters"—"individuals [which] attempt to profit from the Internet by reserving and later reselling or licensing domain names back to the companies that spent millions of dollars developing the goodwill of the trademark." *Intermatic*, 40 U.S.P.Q.2D at 1417. In *Intermatic*, the defendant had registered approximately 240 domain names without the permission of their respective trademark holders, including: deltaairlines.com; britishairways.com; crateandbarrel.com; ramadainn.com; eddiebauer.com; greatamerica.com; neiman-marcus.com; northwestairlines.com; ussteel.com; and unionpacific.com. *Id.* at 1412.

13. Daniel R. Mummery et al., *Domain Name Registration: Who Should Administer?*, N.Y. L.J., Dec. 2, 1996, at S8 n.1.

14. A number of excellent papers set forth basic trademark principles and their connection with the Internet. *See, e.g.*, G. Andrew Barger, *Cybermarks: A*

explains why Internet domain names are important to electronic commerce. Part II briefly discusses the triangle of interests in a domain name dispute. Part III examines domain name policies that registration authorities have adopted in the past. Part IV critiques various proposed solutions for domain name trademark disputes. Part V offers suggestions for designing the best domain name trademark policy. Accordingly, this Essay concludes that these suggestions should be adopted, because they would help registration authorities avoid the majority of lawsuits, minimize legal expenses, and serve clients efficiently and fairly.

I. DOMAIN NAMES ARE OF PARTICULAR IMPORTANCE TO INTERNET COMMERCE

There are many ways in which someone on the Internet could trigger the ire of a holder of a trademark or some other form of intellectual property: a Web site could contain someone's registered trademark; a Web site could pluck an image (a trademark, or perhaps even a Dilbert cartoon) from some other site and incorporate the image into its own Web page; or a Web site could contain material protected by copyright without the permission of the copyright holder. There are also other, less direct ways in which someone could violate intellectual property rights on the Internet: a domain name could be similar (but not identical) to some trademark; a third-level domain name[15] (e.g., *exxon.oil.com*) could be identical to a famous domain name; or a second-

---

Proposed Hierarchical Modeling System of Registration and Internet Architecture for Domain Names, 29 J. MARSHALL L. REV. 623 (1996); James West Marcovitz, *ronald@mcdonalds.com—'Owning a Bitchin'' Corporate Trademark as an Internet Address—Infringement?*, 17 CARDOZO L. REV. 85, 89-90 (1995); Kenneth Sutherlin Dueker, *Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses*, 9 HARV. J. LAW & TECH. 483 (1996); Jonathan Agmon et al., *What's in a Name* (visited Jan. 12, 1997) <http://www.law.georgetown.edu/lc/internic/domain1.html>; Robert Shaw, *Internet Domain Names: Whose Domain Is This?* (visited Jan. 12, 1997) <http://www.itu.ch/intreg/dns.html>.

15. *See supra* note 10 (defining "third-level domain").

level domain name[16] (e.g., *exxon.com*) similarly could be identical to some trademark.

Each of these scenarios but one, the intellectual property holders have had no choice but to resort to the courts if a simple request (or threat of litigation) did not yield the desired result. This hardly seems unfair, given that intellectual property disputes in all other areas of human interaction—including product packaging, product names, print media, television, and radio—even if international in scope, are resolved in the courts.

The sole exception to this rule is the Internet second-level domain name. Historical accidents, recent trends in commerce, and clumsy policy-making by the NSI have made the Internet second-level domain name the most hotly contested asset on the Internet; such factors have also led to a dispute-handling regime that weakens the viability of Internet commerce, by injecting extraordinary uncertainty into the business plans of law-abiding members of the Internet community.

What is it that makes second-level domain names so different from everything else on the Internet? Why would a government contractor that otherwise keeps the lowest possible profile choose to inject itself into the public debate by enacting such a controversial policy regarding second-level domain names? Two factors provide at least part of the answer to these questions: the perception that obtaining a particular domain name is a prerequisite for successful Internet commerce, and the fact that losing a particular domain name is often an omen of complete commercial failure.

A. *Obtaining a Particular Domain Name Is Viewed as Crucial by Many Businesses*

When the Unum Corporation tried to obtain the domain name *unum.com*, it learned that the domain had already been

16. *See supra* note 10 (defining "second-level domain").

registered by someone else, and sued the holder to get the name.[17] Explaining why it needed the domain name so urgently, Unum stated in court papers that:

> [I]nformation on companies and their products and services is usually located on the Internet by typing in a domain name containing the company's name or trademark followed by '.com' (e.g., 'unum.com'). As such, a company's ability to use a domain name on the Internet consisting of its company name followed by '.com' is important to its ability to successfully market, promote and sell its products and services.[18]

It is important to appreciate that even if these views are not entirely justified (at the time Unum's papers were filed with the court it was easy, for example, to find all mentions of Unum on the Web through a search engine,[19] such as Digital Equipment Corporation's Altavista), many large companies nonetheless strongly hold such views.[20]

---

17. Unum Corp. v. Sanfilippo, No. 96 Civ. 1369 (N.D. Cal. filed May 30, 1996) (settled). The author was counsel for the domain name holder in that litigation, now concluded on confidential terms.

18. Motion for Preliminary Injunction, Unum Corp. v. Sanfilippo, No. 96 Civ. 1369 (N.D. Cal. filed May 30, 1996) (settled), *available at Motion for Preliminary Injunction*, ¶ 25 (visited Jan. 12, 1997) <http://www.patents.com/fogbelt/mpi.sht>.

19. According to one commentator:

> Sometimes it is difficult to find information on a particular subject; a search must be conducted using a tool called a search engine. One of the great features of the Web is that there are many search engines available that are absolutely free. With names such as Yahoo, Lycos, Archie, Veronica and Jughead, they can be found on almost any browser by pointing to the button usually labeled "net search." Most operate by doing keyword searches on Web pages submitted and stored in massive on-line databases. Others use automated systems to Web-crawl, then download and store thousands of documents daily.

Douglas Dangerfield, *Web Surfing, or "The Internet for the Uninformed"*, 1996 ABI JNL. LEXIS 38, *5 (1996); *see also* J.M. Balkin, *Media Filters, the V-Chip, and the Foundations of Broadcast Regulation*, 45 DUKE L.J. 1131, 1152 (1996) (describing a "search engine" as a tool for filtering information on the World Wide Web by subject matter).

20. *See* Barger, *supra* note 14, at 625 ("Ultimately, the registration of a domain name that differs from a company's name and mark could result in the loss

B. *Losing a Domain Name Can Mean Going Out of Business*

A domain name[21] is important because its loss would, at the very least, cause disruption and monetary expense; in many cases, such a loss would even put a company out of business. For example, Roadrunner Computer Systems, Inc. ("RCS"),[22] an Internet service provider[23] in New Mexico, had some 700 customers who relied on *roadrunner.com* as part of their e-mail addresses.[24] After NSI wrote to RCS in December 1995, stating that the registration authority would deactivate RCS' domain name in thirty days, RCS sued NSI to enjoin the deactivation.[25] The president of RCS stated under

---

of sales to competitors if consumers are unable to locate the company on the Internet."); *supra* note 11 and accompanying text (explaining that many courts share this view).

21. Note that for the balance of this Essay, the term "domain name" will be used as shorthand for "second-level domain name."

22. The author was counsel for RCS in that litigation, now concluded. RCS was permitted to keep its domain name.

23. Service provides supply users access to the Internet. Eric Handelman, *Obscenity and the Internet: Does the Current Obscenity Standard Provide Individuals with the Proper Constitutional Safeguards?*, 59 ALB. L. REV. 709, 711 (1995); *see also* Keth A. Ditthavong, *Paving the Way for Women on the Information Superhighway: Curbing Sexism Not Freedoms*, 4 AM. U. J. GENDER & LAW 455, 458 (1996) (defining "service providers" as "those who provide connections for users to communicate over the superhighway").

24. E-mail is by far the most widely used service on the Internet. *See* Matthew R. Bernstein, *Conflicts on the Net: Choice of Law in Transnational Cyberspace*, 29 VAND. J. TRANSNAT'L L. 75, 79 (1996) (discussing choice of law in international cyberspace disputes); Richard S. Zembeck, *Jurisdiction and the Internet: Fundamental Fairness in the Networked World of Cyberspace*, 6 ALB. L.J. SCI. & TECH. 339, 344 n.22 (1996). Mail programs read, send, and store messages for later reference. Bernstein, *supra*, at 79; Zembeck, *supra*, at 344 n.22. Because of their simplicity and speed, e-mail systems are quickly supplanting papermail systems in a number of organizations. Bernstein, *supra*, at 79; Zembeck, *supra*, at 344 n.22. E-mail is more direct than a letter, and often even more direct than a phone call. Bernstein, *supra*, at 79; Zembeck, *supra*, at 344 n.22.

25. Roadrunner Computer v. Network Solutions, Inc., No. 96 Civ. 413A (E.D. Va. dismissed June 21, 1996). The threatened deactivation was pursuant to NSI's trademark domain name policy, discussed at length below. *See supra* notes 32-65 and accompanying text. NSI's terminology is that the domain name is "placed on hold," pending the outcome of litigation. The terminology is disingenuous, however, because: (1) at the time NSI places a domain name "on hold" there is, by definition, no litigation pending, and (2) in the vast majority of instances in which NSI places a domain name "on hold," no litigation ever follows.

oath that loss of the domain name "would be disastrous," and that one-fourth of the customers would be lost, in part because all of the customers would have had to change their e-mail addresses.[26]

II. The Triangle of Interests in a Domain Name Dispute

Each domain name trademark dispute necessarily involves three parties: (1) the domain name holder; (2) the trademark holder; and (3) the registration authority. As explained below, each party has interests differing greatly from those of the other parties, thereby creating a dispute "triangle." Accordingly, it is important to consider the possible interests of all three parties when determining how to approach domain name disputes.

