

MARKETING YOUR WEBSITE: LEGAL ISSUES RELATING TO THE ALLOCATION OF INTERNET DOMAIN NAMES

BRIAN FITZGERALD* LEIF GAMERTSFELDER** TONJE GULLIKSEN***

OVERVIEW

The cyberspace frontier has exploded in recent years allowing us to buy and sell just about anything on-line. Information is getting cheaper. Encyclopedias that once cost the earth can now be accessed on-line or via CD for a fraction of the cost. An integral part of Internet commerce or 'electronic commerce' (e-commerce), is the Internet website. One finds a website through an infinite number of ways. Three of the most common are: through a web address given to the consumer via an advertisement or packaging; through an Internet search engine that locates websites through word association; or through name improvisation. The last one means that you simply guess the website address.

Each website has a numeric address similar to a phone number. However to make it easier to remember web addresses (and that could mean money!) websites are allocated a plain English alphanumeric name known as an Internet domain name. Domain names are allocated across different categories. The most well known domain category is the generic Top Level Domain Name (hereafter referred to as gTLD) used for commercial enterprises known simply as .com. This means that if I run an international or American business named "Brian Pty Ltd" and create a website it will most likely have the domain name *brian.com*, the brian part is called the Second Level Domain Name (hereafter referred to as SLD). If it is an Australian business the domain name will most likely be *brian.com.au*. The .au signifies that the domain name is registered in Australia. A university would have a domain name ending in .edu for education (compare this with the United Kingdom where .ac is used for academic institutions). For example, <http://www.harvard.edu> is the domain name for Harvard University in the USA.

* BA LLB (Hons) (QUT), BCL (Oxon), LLM (Harv); Associate Professor and Dean of Law School, Southern Cross University.

** BA LLB (Hons) (GU); Solicitor, Deacons Graham & James, Brisbane.

*** LLM (GU); Law Student, University of Oslo.

While Southern Cross University, an Australian university has the domain name: <http://www.scu.edu.au>. The SLD combined with the gTLD gives a domain name uniqueness.

In the early days of the Internet, what are known as 'cyber jackers' got in and registered domain names that were already well known trademarks, for example *mcdonalds.com*. The primary rule in the early days was that of 'first in, first served', with the trademark holder having no clear priority to registration. If you got in first and registered a high profile name like *mcdonalds.com* that was yours, not McDonalds. As the commercial value of the Internet has increased the allocation of domain names has become a much more serious issue. This has led to moves to ensure that the rights of holders of prominent trademarks (marks that depict the source of goods) are better protected.

First there was an international initiative where all key Internet players got together and signed the *Generic Top Level Domain Name Memorandum of Understanding* (gTLD MOU). Key initiatives here were to set up a world wide system of domain name allocations, and to split *.com* into seven more top level commercial domain names: *.store*, *.firm*, *.nom*, *.web*, *.arts*, *.info* and *.rec*. This was designed to reduce the monopoly effect of *.com* domain name holders and also give more clarity and precision to registration of commercial domain names.

The gTLD MOU was a definite move towards protecting the rights of trademark holders in the on-line world. This was highlighted by the fact that in moving to protect trademarks the gTLD MOU implicitly rejected earlier claims that to simply register a high profile domain name such as *mcdonalds.com* was not an infringement of the McDonald's trademark, because to prove such an infringement you must show consumers are confused as to the source of the goods. As the argument went, no one could be confused as to the source of goods by the registration of *mcdonalds.com* because McDonald's do not sell burgers on-line.

Just as the gTLD MOU was starting to be implemented, on 30 January 1998, the US Government released a Green Paper entitled *Technical Management of Internet Names and Addresses*,¹ which suggested an alternative framework for domain name allocation with five new top level domain names alongside *.com*. The American initiative was not unexpected. From the beginning the most important top level domain name, *.com*, had been allocated by a USA corporation, Network Systems Incorporated. The international move had been an attempt to take the allocation monopoly from the USA and distribute it throughout the world. This would mean that US law would not be the only law to be considered should a dispute arise.

The US Green Paper was designed to ensure an ordered allocation of domain names and to adequately protect trademarks through US based domain name registries. However the Green paper failed to impress the international community and on 5 June 1998, the US Government released a White Paper on Domain Names entitled *Management of Internet Names and Addresses*.² The White Paper (WP) explains that the Internet is a global medium and that its technical

1 <<http://www.ntia.doc.gov/ntiahome/domainname/domainname130.htm>>.

2 Available at *ibid*.

management should fully reflect the global diversity of Internet users and recognises the need for mechanisms that will ensure international input into the management of the domain name system. As a consequence, the WP calls for the establishment of a new non-governmental entity to manage Internet names and addresses, but doubts whether the Internet should be governed by one plan or one body or even by a series of plans and bodies. Rather, it seeks a stable process to address the narrow issues of management and administration of Internet names and numbers on an ongoing basis.

As a result of this series of reports interested parties throughout the world are scurrying to find a workable framework for domain name allocation. It is inevitable that over the next year the new structure for domain name allocation will solidify however before such solidification there will be interesting debate between the USA and the rest of the world over the rules to be invoked. Signs are that the USA is now thinking in a more globally attuned manner and that a workable framework is not far off. Crucial to the success of any new domain name allocation process is the sensible resolution of the trademark domain name interface which WIPO started working on in July 1998.

I. INTRODUCTION

A. The Internet and Commerce

The Internet, due to its ability to disseminate information to a global market in a cost effective way, has ushered in an era of electronic commerce where business is conducted on-line.

