

Morgan Lewis & Bockius LLP

# Strategically managing domain names in the United States

With the emergence of new practices such as domain name tasting, brand owners must reinforce their programmes for procuring, administering and monitoring domain name registrations. Such measures are an essential counterpart of any thorough brand protection regime

Since the inception of the Internet, '.com' and '.net' top-level domains (TLDs) have reigned as the most popular TLDs worldwide. That trend continues in 2007, despite the increase in additional country-specific and geographically specific TLDs. As of April 2007 over 69 million '.com' and '.net' domain name registrations existed, a 28% increase over 2006. Notably, of these 69 million registrations, approximately 11% consisted of single-page websites with pay-per-click links where the domain name owner generates revenues from advertisements appearing on the webpage, as compared with traditional, multi-page business websites. These single-page websites have increasingly presented concerns for brand owners over the misuse of their trademarks. This newest form of website often preys on misspellings in internet searches. Brand owners decry that this misuse of brands wrongfully drives traffic to these essentially pay-for-click advertising websites. Such rogue websites have created a new type of misuse, labelled 'domain name tasting', further increasing the challenges and expenses brand owners face in relation to domain names.

For brand owners, domain name tasting should reinforce the need to have an established programme for procuring, administering and monitoring domain name registrations, particularly those linked to a key trademarked brand. With the ever-increasing importance of the Internet, a domain name management programme constitutes a necessary and essential counterpart of any thorough brand protection programme.

## Domain name tasting

The practice of domain name tasting underscores the difficulties of brand policing in the internet era. Even though

misspellings of brand names in domain names that lead to pay-per-click webpages plainly trade off of the brand name and create consumer confusion, the practice has not been halted. Specifically, domain name tasting refers to the practice of registering a domain name for the free five-day grace period registrars afford new domain name registrants. The domain name taster often purchases a misspelling of a popular domain name or brand, and points that domain name to a single-page site filled with links designed to generate advertising revenues. If the ad revenue does not pan out, then the taster has lost nothing and can allow the domain name reservation to lapse *at no cost*. Conversely, if the ad revenue generated during the five-day refund period is significant, the taster can actually pay to register the domain name. Adding to the complexity of domain name tasting, a taster can register and drop the same domain name multiple times at no cost all through electronic means, in effect receiving the benefits of domain name ownership without ever paying for the domain name registration. The term 'domain name kiting' refers to this type of domain name tasting.

Registrars conceived of the grace period as a way of addressing the problem caused by accidental misspelling of domain name registrations. However, it is now being exploited as a lucrative business that only adds to the already complicated and expensive process of protecting brands on the Internet.

In June 2007 the Internet Corporation for Assigned Names and Numbers (ICANN) issued a report on domain tasting detailing the abuses of the system, but not recommending any specific action. Rather, ICANN recently issued a request for public comments on domain name tasting, particularly requesting statistical data. Thus,

the practice at least for the short term will remain prevalent. For now, brand owners will need to address domain name tasting through their own ingenuity and existing legal remedies, weighing the damage to their business and brands against the cost of enforcement strategies.

## Legal tools available

While not necessarily cost effective, brand owners do have legal tools available to address domain name tasting and related practices. Domain name tasting appears to constitute cybersquatting under the Anti-cybersquatting Consumer Protection Act, 15 USC §1125(d) (ACPA). The ACPA provides that "[a] person shall be liable in a civil action by the owner of a mark ... if that person (i) has a bad-faith intent to profit from that mark..." and "(ii) registers, traffics in, or uses a domain name" that is confusingly similar to, or dilutive of, the brand. The damages provided for under the ACPA include actual damages and profits, or an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name. Likewise, the Uniform Dispute Resolution Policy (UDRP) constitutes another source of relief, although the relief available is limited to transfer of the disputed domain name.

In May 2006 Neiman Marcus Group availed itself of the ACPA and sued Dotster, accusing it of tasting a number of domain names meant to lure internet users who were searching for Neiman Marcus to the Dotster websites wrongfully using misspellings of the NEIMAN MARCUS marks. In its lawsuit, Neiman Marcus alleged as an example that the domain name 'neimumarcus.com' featured ads for Target, Nordstrom and other rivals. Nearly a year later, the lawsuit settled short of trial, with Dotster reportedly agreeing to stop use of

Neiman Marcus's marks.