A. *Interests of the Domain Name Holder*

For a domain name holder, the predominant interest is predictability. The domain name holder does not want its domain name stripped away any more than it wants its physical space repossessed or its electricity cut off. In fact, for many Internet-related businesses, physical eviction or loss of electric power would be far easier to remedy than loss of the domain name. Prior to NSI's July 1995 policy,[27] a domain name holder could protect against loss of its domain name by simply not infringing another company's trademark. Starting in July 1995, however, that was no longer

---

Of the 350 or so cases in which NSI has placed domain names "on hold," only about a dozen have seen litigation. The remainder (approximately 97 percent of the domain names) remain on hold forever, waiting for the outcome of a litigation that never comes. The author's firm has counseled several dozen domain name holders whose domain names NSI has placed on hold, who cannot afford to litigate, and who will presumably never again have the use of their domain names.

26. Declaration of Jane Hill, Roadrunner Computer v. Network Solutions, Inc., No. 96 Civ. 413A (E.D. Va. dismissed June 21, 1996), *available at Declaration in Support of Motion for Preliminary Injunction*, ¶ 12 (visited Jan. 12, 1997) <http://www.patents.com/nsidecl.sht>.

27. *See generally NSI Domain Dispute Resolution Policy Statement* (visited Jan. 12, 1997) <ftp://rs.internic.net/policy/internic/internic-domain-1.txt>.

sufficient; a domain name holder had to be prepared to sue NSI as well.

B. *Interests of the Trademark Holder*

For a trademark holder, there are really two areas of interest. The first arises where the holder discovers infringement of its mark, in which case the trademark holder would like to cease the infringement immediately; a subsidiary concern of this interest is that the holder would like to minimize the cost of halting the infringement. The second area of interest arises solely as a consequence of the NSI policy—it involves the trademark holder that desires a particular domain name, but learns that the domain name has already been taken by someone else who is not infringing the holder's trademark.[28] Although a trademark holder in this situation would not be successful in court, the NSI policy provides an alternative mechanism for denying the domain name holder the use of the domain name.[29]

C. *Interests of the Domain Name Registration Authority*

The main interests of a domain name registration authority (of which there are several hundred around the world, one for each top-level domain) are serving clients efficiently and avoiding lawsuits. At present, NSI has registered approximately half a million names in the top-level domains it administers; by comparison, all of the other domain name registration authorities of the world combined probably account for only a few tens of thousands of domain names, making NSI's interests of particular concern.

Most domain name registration authorities are either volunteer organizations or affiliates of certain universities and government agencies. As a result, such registration authorities have few interests other than those of their users—

28. The law of trademark dilution is discussed below and presents special problems on the Internet. *See infra* notes 76-87 and accompanying text.

29. *See infra* notes 59-64 and accompanying text (discussing NSI's current domain name policy).

namely, the domain name holders. Indeed, such independent institutions are probably the most appropriate organizations to serve as registration authorities, because they are unlikely to have potential conflicts of interests with the Internet community. NSI, in contrast, is engaged in numerous lines of business in addition to the administration of Internet domain names, including the installation and maintenance of computer networks.[30] NSI's corporate parent, Science Applications International Corporation ("SAIC"), is a major contractor in information technology, systems integration, energy, environment, medical and health care systems, and transportation, and has revenues of $1.9 billion, approximately 20,000 employees, and over 300 office locations around the world.[31] Consequently, in devising a domain name policy, NSI must be particularly careful not to favor certain members of the Internet community with which it has financial or business interests.

III. History of Registration Authorities' Policies

The origins of the Internet lie in documents called Requests for Comment ("RFCs")—documents which establish consensus-based technical standards for the Web.[32] RFC 1591, entitled *Domain Name System Structure and Delegation*, sets forth a simple role for the domain name registration authority: "[i]n case of a dispute between domain name registrants as to the rights to a particular name, the registration authority shall have no role or responsibility other than to

---

30. *See generally Information Technology: Areas of Expertise* (visited Jan. 12, 1997) <http://www.saic.com/it/expertise.html>.

31. *Corporate Fact Sheet*, ¶¶ 2-3 (visited Jan. 12, 1997) <http://www.saic.com/aboutsaic/facts.html>. SAIC has announced that it will purchase Bellcore, the organization that allocates area codes and telephone exchange prefixes in North America. *Telecommunications*, ¶¶ 3-4 (visited Jan. 12, 1997) <http://www.saic.com/telecom/index.html>. It is interesting to note the parallel between SAIC's purchase of Bellcore and SAIC's 1995 acquisition of NSI, which allocates Internet domain names.

32. Dueker, *supra* note 14, at 497 n.70. RFCs are promulgated by the Internet Architecture Board, which is a volunteer organization. *Id.*

provide the contact information to both parties."[33]

By default, this policy applies to any Internet domain name registration authority, unless such an authority establishes a different policy. One commentator has compiled the domain name policies of the world's several hundred registration authorities;[34] from this compilation, it appears that most of the registration authorities follow RFC 1591 in whole or in part.[35]

Of course, it is possible to imagine a trademark holder suing a registration authority in connection with a domain name dispute; in such cases, however, the registration authority need not be significantly concerned with legal bills or financial liability for several reasons. First, in most trademark cases (whether on the Internet or elsewhere), there are no awards of money damages; instead, the only actions of courts are orders and injunctions. Second, trademark holders generally sue registration authorities merely for procedural reasons—to ensure that at the conclusion of a case the registration authority will comply with whatever outcome the court orders. Third, at least for the registration authorities that have a history of abiding by court orders and internal policies, a court is unlikely to impose any financial liability on a registration authority. Fourth, there are no known cases of a trademark holder suing a domain name registration authority for monetary damages, in contrast to a holder suing a registration authority simply to compel it to take a particular action concerning the domain name.

There are no reported cases that neutral stakeholders, such as telephone companies, stock exchanges, and domain name registration authorities, have not been held financially liable in connection with squabbles over telephone numbers,

33. *RFC 1591*, *supra* note 10, ¶ 4.

34. *See generally* Geoffrey Gussis, *Global Top-Level Domain Dispute Resolution Policies* (visited Jan. 12, 1997) <http://www.digidem.com/legal/domain.html>.

35. *Id.*

ticker symbols, or domain names. Indeed, in one of the handful of cases touching on this issue, a U.S. District Court in 1994 reached the rather sensible conclusion that the New York Stock Exchange should not be liable for assigning a ticker symbol.[36] Citing this case, a U.S. District Court recently ruled that NSI "is under no general duty to investigate whether a given [Internet domain name] registration is improper."[37]

By 1994, there had been a few highly publicized cases in which individuals had registered domain names (e.g., *mtv.com* and *mcdonalds.com*) in ways that had angered trademark holders.[38] Journalists gave coverage quite cheerfully to these mosquito-and-elephant stories, in which large corporations that had been slow to appreciate the Internet discovered that the domain names they wanted were already taken. Such cases also gave the impression that the Internet was a new Oklahoma land rush, complete with enterprising individuals trying to stake out the likes of *coke.com*, *exxon.com*, and *kodak.com*, in order to retire on the proceeds from the subsequent sale of the domain names to their namesakes.[39]

---

36. MDT Corp. v. New York Stock Exchange, Inc., 858 F. Supp. 1028 (C.D. Cal. 1994).

37. Panavision Int'l, L.P. v. Toeppen, 40 U.S.P.Q.2d (BNA) 1908, 1910 (C.D. Cal. 1996). Indeed, it is difficult to see how the *Panavision* court could have ruled otherwise, given that any other ruling would have placed upon NSI the burden of searching all the trademark records of every country of the world, every time the registration authority received a new domain name application. There are approximately 180 countries with trademark systems, the majority of which do not provide the necessary information on-line; consequently, NSI would have to search such systems manually. This result, combined with the sheer volume of applications processed by NSI (several thousand per day), makes it impossible pragmatically to review every application for possible infringement.

38. *See* MTV Networks v. Curry, 867 F. Supp. 202 (S.D.N.Y. 1994) (mtv.com); *see also* Joshua Quittner, *Billions Registered: Right Now, There Are No Rules to Keep You from Owning a Bitchin' Corporate Name as Your own Internet Address*, WIRED, Oct. 1994, at 50. The columnist in *Billions Registered* used "ronald@mcdonalds.com" as his e-mail address, and was subsequently sued by the fast-food company.

39. Such individuals are known as "cyber-squatters." *See supra* note 12 (de-

For example, shortly after NSI began administrating the *com* domain name in April 1993,[40] a company called Knowledgenet tried to obtain the domain name *knowledgenet.com*, but found that the name was already taken. In December 1994, Knowledgenet sued several parties in Chicago federal court, including the domain name holder and NSI.[41] From court docket entries, it is apparent that NSI expended much lawyer time and money trying to persuade the court to either transfer the case to Virginia or dismiss the dispute altogether.[42] These attempts were unsuccessful, and settlement talks dragged on until the summer of 1995.[43] The last docket entries in the case, made in July and August of 1995, show that the court was waiting for NSI and the plaintiff to file settlement papers, yet give no indication that such papers were ever filed.[44] Oddly, the court record lists the case as "terminated," although nothing in the court record shows how the case ended, or whether this event actually occurred.[45]

Meanwhile, in March of 1995, NSI was purchased by

fining the term, "cyber-squatter"). As one commentator has explained: "There is no doubt that some of these pirates, if not most, anticipated a lottery-like bonanza, selling the domain registration to the trademark owner or canceling it in return for a huge amount of money." 1 GILSON, TRADEMARK PROTECTION AND PRACTICE, § 5.11[4], at 5-237 (1996), *cited in Intermatic*, 40 U.S.P.Q.2d at 1417. Another commentator notes: "Dozens of companies, including Taco Bell, MTV, Kentucky Fried Chicken and others have had to cajole, pay thousands of dollars or even sue to gain the rights to domain names that match trademarks they have spent millions of dollars cultivating and protecting." Greg Miller, *Cyber Squatters Give Carl's Jr., Others Net Loss*, L.A. TIMES, July 12, 1996, at 1, *cited in Intermatic*, 40 U.S.P.Q.2d at 1417.