For businesses, the Internet is an excellent means of advertising and selling products and services. The Internet congregates the world into one single market and with a small investment, a business gets access to this worldwide marketplace. Internet presence gives businesses vast possibilities. With products and services available on-line, a business can reach virtually everyone. Moreover, the Internet has the benefit of reaching the potential customer at home or at the office. For the consumer, the Internet provides an efficient and fast manner of undertaking commercial transactions.

B. Internet Domain Names

One of the attributes of the Internet that makes it an attractive forum for commerce is the user-friendly manner of searching the World Wide Web (WWW). A company's World Wide Web address commonly consists of its trade name with the addition of *.com* for commerce. The part of the World Wide Web address after *www* is called the domain name. As a company's domain name is often its trade name, potential customers find their way through the WWW by browsing, searching and surfing the WWW by domain names. They guess domain names and follow hypertext links to the next destination. The result of this practice is that it is crucial to a company's Internet exposure to have a domain name similar to its trade name in order to reach potential customers and successfully sell products

and services.

C. Trademarks

The importance of having a domain name in cyberspace similar to a trade name in the 'real world' brings domain names into potential conflict with trademarks. A corporation's trade name is usually registered as a trademark or servicemark. The main issue arising out of the conflict between domain names and trademarks is that domain names are allocated on a first come-first served basis, not according to who holds the trademark. Consequently, in the competition between businesses to have their trade name as a part of their WWW address, infringement of trademark has been alleged in order to challenge the legality of registered domain names.

D. International Proposals

The conflicts in the Domain Name System (DNS), where domain name holders and owners of trademarks and other intellectual property rights collide, have led to the drafting of proposals at the international level. The proposals attempt to regulate and bring order to the Internet. However, the lack of legal authority of an international body with jurisdiction in this area, has meant that these proposals cannot fully address the problem. More recently the US has issued its response to the international proposals, which lays doubt over the efficacy of the international proposals.

II. WHAT IS A DOMAIN NAME?

As a matter of referencing, each website is assigned a numeric Internet Protocol (IP) address by the Internet Assigned Numbers Authority (IANA).³ A domain name is the plain English alphanumeric equivalent of the IP address. The logic being that it is much easier to remember the mnemonic *microsoft.com* than the numeric 214.68.765.43.

A domain name consists of a Top-Level Domain (TLD) name, such as *.com* and a Second-Level Domain (SLD) name, such as *microsoft*. In addition, it may, but need not, have third-level domain names, for example, *core.gld-mou.org*.

3 Visit <<http://www.iana.org/iana/>>. Some Internet standards require administrative implementation in order to allow the Internet to be operational. These include Internet Protocol addresses. The overall responsibility for this work is vested in the IANA, which delegates the actual administration of most functions to other bodies. IANA is a sister body to the Internet Society. IANA is an 'Internet Service' of the High-Performance Computing and Communications (HPCC) division of the Information Sciences Institute (ISI), a part of the University of Southern California's School of Engineering. It is chartered by the Internet Society and the Federal Network Council to act as the clearinghouse to assign and coordinate the use of numerous Internet protocol parameters. According to IANA's homepage, IANA is "the central coordinator for the assignment of unique parameter values for Internet protocols". Consequently, IANA is the overall authority for the Internet addresses (that is the 'international' TLDs, including the country code *.us*), the domain names and many other parameters used on the Internet. The IANA assigned its authority to issue domain names for the TLD names *.com*, *.org*, *.net*, *.gov* and *.edu* to the InterNIC. See <<http://info.isoc.org/adopsec/>>.

There can be an unlimited number of second-level and third-level domain names in each TLD; however, there can be only one of each particular second-level domain name in each TLD.⁴ Pursuant to the International Organization for Standardization (ISO),⁵ each country is permitted to allocate TLDs with the country of allocation attached; these may be called country codes or national TLDs (nTLDs).⁶ For example *microsoft.com.au* is an Australian allocated domain name. However as the US has never allocated its domain names with *.us* attached, they have become *de facto* international domain names. This is why the *.com* TLD allocated in the US has become the most sought after commercial domain name space. Up until now, TLDs could be grouped under four headings: national TLDs; generic TLDs *.com .org .net*; institutional TLDs *.gov .mil .edu*; and international TLDs *.int* for international organisations.⁷

As explained above, a domain name is comprised of two main components: the generic Top-Level Domain (gTLD), including *.com*, *.net*, and *.org*, which is the component that appears at the far right hand side of a Uniform Resource Locator (URL), for example *http://www.atlas.com* and the SLD. An example of a national subset of generic TLDs, nTLDs, is *.no* for Norway. Whilst only one domain name holder can register *atlas.com*, it is technically possible for numerous domain name holders to register *atlas.com* in different countries under nTLDs, for example, *atlas.com.au*. Thus, all domain names are unique to a particular gTLD or nTLD.⁸ The second major component is the Second-Level Domain (SLD) which appears to the left of the gTLD or the nTLD, for example, *atlas.com* or *atlas.com.au*.

The Domain Name System (DNS) is a set of distributed databases containing IP (Internet Protocol) addresses and their corresponding domain names. Each domain name is mapped to a particular numeric address.⁹ The DNS, with servers located all over the world, performs the translation back and forth between names and numbers. Consequently, when a domain name is typed into a computer, the Internet software automatically converts the domain name to the numbered address. This scheme enables Internet users to invoke an 'easy-to-remember' mnemonic (such as *internic.net*) instead of a string of numbers (such as InterNIC's IP address: 198.41.0.5) when using the Internet. A domain name can be up to 22 characters long. The only valid characters for a domain name are letters, numbers and a hyphen '-'. Other special characters like the underscore '_' or an exclamation mark '!' cannot be used.

