

INTERNET DOMAIN NAME SECURITY INTERESTS: WHY DEBTORS CAN GRANT THEM AND LENDERS CAN TAKE THEM IN THIS NEW TYPE OF HYBRID PROPERTY

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INTRODUCTION AND THESIS

E-commerce and Internet advertising have become an important part of companies' revenue producing businesses. Almost every major business has a web site and uses it to advertise its company, sell goods, or both. For many companies, their web site is an integral component of the business without which the business would not be able to exist. As a result, lenders have noticed that a company's web site or domain name may be valuable collateral to secure their loans to that company. Regardless of whether the domain name has value unassociated with the value of the business's goodwill and other assets, a secured lender may want to obtain a security interest in the domain name because of its significant value to the borrower, or a debtor may want to sell it separately in bankruptcy from the sale of

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the entire business.

Currently, uncertainty exists as to whether a domain name registrant holds a transferable property interest in the domain name to which a creditor is able to obtain a security interest and if so, whether that security interest is enforceable.¹ If a domain name is property, bankruptcy purposes require that the debtor registrant's interest in a domain name be classified such as whether the debtor's interest in the domain name is a property right, trademark right, or a contract right.² The determination of this question will impact how a domain name is to be treated in bankruptcy, that is, whether a domain name is property, a trademark, or a contract right included in a debtor's bankruptcy estate and how it may be used or sold in bankruptcy. This article will discuss the conflicting case law regarding these issues and the underlying property, trademark, and bankruptcy laws that must be analyzed in an attempt to properly understand the issues. After establishing that a domain name is property of the bankruptcy estate, and that a domain name registrant has a transferable property interest in a domain name, this article will discuss how a creditor may obtain and enforce a security interest in a domain name.

I. APPLICABLE LAW

A. Property of the Bankruptcy Estate

Bankruptcy Code³ section 541 provides that a debtor's bankruptcy estate includes all of the debtor's legal and equitable interests in property, real or personal, tangible or intangible, at the time the bankruptcy petition is filed.⁴ According to the legislative history of section 541, this definition includes, but is not limited to, contracts, trademarks, and causes of action.⁵ For example, even a debtor's telephone

¹ See U.C.C. § 9-203(1)(c) (1998). This section provides that the borrower must have rights in the collateral before a security interest may attach. This *presupposes* that a borrower has property rights in the collateral. See generally Marjorie Chertok & Warren E. Agin, *Restart.com: Identifying, Securing and Maximizing the Liquidation Value of Cyber-Assets in Bankruptcy Proceedings*, 8 AM. BANKR. INST. L. REV. 255, 274 (2000) (noting courts and legislators have not yet recognized that domain names are protected intangible assets or can be attached by garnishment of foreclosure under state law); Xuan-Thao N. Nguyen, *Cyberproperty and Judicial Dissonance: The Trouble With Domain Name Classification*, 10 GEO. MASON L. REV. 183, 196-205 (2001) (discussing varying judicial decisions regarding property interest of domain name registrants).

² See John D. Penn et al., E-Commerce and E-Resources, Address at the American Bankruptcy Institute Annual Spring Meeting Washington, D.C. (April 27-30, 2000) at <http://www.abiworld.org/abidata/online/conference/00asm/penn1.html> (last visited Jan. 28, 2002) (discussing issues facing e-business); see also Dorer v. Arel, 60 F. Supp. 2d 558, 560 (E.D. Va. 1999) (noting in regard to domain names that trademark law is more appropriate guide than personal property law).

³ 11 U.S.C. § 101, *et seq.*

⁴ See 11 U.S.C. § 541(a)(1) (2000) (governing creation of bankruptcy estates).

⁵ See H.R. REP. NO. 95-595, at 367 (1977) (providing property of estate includes all kinds of property including tangible or intangible property and causes of action); see also S. Cent. Bell Tel. Co. v. Simon (*In re Fountainebleau Hotel Corp.*), 508 F.2d 1056, 1059 (5th Cir. 1975) (listing telephone numbers as example of intangible interests of value); *In re Nettie Lee Shops of Bristol, Inc.*, 49 B.R. 946, 947 (Bankr. W.D. Va. 1985) (concluding trademarks are property of bankruptcy estate).

number is property of the estate.⁶ Section 541(a) further provides that property is property of the estate "wherever located and by whomever held."⁷ Thus, property belonging to the debtor that is in the possession of a third party or to which a creditor has a security interest is property of the debtor's bankruptcy estate.