40. NSI's contract is set to expire in March 1998. *See supra* note 13 and accompanying text.

41. *See generally* Docket Record, Knowledgenet Inc. v. Boone, No. 94 Civ. 7195 (N.D. Ill. filed Dec. 2, 1994) [hereinafter *Docket Record*], *available at Knowledgenet Inc. v. Boone Docket Record* (visited Jan. 12, 1997) <http://www.patents.com/knowledg/knowledg.sht>; Complaint, Knowledgenet Inc. v. Boone, No. 94 Civ. 7195 (N.D. Ill. filed Dec. 2, 1994), *available at Court Papers Describing Knowledgenet Domain Name Lawsuit* (visited Jan. 12, 1997) <ftp://internic.net/netinfo/knowledgenet.lawsuit>.

42. *See generally Docket Record*, *supra* note 41.

43. *See generally id.*

44. *See generally id.*

45. *See generally id.*

SAIC, which is based in San Diego. SAIC gave its outside counsel the task of drafting a domain name policy that would minimize the incentive for a trademark holder such as Knowledgenet to sue NSI. The result was the July 23, 1995, NSI domain name policy: a policy which established a decision-making process separate from the regular court system, but which was markedly beneficial toward trademark holders. A trademark holder that wanted NSI to deactivate someone's domain name need only write a letter to NSI stating that it held a registered trademark identical to the domain name, and NSI would deactivate the domain name after thirty days in what became known as a "thirty-day letter."[46] NSI's intention behind this policy was apparently to promise, in advance, almost any resolution for which a trademark holder would have asked in court, thus making it unlikely that the trademark holder would bother to sue NSI. Moreover, NSI's new policy also responded to the mosquito-and-elephant stories by enabling the elephants to obtain the domain names they had been slow to register. One of NSI's lawyers has said, "I represent [NSI] and assisted in drafting the domain name dispute resolution policy and this type of problem is the reason for the policy. It permits the holders of registered trademarks to have *special relief*."[47] At the time

46. The policy provided (and its successors, the third and fourth policies provide) the (largely illusory) impression that the deactivation of the domain name at the end of the 30 days is not automatic. The policy stated that the domain name holder could avert loss of the domain name by producing a trademark registration before the 30 days had expired. What the policy ignores is that before bringing an NSI thirty-day challenge, the trademark holder will have completed a search and will have found no indication of the domain name holder holding a trademark registration. Thus, the loss of the domain name at the end of the 30 days is indeed generally a *fait accompli*. Stated differently, if a trademark holder that covets a domain name finds, in a search, that the domain name holder does have a trademark registration, then there is no reason to bother bringing the challenge because the trademark holder will not win. History has borne out the *fait accompli* nature of thirty-day challenges—there is no publicly known case in which a domain name holder who received an NSI thirty-day letter managed to keep from losing the domain name by proffering a trademark registration.

47. Posting by Mark Radcliffe, Partner, Gray Cary Ware & Friedenrich, to

that NSI's outside counsel drafted the new policy, the firm was listed as the legal representative on more than 1,300 U.S. trademarks and trademark applications for various clients.[48]

This policy proved to be quite popular with trademark holders, who immediately began writing such letters to NSI. NSI initiated some ten deactivation proceedings the following month (August 1995), and increased the number of proceedings to a peak of approximately fifty in March 1996. By May 1996, NSI had deactivated some 200 domain names at the request of various trademark holders. The new NSI policy also resulted in many additional domain names changing hands privately, because a trademark holder often had merely to threaten an NSI administrative procedure to coerce a domain name holder into giving up the domain name; from the domain name holder's perspective, the nearly inevitable result would be the loss of the domain name, anyway. Consequently, the harmful effects of NSI's policy went far beyond the several hundred domain names that were the direct subjects of deactivation proceedings.

From the trademark holder's perspective, the NSI policy was a godsend. Instead of going to court with all the attendant drawbacks of doing so—including litigation costs and the risks of a countersuit, Rule 11 sanctions,[49] or loss of the trademark if the court determined the case had been improperly brought—the trademark holder had merely to spend thirty-two cents on postage, and NSI would: (1) assume the risk of countersuit, and (2) deactivate the domain name.

What the NSI policy ignored (and continues to ignore, despite two more policy revisions since the July 1995 policy)

Net-Lawyers discussion group (Dec. 17, 1995) (emphasis added).

48. *See* Search of LEXIS, TRDMRK library, FEDTM file (Jan. 14, 1997) (yielding over 2,000 hits).

49. FED. R. CIV. P. 11. Rule 11 of the Federal Rules of Civil Procedure provides sanctions under certain circumstances if a lawsuit is brought, or some other court paper filed, without reasonable inquiry having been made as to the basis for the lawsuit or paper. *Id.*

was that trademark holders were using its policy to win cases they could never have won in court. A trademark holder that had no bona fide case of trademark infringement against a domain name holder, but was merely covetous of a domain name, could easily seize it from the domain name holder, simply by writing to NSI or threatening to do so.

Of course, each thirty-day letter that NSI sent to a domain name holder at the request of a trademark holder represented a risk of litigation for NSI; it was possible that the domain name holder would go to court to enjoin NSI's threatened deactivation. One can speculate, however, that the drafter of the NSI policy considered who was more likely to sue (i.e., holders of well-known trademarks), and over which side NSI had leverage (i.e., domain name holders) in selecting a corner of the dispute triangle to favor. Indeed, this assessment proved sound: during the first eight months that NSI's policy was in force, not one domain name holder fought back in court. The trademark holder always won, and NSI was never sued.

Between March and October of 1996, however, seven different domain name holders which had received thirty-day letters decided to fight back.[50] In each case, the domain name holder sued NSI and scheduled a hearing at which the judge would be asked to issue a court order enjoining the deactivation. Significantly, in five of the seven cases, NSI contacted the domain name holder prior to the hearing date,

50. The cases are *Roadrunner v. Network Solutions, Inc.*, No. 96 Civ. 413A (E.D. Va. dismissed June 21, 1996); *Data Concepts, Inc. v. Network Solutions, Inc.*, No. 96 Civ. 429 (M.D. Tenn. filed May 8, 1996); *Giacalone v. Network Solutions, Inc.*, No. 96 Civ. 20434 (N.D. Cal. filed May 30, 1996); *Clue v. Network Solutions, Inc.*, No. 96 Civ. 694-5 (D. Colo. filed June 13, 1996); *Dynamic Info. System v. Network Solutions, Inc.*, No. 96 Civ. 1551 (D. Colo. filed June 24, 1996); *Regis v. Network Solutions, Inc.*, No. 96 Civ. 20551 (N.D. Cal. filed July 9, 1996); *Juno Online v. Network Solutions, Inc.*, No. 96-1505-A (E.D. Va. dismissed Oct. 25, 1996). As noted above, the author was counsel in the Roadrunner case. *See supra* note 17 and accompanying text. Much information about these seven cases is available at *NSI Flawed Domain Name Policy Information Page* (visited Jan. 12, 1997) <http://www.patents.com/nsi.sht>.

and agreed to scrap its policy so as to avoid being ordered to do so.[51] In one of the cases, NSI's counsel waited until the court hearing was in progress to relent and agree not to carry out its policy against the domain name holder.[52] In the remaining case, the judge signed an injunction ordering NSI not to deactivate the domain name;[53] to this day, NSI is enjoined from carrying out its policy with respect to this domain name holder.[54] As a result, it became clear that should a domain name holder that was not infringing anyone's trademarks receive a thirty-day letter from NSI, the most straightforward way of staving off loss of the domain name was to sue NSI. Indeed, for the domain name holder who sues NSI to keep from losing its domain name, the definition of "winning" is getting to keep the domain name; on the basis of that definition, every domain name holder that has ever sued NSI has won.

To date, NSI has placed approximately 350 domain names "on hold." Seven of these "hold" decisions have resulted in lawsuits against the registration authority; more importantly, in each of these cases, the domain name holder won, allowing it to keep its domain name. This suggests that NSI "gets the wrong answer" two percent of the time—that in two percent of the cases it reaches a different answer

51. *See generally* Roadrunner v. Network Solutions, Inc., No. 96 Civ. 413A (E.D. Va. dismissed June 21, 1996); Data Concepts, Inc. v. Network Solutions, Inc., No. 96 Civ. 429 (M.D. Tenn. filed May 8, 1996); Giacalone v. Network Solutions, Inc., No. 96 Civ. 20434 (N.D. Cal. filed May 30, 1996); Dynamic Info. System v. Network Solutions, Inc., No. 96 Civ. 1551 (D. Colo. filed June 24, 1996); Regis v. Network Solutions, Inc., No. 96 Civ. 20551 (N.D. Cal. filed July 9, 1996);

52. *See generally* Juno Online v. Network Solutions, Inc., No. 96-1505-A (E.D. Va. dismissed Oct. 25, 1996). Astonishingly, if it had not been for the domain name holder bringing suit, NSI's stubborn adherence to its policy would have resulted in the cutting off of over half a million e-mail addresses, namely the e-mail addresses of all of the customers of *juno.com*.

53. Network Solutions, Inc., v. Clue Computing, Inc., 1996 U.S. Dist. LEXIS 18013 (D. Colo. Oct. 29, 1996); *see generally NSI Hasn't Got a Clue* (visited Jan. 12, 1997) <http://www.clue.com/legal/index.html> (discussing *Clue Computing*).