4 WIPO, *Issues Relating to Trademarks and Internet Domain Names*: <<http://www.wipo.org/eng>>.

5 The International Organisation for Standardisation (ISO) is a worldwide federation of national standards bodies from some 100 countries, one from each country. ISO's work results in international agreements which are published as International Standards. See "Introduction to ISO": <<http://www.iso.ch/infoe/intro.html>>.

6 There are over 180 ISO 3166 country code top-level domains. A country code TLD is a two letter abbreviation of the name of the country, for example, *.au* for Australia, *.ca* for Canada, *.no* for Norway and so on. Each country governs its country code TLD, hence the policies may differ from country to country.

7 WIPO, *Issues Relating to Trademarks and Internet Domain Names*, note 4 *supra*.

8 Uniqueness is guaranteed because a domain name registry will not permit the registration of a domain name identical to an already registered domain name.

9 DL Burk, "Trademarks Along the Infobahn: A First Look at the Emerging Law of Cybermarks" (1995) 1 *Rich Journal of Law and Technology* 1, available at: <<http://www.urich.edu/~jolt/>>.

Although a domain name is not required as long as one has an Internet service provider (ISP), many organisations find it useful to have a domain name that is similar to their company or trademark name. Further, as there is no satisfactory, complete directory of the domain names of businesses a domain that is similar to a company's name or trademark will be much more likely to increase traffic at their site because Internet users will be able to guess a company's Internet address.

A domain name can be registered as a trademark, however the suffix *.com* or *.com.au* will not be registered, as this is too general.¹⁰

III. WHAT IS A TRADEMARK?

A trademark is a word, phrase, symbol, design or combination of such used to identify the source of goods or services, thereby linking traders with commodities.¹¹ The basis of trademark protection is to avoid consumer confusion as to the source of goods.¹² Trademarks are registered on a territorial basis and as yet there is no international registration of world famous trademarks.

As domain names do not per se cause consumer confusion as to the source of goods (except in the case perhaps of large firms who sell computer software, or sell and deliver on-line) it is hard to prove simple trademark infringement through the use of an equivalent domain name. McDonalds do not sell burgers on-line nor do they promise delivery on-line so it is hard to know how the consumer could be confused. Although in the case of a very famous trademark the potential for confusion is always possible. There is no doubt though, that in the registering of domain names, the marketability of the famous trademark has been exploited even if there is no consumer confusion. In the US, trademark holders have brought dilution actions – based on reducing the status of or tarnishing the mark – under s 43 (c) of the *Lanham Act* or state equivalents.¹³ “Dilution” is a requirement different from and not as onerous as “likelihood of confusion”. In a dilution action consumer confusion or competition between goods or services is not a primary concern. Australian law does not have an equivalent section, although it could be argued s 120 (3) of the *Trademarks Act* 1995 (Cth)¹⁴ or s 52 of the *Trade*

10 For a summary of the UK position see, J Morton “Opinion.Com” (1997) 19 *European Intellectual Property Review* 496. When a domain name is registered as a trademark, the suffix is ignored.

11 *Trademarks Act* 1995 (Cth), ss 6 and 17; *Lanham Act* 15 USC 1127, s 45.

12 J McKeough and A Stewart, *Intellectual Property in Australia*, Butterworths (2nd ed, 1997) p 419; J Rosenoer, *CyberLaw: The Law of the Internet*, Springer-Verlag (1997) p 95; TJ Smedinghoff (ed), *Online Law: the SPA's Guide to Doing Business on the Internet*, Addison Wesley (1996) p 207.

13 See US *Federal Trademark Dilution Act of 1995* (implemented in the *Lanham Act* 15 USC 1125 (c)(i), s 43: <gopher://tad.micro.umn.edu:70/00/bills/104/1/10412951/billtext> and <http://www.law.cornell.edu/uscode/15/1125.shtml>. Prior to this Act, there were 25 different US state dilution statutes. Senator Patrick Leahy said about the Act “[i]t is my hope that this anti-dilution 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”. Cong Rec Dec 29, 1995, S19312. See further the Prince litigation in the United States: <http://www.prince.co.uk/prince/index.htm>.

14 *Trademarks Act* 1995 (Cth), s 120, available at:

*Practices Act 1974 (Cth)*¹⁵ give similar protection.¹⁶

Trademarks are both market and good or service specific, so the same name could be found as a trademark in different industries or markets. The registration of a mark in the US or Australia will generally give the registrant a monopoly over that mark (with respect to certain classes of goods or services) throughout the US or Australia.¹⁷ However the same name could be registered in another country for the same or other goods or services.

In contrast, domain names are absolute in two senses: they do not know any market or country boundary and they do not know any class of good or service boundary. Once you have a domain name it is internationally applicable at the gTLD level and excludes all other goods and services regardless of class. This makes conflict inevitable across borders and across goods and leads to the following questions: who has the right to priority as to the use of the trademark as a domain name? In which country and for which good or service?

IV. WHEN DO DOMAIN NAMES AND TRADEMARKS CONFLICT?

There are three common types of disputes regarding domain names and trademarks.¹⁸ The first type of dispute involves an individual obtaining a domain name registration that is the same or confusingly similar to a pre-existing trademark (registered¹⁹ or unregistered²⁰). The second type of dispute arises when two companies with independent trademarks for the same mark (in different

<http://www.austlii.edu.au/au/legis/cth/num_act/tma1995121/s120.html>. This section provides a remedy where the interests of the registered owner of a well known mark are adversely affected by connection of the mark with unrelated goods or services. The basis of the remedy is not consumer confusion but rather misappropriation: see J McKeough and A Stewart, note 12 *supra*, p 430.

