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“Location, Location, Location” in Cyberspace

E-Commerce and the Domain Name System

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The development and protection, through intellectual property rights, of brand image in cyberspace is an area of particular interest to researchers.¹ Much of this interest in Internet brand image focuses on domain names and the domain name system (DNS). Computers route actual data packets according to Internet protocol addresses (e.g., 172.356.21.741), but these numbers are difficult for people to remember. The domain name system was developed so that easily remembered names (e.g., www.yourcompany.com), rather than their numeric equivalents, could be used as address locators.

With the growth in electronic commerce, the issues surrounding DNS have multiplied and become global in nature. Many Texas companies have found themselves in the middle of domain name controversies as they establish an online presence and develop, or move, their companies and product brands on the Internet.

What's in a Name?

Like a trademark, a domain name is a valuable asset in a firm's communications and marketing strategy. Domain names establish the firm's persona and expedite transactions. Without intuitive domain names, customers might spend valuable time navigating through guides, indexes, and search tools, rather

than going directly to the Web site. Someone wanting to find Dell Computer Corporation, for example, might type in dell.com as a quick way to find the firm's Web site. An effective domain name translates into more Internet customers accessing and doing business with a firm. In essence, a registered domain name is to Internet commerce what “location, location, location” is to traditional brick-and-mortar businesses.

The registration of domain names is easy. Numerous domain name registrars, such as Network Solutions or Register.com, will register a “second level” domain name for an applicant. Typically, this refers to the letter string following the “www” prefix and preceding the various top level domain (TLD)

A Glossary of Acronyms

DNS domain name system
TLD top level domain
ccTLD country code top level domain
ICANN Internet Corporation for
Assigned Names and Numbers
UDRP Uniform Domain Name Dispute
Resolution Policy
ACPA Anticybersquatting Consumer
Protection Act
WIPO World Intellectual Property
Organization
NAF National Arbitration Forum

The numerous variations on domain names make it difficult for any one company to capture all possible names that might identify or relate to the company or its product in cyberspace

suffixes such as “.com” and “.net.” The domain names are usually assigned to the applicant on a first-come-first-serve basis, regardless of any trademark rights that the applicant may or may not have on the word or letter string registered.

In addition, there are more than 200 country code top level domains (ccTLDs). These include country identification suffixes; for example, “.il” stands for Israel, “.ca” for Canada, and so forth. Because of their international presences, many companies also register their trademarks in these ccTLDs. This gives the company the appearance of being local—as with compaq.ro for Compaq Computer in Romania—and prevents international “cybersquatting.” (The cybersquatter is someone, other than the company holding the trademark, who registers a domain with the intent to sell it to the trademark holder or to use it otherwise to the detriment of the trademark holder.) Some companies also register ccTLDs to take advantage of the possible alternative meanings. For example, .tv or .md stand for the countries Tuvalu and Moldova but have obvious alternative uses.

The growth in the number of domain name registrations has been phenomenal (table 1). As of April 2001, the total number of domains registered worldwide stood at 35 million, 22.4 million of which are in the popular “.com” top level domain, 4.2 million in the “.net” TLD, and another 2.7 million in the “.org” TLD. Texas lists fourth—behind California, New York, and Florida—among the top five states in domain name registrations (table 2). Furthermore, Houston, Dallas, and Austin all show substantial numbers of registrations compared to other cities.

The numerous variations on domain names (such as www.your-company-name.com) make it difficult for any one company to capture all possible names that might identify or relate to the company or its product in cyberspace. AOL registered more than twenty variations of AOL-Time Warner

Table 1
Domain Name Registrations
July 1998–January 2001

Total as of	Texas	United States	World
July 1998	87,199	1,409,538	3,282,117
January 1999	161,950	2,566,275	5,504,151
July 1999	251,550	4,024,100	9,098,066
January 2000	324,850	5,357,527	13,402,448
July 2000	487,400	8,794,300	23,864,611
January 2001	679,650	13,310,650	33,045,397

Table 2
Number of .com Domains by State
July 1998 and January 2001

State	July 1998	January 2001	Percentage change
California	301,634	2,398,450	695
New York	109,990	923,750	740
Florida	96,660	746,650	672
Texas	87,199	679,650	679
Illinois	54,011	411,750	662

Source: Matthew Zook, Internet Geography Project, http://socrates.berkeley.edu/~zook/domain_names/ (reported on Web site, April 14, 2001, UC Berkeley).

