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## SPECIAL REPORT

### Expert Analysis

### Understanding Internet Domain Names: Acquiring Rights, Avoiding 'Hijacking' By First-Comers And Trademark Owners

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*A series of legal battles has erupted over rights to use Internet domain names. Primarily, these disputes involve trademark owners who believe that their trademarks are being improperly used by third parties as domain names. This article explores the relationship between trademark law and domain names, and explains how both trademark owners and domain-name users can protect their rights.*

#### What Is A Domain Name?

The Internet is a network of computers interconnected for electronic communication. Every computer connected to the Internet is assigned a numeric address, which the other computers on the network use to route messages to that computer. A typical numeric Internet address is 200.98.102.23. These addresses are difficult for humans to remember, so the Internet authorities also assign alphanumeric addresses, or *domain names*. Examples of domain names include "whitehouse.gov" or "microsoft.com."

Initially, businesses gave little thought to domain names. Domain names were like telephone numbers -- as long as each one was unique, they allowed the Internet to

function. Apart from this primary function, domain names had little significance and were often chosen by technical personnel who paid little or no attention to marketing considerations.

All this changed with the advent of the World Wide Web as an advertising media and marketplace. Because people use domain names to locate Web resources, companies doing business online want domain names that are easy to remember and that relate to their products, trade names, or trademarks. For example, a florist might find the domain name "flowers.com" very valuable. Likewise, owners of famous trademarks such as Microsoft usually register those trademarks as domain names (e.g., "microsoft.com").

## Domain-Name Conflicts

The format for Internet domain names is relatively simple. Typically, it consists of a word or mnemonic followed by “.com” for commercial entities, “.gov” for governmental entities, “.edu” for educational institutions, and “.mil” for military agencies. This practice presents a problem for commercial entities in particular, since many unrelated companies in different lines of business share similar names that they would like to use as part of an Internet domain name. Consider, for example, Apple Computer and Apple Records -- which one has the right to use the domain name apple.com? Or consider United Airlines and United Van Lines; which one gets the domain name united.com?<sup>1</sup> Also, numerous companies are known primarily by the name American or First. Which ones are entitled to the domain names american.com and first.com? This problem carries the potential for serious conflicts, especially as many companies discover that “their” trade name or trademark is being used by others as an Internet domain name.

Many such cases result from legitimate conflicts between two businesses that use a similar name. Other cases, however, are sparked when a particular mark is reserved as a domain name by a competitor or an individual hoping to profit when the rightful owner of the mark decides to do business on the Internet and is forced to purchase rights to the domain name. Some trademark owners have characterized these practices as “domain grabbing” or “domain hijacking.”<sup>2</sup> The common theme of these cases is that the so-called hijacker had no legitimate purpose for obtaining the domain name, other than to harass or hold up a trademark owner. Recent disputes in this category include:

*McDonald’s v. Quittner.* Joshua Quittner is a journalist who published an article about the fact that the owners of many famous trademarks had failed to register their marks as domain names. In connection with this article, he obtained the domain name mcdonalds.com, and began taking e-mail at ronald@mcdonalds.com. When McDonald’s objected, Quittner surrendered the name in exchange for a \$3,500 donation to a grade school.<sup>3</sup>

*MTV v. Curry.* Adam Curry was a disc jockey at MTV Networks. In 1993, he approached MTV about starting a Web page under the domain name “mtv.com.” Curry claimed that MTV told him he was free to develop the site at his own expense. For the next year, Curry operated mtv.com as a Web site featuring information about rock music. In January 1994, however, MTV demanded that Curry surrender the domain name mtv.com. When Curry refused, MTV filed suit, alleging trademark infringement and unfair competition. The parties have since settled, with MTV apparently in control of the mtv.com domain name.<sup>4</sup>

*Stanley Kaplan v. Princeton Review.* Stanley Kaplan and Princeton Review are competitors in the test preparation business. In 1994, Princeton Review obtained the domain name kaplan.com allegedly to taunt arch rival Kaplan. Princeton Review operated a Web page at this address featuring advertisements that promoted Princeton Review and belittled Kaplan. When faced with Kaplan’s initial demand to cease using kaplan.com, Princeton Review reportedly offered to surrender the domain name in exchange for a case of beer. Not amused, Kaplan sued for trademark infringement. The suit was ultimately resolved through binding arbitration in Kaplan’s favor.<sup>5</sup> Afterwards, Princeton Review’s president remarked that Kaplan had “no sense of humor, no vision and no beer.”<sup>6</sup>

*MCI v. GTE.* It was reported that GTE’s Sprint temporarily acquired mci.com as a domain name.<sup>7</sup> Sprint and MCI are, of course, competitors in the field of long-distance communication.