- 15 *Trade Practices Act 1974 (Cth)*. See also *Trade Practices Act*, s 53. State based fair trading legislation could also be invoked in some cases.
- 16 The situation in the UK is similar to that of Australia. The UK Trademarks Act (1994) requires, in s 10(2), that the plaintiff shows there exists a "likelihood of confusion on the part of the public". Subsequently, s 10(6) requires the court to consider whether the particular use complained of "without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trademark".
- 17 See further *Targetts Pty Ltd v Target Australia Pty Ltd* (1993) 26 IPR 51.
- 18 See W Tanenbaum, "Rights and Remedies for Three Common Trademark-Domain Name Disputes" (1997) 14 (9) *The Computer Lawyer* 9.
- 19 Registered marks provide the holder of the mark with certain advantages. A registered mark has many advantages over an unregistered mark. William Tanenbaum points out that registration provides: "nationwide rather than localized protection; the rights provided in the federal statute; and access to federal courts for enforcement. In addition, a federal registration establishes the filing date of the registration application as a nationwide constructive use date; creates a rebuttable presumption of the ownership, validity and exclusive right of use of the mark; and after "incontestable" status is acquired under the *Trademark Act*, provides a conclusive presumption of the exclusive right to use the mark subject to certain statutory defenses": W Tanenbaum, *ibid* at 9.
- 20 They are normally limited to the geographical area in which they are used and further limited by the manner in which they are used. The strength of these rights is also dependent on the level of use of the mark. Further, Tanenbaum adds: "under current domain name registration rules, a party can submit its federal registration (but not its evidence of a common law trademark) in support of its application for a domain name or in opposition to another party's domain name application." W Tanenbaum, *ibid* at 9.

classes or different jurisdictions) seek to obtain the same domain name. The final type of dispute arises when an individual 'hijacks' a company's trademark by obtaining a domain name identical to that mark before the holder of the mark.²¹

It is accepted that the use of a domain name can infringe trademark rights in respect of goods or services of which the trademark is registered²² where the trademark is "substantially identical or deceptively similar" to the domain name and leads to consumer confusion.²³ In *Playboy Enters v Frena*²⁴ the United States District Court MD Florida assumed without discussion that trademark law applied.²⁵ Domain names clearly have the potential to confuse consumers (especially where competing goods or services are or could be offered on-line) as to the source of goods or services because they appear in the URL box directly above the goods or services promoted on a web page. In other words, they 'badge' those goods or services. For example, if the purported infringement is the use of the SLD *microsoft.com* and the site to which this domain name relates promotes Microsoft Computer Repairs (nothing to do with the more famous Bill Gates venture) the facts clearly raise trademark and related issues. However, if the site related to financial services the number of issues are clearly reduced if not eliminated. Each case will depend on, among other factors, whether the domain name owner has a registered trademark and "on the nature of the use and the nature of the registration held by the complainant".²⁶

However, the possibility for conflict is increased dramatically on the Internet because of the absolute and international nature of domain names, that is, it is not possible to have two identical domain names registered in any one general Top Level Domain or national Top Level Domain,²⁷ but numerous identical trademarks can exist across different jurisdictions and classes of goods and services. This situation has led to intense competition for domain names and therefore many disputes involving domain name registrations. The key to succeeding in any dispute regarding domain name registration is understanding and manipulating NSI's registration and dispute policies.

21 A fourth possibility is the conflict between two domain name holders with confusingly similar domain names. The emergence of cybermarks (those domain names that have obtained reputation entirely through Internet presence) has led to this type of conflict; for example, the conflict between Women's Wire and Wired Magazine. Wire, a computer network devoted to women's issues, registered the domain name *wire.net*. Wired, a cyberspace magazine, holds the domain name *wired.com*. Wired complained about the domain name used by Wire. Rather than litigating the issues, Wired contacted Wire and asked them to change their name. The parties settled with Wire agreeing to change its name to Women's Wire and its domain name to *wwire.net*. It is worth noting that they changed not only their domain name, but also their business name in real space. This helps minimise any likelihood of confusion. The dispute is interesting, as it is an early precursor to the kind of cybermark conflicts that will arise in the future. The Wired/Wire settlement it is not about the appropriation of a well known trademark from real space, but the confusing similarity between two cyberspace based marks.

22 15 USC s 1051. See in Australia, *Trademarks Act 1995* (Cth), s 120 (1).

23 15 USC s 1052, 1114. See in Australia: *Trademarks Act 1995* (Cth), s 120 (2).

24 839 F Supp 1552, 1559-61 (MD Fla 1993).

25 A Brunel, "Trademark Protection for Internet Domain Names" (1996) 4 *International Business Lawyer* 174 at 177.

26 P Hourigan, "What's in a Domain Name?" in A Fitzgerald, B Fitzgerald, P Cook, C Ciffuentes (eds), *Going Digital*, Prospect (1998).

27 Also known as country specific Top-Level Domain.

V. TYPES OF DOMAIN NAME DISPUTES²⁸

By way of introductory note, it must be pointed out that much of the following section relates to examples from the USA.²⁹ This arises primarily from the fact that domain name allocation under the NSI Policy has been on a first come first served basis whereas in Australia, allocation of .com.au domain names by Internet Names Australia has been on the basis that the domain name will reflect the applicant's business name.³⁰ This means that conflicts in Australia will tend to fall into the second category of case outlined below and likewise, if the proposed international regime ever gets off the ground it will tend to limit conflicts to the second category of case as non trademark holders will find it difficult to gain domain name registration.