54. *See generally NSI Hasn't Got a Clue* (visited Jan. 12, 1997) <http://www.clue.com/legal/index.html>.

than a court would reach. In reality, however, this percentage is much higher, because there are many other domain name holders whose domain names NSI has placed "on hold," but whose limited financial resources preclude them from taking on litigation with NSI or others. In addition, as mentioned above, the harm flowing from NSI's policy extends far beyond the domain names that are put "on hold" due to its policy, because many domain name holders have been coerced into giving up their domain names simply in response to a trademark holder's threat to use the policy.

Under NSI's second[55] and third[56] policies (in effect from July 1995 to September 1996), there was only one other means (other than suing NSI) by which a non-infringing domain name holder, which had received a thirty-day letter, could retain its domain name[57]—rushing to a country in which the non-infringing holder could obtain a trademark registration could be obtained quickly. Under these policies, the recipient of a thirty-day letter was invited to supply (prior to the expiration of the thirty-day period) proof that it was the holder of a trademark registration, in which case NSI would not deactivate the domain name.[58] Only one country—Tunisia—can provide a trademark registration (and the special "certified copy" of the registration which NSI demands) in such a short time; accordingly, several recipients of thirty-day letters have used Tunisian trademarks

55. *See generally NSI Domain Dispute Resolution Policy Statement* (visited Jan. 12, 1997) <ftp://rs.internic.net/policy/internic/internic-domain-1.txt>.

56. *See generally NSI Domain Dispute Resolution Policy Statement* (visited Jan. 12, 1997) <ftp://rs.internic.net/policy/internic/internic-domain-4.txt>.

57. There is one other fact pattern which can be imagined—namely, the case in which a domain name holder that happens to already have a trademark registration finds itself the recipient of a thirty-day letter. As mentioned earlier, this would not happen, practically speaking, because the would-be challenger would do a trademark search first to see if the domain name holder had a trademark registration, and would not bother initiating the challenge if a trademark registration held by the domain name holder were found in the search.

58. Interestingly, the drafters of the NSI policy had presumably selected 30 days on the mistaken assumption that it was impossible to obtain a trademark registration in that short period of time.

to attempt to stave off loss of their domain names. NSI's fourth policy,[59] however, which went into effect on September 9, 1996, eliminates this option by stating that the domain name holder can use a trademark registration to halt the NSI proceeding only if the holder obtained the registration prior to the start of the NSI challenge proceeding. Consequently, the only reliable line of defense that remains for a non-infringing domain name holder which does not already hold a trademark registration is to sue.[60]

Under NSI's fourth policy, the only safe harbor for a domain name holder (short of suing NSI upon receipt of a thirty-day letter) is to somehow obtain a trademark registration identical to the text of the domain name. Nonetheless, obtaining a U.S. trademark takes a year or more. Thus, the domain name holder that wishes to immediately protect itself from an NSI thirty-day letter has no choice but to obtain a Tunisian trademark registration. Of course, most domain name holders will not do this—it seems silly to obtain a trademark in a country in which one has no intention of doing business. Instead, it is fair to assume that many domain name holders will file trademark applications with the U.S. Patent and Trademark Office ("USPTO"), given that most of the domain name holders regulated by NSI are in the United States. As there are presently some half a million domain names administered by NSI, this can reasonably be expected to result in tens of thousands of trademark applications filed with the USPTO that would otherwise never have been filed.[61] This will result in a severe overload of the existing

59. *See generally NSI Domain Dispute Resolution Policy Statement* (visited Jan. 12, 1997) <ftp://rs.internic.net/policy/internic/internic-domain-6.txt>.

60. Otherwise, one must be concerned as to whether the registration authority will comply with orders of the court.

61. *Cf.* Mummery et al., *supra* note 13, at S8 ("Following the issuance of [NSI's] most recent policy statement, the [US]PTO experienced a tremendous increase in filings in connection with domain names."). *But see id.* ("As of October 1996, there were approximately 1,000 [US]PTO applications for 'com'-formation marks.").

trademark examining corps within the USPTO.[62]

Fundamentally, the problem with the present NSI policy is that a domain name holder cannot protect itself from loss of its domain name merely by avoiding trademark infringement.[63] The domain name holder is forced to obtain a trademark registration itself, a process which takes many months or years in most countries. A related problem is that—at least in the United States—trademark registrations are not available to all applicants as a matter of right. To obtain the registration, it is necessary to state under oath that one is actually using the trademark in interstate commerce to indicate the origin of goods or services. Nonetheless, there are probably a substantial number of domain name holders who do not, in fact, use their domain names to indicate the origin of goods or services; rather, such holders might only use their domains in connection with a company name or line of business. In addition, there are probably a substantial number of domain name holders who, even if they do use a domain name to indicate the origin of goods or services, do not do so in interstate commerce. All such domain name holders are stuck between the USPTO, which will not grant them trademark registrations, and NSI, which maintains that nothing but a trademark registration provides defense against a thirty-day letter.

It should be noted that while the NSI policy does give "special relief" to trademark holders, it does not accomplish everything that a trademark holder might desire. More importantly, from the trademark holder's perspective, the NSI

62. The USPTO has indicated that it plans to conduct a public policy-making proceeding in the coming months to attempt to figure out what to do about this problem created by NSI. *See generally Registration of Domain Names in the Trademark Office* (visited Jan. 12, 1997) <http://uspto.gov/web/uspto/info/domain.html>.

63. In all other areas of human endeavor, such as product packaging or naming, simply avoiding infringement *does* provide such protection; it is only in the specific area of NSI-administered domain names that this great risk presents itself.

policy falls short because winning a domain name challenge proceeding does not mean the trademark holder controls the domain name. Instead, NSI places the domain name "on hold." Removing this hold requires subsequent litigation or "incentive payments" to the domain name holder to induce it to relinquish the domain name.

For the trademark holder that merely wants to bring a halt to infringement of its mark, the NSI policy is fully satisfactory. When NSI places a domain name "on hold," the trademark holder stops the infringement at nominal cost (less than a dollar), while leaving to NSI much of the litigation risk from the domain name holder.

Nonetheless, many trademark holders want more than simply a domain name placed "on hold"—they want the domain name itself. In this case, the trademark holder has no choice but to sue the domain name holder, the same result as if NSI had kept RFC 1591 as its policy. In addition, the trademark holder would probably also sue NSI to ensure that the registration authority complies with any subsequent court order.[64] Indeed, this very situation has arisen at least four times since July 1995.[65]

---

64. It might be thought that the trademark holder could dispense with naming NSI as a party, because NSI's present policy says it will obey court orders. But NSI could change its policy in this regard at any time; recall that NSI is now on its fourth policy in 13 months, and has repeatedly said that it is entitled to change its policy at will on a mere 30 days' notice. Indeed, it is a very trusting litigator who would choose *not* to name NSI as a party when suing a domain name holder, given NSI's unpredictable behavior.

65. The cases are *Porsche Cars North America v. Chen*, No. 96 Civ. 1006 (E.D. Va. filed July 26, 1996) (*porsche.com*); *American Commercial v. Sports & Leisure*, No. 96 Civ. 713 (C.D. Cal. filed July 25, 1996) (*mikasa.com*); *Panavision International v. Toeppen*, 40 U.S.P.Q.2d (BNA) (C.D. Cal. 1996) (*panavision.com*); and *Prestone Products v. Maynerd Collision*, No. 96 Civ. 234 (E.D. Va. dismissed Mar. 5, 1996) (*prestone.com*). Much information about these six cases is available at *NSI Flawed Domain Name Policy Information Page* (visited Jan. 12, 1997) <http://www.patents.com/nsi.sht>.

IV. CRITIQUE OF PROPOSED SOLUTIONS FOR DOMAIN NAME TRADEMARK DISPUTES

A. *Exempting Domain Names from Trademark Law*

Some commentators advocate that the domain name system be exempt from trademark laws. Such commentators argue that the trademark system simply does not map on to the domain name system. Clearly, this proposal is the most extreme. While there may be some truth to this argument, the underlying problem is neither new nor unique to domain names: there is likewise no workable mapping from trademarks to alphanumeric telephone numbers, postal addresses, radio and television station call letters, names of pedigreed dogs or horses, or stock exchange ticker symbols.[66] Nonetheless, trademark law has been held applicable in these analogous situations,[67] and there is no compelling reason why Internet domain names should be treated any differently. Exempting domain names from trademark law is an unsatisfactory and simplistic solution to a complex problem.

Other commentators maintain that the domain name system, from its beginnings, was never intended to be a directory system. This statement is slightly disingenuous, however, considering no one has ever expected, for example, that *mit.edu* would map to anything other than MIT, or that *harvard.edu* would map to anything but Harvard University.

---

66. *See* Dan L. Burk, *Trademarks Along the Infobahn: A First Look at the Emerging Law of Cybermarkets*, 1 U. RICH. J.L. & TECH. 1 (1995) (visited Jan. 12, 1997) <http://www.urich.edu/~jolt/vlil/burk.html> (discussing telephone numbers); Barger, *supra* note 14, at 636 ("Similarities to domain name trademark issues can be found in cases involving . . . radio stations.). It often happens, for example, that a company making arrangements to be listed on a stock exchange finds that the ticker symbol it prefers has already been taken by some other company.

67. *See, e.g.*, Walt-West Enters., Inc. v. Gannett Co., Inc., 695 F.2d 1050 (7th Cir. 1982) (radio station call letters). There is, however, a split in jurisdictions concerning the application of trademark law to telephone mnemonics. *See* Terry Ann Swift, *Telephone Numbers That Spell Generic Terms: A Protectable Trademark or an Invitation to Monopolize the Market?*, 28 U.S.F. L. REV. 1079 (1994).