*Better Business Bureau v. Mark Sloo.* The Council of Better Business Bureaus (BBB) filed a trademark lawsuit against Mark Sloo, who had obtained a domain name bbb.com.<sup>8</sup> According to BBB’s complaint, Mr. Sloo acquired the domain name with the intent of trading on the goodwill associated with the BBB mark. Allegedly, Mr. Sloo had told BBB that he acquired the domain name because “he was interested in establishing a consumer complaint system on the Internet.”<sup>9</sup>

## Acquiring Rights In A Domain Name

A domain name can be valuable property in cyberspace. This section outlines steps for acquiring rights to use a domain name.

The first step in acquiring the right to use a domain name is to contact Network Solutions, the government subcontractor responsible for assigning domain names in the United States.<sup>10</sup> Network Solutions assigns domain names on a first-come, first-served basis, and many names have already been assigned. Thus, the longer one waits to apply, the greater the chance that one's choice of domain names will not be available.

In assigning a domain name, Network Solutions performs certain technical procedures that allow computers on the Internet to recognize the new domain name. Although these procedures are necessary for creating a new domain name, they do not bestow the legal right to use that domain name. Thus, persons who acquire a domain name from Network Solutions can still be sued for using that domain name by another party who believes that the domain name violates its trademark or other rights.

A business that plans to acquire a new domain name should first conduct a trademark search to determine whether anyone else is already using the proposed domain name as a trademark. This precaution is equally important for a business that already uses the proposed domain name as a trademark, because use of its trademark as a domain name may represent an expanded use of the mark with new services (the service of providing information), in new territories (the global reach of the Internet), or via new channels of trade (online communication). This expanded use could provoke a dispute with another user of the same mark. For example, Frenchy Frys Catering, a distributor of French fry vending machines, was recently sued by Fry's Electronics, a computer and electronics retailer, for using the domain name *frys.com*. Fry's Electronics asserted that even though Frenchy Frys may be entitled to use the term *frys* in its French fry business, the use of *frys* in an online (i.e., "electronic") environment is a use in the field of computers and therefore a violation of Fry's rights.<sup>11</sup>

A search is also important because Network Solutions requires each applicant for a domain name to represent and warrant that:

- It has the right to use the requested domain name,
- It intends to use the name on a regular basis,
- It will not use the name for any unlawful purpose, and
- Its use of the name will not violate any third party's rights in any jurisdiction.<sup>12</sup>

The applicant must also agree to defend and indemnify Network Solutions for any claim or expense resulting from the applicant's use of the domain name.<sup>13</sup> This indemnity could result in significant expense if a third party sues Network Solutions in a dispute over the applicant's choice of domain name.

The next step in protecting a domain name is to acquire trademark rights with respect to the name. A trademark is a word or symbol used to indicate the source or origin of particular goods or services. Thus, merely obtaining a domain name from Network Solutions does not create trademark rights in that name.

A domain name may be protected as a trademark, however, if it is used in commerce to indicate the source or origin of goods or services.<sup>14</sup> In the case of goods, this usually means the domain name must be applied to the goods, their containers or the displays associated with the goods.<sup>15</sup> In the case of services, the mark must be displayed in the sale or advertising of the services.<sup>16</sup> For example, the domain name for an online store could be a service mark for the service of retail sales.

Those who use an existing trademark as a domain name do not need to worry about acquiring trademark rights in the domain name *per se*. For example, if the maker of *Pepsi* brand soft drinks acquires the domain name *pepsi.com*, its trademark rights in *Pepsi* already exist by virtue of its use in ordinary commerce.

By comparison, companies that do not use a domain name as a trademark in ordinary commerce can still develop trademark rights in the name if they offer online services or digital products in connection with the domain name. For example, a service called *NewsPage* offers news information to Internet users. Its

domain name, *newspage.com*, functions as a service mark because it indicates the source of the services offered at that Internet address. By analogy, the domain name functions as a service mark in the same way that radio station call numbers or telephone number mnemonics can develop trademark significance.<sup>17</sup>

An Internet domain name may be eligible for trademark registration in the U.S. Patent and Trademark Office ("PTO") if its owner uses it (or intends to use it) as a trademark or service mark. When the PTO considers an application to register a domain name, it generally disregards the Internet suffixes such as *.com*.<sup>18</sup> Thus, the base domain name by itself must be sufficiently distinctive (that is, not generic or descriptive) to support a registration.