A. Domain Name Identical or Confusingly Similar to Pre-existing Trademark

One of the most common types of disputes in this area arise when a trademark holder discovers that a domain name has been registered with NSI that is the same or deceptively similar to the trademark holder's mark. In this situation the trademark holder has two options: (a) to pursue an action in the courts; or (b) seek relief by triggering NSI's Dispute Resolution Policy.³¹

If a trademark holder believes that his or her rights are being or will be infringed by another party's use of a domain name, the complainant must send the alleged infringing party a notice setting out the alleged infringement. If the alleged infringing party refuses to relinquish the domain name or ignores the notice, the complainant can provide NSI with a certified copy³² of their American registered trademark or their foreign trademark.

Upon receipt of the certified copy of the trademark NSI determines whether the trademark is *identical* to the domain name and whether the trademark registration pre-dates the domain name registration. NSI will not provide any relief for the complainant. However, if these requirements are satisfied, NSI will give the domain name holder two options. First, they are given an opportunity to show that they possess a trademark registration that is identical to the domain name they possess. In this case they are allowed to keep their domain name and the complainant must pursue redress in the courts. If the domain name holder fails to

28 On this issue generally see (1997) 15(3) *John Marshall Journal of Computer & Information Law* 1: "Domain Name Symposium"; JT McCarthy "Domain Names and Trademarks" (1998) 9 *Australian Intellectual Property Journal* 53.

29 While they may be called US examples they are in effect international examples as the .com domain name space is de facto the place where international businesses (including some Australian businesses) register. Like in all other areas of cyberlaw, the legal adviser in this area needs to know what is happening in other legal systems, especially the USA.

30 See INA "Domain Name Allocation Policy" available at: <<http://www.ina.com.au>>.

31 Dispute Policy (Revision 2).

32 A copy not more than six months old.

do this, they can either relinquish the domain and agree to transfer it to the complainant, or select a new domain name and use both domain names for a 90 day transition period. At the end of this period NSI will place the old domain name on hold so that neither party can use it pending a determination by a court.³³

The domain name holder can seek a declaratory judgment stating that its use of the domain name does not infringe the trademark holder's rights and the trademark holder can pursue a federal cause of action including: a trademark infringement under s 32 of the *Lanham Act* 15 USC § 1114; unfair competition under s 43(a) of the *Lanham Act* 15 USC § 1125(a); and in cases that involve famous trademarks, an action under the new dilution laws, namely, s 43(c)(1) of the *Lanham Act* 15 USC § 1125(1).³⁴ In any of these actions the court has equitable jurisdiction to grant relief as well as the power to grant relief under s 43 of the *Lanham Act* 15 USC § 1116. Such relief includes the power to enjoin the use of a domain name and order its transfer to any party to an action.³⁵ In these disputes judicial relief is what complainants should be encouraged to seek if they believe their rights are being infringed. NSI's Dispute Policy has the potential to cause injustice in cases where the domain name holder cannot afford to pursue a court action.

The preferred option would be for NSI to adopt a hands-off approach to these disputes and only interfere if ordered to do so by a court or at least only if an action is commenced by the complaining party. This would rightly put pressure on trademark holders to commence court action, as opposed to threatening it, and bear the attendant burdens if they want to enforce their alleged rights. NSI would then be relieved of its quasi-judicial function and need only act if ordered to do so by a court.³⁶

B. Two Valid Trademark Holders Attempt to Secure One Domain Name

NSI's Dispute Policy does not provide for this possibility. Redress would have to be sought by the parties in a court utilising traditional trademark, unfair competition and dilution laws. *Roadrunner Computer Systems Inc v Network Solutions Inc*³⁷ comes close to illustrating how this type of dispute arises. The plaintiff (Roadrunner Computer Systems) obtained the domain name *roadrunner.com* in 1994. Time Warner complained of the use of that domain name under NSI's Dispute Policy because it had a registered trademark identical

33 If the domain name holder fails to pursue these options, NSI will suspend the domain name indefinitely.

34 Other possibilities include common law trademark actions; dilution under state statutes; unfair competition and deceptive trade practices under common law state statutes; and actions based on business reputation under state laws: see W Tanenbaum, note 18 *supra* at 13. Trademark infringement will depend on whether the domain name is used as a trademark. Simply reserving a domain name is not use as a trademark: *Lockheed Martin Corp v NSI* 44 USPQ 2d 1865, 1871-2 (CD Cal 1997); *Juno Online Services, LP v Juno Lighting, Inc.* 979 F Supp 684. Where the domain name is linked with an active (as opposed to passive) website that facilitates the selling of goods or services there is stronger ground for arguing the domain name is being used as a trademark.

35 W Tanenbaum, note 18 *supra* at 12-13.

36 NSI might complain that this non-interventionist process might make it liable as a contributory infringer if it is given notice of an alleged infringer, but in light of the indemnity that NSI extracts from its registrants even if this unlikely scenario eventuated it would be insulated from a damages award by the indemnity.

37 Civil Action 96-413-A, filed 26 March 1996 (ED Va).

to that domain name. NSI refused to accept an identical foreign registered trademark subsequently obtained by Roadrunner Computer Systems (RCS) and RCS filed suit. The action was dismissed because Time Warner ultimately waived its rights to the domain name. However, the dispute is interesting because it is unclear whether the court would have balanced priorities in this case or enforced NSI's first-come, first-served policy.

This category of case will be the focus of future disputes as the legal system attempts to mediate between the claims of the many legitimate trademark holders. One solution is to mandate use of country codes including *.us* for the United States which up to this point in time has not been used. This still leaves room for dispute between legitimate trademark holders within any one country. Another solution might be to create an international trademark domain, *.int.tm* or simply *.tm*, although *.tm* currently represents the country of Turkmenistan. Neither solution is perfect and much more thought needs to be given as to how real space trademark law can be adapted to cyberspace.