Likewise, it is fair to say that once the *com* domain was defined, nobody would have expected *xerox.com* to map to anything but the Xerox Corporation. Indeed, since the introduction of the domain name system, it has been hoped that domain names would be easily guessed. Furthermore, until Web search engines became common sometime in 1995, there were only four ways to obtain one's domain name (and e-mail address): (1) wander from site to site in Gopherspace,[68] hoping to find the answer; (2) use Whois[69] to search for the organization's name; (3) guess that the domain name might be the organization's name or some variation on it; or (4) telephone the individual or organization and ask. Such methods of obtaining a domain name led to a perception by large corporations that the *only* acceptable domain name is the corporation name followed by *com*.[70] Nonetheless, this perception is misplaced.

While many people have remarked upon the great speed with which the World Wide Web has transformed the ways people use the Internet, very few predicted the almost instantaneous development of search engines—such as Lycos, Infoseek, and Altavista—that offer extraordinary searching power and convenience *for free* to all users. Search engines offer users the ability to find the domain name for any large corporation quite easily—even if that domain name is not the corporate name followed by *com*.[71] Indeed, once a user

68. The Gopher system is a type of menu-based browsing in which the user is presented with a very simple text menu. G. Burgess Allison, *A Bestiary Of Internet Services*, ABA L. PRAC. MGMT., Mar. 1995, at 28. Certain menu options allow the user "to 'wander around' from site to site to site." *Id.* Indeed, "[w]ith a few quick menu choices, you may find yourself jumping to different host computers around the world: Minnesota, Japan, Singapore, Australia and back to the U.S. again in less than a minute." *Id.* Nonetheless, "[i]t's eas[y] . . . to lose track of where you are and forget the path you used to get there." *Id.*

69. "Whois" is a navigation aid service which provides directories of domain names at <http://www.thomson-thomson> and <http://rs.internic.net/cgi-bin/whois>. *See* Mummery et al., *supra* note 13, at S8 n.30; Allison, *supra* note 68, at 28.

70. *See supra* notes 17-21 and accompanying text.

71. As the court explained in *Intermatic Inc. v. Toeppen*:

has plugged in the company name to any search engine and found the company's Web site, the user may then make a bookmark[72] in his or her Web browser,[73] and thus never need to type in the domain name even once. It is likely that new metalevels (in addition to the search engine capabilities) will be developed and imposed between the user and the domain name system, making it increasingly unimportant for a company to have its exact name as its domain name. Such developments will probably be as difficult to foresee as search engines were.

B. *Legislative Immunity for Domain Name Registration Authorities*

Some writers suggest that legislatures should grant domain name registration authorities blanket immunity from lawsuits. In their view, immunity is appropriate because registration authorities hold a position of trust with respect to the Internet—an extraordinarily important part of modern society. Nonetheless, this argument is flawed for several

---

> There are a number of ways for an Internet user to find a web page. Web browsers feature access to various indexes, commonly referred to as search engines. Well-known indexes include InfoSeek Guide, Lycos, Magellan, ExCite and Yahoo. These indexes will allow the user to enter a name or a word or a combination of words, much like a Lexis or WestLaw search, and will return the results of the search as a list of "hyperlinks" to webpages that have information within or associated with the document comprising the page responding to the search.

40 U.S.P.Q.2d 1412, 1415 (N.D. Ill 1996); *see also infra* note 72 (defining a "bookmark").

72. Once a user has found a particularly interesting Web site that he or she visits regularly, the user can create an electronic "bookmark" that enables future access to the site with a single click of a mouse. *See* Linda Karr O'Connor, *Best Legal Reference Books of 1994*, 87 LAW LIBR. J. 310, 347 (1995); Todd Woody, *Is Your E-mail Box Full? A Few Coping Strategies*, LEGAL TIMES, June 3, 1996, at 29 (explaining that bookmarks are convenient, because "[y]ou merely click on the name of the site and you're on your way, without having to type in a 40-letter site address"). *But see id.* ("Trouble is, you can soon find yourself with such a long list of [bookmarked] sites that it takes longer to search the index than to type in the address.").

73. A "web browser" provides the user with Internet access to both topical directories and search engines. Eugene Volokh, *Law and Computers: Computer Media for the Legal Profession*, 94 MICH. L. REV. 2058, 2064 (1996).

reasons.

First, a trademark holder with a gripe over the actions of a domain name holder (or a trademark holder that merely covets a particular domain name) is not the only party which might sue a registration authority. A domain name registration authority might also be sued by a visitor to its facilities who slips and falls in the reception area, or by a creditor who claims a bill has gone unpaid. Such lawsuits are a simple fact of conducting business with the public. There is no compelling reason why any particular category of lawsuit should be specially prohibited by some legislative immunity.

Second, immunity from suit essentially grants the registration authority a blank check to engage in arbitrary and capricious conduct without fear of having to answer for its actions. For many domain name holders, the judicial system is the only means of protection against such conduct.

Third, as described above, the specter of liability arising out of the conduct of a domain name holder—cited by NSI as a justification for its controversial policy—is greatly exaggerated. No domain name registration authority has ever been held liable for the conduct of a domain name holder, nor has any domain name registration authority ever been sued by a trademark holder for money damages. Indeed, awards of money damages in analogous trademark decisions—such as suits against publishers for trademark infringement by advertisers—are quite rare;[74] in most trade-

74. In such a scenario, 15 U.S.C. § 1114(2)(B) limits the potential remedy to an injunction against future publication:

> [T]he remedies given to the owner of a right infringed under [the Lanham] Act . . . shall be limited as follows . . .
>
> (B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of title 18, United States Code, the remedies of the owner of the right infringed . . . shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this

mark cases, injunction remedies follow, if any remedy is awarded at all. As discussed above, courts have held that neither the New York Stock Exchange nor NSI itself has a general duty to investigate the possibility of trademark infringement.

Finally, to the limited extent that a domain name registration authority has any legitimate concern about lawsuits by trademark holders, the registration authority can put a cap on its legal expenses by simply tendering the domain name to the court in an interpleader action.[75] What follows is a period of little or no legal expense for the registration authority.

C. *The Federal Trademark Dilution Act*

Another approach frequently used to address domain name trademark disputes is the Federal Trademark Dilution Act of 1995 ("Dilution Act").[76] Generally speaking, the Dilution Act prohibits use of a "famous" trademark by anyone other than the mark's holder—even where the subsequent use is in a different market or is not likely to confuse the public.[77]

> subparagraph shall apply only to innocent infringers and innocent violators.

15 U.S.C. § 1114(2) (1994).

75. *See infra* notes 93-96 and accompanying text (suggesting that registration authorities adopt the doctrine of interpleader in domain name disputes).

76. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985, 986 (1996) (codified at 15 U.S.C. §§ 1125(c), 1127); *see, e.g.*, Toys "R" Us, Inc. v. Akkaoui, 40 U.S.P.Q.2d (BNA) (N.D. Cal. 1996) (enjoining use of the domain name, "adultsrus," where that use was dilutive of the plaintiffs mark, "Toys 'R' Us," under the Dilution Act); Intermatic Inc. v. Toeppen, 40 U.S.P.Q.2d (BNA) 1412 (N.D. Ill. 1996); Hasbro, Inc. v. Internet Entertainment Group, Ltd., 40 U.S.P.Q.2D (BNA) 1479 (W.D. Wash. 1996) (enjoining preliminarily defendant's use of the domain name, "candyland.com," to identify a sexually explicit Internet site); Panavision Int'l, L.P. v. Toeppen, 40 U.S.P.Q.2d (BNA) 1908 (C.D. Cal. 1996) (awarding plaintiff right to use the domain names, "panavision.com" and "panaflex.com"); Actmedia, Inc. v. Active Media Int'l, Inc., No. 96-C3448, 1996 WL 466527 (N.D. Ill. July 17, 1996) (enjoining defendant's use of the domain name, "actmedia.com"); *see also infra* note 86 and accompanying text (explaining that plaintiffs in domain name trademark cases regularly assert the Dilution Act).

77. *See* 15 U.S.C.A. § 1125(c) (1996); *Toys "R" Us*, 40 U.S.P.Q.2d at 1838-39

Some of the legislative history surrounding passage of the Dilution Act suggests that Congress intended the statute to alleviate domain name disputes, by making it easier for trademark holder to enjoin use of a mark as a domain name by another individual or organization.[78] Nonetheless, as explained below, the ambiguous language of the Dilution Act actually exacerbates the precise problem the legislative history asserts that it simplifies.

1. Introduction to Trademark Dilution

Most trademarks are not unique. There is, for example, both a Yale lock company and a Yale University, neither of which will ever be able to prevent the other from using the name "Yale." As a general rule, the holder of a trademark will only be able to enjoin use of the mark by another individual or organization if, in the opinion of a court, that other use gives rise to customer confusion.[79] Because a court will

---

(applying the Dilution Act to a domain name trademark dispute).

78. *See* 141 CONG. REC. S19312, S19312 (Dec. 29, 1995) (statement of Sen. Leahy, D-VT); *infra* note 85 and accompanying text (discussing some the Dilution Act's legislative history).

79. *See* Patricia J. Kaeding, *Clearly Erroneous Review of Mixed Questions of Law and Fact: The Likelihood of Confusion Determination in Trademark Law*, 59 U. CHI. L. REV. 1291, 1291 (1992) ("The key issue in a trademark infringement case is whether the contested mark creates a likelihood of confusion with a previously used or registered mark."). According to 15 U.S.C. § 1114(1):

> Any person who shall, without the consent of the registrant—
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is *likely to cause confusion, or to cause mistake, or to deceive*; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is *likely to cause confusion, or to cause mistake, or to deceive*, . . .
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(1)(a)-(b) (1994) (emphasis added). A court may compare, for example, the goods and services offered by one company with the goods and ser-

not find customers of the Yale lock company to be confused as to the origin of Yale University's services, and vice versa, trademark law will not allow either to block use of the "Yale" mark by the other.