Consequently, there is little benefit in obtaining a separate federal registration of a previously registered mark simply because the registered mark is used as a domain name, with Internet address suffixes. For example, if a company has a registered trademark for *Acme* on trucks, it does not need a separate registration for *acme.com* simply because it has obtained *acme.com* as a domain name.

### **Preventing Use Of Mark As Domain Name**

As explained above, many trademark owners, including McDonald's and MCI, have found that competitors and others have "hijacked" their trademarks for use as Internet domain names. To date, the equities in most of these cases seem lopsided in favor of the trademark holders. However, many future domain name disputes are likely to be much less clear cut, with courts finding that both parties have a legitimate claim to the name at issue.

For example, several organizations use the term *united*, including United Airlines, United Way, and United Van Lines. Does any one of these entities have a superior right to the domain name *united.com*? If one of these mark holders obtains the domain name *united.com*., do any of the others have the right to object?

The probable answer in this case is that each owner of a "United" trademark has an equal right to use the domain name *united.com*. The reason for this is that trademark law does not confer a monopoly to use a particular word

such as *united*. Rather, a trademark right protects its owner from unauthorized use of the mark *in a manner that is likely to cause confusion* among the purchasing public. Use of the same mark by different parties on unrelated goods usually does not lead to confusion. Thus, each party's rights are limited to the use of the mark on its respective goods.

So long as the public is not confused, some trademark owners may find that they cannot prevent others from using their trademarks as domain names. Notwithstanding this cautionary note, there are a number of strategies trademark owners can pursue against other parties who use trademarks as domain names.

### **NSI's Dispute Resolution Procedure**

Network Solutions' official position is that it "cannot act as an arbiter of [trademark] disputes arising out of the registration and use of domain names."<sup>19</sup> Unfortunately, Network Solutions and other Internet service providers have been caught in the middle of the fight between trademark owners and other parties who have used their trademarks as domain names.<sup>20</sup> In an effort to stave off litigation, Network Solutions has adopted certain procedures for handling trademark disputes.<sup>21</sup>

Under these procedures, the owner of a trademark registration in the U.S. or abroad can file an objection with Network Solutions if another party is using the trademark as a domain name.<sup>22</sup> The domain-name user must show within 30 days that it also has a trademark registration (in any country) for the contested domain name, and must post a bond (payable to Network Solutions) sufficient to cover any damages sought by the complaining party.<sup>23</sup>

If the domain-name user cannot post bond or produce a trademark registration, then the domain name is suspended (or placed into a "hold status") until the dispute is resolved by court order, arbitration judgment, or settlement agreement.<sup>24</sup>

If the domain-name user has a trademark registration for the disputed name, Network Solutions will not suspend its domain name.<sup>25</sup> In that case, the complaining party will have to work out a settlement or go to court with the

domain-name user. In cases where both parties have trademark registrations for the disputed mark, the complaining party might not have a case of "hijacking." In fact, the domain-name user may have a legitimate -- and perhaps even superior -- claim to use the name at issue.

### Lanham Act Remedies

Trademark owners can also pursue legal action in the courts against domain-name users. Such suits will typically be brought under sections 32 and 43(a) of the Lanham Act.<sup>26</sup> As explained above, trademark infringement under section 32 is grounded on a showing that the defendant: (1) is using the mark in commerce,<sup>27</sup> and (2) that such use is likely to cause confusion or deception. Section 43(a) offers additional remedies for confusion relating to affiliation, sponsorship, or approval. The following examples illustrate fact patterns where a likelihood of confusion may exist.

**Similar Goods or Services:** A likelihood of confusion may exist where the defendant is using its domain name in connection with the same type of goods or services as the trademark owner. For example, consider a hypothetical trademark *Acme Airlines*. Because *Acme* is a fairly common mark, the owner of the *Acme Airlines* mark might not be able to prevent another party from using the domain name *acme.com* in connection with, for example, soft drinks. However, it probably could prevent others from using *acme.com* in connection with air travel. The difference is that use of the term *acme* in connection with air travel may create a likelihood of confusion. In some cases, consumers may believe that the infringing domain name is actually operated by *Acme Airlines*. In other cases, they may believe that the domain name is somehow sponsored or approved by *Acme Airlines*. In either case, the domain-name user could be violating the Lanham Act.