C. Domain Name Hijacking and Reverse Hijacking

(i) Domain Name Hijacking

In the early 1990s when large corporations were slow to realise the potential benefit of Internet activity many domain names identical to trademarks were registered by persons other than the trademark holders. Usually this was done for nefarious purposes such as extorting money from the trademark holder.³⁸ An illustrative case is *Avon v Carnetta Wong Associates*³⁹ where the defendant firm registered the domain name *avon.com* before Avon but did not intend to use the domain name. Avon sought the transfer of the domain name and brought an action for unfair competition,⁴⁰ trademark infringement,⁴¹ misappropriation,⁴² trademark dilution,⁴³ and deceptive acts and practices.⁴⁴ The court granted the transfer because of the dilution of the trademark holders rights. Dilution of trademarks occurs when there is a "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of competition between the owner of the famous mark and other parties, or likelihood of confusion, mistake, or deception (emphasis added)".⁴⁵

In other US cases⁴⁶ the Courts have found (through sometimes tenuous yet prophylactic reasoning) that where the hijacker has sought to sell the domain name there has been use of the trademark in commerce. Whilst it is arguable that in

38 Experienced trademark attorneys will be well aware of this practice in other contexts.

39 Unreported, United States District Court for the Eastern District of New York (CV 96 0451).

40 Under the *Lanham Act*, s 43(a).

41 See the *Lanham Act*, s 32.

42 Under common law principles.

43 See the *Lanham Act*, s 43(c)(1).

44 Under common law and state statutes.

45 M Voorhees, "Antidilution Trademark Law Gets First Court Case":

<<http://www.infolawalert.com/index.htm>>.

46 *Panavision International LP v Toeppen* 945 F Supp 1296 (CD Cal 1996); *Intermatic Inc v Toeppen* 947 F Supp 1227 (ND Ill 1996); see further D Loundy "A Primer on Trademark Law and Internet Addresses" (1997) 15 *The John Marshall Journal of Computer and Information Law* 465 at 482ff.

Australia a domain name would have to be 'used'⁴⁷ as a trademark (ie to distinguish goods or services) if the complainant were to succeed in a case similar to the *Avon* case, recent cases in the United Kingdom and New Zealand do not support this argument. These cases suggest that a plaintiff should resort to the law of passing off and trademark law to secure remedies against persons that 'hijack' domain names. In *Marks & Spencer Plc v One in a Million Ltd*⁴⁸ the Court observed that:

Any person who deliberately registers a domain name on account of its similarity to the name, brand name or trade mark of an unconnected commercial organisation must expect to find himself on the receiving end of an injunction to restrain the threat of passing off, and the injunction will be in terms that make the name commercially useless to the dealer.

In this case a final injunction *quia timet* was granted on the basis that the pre-emptive strike by the defendant in registering the domain name in question was "calculated to infringe the plaintiff's rights in the future".⁴⁹ The Court also ordered the plaintiff to take steps to assign the domain name the subject of the proceedings to the plaintiff.⁵⁰ A similar order was made in a recent New Zealand High Court decision⁵¹ and it is likely that these cases will be followed by Australian courts.

Further, allied actions such as s 52 of the *Trade Practices Act* 1974 (Cth) may be available⁵² in similar cases where the defendant is a 'corporation'⁵³ or an individual is caught by the extended application provisions in s 6 of the Act (which is highly possible given the nature of the Internet) and the conduct can be characterised as occurring in "trade and commerce."

(ii) Reverse Domain Name Hijacking

Reverse domain name grabbing occurs when a trademark holder uses its trademark to 'lever' a domain name off of a rightful holder. A good example of this are the facts of *Prince plc v Prince Sports Group Inc*.⁵⁴ In 1995 the plaintiff, Prince plc, had acquired the domain name *prince.com*.⁵⁵ The defendant attempted to lever the domain name off the plaintiff by issuing a letter of demand requesting that the domain name be transferred to them. If this did not occur action based on a trademark they held in the United Kingdom would proceed. The court held that this demand was a groundless threat and enjoined the defendant from pursuing such behaviour. Damages could have been awarded but were not due to the lack of evidence adduced by the plaintiff on this point. Consequently, reverse domain name grabbing if based on the misuse of a trademark right is fraught with danger in Australia or the United Kingdom. However, groundless threats are permissible

47 *Trademarks Act* 1995 (Cth), s 120(1) and (3).

48 [1998] Fleet Street Reports 265.

49 *Ibid* at 271.

50 *Ibid* at 274.

51 See *Oggi Advertising Ltd McKenzie & Ors* (unreported, NZ High Court, Baragwanath J, 2 June 1998).

52 However, state based fair trading legislation would overcome this hurdle as it applies to individuals.

53 *Trade Practices Act* 1974 (Cth), s 52(1).

54 <<http://www.prince.co.uk>>.

55 Note that the action in this case was based on the *Trademarks Act* 1994 (UK), s 21. The Australian *Trademarks Act* 1995 (Cth) has an equivalent provision: s 129.

in the United States of America.⁵⁶

VI. HOW ARE DOMAIN NAMES ALLOCATED UNDER THE NSI POLICY?

Until recently, the most prominent player in the allocation of domain names has been the US corporation Network Solutions Incorporated (NSI) which allocates DN under an agreement with the National Science Foundation. NSI has had *de facto* control over the allocation of the internationally prominent .com domain space which it has allocated on a 'first come first served' basis, giving no authority to use the DN, only bestowing registration. Applicants are required to state they are not infringing third party's rights. This has caused tension with famous trademark holders who somewhat slow to realise the commercial significance of the Internet failed to be first to register their trademarks as DN. Cybersquatters got in and registered SLDs that equated to famous trademarks like *mcdonalds.com* and *microsoft.com*. The trademark holders have since fought back suggesting that as trademark owners they should have priority to a domain name that equates with their trademark. In response NSI has issued the dispute resolution policy discussed below.