State law, not the Bankruptcy Code determines property rights in a debtor's assets.⁸ In *Butner v. United States*,⁹ the Supreme Court instituted the *Butner* principle providing that property rights are created by state law, and bankruptcy courts must defer to non-bankruptcy law when ascertaining a debtor's property interests in the estate assets.¹⁰ In this age of high technology business, bankruptcy courts must consider whether a debtor has a property interest in intangible assets such as domain names and whether a domain name is property of the estate in which a creditor may obtain a security interest. Thus, under the *Butner* principle bankruptcy courts must look to property and trademark law in order to resolve these issues.

B. What is a Domain Name?

A domain name, also referred to as a Uniform Resource Locator ("URL"), is an Internet address that is used to identify every page on the World Wide Web.¹¹ The domain name of a company on the Internet is like a phone number in that by typing in the domain name the user is able to locate a company's web site. For example, an Internet user wanting to locate the web site for Delta Airlines may type in <http://www.delta.com>. The Internet is a group of globally-networked computers containing several million "host" or "site" computers that provide information services.¹² Every entity that maintains a site on the Internet has a numerical address that is looked up by a "top-level server" computer when the domain name is typed

⁶ See *In re Pers. Computer Network, Inc.*, 97 B.R. 909, 912 (N.D. Ill. 1989) (concluding debtor's possession of numbers was sufficient to bring them into debtor's bankruptcy estate and within summary jurisdiction of bankruptcy court); see also *In re Sec. Inv. Props., Inc.*, 559 F.2d 1321, 1324 (5th Cir. 1977) ("Telephone numbers constitute a unique property interest."); *S. Cent. Bell*, 508 F.2d at 1059 ("Telephone numbers are a valuable asset, just like the hotel's building or furniture."); *In re Sheppard's Dental Ctrs., Inc.*, 65 B.R. 274, 278 (Bankr. S.D. Fla. 1986) (listing telephone numbers and similar intangible property as valuable assets); *In re Profl Sales Corp.*, 48 B.R. 651, 660 (Bankr. N.D. Ill. 1985) ("[C]ourts sitting in bankruptcy have held a wide range of intangible property to be part of the estate."); *In re Norman Indus., Inc.*, 1 B.R. 162, 166 (Bankr. W.D. La. 1979) (discussing value of telephone numbers).

⁷ 11 U.S.C. § 541(a) (2000).

⁸ See *Butner v. United States*, 440 U.S. 48 (1979).

⁹ *Id.*

¹⁰ See *id.* at 55 ("Congress has generally left the determination of property rights in the assets of a bankrupt's estate to state law. Unless some federal interest requires a different result, there is no reason why such interests should be analyzed differently simply because an interested party is involved in a bankruptcy proceeding.").

¹¹ See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 981-82 (1999) (explaining domain names apply to host computers).

¹² See generally ED KROL, *THE WHOLE INTERNET* 13-15 (2d ed. O'Reilly & Assocs. 1994) (discussing what the Internet is).

into the browser.¹³ The "top-level server" computer matches the domain name to the corresponding numerical address.¹⁴ Then, a third computer receives the query and locates the desired web site for the user. Each Internet address is unique.¹⁵ As a result, only one corporation or individual can register and use a particular address.¹⁶

In the United States the domain name system is operated under the direction of the Internet Corporation for Assigned Names and Numbers ("ICANN") empowered by the United States Department of Commerce.¹⁷ Prior to September 20, 2000 Network Solutions, Inc. ("NSI") held the exclusive contract to perform registration and support services for domain names/Internet addresses for the top-level domain names using the ".com," ".org," ".net," and ".edu" suffixes.¹⁸ Since the institution of ICANN, NSI is no longer the only domain name registrar.¹⁹

¹³ See *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227, 1231 (N.D. Ill. 1996) (explaining how domain name system works); *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1299 (C.D. Cal. 1996) (describing two main purposes of domain names as being able to identify owner of website and to allow Internet users to locate sites easily); see also *Interstellar Starship Servs. v. Epix, Inc.*, No. 01-35155, 2002 U.S. App. LEXIS 19632, at *3 nn.2-3 (9th Cir. Sept. 20, 2002) (detailing automatic translation method of domain names for easier Internet use).

¹⁴ See *Intermatic*, 947 F. Supp. at 1231 (describing process of finding domain name). See generally James West Marcovitz, *Ronald@McDonalds.com – "Owning A Bitchin'" Corporate Trademark as an Internet Address – Infringement?*, 17 CARDOZO L. REV. 85, 89-95 (1995) (detailing domain name system).