A tiny fraction (probably less than one percent) of trademarks are indeed unique. Kodak, Xerox, and Exxon, for instance, are all coined names used solely by their namesakes. Legislatures have responded to the requests of the Kodaks and the Xeroxes of the world by enacting so-called antidilution laws.[80] Such laws permit the holder of a unique trademark to enjoin use of that mark by another individual or organization, regardless of whether or not the use gives rise to confusion.[81] The accused infringer in a dilution case cannot claim as a defense that its goods or services have no overlap with those of the trademark holder; the only defense is to show that the trademark is not the kind of mark that is protectable by the antidilution law (*i.e.*, that it is not unique).

For the drafter of an antidilution law, the single most important task is to provide cogent and workable criteria for determining whether a particular trademark deserves the special status of being "undilutable"—namely, whether the court will enjoin accused infringers without the trademark holder's having to show that the actions cause marketplace confusion. Many U.S. states have antidilution laws, the language of which often defines an undilutable mark as a

---

vices of the other, and, if there is no overlap, the court may find that there is little likelihood of confusion.

80. For example, the legislative history behind a New York state dilution statute, section 368-d of the General Business Law, lists the following as examples of diluting tradenames: "Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, [and] Bulova gowns." 1954 N.Y. LEGIS. ANN. 49; *see* N.Y. GEN. BUS. LAW § 368-d (McKinney 1996).

81. An antidultion statute "prohibits uses [of a trademark] which, although not likely to confuse consumers as to source, tend to weaken the unique association of the mark with the trademark owner." Anheuser-Busch, Inc. v. Balducci Publs., 28 F.3d 769, 777 8th Cir. 1994), *cert. denied*, 115 S. Ct. 903 (1995); *see, e.g.*, Tiffany & Co. v. Boston Club, Inc., 231 F. Supp. 836, 844 (D. Mass. 1964) (enjoining Boston restaurant's use of New York jeweler's "Tiffany" mark).

coined mark or as a unique mark—that is, a mark which is used by only one company.[82]

2. The Trademark Dilution Act and its Effect on Domain Name Disputes

Congress passed the Dilution Act in January 1996.[83] In a move that virtually assured frequent collisions on the Internet for years to come, Congress failed to provide any but the vaguest of language concerning which trademarks deserve the special status of being federally undilutable. The Dilution Act merely states that such a trademark has to be "famous," and subsequently provides a list of eight factors which are nonbinding on courts in their efforts to determine whether a trademark is "famous."[84]

---

82. *See, e.g.*, CAL. BUS. & PROF. CODE § 14330 (West 1996) (California); DEL. CODE ANN. tit. 6, § 3313 (1996) (Delaware); FLA. STAT. ANN. § 495.151 (West 1996) (Florida); ILL. REV. STAT. ch. 765, para. 1040-42 (1996) (Illinois); MASS. GEN. L. ch. 110B, § 12 (1996) (Massachusetts); N.Y. GEN. BUS. LAW § 368-d (McKinney 1996) (New York); Pennsylvania, 54 PA. CONS. STAT. ANN. § 1124 (1996); TEX. BUS. & COM. CODE ANN. § 16.29 (West 1996) (Texas).
The legislative history surrounding the Dilution Act includes an excellent summary of each state's laws and important cases on dilution. *See Federal Trademark Dilution Act of 1995: Testimony on H.R. 1295 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong., 1st Sess. (1995) (statement of Thomas E. Smith, Chair, American Bar Association Section of Intellectual Property Law).

83. *See* Federal Trademark Dilution Act of 1995, 109 Stat. at 986.

84. 15 U.S.C.A. § 1125(c)(1) explicitly authorizes courts to consider:

> (A) the degree of inherent or acquired distinctiveness of the mark;
>
> (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
>
> (C) the duration and extent of advertising and publicity of the mark;
>
> (D) the geographical extent of the trading area in which the mark is used;
>
> (E) the channels of trade for the goods or services with which the mark is used;
>
> (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' [sic] owner and the person against whom the injunction is sought;
>
> (G) the nature and extent of use of the same or similar marks by third parties; and
>
> (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

Concerning the Dilution Act, Senator Patrick Leahy remarked: "[i]t is my hope that this antidilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others."[85] Accordingly, one might anticipate that every trademark holder turned litigant would claim that its mark is "famous," and would thus argue that it need not demonstrate in court that an accused infringer was actually causing confusion. Such intuition is entirely accurate, as every trademark holder suing over a domain name since Congress enacted the federal antidilution law has asserted the statute.[86] Not surprisingly, each lawsuit has also been accompanied by a brief which quotes Senator Leahy's statement. Surely, not all of the asserted trademarks are, in fact, "famous," unique, or coined; yet, trademark holders uniformly make such claims for the simple reason that there is always some chance, however remote, that a court may find a particular mark "famous."

Consequently, Congress, by passing an antidilution law with such a vague definition of the term "famous," has fanned the flames, rather than smothered the ashes, of Internet domain name problems. As a practical matter, this problem will be extinguished only with the passage of time, as the U.S. courts have the opportunity to interpret the term, and eventually provide some sharper dividing line between the tiny handful of trademarks that deserve special antidilution treatment and the vast majority of other trademarks that do not. Until then, one may predict with near certainty that every U.S. lawsuit asserting a trademark will invoke the Di-

---

15 U.S.C.A. § 1125(c)(1).

85. 141 CONG. REC. S19312, S19312 (Dec. 29, 1995).

86. *See e.g.*, Toys "R" Us, Inc. v. Akkaoui, 40 U.S.P.Q.2d (BNA) (N.D. Cal. 1996); Intermatic Inc. v. Toeppen, 40 U.S.P.Q.2d (BNA) 1412 (N.D. Ill. 1996); Hasbro, Inc. v. Internet Entertainment Group, Ltd., 40 U.S.P.Q.2D (BNA) 1479; Panavision Int'l, L.P. v. Toeppen, 40 U.S.P.Q.2d 1908 (BNA) (C.D. Cal. 1996); Actmedia, Inc. v. Active Media Int'l, Inc., No. 96-C3448, 1996 WL 466527 (N.D. Ill. July 17, 1996).

lution Act, thereby exacerbating the problems with the present NSI policy.

For example, under the present NSI policy, a trademark holder that wants NSI to deactivate a domain name must first write a letter to the domain name holder stating "unequivocally and with particularity that the registration and use of the Registrant's Domain Name violates the legal rights of the trademark holder."[87] Because the Dilution Act is one of the "legal rights" that any trademark holder can assert (in the hopes that its trademark will be deemed famous), and because no one presently knows what constitutes a "famous" mark, any trademark holder can quite easily make the assertion required by NSI based on the federal antidilution law, even if the domain name holder is not causing any confusion.

D. *Addition of New Top-Level Domains*

Another proposal for dealing with the issue of domain name trademark disputes is establishing new TLDs, corresponding to each of the several dozen international trademark classifications.[88] For instance, while the makers of York air conditioners and York Peppermint Patty candies cannot both have *york.com*, under this proposal, one might have *york.mach* (for machinery) while the other might have *york.food*. Critics of this proposal point out correctly that even within a single international trademark classification, it is commonplace to find dozens of companies with the same name. Such companies coexist peacefully in everyday trademark scenarios because their respective lines of business do not overlap, even though the companies happen to be in the same trademark classification. Yet, with respect to

87. *Network Solutions' Domain Name Dispute Policy*, ¶ 5(b) (visited Jan. 12, 1997) <ftp://rs.internic.net/policy/internic/internic-domain-6.txt>.

88. *See generally* David Collier-Brown, *On Experimental Top Level Domains* (visited Jan. 12, 1997) <http://java.science.yorku.ca/~davecb/tld/experiment.html>; *see generally* PATENT AND TRADEMARK OFFICE, UNITED STATES DEP'T OF COMMERCE, TRADEMARK MANUAL OF EXAMINING PROCEDURE (Supp. 1989).

domain names, such a proposal would lead to trademark collisions. Critics of this proposal also point out correctly that trademark holders often seek protection for not only their present lines of business, but also all potential future lines of business. Thus, if trademark-classification domain names were announced, one could presume, for example, that the Disney company would sign up instantly for *disney.food* and *disney.mach*, simply to protect possible future brand name extensions.

Still another proposal for lessening or eliminating domain name trademark disputes is adding new TLDs that would compete with *com* and would be administered by registration authorities other than NSI.[89] Frequently mentioned suggestions for new TLDs include *alt*, *biz*, and *corp*. Some commentators advocate that the availability of new TLDs would relieve pressure on *com* by providing other means by which corporations could obtain domain names identical to their respective company names. Nonetheless, there are several reasons to predict that additional TLDs will not alleviate domain name trademark disputes.

First, a company that has spent years developing a business that relies upon some particular *com* domain name is unlikely to reregister under some new TLD. To do so would undermine all accumulated goodwill and render useless users' Web browser bookmarks, which often assure a Web site future visits and future business.

Second, there are already over 100 top-level domains (including, for example, over 100 two-letter domains corresponding to countries). Many hundreds of domain name challenges (and many lawsuits) have been brought by trademark holders who could have registered in any of these hundred-odd domain names, but who preferred a

89. *See* Dan Goodin, *Proposal Would Open Up Internet Address Registry*, RECORDER, Dec. 30, 1996, at 1; Dan Goodin, *Fenwick Partner to Referee Domain Name Free-for-All*, RECORDER, Dec. 9, 1996, at 4.

com domain. There is little reason to expect that offering additional top-level domains will change the perception that *com* is the only commercially viable TLD.

The third and final argument against adding new TLDs is that it unlikely that the present domain name trademark problems stem from pressure on the *com* domain, as some commentators have suggested; that *com* is full or that the present addressing space is not big enough to accommodate all who wish to have distinct domain names is simply incorrect. Problems to be rectified by any proposed additions or changes to TLDs—that is, characters to the right of the "dot"—could just as well be solved by modifications to second-level domains—that is, characters to the left of the "dot."[90] For example, suppose that United Air Lines wants a domain name, but that the company's first choice, *united.com*, is taken already. While some proponents of additional TLDs would argue that the best (or only) way to accommodate the airline would be to create a new TLD, *air* (to permit the airline to have a domain name *united.air*), the reality is that the tinkering could take place to the left of the dot, yielding perhaps *united-air.com*, *unitedair.com*, or *unitedairlines.com*. The address space in *com* will never run out.