VII. DOMAIN NAME DISPUTE POLICY: NSI⁵⁷

Section 5 of NSI's Domain Name Dispute Policy (Revision 02)⁵⁸ recognises that the use of a domain name can infringe "the legal rights of a third party," but the policy will only be triggered by the complainant furnishing a certified copy of a valid foreign trademark or a United States registered trademark that is *identical* to the domain name.⁵⁹ This is an interesting provision as not only does it ignore the confusingly similar provisions in most common law trademark regimes,⁶⁰ it also refuses to activate its policy if a right other than a registered trademark is alleged to have been infringed.⁶¹ This would presumably include allegations of the infringement of dilution rights, common law marks (in the US and Australia) and

56 Under the *Lanham Act* an applicant can recover only attorney's fees, not damages, (15 USC s.1117(a)). On abuse of trademark power, see: *General Motors Corp v Cadillac Marine & Boat Co.*, 226 F Supp 716 (WD Mich 1964).

57 On the possibility (and rejection) of the argument for NSI being sued for facilitating trademark infringement through domain name registration, see: *Lockheed Martin Corp v Network Solutions Inc* 44 USPQ 2d 1865 (CD Cal 1997)

58 Effective 9 September 1996 to 25 February 1998: <<http://rs.internic.net/domain-info/internic-domain-6.html>>. Revised Version 3 of the NSI DN Dispute Policy was published on 25 February 1998, available at <<http://www.netsol.com/rs/dispute-policy.html>>. A significant change is in the revocation power of NSI, outlined in s 4 in Rev 02, s 7 in Rev 03. In Rev 03 NSI is given more than the power to revoke a DN, it can also transfer or otherwise modify a DN registration.

59 See § 5(a) and (b).

60 For example, *Trademarks Act* 1995 (Cth), s 120 (2).

61 See § 5(c).

the *Trade Practices Act 1974 (Cth)* in Australia.

The *piece de resistance* of the policy is the assurance by NSI that it will not investigate the bona fides of the complainant's claim before activating its policy.⁶² Once triggered the policy states that NSI will suspend the registrant's domain name unless they initiate court proceedings in the US within 30 days of receiving notice of the complaint. Otherwise the domain will be suspended and a new domain will be allocated to the registrant.⁶³ The upshot is that a person with a registered trademark will get *de facto* preliminary relief, that is, the suspension of the registrant's domain name.⁶⁴ This will eventuate if legal proceedings are not instituted by the domain name holder in a US court.⁶⁵ The cruel consequence is that it reverses a fundamental precept of party autonomous litigation, that is, those who allege something bear the onus of proof. Further, an adverse cost order against the nominal defendant (in substance the plaintiff) will not be available even if the original claim was groundless⁶⁶ because the nominal plaintiff (in substance the defendant, namely, the party attempting to defend their domain name) is the party that brought the action in court.

On the other hand, in Australia the body responsible for registering domain names in the *.com.au* nTLD, Internet Names Australia, takes a 'hands-off' approach to questions of rights to use of domain names and leaves it to the parties to resolve the matter.⁶⁷

VIII. SOLUTIONS

A. Registering the Domain Name as a Trademark

There is no apparent solution to the problem provided by registration of a domain name as a trademark because a trademark usually predates a domain name. It is because an individual holds a trademark and has a significant investment in the goodwill in that trademark that domain name disputes arise. That is, the trademark owner wants to further exploit the reputation in the trademark by registering an identical domain name that his or her customers can remember easily. Further, as neither NSI or the courts require that a domain name also be a trademark before domain name rights are acquired there would seem to be no incentive for going to the extra expense of attempting to register a domain name as a trademark. Nevertheless it would be prudent to register a domain name as a trademark in order to reinforce the right to use the name.⁶⁸ One system of

62 *Ibid.*

63 See § 6.

64 Subject to narrow exceptions contained in § 6.

65 See § 6(d) & 7(a).

66 Remember, the US has no groundless threats provision in their trademark regime.

67 See sections 4, 5 and 6 "Domain Name Allocation Policy" at <<http://www.ina.com.au>>.

68 The domain name would have to perform the function of distinguishing goods or services to be eligible for registration. A website that provides an information service above and beyond mere advertising of the primary goods or services of the website owner could have its domain name registered as a service mark: JT McCarthy, note 28 *supra* at 61-2.

registration suggested for resolution of disputes in the domain name area is that of cybermark registration.⁶⁹

B. Cybermarks

A cybermark (that is a domain name that has obtained reputation entirely through Internet presence) would be a trademark that is registered in a jurisdiction party to any cybermark convention that may eventuate. Registration would be contingent on the mark fulfilling the requirements for registration of a normal mark. The benefit of a cybermark is that, once registered, the use of it on the Internet would not be considered as an infringement of any other mark in a contracting state provided that that use was bona fide. Thus, cybermarks, unlike traditional trademarks, would gain universal recognition by mere bona fide use on the Internet.⁷⁰ However, this would have the potential to dilute the strength of traditional trademarks in real space and it is unlikely that governments will agree to pursue such a course.