**Trademark Relates to Computers:** A likelihood of confusion may also exist when the allegedly infringed trademark is used in connection with computers, communications, or information services. Arguably, these marks could be infringed on by any similar domain name (regardless of how the domain name is used), because an Internet domain name is

inherently used in connection with computers, information, and communication.

For example, *Wired* (a magazine about the Internet and digital technology) recently objected to the use of the domain name *wire.net* by WIRE, a group devoted to women's issues. In the end, WIRE (the women's group) changed its name to *Women's Wire*.<sup>28</sup> The apparent strength of *Wired* magazine's position was that its mark *Wired* is used in close connection with the Internet, and arguably, therefore, any use of *wire* as a domain name necessarily posed a risk of consumer confusion.<sup>29</sup>

**Defendant Shows Bad Faith:** A trademark owner's case will be particularly strong where the domain-name user has adopted a domain name in bad faith -- that is, with the intent of deriving benefit from the trademark owner's reputation. Bad faith may exist, for example, when a company adopts one of its competitor's trademarks as a domain name. This type of bad faith is found in the classic domain-name hijacking cases, and will weigh strongly against the domain-name user in litigation.

**Mark Is Very Strong:** One theory espoused by owners of famous marks is that unauthorized use of such marks as a domain name is inherently a use in commerce that is likely to cause confusion. For example, if someone obtains a domain name for *mcdonalds.com* (or another famous trademark), he or she might draw a substantial number of McDonald's hamburger customers who would mistakenly attribute that Web page (or lack thereof) to McDonald's Corporation. Although this position has not been tested by the courts, it would seem to have particular strength in connection with highly distinctive and unique marks.

**Dilution Claims:** Using a state law dilution theory, owners of very strong marks may be able to prevent unauthorized use of the marks as domain names. Dilution rights protect holders of famous marks such as *Coca-Cola* and *Big Mac* from having others use their marks even if there is no likelihood of confusion. For example, a party who uses the domain name *exxon.com* could be subject to a dilution claim by the owners of the famous *Exxon* trademark.

## Reverse Domain-Name Hijacking

Domain-name hijacking is obviously a concern for companies of all sizes. However, smaller and mid-sized companies should also focus on the risk that they might be accused of domain-name hijacking by an overzealous trademark owner.

Under Network Solutions' current policy, this risk has some teeth. Anyone with a federal registration that reads on a domain name can request Network Solutions to suspend the domain name. Unless the domain-name user has a federal or foreign registration covering the same name, Network Solutions may do just that.<sup>30</sup>

Losing a domain name could be a disaster for a business that is built around a Web page. This problem is especially acute for new businesses because it may take a year or longer to obtain a trademark registration. In the meantime, someone who has a registration for the same mark -- even in a wholly different industry -- can ask Network Solutions to take away the new company's domain name.

For example, suppose a company known as Stellar Limited develops Web pages and other online promotions. Its portfolio is on the Web at stellar.com, and at great expense it has advertised its domain name in various trade publications. One day, Stellar, Inc., a maker of industrial valves and owner of a federal trademark registration for *Stellar*, files a complaint with Network Solutions, demanding that Stellar Limited's domain name be revoked. Under its current policy, Network

Solutions may pull the domain name unless Stellar Limited presents a trademark registration within 30 days. Because Stellar Limited cannot afford to lose its domain name, and does not have a trademark registration, it may be forced to pay Stellar, Inc., a hefty sum in settlement of its claim.

Based on this hypothetical case, it seems that Network Solutions' new policy may actually invite "reverse domain-name hijacking," whereby someone with a trademark registration holds up a domain-name even if the parties are in completely different industries and the name in question is as common as rain.

It is likely that Network Solutions' policy will evolve over time to deal with these types of problems. In the meantime, however, domain-name users should consider taking two steps.

First, conduct a careful trademark search for any proposed domain name. If the search reveals other parties who own registrations (or applications to register) for the same mark (but on different goods), consider entering into a consent agreement with the other owners before committing resources to the domain name. Of course if another party is using the *same* mark on the *same* goods as the domain-name user there is probably a serious conflict and the advice of a trademark attorney should be sought.

