

INSIDE THE MINDS™

UNDERSTANDING THE LEGAL ASPECTS OF E-COMMERCE

LEADING LAWYERS ON DEFENDING INTELLECTUAL
PROPERTY, NAVIGATING PRIVACY CONCERNS,
AND NEGOTIATING CONTRACTS



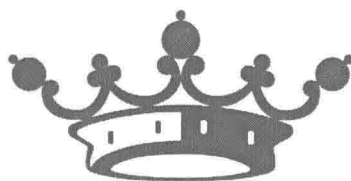
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I N S I D E T H E M I N D S

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*Leading Lawyers on Defending Intellectual Property,
Navigating Privacy Concerns, and
Negotiating Contracts*



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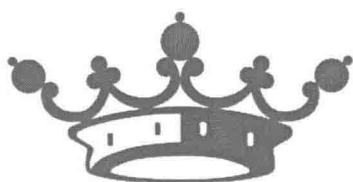
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*Leading Lawyers on Defending Intellectual Property,
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Domain Name Protection in E-Commerce

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Introduction

Over the last ten years, there has been a dramatic rise in the importance of e-commerce for all business. Knowledge about the basics of e-commerce and effective strategies for negotiating and capitalizing on the Internet are quickly becoming requirements for all successful businesses. In addition, with the rapid growth in online sales (growing at an annualized rate estimated to be over 9 percent according to some analysts), consumers and businesses are quickly turning to e-commerce as the preferred way to conduct transactions.

This chapter will focus on the basics of e-commerce and how businesses can start to grow their e-commerce presence in a way that is effective, saves costs, and is legal.

Domain Names

The starting point of any e-commerce program is the choice of a domain name. Choosing a domain name is a critical step for any e-commerce company. For many companies, their domain name will become how consumers come to know and refer to the company. In addition, the Internet is the first place for many consumers when they want to purchase or research a product. As a result, many consumers' first exposure to a brand or product is via a company's website accessed through a domain name. To manage and choose domain names wisely, it is important to understand what a domain name is.

A domain name is any alphanumeric designation registered with a domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet, such as www.abc.com. Put simply, domain names are a user-friendly way to access an Internet Protocol (IP) address.

Every website on the Internet is assigned an IP address. An IP address is a series of numbers and periods. For example, an IP address for yahoo.com is 69.147.125.65. Each website has a unique IP address. As one can see, remembering a string of numbers and periods to navigate the Internet would be a difficult task, to say the least. Domain names function like

nicknames, with the characters of the domain name being easier to remember than the IP address (e.g., yahoo.com versus 69.147.125.65).

The Domain Name System (DNS), which is essentially a global addressing system, allows Internet users to go to a specific website address by entering its corresponding domain name instead of the IP address by translating domain names into IP addresses. The Internet Corporation for Assigned Names and Numbers (ICANN) coordinates and administers the DNS. ICANN is charged with facilitating the technical, managerial, and policy decisions of the Internet. While ICANN administers some DNS functions, the actual registration of domain names is delegated to various accredited registrars. Individual countries are responsible for administering their own domain names.

Each domain name consists of two parts, the top-level domain (TLD) name and the second-level domain name. The TLD is the end portion of a domain name, the string of two or three characters after the period, such as .com, .org, or .net. TLDs are divided into three general groups: (1) generic top-level domains (gTLDs), (2) country-code top-level domains (ccTLDs), and (3) internationalized domain names (IDNs). A list of current approved TLDs is published by the Internet Assigned Names Authority and can be found at www.iana.org/domains/root/db/.

gTLDs are the most common type of TLD. Common gTLDs include: .com (originally intended for use by commercial organizations, but available to anyone), .net (originally intended for use by sites directly related to the Internet, but available to anyone), .org (originally intended for use by nonprofit organizations, but available to anyone), .edu (used by educational organizations), and so on. Other familiar gTLDs include .gov (reserved for agencies of the US government), .mil (reserved for the US military), .int (reserved for international organizations established by treaty), .aero (reserved for members of the air transport industry), .biz (for use by businesses only), .coop (reserved for cooperative associations), .info and .museum (reserved for museums), .name (reserved for individuals), and .pro (being developed for professionals and related entities). In addition, ICANN recently embarked on a plan to approve and introduce new gTLDs. Under the current plan, ICANN has set a limit of 1,000 new gTLDs per year.

ccTLDs are two-letter TLDs specially designated for a particular country or autonomous territory, such as .uk for the United Kingdom and .ca for Canada. In general, ccTLDs are administered by nationally designated registration authorities in each country or territory. IDNs are TLDs that allow for domain names in non-Latin scripts, such as Arabic, Japanese, or Cyrillic (e.g., .ﻻﺩﻭﻋﻲ for Saudi Arabia).

The content located before the TLD is the second-level domain name. The second-level domain name is the content located to the left of the dot of the TLD (e.g., the “yahoo” portion of yahoo.com). In general, the second level of a domain name must be at least two characters long and no more than sixty-three characters. The second-level domain name can include any combination of letters, numbers, or hyphens (however, the first and last character cannot be a hyphen). Domain names are not case-sensitive (i.e., “yahoo.com” is the same as “Yahoo.com”).

Registration of Domain Names

Now that you understand what a domain name is, you must understand how to acquire a domain name. Domain names are acquired by registering the name with an accredited registrar. Generally, domain name applications are submitted electronically through a registrar’s website. There are a number of accredited domain name registrars. A directory of accredited registrars may be found at www.internic.net/regist.html and on the ICANN website.