¹⁵ See *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 20 (1st Cir. 2001) ("Corinthians.com, like any domain name, is unique and its use by one party is mutually exclusive with its use by any other party."); *Intermatic*, 947 F. Supp. at 1230 (stating unique fully-qualified domain name may not be repeated on Internet); *MTV Networks v. Curry*, 867 F. Supp. 202, 203-04 nn.2-3 (S.D.N.Y. 1994) (noting uniqueness of Internet address). See generally Marcovitz, *supra* note 14, at 86 n.10 (discussing Internet and domain name system).

¹⁶ See *Intermatic*, 947 F. Supp. at 1230 (stating domain name may not be repeated); see also *Business and Legal Issues Surrounding Online Services, Internet Include Trademark, Copyright Infringement*, THE LICENSING LETTER, Nov. 1994, at 6 ("For example, television network ABC may want to use 'abc' as its Internet address, but another company (who uses the same initials in another line of business) may have already registered it legitimately."). Television broadcaster ABC currently maintains registration for the domain name abc.com.

¹⁷ See *Virtual Countries, Inc. v. Republic of South Africa*, 300 F.3d 230, 233 (2d Cir. 2002) (discussing function of ICANN and its system for resolving domain name disputes); *Sallen*, 273 F.3d at 20 (noting existence of ICANN pursuant to Memorandum of Understanding with United States Department of Commerce). See generally WILLIAM L. NORTON, JR., 6A NORTON BANKRUPTCY LAW AND PRACTICE 2d § 151:48, 151-56 (1997) (detailing history of privatization of domain name system in U.S.); www.icann.org (last visited Oct. 9, 2002) (allowing access to various information concerning ICANN).

¹⁸ See Marcovitz, *supra* note 14, at 85 n.1 (referring to NSI as entity responsible for assigning Internet addresses); see also *Sallen*, 273 F.3d at 20-21 (commenting NSI is currently one of several domain name registrars). See generally *Network Solutions' Domain Name Dispute Resolution Policy*, available at http://www.netsol.com/en_US/legal/dispute-policy.jhtml (last visited Oct. 7, 2002) (as approved by ICANN on Oct. 24, 1999).

¹⁹ Some examples of other domain name registrars now in service include America Online, Inc., Stargate Communications, Inc., and USA Webhost. See www.icann.org/registrars/accredited-list.html (last visited Oct. 7, 2002) (listing currently accredited domain name registrars in U.S. and other countries for certain top-level domains).

C. Controversy: Is a Domain Name Property?

Because domain names are like Internet addresses, businesses typically register their domain name either as their company name or a familiar nickname so that consumers are easily able to reach their web site.²⁰ Like a telephone number, selected by the user but approved and monitored by the telephone company, one must first register with a domain name registrar in order to operate a domain name.²¹ Most U.S. domain names are registered through NSI.²² As of September 20, 2000, however, NSI no longer holds the exclusive contract for providing domain name registration and support services.²³ When a domain name is registered the registrant receives the right to use the domain name. The domain name registrant's only interest in their domain name may be the contractual right to use the domain name and receive support services from the registrar.²⁴ Recently, there has been debate over whether a domain name registrar's property interest in a domain name is merely the right to use the name or whether it is personal property that can be sold, encumbered, transferred, and levied upon.²⁵

The right to use a domain name can have significant value.²⁶ Businesses are increasingly registering their trademarked trade names as their domain names.²⁷ For

²⁰ See, e.g., www.cocacola.com (last visited Oct. 7, 2002); www.dell.com (last visited Oct. 7, 2002); www.macys.com (last visited Oct. 7, 2002); www.usairways.com (last visited Oct. 7, 2002).

²¹ See *Intermatic*, 947 F. Supp. at 1231 (explaining process of registering domain names).

²² See NORTON, *supra* note 17, at § 151:48, 151-57 (acknowledging NSI as registration agent for most top-level domains).

²³ See *Sallen*, 273 F.3d at 20 (noting NSI is just one of several domain name registrars accredited by ICANN); *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 493 (2d Cir. 2000) ("Until recently, domain names with the .com top-level domain could only be obtained from Network Solutions, Inc. (NSI). Now other registrars may also assign them."). There are approximately 100 accredited domain name registrars. See generally www.internic.net/regist.html (last visited Oct. 7, 2002) (providing access to list of ICANN accredited registrars).