This is not to say that it would be futile to establish new TLDs. Indeed, it would probably make sense to add a number of new, nongeographic TLDs, distinguished not by the connotations of the letters making up the domain, but rather by differing policies or levels of service of the registration authorities: one registration authority might distinguish itself by price, charging little in the way of annual fees; another might distinguish itself by promising not to deactivate a domain name, unless ordered to do so by a court; and yet another registration authority might promise to have efficient and accurate billing and invoicing.

Perhaps with the passage of time, the perception that an

90. *See supra* note 10 (defining the "dot" in an Internet domain name).

easily guessed *com* domain is crucial will fade. This may happen because of: (1) a heightened appreciation of search engines; (2) shifting fashions in TLDs; or (3) some future metalevel change—such as a shift away from character-based input to speech recognition—in the way people interact with the Web and the Internet. Nonetheless, for the near future, there are half a million stakeholders, present-day domain name holders who need predictability and stability to justify further investment of money, sweat, and human creativity into their respective Internet-related businesses. Accordingly, the present regime, in which a domain name can be stripped away on only thirty days' notice from someone who is not doing anything wrong, has to change.

V. SUGGESTIONS FOR DESIGNING THE BEST DOMAIN NAME TRADEMARK POLICY

This Essay now turns to the question of how to design the best domain name trademark policy. To this end, some commentators suggest that the acceleration of technological change is so great that the legal system cannot keep pace. This view is offered in support of any number of propositions: that copyright laws should not prohibit copying of Internet postings, that the patent system should not apply to computer programs, and that trademark laws should not affect domain names. Leaving those debates aside, the legal system is nonetheless the mechanism through which disputes in modern society are decided.[91] As a result, registration authorities must establish reasonable policies through which domain name disputes can be resolved fairly and at minimal cost. Such policies would result if registration authorities were to adopt the following suggestions.

A. *NSI and Other Registration Authorities Should Adopt*

91. *Cf.* Intermatic Inc. v. Toeppen, 40 U.S.P.Q.2d (BNA) 1412, 1412 (N.D. Ill. 1996) ("As the Internet grows in prominence as a venue for business, the courts will be called upon to apply traditional legal principles to new avenues of commerce.").

RFC 1591 in Full

The first suggestion for designing the best domain name trademark policy follows the conventional wisdom, "if it ain't broke, don't fix it;" in other words, NSI and other registration authorities should adopt RFC 1591 in full.

When a policy yields outcomes that differ from what a court would do, the policy-maker will certainly be sued. When the policy yields the same outcome, however, the policy-maker will unlikely be sued. This simple observation demonstrates how wise the drafters of RFC 1591 were.[92] Under RFC 1591, a registration authority does not actively participate in a domain name dispute, and thus does not contradict what a court would do. Implicit in RFC 1591 is that the registration authority will obey all court orders. By definition, this means that the registration authority does exactly what a court would do (because it does what the court tells it to do). As a result, there is little reason to sue a registration authority that adopts RFC 1591 (other than ensuring for procedural reasons that the registration authority is a party to the case, and thus has no option but to obey the court order).

B. *Registration Authorities Should Use the Doctrine of Interpleader to Minimize Legal Expenses*

---

92. NSI has justified its domain name trademark policy on the grounds that the registration authority is stuck between the polarized demands of trademark holders and domain name holders. NSI says that its policy is an attempt to balance these allegedly divergent views, and that NSI should thus be forgiven for adopting a policy which neither camp finds acceptable. It is therefore extraordinarily significant that the Internet Subcommittee of the International Trademark Association ("INTA") has released a policy recommendation for domain name trademark disputes that turns out to be in substantial agreement with the policy recommendations of parties that are supposedly at opposite ends of the spectrum (e.g., the recommendations of this Essay). *Proposed Domain Name Registry Policy* (visited Jan. 12, 1997) <http://plaza.interport.net/inta/intaprop.html>. The policy recommendations of the Internet Ad Hoc Committee are likewise in substantial agreement with those of the INTA subcommittee and with those Essay. *Draft Specifications for Administration and Management of gTLDs* (visited Jan. 12, 1997) <http://www.iahc.org/draft-iahc-gTLDspec-00.html>.

1. Application of Interpleader to Domain Name Disputes in Theory

In every case to date in which a trademark holder has sued a registration authority, the trademark holder has also sued the domain name holder. Nonetheless, it would not be unrealistic to suppose that a trademark holder might sue the registration authority alone, perhaps seeking a court order directing that the trademark holder receive the domain name. In such a case, the registration authority should use the doctrine of interpleader to minimize legal expenses.[93]

The law of interpleader originated in the banking context. If two parties (e.g., would-be heirs of a deceased account holder) both wanted the contents of a particular bank account, the first party might have sued the bank to recover the money. Under the doctrine of interpleader, the bank did not have to defend the lawsuit; rather, it made a formal tender of the asset to the court (typically, the asset itself physically did not change hands), and advised the court that it would dispose of the asset in accordance with the court's orders. The second party was served with papers inviting it to participate in the interpleader action. The parties presented their cases, and the court decided who was entitled to the money.

Similarly, if the first party sued not only the bank, but also the second party, the bank merely interpleaded the asset and waited for the court to rule on the matter. As a result, the doctrine of interpleader reduced the bank's legal costs to a minimum. Upon being sued, the bank simply prepared interpleader papers and watched the incoming mail for a court order informing it that the case was over and that the money should be distributed in some particular way.

93. In the United States, there are two sources of federal interpleader: (1) "Federal Rules" interpleader, and (2) statutory interpleader. *See* FED. R. CIV. P. 22 (Federal Rules interpleader); 28 U.S.C. §§ 1335, 2361 (1994) (statutory interpleader). In addition, most U.S. states have interpleader laws, and many other countries have similar laws.

A domain name registration authority could use interpleader in a similar manner. If sued, the registration authority could simply tender the asset—the domain name—to the court, thereby agreeing to comply with any final order. By doing so, the registration authority could minimize legal expense and would eventually find that trademark holders would not bother to name it as a defendant; they would trust the registration authority to obey the court order anyway.

It is interesting to speculate what would have happened if NSI had responded to the Knowledgenet lawsuit by means of interpleader, rather than with a costly jurisdiction and venue battle. NSI presumably would have had far smaller legal fees, and probably would not have felt compelled to enact a hastily contrived policy in response to such fees. Clearly, NSI has not used interpleader properly.

Interestingly enough, NSI's recently implemented third policy uses a backward variant of interpleader. In each of two recent cases, NSI wrote to a domain name holder and stated that the domain would be deactivated in thirty days.[94] In both cases, the domain name holder responded by suing NSI and requesting a court order to enjoin the deactivation. NSI's response in each case was to file a separate lawsuit initiating an interpleader action against both the domain name holder and the trademark holder. In the case in which the domain name holder was not infringing any trademarks, this result would be doubly unfair, because it would force the domain name holder to incur the expense of defending itself in not one, but two actions.[95] Nonetheless, NSI's use of this backward form of interpleader has failed. In the *clue.com* case, for example, the federal court dismissed NSI's inter-

94. *See* Network Solutions, Inc. v. Clue Computing, Inc., 1996 U.S. Dist. LEXIS 18013 (D. Colo. Oct. 29, 1996); Dynamic Info. System v. Network Solutions, Inc., No. 96 Civ. 1551 (D. Colo. filed June 24, 1996).

95. In one of the cases, the domain name holder must defend itself not only in two actions, but also in two different courts in two different cities. Network Solutions, Inc., v. Clue Computing, Inc., 1996 U.S. Dist. LEXIS 18013 (D. Colo. Oct. 29, 1996).

pleader action, likening NSI to "a wrongdoer with respect to the subject matter of the suit," and stated that NSI is not "free from blame in causing the controversy."[96] The court also concluded that NSI was improperly seeking "to escape adjudication of its contractual duties, and possible liability, in the state court action [that had been initially filed by the domain name holder]."[97]

2. Application of Interpleader to International Domain Name Disputes

The preceding discussion ignores the fact that the Internet has no boundaries, and that the three corners of the dispute triangle may be in three different countries. Accordingly, the discussion refers to "the court" as if there were only one. It is necessary, however, to consider what could happen if the parties were located in several different countries. Suppose, for example, that the registration authority is in country A, the domain name holder is in country B, and the trademark holder is in country C.

The trademark holder, of course, would prefer venue in country C; nonetheless, there are at least two reasons why C is likely to be unsuitable as a forum: (1) country C might not have jurisdiction over the domain name holder, and (2) court orders from C might not be enforceable outside of that country's territory. Alternatively, the trademark holder could sue the domain name holder in country B, seeking an order which directs the domain name holder to transfer the domain name. After all, this is what the trademark holder would have to do in similar disputes. Finally, the trademark holder could simply sue the registration authority in country A, and wait for the registration authority to interplead the domain name and serve the domain name holder with interpleader papers. The proposed domain name policy would not harm the trademark holder, because its only effect

96. *Clue Computing, Inc.*, 1996 U.S. Dist. LEXIS at *8.
97. *See id.* at *8.

would be to increase the number of fora in which the trademark holder could file its lawsuit (two countries in total), in comparison with the number of fora in which the trademark holder could sue if the dispute were in some other area (e.g., a fight over a third-level domain name—namely, the country in which the domain name holder is located).