(AOLTimerwarner.com, AOLTW.com, for example) just prior to the merger of the two companies and has since registered many more. The multitude of variations—along with the fact that some companies and individuals, including cybersquatters, “beat” trademark holders to the domain name registration of their trademarks or closely related letter strings—has brought companies that own trademarks in conflict with others.

Many companies have paid thousands, if not millions, of dollars to individuals or other companies for particular domain names.

Domain name conflicts come in various forms. Some result from mere speculation, i.e., domain registrants hope that trademark owners will pay large sums of money for the domain name. Some alleged cybersquatters are competitors, registering the domain name to generate visitors who would otherwise go to the trademark holder. Domain variations on “Playboy,” for example, proliferated as competing adult sites attempted to draw traffic from Playboy Enterprises. Disgruntled employees, dissatisfied customers, and consumer protection groups have also registered domains incorporating the trademarks of others. Occasionally, noncompeting businesses have similar names or trademarks that can create confusion when reduced to a single domain name. Consider that Delta Airlines, Delta Faucets, and Delta Dental all own trademarks on Delta, with Delta Airlines holding the domain name delta.com. Cisco Systems, rather than American Airlines, held the domain american.com after purchasing a small company with that domain name. Many companies have paid thousands, if not millions, of dollars to individuals or other companies for particular domain names.

Resolving Current and Future Conflicts

U.S. trademark law allows companies to sue to recover certain domain names. The U.S. legal system, however, has proven to be a slow and often expensive option for trademark holders.² The Internet Corporation for Assigned Names and Numbers (ICANN) created a more efficient dispute resolution system. As the organization given the power by the U.S. Department of Commerce to oversee the technical coordination of the domain name system, ICANN established a system that ensured that any dispute over domain names would be resolved within two to three months from when the trademark holder brought the case to

the corporation. This process is much less expensive than going to court, and because everything can be done electronically, the arbitrators are universally available.

ICANN decisions are based on the Uniform Domain Name Dispute Resolution Policy (UDRP). When registering a domain name in “.com,” “.net” or “.org,” applicants must now agree to the policy. Some countries also use the UDRP for disputes within their individual ccTLDs. The UDRP requires that the domain registrant submit to ICANN arbitration if an individual or a company brings a complaint to ICANN about the ownership rights to the name. The UDRP requires that a domain name be transferred to the trademark holder or cancelled altogether if the registrant:

- has registered a domain name that is confusingly similar to a trademark,
- has no legitimate interest in the domain name, and
- has acted in bad faith in registering and using the domain name.

All three conditions must apply. What constitutes “confusingly similar,” “legitimate interest,” and “bad faith” is part, the ICANN arbitration panels have interpreted these provisions in the favor of company trademark holders and ordered transfers of the domain names. Brick-and-mortar companies, such as J. Crew and Wal-Mart, and web-based companies, such as Yahoo and GeoCities, have used the ICANN dispute system successfully to claim domains registered by alleged cybersquatters.

With this system, many Texas companies—Exxon Mobile, Compaq Computer, Cellular One, and Enron, to name a few—have claimed domain names registered by others. Some Texas firms have also used the ICANN UDRP to force the transfer of dozens of domain names. Dell Computer, for example, recovered 122 domain names in one ICANN proceeding alone. Those domain names include dell-it.com,

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dellmobile.org, and dellservices.com, among others. Texas-based Internet America recovered the domain name that was identical to its company name (internetamerica.com). Identigene, another Texas company, used the ICANN UDRP to recover a domain name from a “typosquatter,” someone who registers a common misspelling of a company’s name—in this case, “identagene.com”—or trademark.

Not all Texas companies have been successful, however. Dallas company eAuto L.L.C. attempted to recover the domain name eautoparts.com. The ICANN panel hearing the case refused to force the transfer, stating that eautoparts.com describes a business that offers, through the Internet, information about or sales of automobile parts. The panel ruled that it would be inappropriate to grant eAuto a monopoly over all domain names, even descriptive ones, that incorporate the mark EAUTO.

When bringing an action under the ICANN UDRP, a trademark holder has the option to choose among several ICANN accredited dispute resolution providers, including the World Intellectual Property Organization (WIPO), the National Arbitration Forum (NAF), and eResolution. Recent research indicates that WIPO rules more consistently in favor of trademark holders, who have won approximately 80 percent of the domain disputes brought before that organization. Consequently, more and more companies take their cases to that forum.