Second, apply for a federal registration for any mark that is also used as a domain name and is not already registered. Because the registration may take well over a year to obtain, the application should be filed as soon as possible.

## FOOTNOTES

<sup>1</sup> In reality, "united.com" is registered to a business known as United Video.

<sup>2</sup> A. Brunel, *Billions Registered, But No Rules: The Scope of Trademark Protection for Internet Domain Names*, 7 *Journal of Proprietary Rights* 2.

<sup>3</sup> *Id.*

<sup>4</sup> *MTV Networks v. Curry*, 867 F. Supp. 202 (S.D.N.Y. 1994).

<sup>5</sup> D. Burk, *Trademarks Along the Infobahn: A First Look at the Emerging Law of Cybermarks*, *Richmond Journal of Law and Technology*, Feb. 4, 1995, <http://www.urich.edu/jolt>.

<sup>6</sup> J. Quittner, *Making a Name on the Internet*, *Newsday*, Oct. 7, 1994, at A4.

<sup>7</sup> International Trademark Association (INTA) Bulletin, *Registration of Internet Domain Names in the USPTO*, February, 1995.

<sup>8</sup> Hamilton, *Trademarks on the Internet: Confusion, Collusion or Dilution*, Presented at the University of Texas School of Law Conference on the Emerging Law of Computer Networks (May 18th and 19th, 1995).

<sup>9</sup> *Id.*

<sup>10</sup> Its telephone number is (703) 742-4777. Network Solutions assigns domain names in North America. Other organizations assign domain names in different parts of the world. Names assigned by these foreign organizations have suffixes that indicate their country of origin, such as ".uk" for the United Kingdom, and ".au" for Australia. Independent

international bodies such as APNIC and RIPE coordinate these activities, at least on a regional basis. However, no one government or organization has worldwide authority over the assignment of domain names.

<sup>11</sup> P. Lewis, *Technology: Online*, N.Y. Times, Aug. 14, 1995, at D5.

<sup>12</sup> Network Solutions, Inc. Domain Dispute Resolution Policy Statement, dated July, 1995 (ulr <ftp://rs.internic.net/policy/internic/internic-domain-4.txt>) (hereinafter, the NSI Policy Statement).

<sup>13</sup> NSI Policy Statement, Section 4.

<sup>14</sup> In examining an application for registration of a domain name, the PTO follows the same policy it applies to applications for registration of alphanumeric telephone number marks, such as 1-800-FLOWERS. INTA Bulletin, *supra*.

<sup>15</sup> K. Klesh, *Internet Domain Names and the USPTO: An Interview*, Thomson & Thomson Client Times, August, 1995, at 4.

<sup>16</sup> *Id.*

<sup>17</sup> Some commentators have addressed the trademark significance of domain names by drawing an analogy with broadcast designators and telephone mnemonics. See D. Burk, *supra*.

<sup>18</sup> INTA Bulletin, *supra*; K. Klesh, *supra*.

<sup>19</sup> NSI Policy Statement, Section 6(b).

<sup>20</sup> P. Lewis, *Technology: Online*, N.Y. Times, Aug. 14, 1995, at D5.

<sup>21</sup> NSI Policy Statement, Section 6.

<sup>22</sup> If the dispute does not involve a federally registered trademark, then the user of the domain name can continue its use until a court order or arbitrator's judgment to the contrary is received by Network Solutions. NSI Policy Statement, Section 6(b).

<sup>23</sup> NSI Policy Statement, Section 6.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> Section 32 provides remedies for the infringement of federally registered trademarks. Section 43(a) provides remedies for false designation and descriptions (that is, unfair competition).

<sup>27</sup> Although merely obtaining a domain name may not be sufficient "use in commerce" to establish trademark rights, it may be a sufficient "use" for purposes of establishing a Lanham Act violation. In *Brach Van Houten Holding v. Save Brach's Coalition*, 856 F. Supp. 472 (N.D. Ill. 1994), plaintiff Brach's prevented a protest group from using plaintiff's famous candy logo on the group's literature criticizing plaintiff's decision to close a factory on the West Side of Chicago. Although this case did not involve online activity, it demonstrates how noncommercial "use" of a mark can trigger infringement liability.

<sup>28</sup> Brunel, *supra*, at 5.

<sup>29</sup> See also P. Lewis, *supra* (discussing dispute over fry.com between catering company and Fry's Electronics).

<sup>30</sup> NSI Policy Statement, Section 6(c)(2).