When registering a domain, there are typically three parties involved: (1) the registry, (2) the registrar, and (3) the registrant. The registry is a database of all domain names registered for a particular TLD. Registries are part of the DNS. Each registry will be responsible for a particular TLD and is responsible for domain name allocation and technical operation of its TLD. For example, VeriSign is the registry that is responsible for the gTLD .com.

The registrar typically acts as a middleman between the registry and the registrant. The registrar must be accredited by the registry responsible for the TLDs it offers. GoDaddy.com is an example of a well-known registrar. Registrars pay registries an annual fee for each TLD they register for a registrant. For example, since VeriSign controls the .com gTLD, it will

provide the domain name to the registrar at a particular price, and the registrar in turn sells it to the registrant.

The registrant is the party that registers the domain name. The registrant is responsible for providing certain information to the registrar and paying all fees associated with a domain name registration. After the registrant has provided the appropriate information to the registrar, the registrar will confirm that the chosen domain name is available with the registry.

The registration term of domain names varies, depending on the type of TLD. However, all domain name registrations are valid only for a limited time. For example, gTLDs may be valid for as little as one year or as many as ten years. Some ccTLDs have two-year minimum terms. Domain name registrations are able to be renewed, and like the initial registration period, the renewal period may depend on the type of TLD registered.

If a party forgets to renew a gTLD domain name, all is not lost. Registrars will allow the former registrant to renew the domain name within thirty days of expiration of a gTLD. During this period, the former registrant is the only party that may register or renew the domain name. The grace period and renewal policies vary for each ccTLD provider.

Domain Name Strategies

For any e-commerce company, effective management of domain names is critical. It is vitally important that e-commerce companies have an effective and efficient strategy for dealing with domain names. Many registration problems can be avoided if in-house or outside counsel is consulted early in the process to help develop and manage your domain name strategy.

Any domain name strategy starts with the registration process. Companies must choose what domains to register and how to best protect their most valuable brands. Typically, companies choose two different approaches for managing their online presence: (1) the defensive approach or (2) the monitor and pursue approach.

In the defensive approach, companies will register all or substantially all of their brands and/or trademarks across a broad swath of the gTLDs and in the relevant geographical areas. In addition, companies frequently register common misspellings or variations of those brands and marks. For example, Wal-Mart Stores Inc. has registered wallmart.com, walmarts.com, and wlmart.com, all misspellings of its WAL-MART® mark.

In addition, you will want to consider registering domain names that may be used to attack your brand (e.g., abctinks.com). By clogging up the field with registrations, companies can avoid having competitors and others attack their marks and brands through registrations of identical marks or through typo-squatting. The downside to this strategy is that as the number of domain names pile up, so do the costs and management time involved. In addition, it is virtually impossible to register all potential brand and mark variations that a potential infringer will want to use. For companies with large trademark and brand portfolios over many different countries, the defensive strategy can be a costly endeavor. In addition, with the coming advent of new gTLDs, it will likely become cost-prohibitive to even register a single brand or trademark in all of the gTLDs.

The second approach is the enforcement approach. In the enforcement approach, companies subscribe to a domain name watch service. The watch service allows a company to monitor their brands and trademarks, and the company will alert them when a third party registers an identical or confusingly similar domain name. Just as you can use common misspellings or prefixes and suffixes, you can also add these variations to your watch regime. Once you are notified of a potential infringer, you must then enforce your rights. Enforcement of your rights with respect to domain names is discussed in more detail below. However, effective enforcement of your rights against infringers will almost always involve the help of an attorney. While attorneys can help you protect your interests, the costs of enforcement can be unpredictable and the results uncertain. As with the defensive approach, costs with the enforcement approach can escalate quickly.

Most companies choose a combination of the two approaches. The defensive approach is quickly becoming virtually impossible to implement, even for single brands. And with the enforcement approach, it is frequently

cost-prohibitive to fight every infringer, particularly in the case of well-known brands. Thus, for many companies, the best strategy is to register critical brands and marks in high-traffic gTLDs and with important ccTLDs. Which domain names to register and where will involve consideration of which brands and trademarks are critical, whether there is trademark registration in a particular jurisdiction, the legal regime for enforcing rights vis-à-vis domain names in a jurisdiction, and whether particular areas or TLDs are particularly susceptible to infringement.

After registering these brands in the chosen TLDs, companies should engage a watch service to monitor their registered and non-registered brands. When a possible infringer is found, the choice to pursue should be made with careful consideration. It is rarely wise or practical to pursue all cybersquatters. Companies should always keep in mind the actual harm a website is causing when determining whether to pursue an enforcement action. Dead websites with minimal traffic and no infringement on the site should have a lower priority than live websites with high volumes and active infringement. That is not to say the lower-priority websites should be ignored. These sites should be monitored and action taken when appropriate.

Brand owners should keep in mind, however, that the mechanisms to protect your rights vis-à-vis domain names can be expensive and slow. Cybersquatting and phishing are quick and easy methods for bad actors to capitalize on the goodwill of others. As a result, you should take defensive methods seriously and budget an appropriate amount for domain name enforcement and protection.

To find out more about the party behind a domain name, you should conduct a WHOIS search. When a domain name is registered, ICANN requires that the registrant submit contact information to the WHOIS database. The listing in the WHOIS database is publicly available. The listing will include the registrant's name, address, phone number, e-mail address, and domain name expiration dates. The IP address for the domain name will also be listed. Registrants can pay a fee to keep this information private. A WHOIS search can be performed through a number of different websites. Popular WHOIS searches include www.networksolutions.com and www.domaintools.com.