To open up the domain name space, ICANN approved a new set of top level domains in 2000 for operation in 2001 and beyond. The added TLDs include “.biz”; “.aero” (for airline businesses); “.coop” (for co-ops); “.pro” (for professionals such as doctors and lawyers); “.museum”; “.name” (for personal sites); and “.info” (for anybody). Many brand owners opposed this expansion, arguing that each new TLD would cost them money for registration and advertising and offer cybersquatters new

territory to try to take brand names hostage. Others welcomed the expansion of the TLDs as an opportunity for greater expressions and brand differentiation on the Internet. In fact, some companies have found ways to expand the TLD extension without ICANN approval. For example, New.net, a start-up company based in Pasadena, Calif., began selling domain names in March 2001 with suffixes not approved by ICANN. Among the choices are “.kids,” “.sport,” and “.xxx” for adult entertainment sites. The company sidesteps ICANN DNS control by making it quick and easy to reconfigure browsers so that users will be redirected to the New.net sites.

Domain Name Strategy

Companies must consider many questions and options when establishing and maintaining their Web location. What preemptive strategies (e.g., buying domains in clusters or applying for a trademark on a new domain name such as “amazon.com”) should a company undertake? What is the desirability of the domain name for competitor use? What are the barriers in choosing the optimal domain name? Does another company or person own it or a trademark related to the domain letter string? In what ways might disgruntled employees or dissatisfied customers use domain names to tarnish the company image? How can marketing, legal, and technology people (webmasters) best interact to anticipate domain name opportunities and issues?

As the domain name space grows and as more people gain access to and use the Internet for more services, product purchases, and free expression, prudent managers will be pressed to manage domains in a more strategic fashion. An understanding of the domain name system and domain name dispute options will become an important component of that management.

Notes

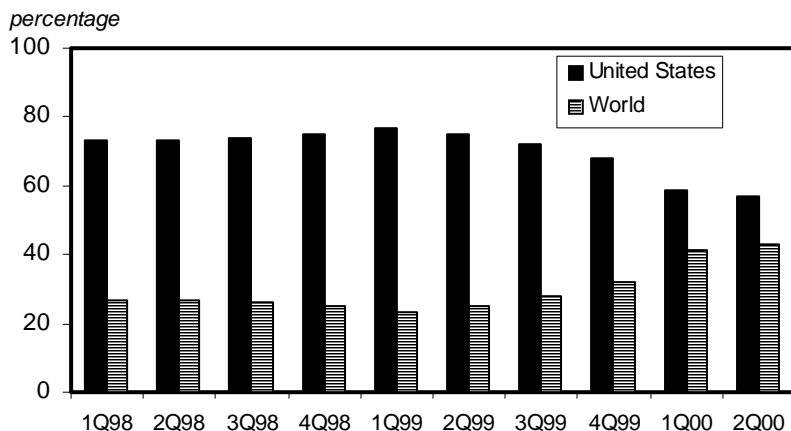
1. The Center for Business, Technology, and Law and the Bureau of Business Research, McCombs School of Business, University of Texas at Austin, supported the research for this article.

2. In late 1999, Congress passed the Anticybersquatting Consumer Protection Act (ACPA) to supplement the current trademark

laws and make them more easily applicable to domain names. That act outlawed the bad faith registration and use of domain names. For example, NASDAQ used the ACPA to obtain a court injunction against Deltacross Limited, which had registered the domain names “nasdaqeuropa.com” and “nasdaqeuropa.net.” The court ordered the domains transferred to NASDAQ. ♦

U.S. and International Domain Name Registration

(1st quarter 1998-2nd quarter 2000)



Source: Network Solutions, <http://dotcom.com/facts/usmarket.html>

Distribution of Top Ten TLD Names by Host Count

January 2001

(in millions)

Domain	Number of hosts
com (commercial)	36.35
net (networks)	30.88
edu (educational)	7.10
jp (Japan)	4.64
ca (Canada)	2.36
uk (United Kingdom)	2.29
us (United States)	2.26
de (Germany)	2.16
mil (U.S. military)	1.84
it (italy)	1.09

Source: Based on data from Internet Software Consortium (<http://www.isc.org/>).

Note: Number of hosts represents the total number minus the duplicate names.

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