More recently, in March 2007, Neiman Marcus sued Name.com LLC and Spot Domains LLC for violating the ACPA by registering more than 40 domain names that infringed or diluted the NEIMAN MARCUS marks. Also in March 2007, Microsoft sued Maltuzi LLC for domain name tasting of its brands.

In the end, the main hurdles for brand owners in these lawsuits remain twofold:

- tracking down and suing the domain name taster prior to the site being returned to the registry; and
- proving bad faith.

Often, the domain name taster will either allow the domain name to lapse before suit can be filed or craft a rationale for its use of the domain name to attempt to defeat the bad-faith element of the ACPA claim. To date, while suits have been brought under the ACPA, no large damages award has been achieved, encouraging domain name tasters to continue this practice.

### Strategic procedures

Whether it is domain name tasting or some other as of yet unnamed practice, the implementation of strategic procedures for domain names provides a solid framework to ward off significant harm to brands.

#### Identify domain names owned:

Although it is common for businesses to have a large portfolio of domain names, it is not as common for them to know precisely what domain names they own. A useful first step of any domain name programme is to identify the domain names owned and to assess the ownership of these domain names.

#### Centralize domain name ownership:

Businesses do not always treat domain names as they do trademarks. Domain name renewal dates are not necessarily docketed, and administration and ownership are not always centralized. It is also critical to have in place policies limiting who can register domain names. By way of example, an employee may decide to register domain names using his or her own contact information. When that employee leaves, the access to renewal of the domain name may be difficult, if not impossible, and the domain name may be completely lost as a result. Avoiding these types of pitfall in advance saves money and avoids embarrassment.

Ensure that domain name registration information is secure, that business-critical domain names are set to renew automatically with a valid form of payment, and that the WHOIS information is accurate.



**Rochelle D Alpert**

Partner, Morgan Lewis & Bockius LLP,  
San Francisco  
[ralpert@morganlewis.com](mailto:ralpert@morganlewis.com)

Rochelle D Alpert is a partner in the global trademark, copyright and advertising practice of Morgan Lewis Bockius LLP, resident in the San Francisco office. Her practice is focused on strategic counselling and litigation. She is a 1975 graduate of the University of Michigan Law School and is licensed to practise before the US Supreme Court and all federal and state courts in California.

This can be achieved through an outside vendor or by careful internal control with centralized responsibility. In all cases, a domain name portfolio review should be undertaken at least yearly to confirm the accuracy of the information, as well as to consider the need to add or delete domain names in order to conduct business efficiently and effectively on the Internet.

**Register misspellings:** While it is not possible to conceive of every variation a cybersquatter may devise, given the yearly fees for domain names now in place, it can be a cost-efficient strategy to register at least the most common misspellings and direct those misspelled domain names to the brand website. Not only will this process limit the effectiveness of domain name tasters trading off the brand, it will also deter those who have a legitimate interest in a similar brand for an unrelated business and, thereby, indirectly strengthen the brand. In today's world, most businesses considering the development of a new brand want to have the ability to own the corresponding '.com' domain name. If this variation already has been registered, the new business may be indirectly persuaded to adopt a different brand.

**Implement a domain name watch service for key brands:** While it may not be possible to order watch services for '.com' domain names for all trademarks owned, having such a service in place for key brands can be cost effective. Reviewing these watches can provide early notice of cybersquatting techniques that might have an impact on the brand, including unauthorized uses by distributors, customers or employees, and may even persuade a potential infringer to adopt a different strategy. If the resources are available, putting such registrants on notice of your trademark rights can represent a strong tactical approach, allowing you to assert intentional infringement claims if your notice is ignored, and can also deter use of an infringing domain name.

### Conclusion

Domain names represent a key component of the 21st century brand. It is critical as a result to develop policies and procedures that will serve to protect that asset in addition to trademark registrations. In the end, the investment in an established policy for procuring, administering and monitoring domain names will serve to enhance ultimate brand value. [WTR](#)