C. gTLD-MOU

A more important development has been the recent moves to “[develop] an open, competitive, stable and equitable administration of the global Internet domain name system to set up a more equitable domain name registration system”.⁷¹ Key reforms mooted include the dilution of the US’s stranglehold of the domain name registration system by NSI, which monopolises the .com gTLD, by introducing seven new ‘international’ gTLDs⁷² and the introduction of an international dispute policy supported by ‘on-line’ mediation,⁷³ which in essence proposes stronger protection of trademarks. The intent underlying the reforms is commendable but it is suggested that the increase in the number of gTLDs will only increase the number of domain name disputes⁷⁴ and the mediation policy is problematic because it is reminiscent of NSI’s policy, it tends to convert rights in trademarks into rights in domain names. Furthermore it fails to present a system of priority amongst legitimate trademark holders.

Just as the gTLD MOU was starting to be implemented the USA Government released a Green Paper in January 1998 entitled *Technical Management of Internet Names and Addresses*⁷⁵ which sets up an alternative framework for domain name allocation with five new top level domain names alongside .com.

The American initiative was not unexpected. From the beginning the most important top level domain name, .com, had been allocated by a USA corporation, Network Systems Incorporated. The international move had been an attempt to

69 See D Flint, “Internet Domain Names: Proposal for a Cybermark” (1997) 13 *The Computer Lawyer* 163.

70 *Ibid.*

71 Visit <<http://www.gtld-mou.org/>>.

72 That is, .store .firm, .nom, .web, .arts, .info and .rec.

73 Conducted by Administrative Challenge Panels (ACP).

74 That is, corporations will tend to grab SLDs in all of the new gTLDs.

75 <<http://www.ntia.doc.gov/ntiahome/domainname/dnsdrft.htm>>.

take the allocation monopoly from the USA and distribute it throughout the world. This would mean that US law would not be the only law to be considered should a dispute arise.

The US Green Paper was designed to ensure an ordered allocation of domain names and to adequately protect trademarks through US based domain name registries. However the Green paper failed to impress the international community⁷⁶ and on the 5 June 1998 the US Government released a White Paper on Domain Names, entitled *Management of Internet Names and Addresses*.⁷⁷

D. US White Paper

The White Paper (WP) explains that the Internet is a global medium and that its technical management should fully reflect the global diversity of Internet users and recognises the need for mechanisms that will ensure international input into the management of the domain name system. As a consequence, the WP calls for the establishment of a new non-governmental entity to manage Internet names and addresses, but doubts whether the Internet should be governed by one plan or one body or even by a series of plans and bodies. Rather, it seeks a stable process to address the narrow issues of management and administration of Internet names and numbers on an ongoing basis.

The WP explains the core principles of the future governance of domain names in the following way:

(i) *Stability*

The US Government should end its role in the Internet number and name address system in a manner that ensures the stability of the Internet.

(ii) *Competition*

The Internet succeeds in great measure because it is a decentralised system that encourages innovation and maximises individual freedom. Where possible, market mechanisms that support competition and consumer choice should drive the management of the Internet because they will lower costs, promote innovation, encourage diversity, and enhance user choice and satisfaction.

(iii) *Private, Bottom-Up Coordination*

Certain management functions require coordination. In these cases, responsible, private-sector action is preferable to government control. A private coordinating process is likely to be more flexible than government and to move rapidly enough to meet the changing needs of the Internet and of Internet users. The private process should, as far as possible, reflect the bottom-up governance that has characterised development of the Internet to date.

76 See for example: "Response of the Commonwealth Government of Australia to the Proposed Rule of the United States Department of Commerce: A Proposal To Improve Technical Management Of Internet Names And Addresses": <<http://www.noie.gov.au>>.

77 Available at <http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm>.

(iv) *Representation*

The new corporation should operate as a private entity for the benefit of the Internet community as a whole. The development of sound, fair, and widely accepted policies for the management of DNS will depend on input from the broad and growing community of Internet users. Management structures should reflect the functional and geographic diversity of the Internet and its users. Mechanisms should be established to ensure international participation in decision making.⁷⁸

The WP does not adequately explain how its proposals interact with the gTLD MOU,⁷⁹ or why the new entity should be headquartered in the USA. It does call for WIPO to start developing a proposal on the resolution of trademark issues that might be presented to the new entity when it commences in the year 2000.⁸⁰

IX. CONCLUSION

As a result of this series of reports, interested parties throughout the world are scurrying to find a workable framework for domain name allocation.⁸¹ It is inevitable that over the next year the new structure for domain name allocation will solidify. However, before such solidification occurs there will be interesting debate between the USA and the rest of the world over the rules to be invoked.⁸² Signs are that the USA is now thinking in a more globally attuned manner and that a workable framework is not far off. Crucial to the success of any new domain name allocation process is the sensible resolution of the trademark/domain name interface upon which WIPO started further work in July 1998. In the meantime legal advice must be ever updating, appreciating what the courts and governments have said already, and willing to provide pragmatic solutions.

⁷⁸ *Ibid.*

⁷⁹ It seems the International Ad Hoc Committee, generator of gTLD MOU, is eager to marry its proposal with the White Paper's proposal for domain name reform: see further at <<http://www.gtld-mou.org>>. The exact details of such a union are very much up for debate.

⁸⁰ WIPO commenced this process in July 1998: <<http://www.wipo.org>>.

⁸¹ See <www.wired.com/news/news/politics/story/13938.html>, "23 July 1998, Geneva. Internet policy makers and industry leaders began gathering here today to try to thrash out a US plan to reform the Net's name and address system and make it more competitive. The meeting, to be attended by President Clinton's Internet policy adviser Ira Magaziner, follows a high-level gathering hosted by the European Union in Brussels earlier this month which made little progress. Here, the Internet luminaries meeting on the sidelines of the annual global conference of the Internet Society will try to agree on a framework for a new non profit corporation that will manage the address system".

⁸² For a report of the Australian position, which argues for a truly international approach informed by the US White paper, see: <<http://www.afr.com.au/content/980721/inform/inform3.html>>.