From the domain name holder's perspective, the proposed policy might seem unfair. After all, the domain name holder would receive interpleader papers inviting it to defend itself in some other country (i.e., the country in which the registration authority is located). The expense and disruption of traveling to that country to defend itself could be great. This would not be a significant problem in the simple case in which a registration authority created a new TLD and disclosed the policy from the outset. In such a case, the domain name holder presumably would have taken the policy into account when choosing the TLD in which to register. If the domain name holder was uncomfortable with the prospect of having to travel to country A to defend itself, or did not trust the courts of country A to decide cases fairly, the domain name holder presumably would have chosen a different TLD from the outset.

The more complicated case would be one in which a registration authority announced that it planned to use interpleader, even with respect to then-current domain name holders. Some might suggest that such a change in policy would be unfair; nonetheless, a domain name holder which selects a registration authority located in a foreign country cannot claim to be surprised if it is hauled into court in that country. Moreover, a domain name holder cannot claim to be surprised if some well-established legal procedure—namely, the law of interpleader—is followed in a case in which it is clearly applicable.

C. *Third-level Domains Should Be Emphasized*

From the very inception of the domain name system, many users expected that third-, fourth-, and higher-level domain names would be commonly used. Indeed, in its early days of domain name administration, NSI urged each domain name holder to maintain only one or two domain names. Nonetheless, now that NSI collects annual fees from every domain registered, it has stopped making such recommendations. The domain name system should return to its roots, and the Internet community and policy-makers should find ways to exert pressure—or at least moral suasion—on those registrants who try to amass second-level domains when a single second-level domain and a number of third-level domains would satisfy such registrants' needs.[98] Accordingly, domain name registration authorities should encourage their customers to use a third-level domain—rather than a second-level domain—when possible; similarly, lawyers advising domain name holders and trademark holders should also try to help their clients understand the purpose of third-level domains.

A higher-level domain benefits the Internet in several respects. First, the name saves work for a registrant's root-level servers, because the servers need only answer "lookup requests" for the second-level domain and not for the third-level domain. Second, the third-level domain name saves work for the administrator of the second-level domain, because the administrator may create and delete all third-level domains locally. Finally (and most importantly for Internet policy-makers), third- and higher-level domains expand the domain name address space and reduce pressure on the root-level domains.

Some of the most highly visible domain name disputes

98. In many countries, the two-letter TLD (e.g., *au* for Australia) is subdivided into content-related second-level domains such as *edu.au* for educational institutions in Australia, *com.au* for commercial entities in Australia, etc. Accordingly, the recommendations of this Essay apply *mutatis mutandis*. For example, if there are conflicts in Australia, they are likely to concern third-level domains (e.g., *clue.com.au*), in which case fourth-level domains should be encouraged (e.g., *clue.hasbro.com.au*).

have involved companies which already have one or more Internet domain names (for example, the company name followed by *com*), but which want additional domain names based on the names of products made by the company.[99] For instance, Hasbro, a maker of children's games, has had the domain name *hasbro.com* since 1994. When Hasbro wanted to establish a Web site for one of its products—the board game, Clue—the most Internet-friendly way to accomplish this would have been to program its *hasbro.com* domain name servers to create *clue.hasbro.com*.

Instead, Hasbro approached NSI and attempted to register *clue.com*, only to find that a company called Clue Computing in Colorado had already registered the name. Further investigation apparently yielded no evidence that Clue Computing was infringing any trademark of Hasbro (presumably because Clue Computing and Hasbro are in very different lines of business). If Clue Computing had been infringing Hasbro's trademark, Hasbro could have filed an ordinary lawsuit demanding the domain name. Nonetheless, absent NSI's policy, such a suit would have been unsuccessful; there are hundreds of businesses called "Clue," none of which has legal grounds for taking *clue.com* from another. As a result, Hasbro would have had no choice but to allow Clue Company to use *clue.com* and to proceed with *clue.hasbro.com* as the domain name for the board game.[100]

NSI's policy, however, provided Hasbro with another avenue for obtaining the domain name. The company simply wrote to NSI, stating that it held a trademark registration for "Clue," and NSI routinely sent a thirty-day letter to Clue Computing. Clue Computing now faces not only the ex-

99. Another example of "improper" registration of second-level domains when third-level domains would use Internet resources more efficiently is a well-known automobile maker that is trying to preclude from others the second-level domain names that correspond to its car models.

100. In fact, Hasbro would even have risked sanctions for filing the suit against Clue Computing. *See supra* note 49 (discussing sanctions for unnecessary litigation under Rule 11 of the Federal Rules of Civil Procedure).

pense of the lawsuit it brought against NSI to enjoin deactivation of its domain name, but also the expense of the additional suit that NSI filed against both it and Hasbro. These are expenses that Clue Computing would never have faced if NSI had retained RFC 1591 as its policy.

D. *Registration Authorities Should Diligently Communicate Policy Changes to Stakeholders*

Diligent communication of any and all policy changes to the stakeholders should be a standard practice of all registration authorities. Failure to communicate such changes leads to profoundly unfair results. For example, current NSI policy enables the trademark holder to surprise the domain name holder; while the trademark holder may take as much time as needed to prepare for a domain name challenge, the domain name holder, in contrast, only has thirty days notice. One might argue, however, that mass notification would be excessively expensive for registration authorities. Nonetheless, such registration authorities may use e-mail for this task at little or no cost. After all, every registration authority already has contact information (including e-mail addresses) for each domain name holder.

To illustrate, consider the domain name holders which registered their domain names long before July 1995—the date NSI effected its latest policy—and which received thirty-day letters and subsequently lost their respective domain names. Clearly, such domain name holders could not have anticipated NSI's policy change at the time they registered. Nonetheless, had NSI contacted all of its domain name holder customers in July 1995 through a simple broadcast e-mail, some of them would have filed trademark applications at that time with the USPTO. By December 1996, many of these domain name holders would have had trademark registrations, and thus would have had a defense against thirty-day letters.

E. *Registration Authorities Should Not Change Policies*

Retroactively

One of the most controversial aspects of NSI's revised policy is that it makes a drastic change to the registration rules and applies that change to domain names that were registered long ago. A domain name holder who registered a *com* domain in 1994, for example, did so at a time when the only way a domain name could be taken away was by court action; more importantly, a court would only take away the domain name if the domain name holder had committed some wrong. The domain name holder presumably chose to invest time and money in its business with this procedure in mind. With the July 1995 policy, however, all that changed—suddenly, a domain name could be deactivated even if the domain name holder was not doing anything wrong.

If a registration authority chooses to change a policy retroactively, extreme care should be taken in the design of the policy to avoid causing harm to those who registered domain names earlier in good faith and who are not infringing any trademarks.

F. *The Registration Authority Should Conduct Deliberations on an Open Record*

The final suggestion for designing the best domain name policy is that the registration authority should conduct its deliberations on an open record. The reasons supporting this suggestion are analogous to those supporting open proceedings by courts. First, open proceedings in the courtroom promote settlement because parties to a dispute can predict how a court would likely decide their case and can thus settle on similar terms; settlement also promotes judicial economy and saves the litigants the cost of going to court. Second, open proceedings reassure the public that the judicial system is fair.

Registration authorities should keep open records for similar reasons. An open record would encourage domain name holders and trademark holders to reach resolutions without involving the registration authority or a court; the parties could simply predict for themselves what the likely outcome would be, and could settle on those terms. An open record would likewise reassure domain name holders and trademark holders that registration authorities decide disputes fairly. Maintaining an open record is particularly important if the registration authority has interests which are not fully disclosed and which may conflict with the interests of domain name holders. Indeed, new registration authorities should be strongly encouraged to reveal any potential conflicts.

Despite the compelling reasons supporting an open record, all NSI deactivation proceedings are conducted in secret; moreover, NSI's past and present policies contain vague areas (e.g., what trademarks and domain names it considers "identical," and how strongly worded a trademark holder's letter must be to trigger an NSI deactivation proceeding). This leaves the public no way of knowing whether NSI is fair in its decision-making, and leaves disputants unlikely to settle their differences because each may have a different prediction as to how NSI would decide a particular dispute.

Ideally, a registration authority would defer to the courts in resolving Internet domain name disputes; this procedure would thus leave very little for the registration authority to disclose on its open record, considering it would make few, if any, decisions.

CONCLUSION

Trademark problems regarding Internet domain names are of increasing concern to companies involved in electronic commerce. Domain names are of particular importance to Web-related businesses; obtaining a particular domain name is often viewed as crucial, and losing a domain name can mean going out of business. As a result, when developing a domain name policy, the registration authority must balance the competing interests of all parties involved.

The current policy of the largest registration authority—NSI—is unfair to domain name holders and must change. Commentators have suggested a variety of proposals for addressing the shortcomings of NSI's policy: exempting domain names from trademark law, granting registration authorities legislative immunity from lawsuits, applying the Federal Trademark Dilution Act to domain name disputes, and adding new top-level domains. Nonetheless, these suggestions are misguided and inadequate.

This Essay suggests that domain name registration authorities adopt a first-come, first-served policy for registration of domain names. Alternatively, this Essay proposes that registration authorities impose an objective, first-level screen before granting registration on such a basis, by asking that an applicant show organizational papers (e.g., articles of incorporation, doing-business-as statement, birth certificate), which indicate a putative right to use the proposed domain name.

Registration authorities should not decide which party is entitled to a particular domain name when a dispute arises; rather, they should use the doctrine of interpleader to bring all parties to a dispute into court, and allow the court to make substantive decisions. To the extent that the registration authority chooses to make such decisions, all deliberations should be conducted on an open record. Furthermore, all individuals and organizations involved in domain name registration should emphasize third-level domains to applicants as an Internet-friendly way to design commercially viable Web sites. Finally, registration authorities should diligently communicate policy changes to stakeholders, and should not apply policy changes retroactively. By doing so, registration authorities will avoid the majority of lawsuits, minimize legal expenses, and serve clients efficiently and fairly.