²⁴ See *Dorer v. Arel*, 60 F. Supp. 2d 558, 561 (E.D. Va. 1999) (arguing non-trademark domain name entails only contract rights providing for services between registrar and registrant); NORTON, *supra* note 17, at § 151:48, 151-58 (suggesting right to use domain name is contract between registrar and registrant and will be subject to terms of contract).

²⁵ See generally *Online Partners.com, Inc. v. Atlanticnet Media Corp.*, 2000 WL 101242, at *9 (N.D. Cal. Jan. 20, 2000) ("A domain name is intellectual property and may be attached under the law."); *Caesars World, Inc., v. Caesars-Palace.com*, 112 F. Supp. 2d 502, 502 (E.D. Va. 2000) (holding domain name registration is property and can serve independently as res for *in rem* jurisdiction); *Dorer*, 60 F. Supp. 2d at 560 (questioning whether domain name is merely address that has value subject to lien only to extent that manner of use adds value); *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80, 81 (Va. 2000) (overruling lower court decision in *Umbro Int'l, Inc. v. 3263851 Canada, Inc.*, 48 Va. Cir. 139 (1999) which held while domain name is intangible asset, asset is limited to contract rights held under contract between domain name holder and registrar).

²⁶ See *Dorer*, 60 F. Supp. 2d at 561 ("Some domain names, however, are valuable assets as domain names irrespective of any goodwill which might be attached to them."); *MTV Networks v. Curry*, 867 F. Supp. 202, 203-04 n.2 (S.D.N.Y. 1994) (suggesting domain names may be valuable to corporations because they facilitate communications with customers); NORTON, *supra* note 17, at § 151:48, 151-56 ("The right to use a domain name can have significant value.").

²⁷ See *Marcovitz*, *supra* note 14, at 88 n.14 (noting growing practice of registering corporate trademarks and service marks as domain names); see also *Sallen*, 273 F.3d at 19 (explaining importance of having one's trademark as domain name in helping customers find company's website). But see *Dorer*, 60 F. Supp. 2d at

businesses whose domain name is also their company name, their domain name represents the company's goodwill because much of the traffic brought to a web site is by users familiar with the company. Thus, in situations where the domain name is a company's trademark, the value of the domain name cannot be separated from the value of the company's goodwill.

If a domain name is merely an Internet address like a street address or a phone number then the domain name may not have any real value.²⁸ But just as a telephone number may have significant value resulting from the substantial amount of business that is derived from catalogue sales placed by phone,²⁹ a domain name may have significant value. If a domain name is a trademark it is more than just a postal address because it tells Internet users something about itself, much like "vanity license plates and billboards" rather than postal addresses.³⁰ The value of the domain name may be the value of the company's goodwill and the value of the business generated from traffic to its web site.

D. Conflicting Case Law

Recent decisions have highlighted the debate over whether a domain name should be characterized as property or a mere contractual right to use.³¹ Although these cases are not bankruptcy cases, their application to bankruptcy cases under the *Butner* Principle will affect the determination of whether a domain name is an asset

560 (discussing problem of cyber-squatting whereby individuals register and hold domain names based on trademarks and then attempt to sell those domain names to original trademark owners).

²⁸ See *Dorer*, 60 F. Supp. 2d at 561 ("In most cases, a domain name registration is valueless apart from the way it is used by the entity with rights to it, and if the only value that comes from transfer of the domain name is from the value added by the user, it is inappropriate to consider that an element subject to execution."). But see Francis G. Conrad, *Dot.coms In Bankruptcy Valuations Under Title 11 or www.Snipehunt in the Dark.noreorg/noassets.com*, 9 AM. BANKR. INST. L. REV. 417, 429 (2001) (noting difficulty in valuating domain names); Xuan-Thao N. Nguyen, *Shifting the Paradigm in E-Commerce: Move Over Inherently Distinctive Trademarks – The E-Brand, I-Brand and Generic Domain Names Ascending to Power?*, 50 AM. U. L. REV. 937, 938–39 (2001) (illustrating high prices put on generic domain names).

²⁹ See *In re Pers. Computer Network, Inc.*, 97 B.R. 909, 910 (N.D. Ill. 1989) (noting buyer of debtor's assets saw value in debtor's telephone number due to catalogue sales and advertising of numbers).

³⁰ See Marcovitz, *supra* note 14, at 85 n.3 ("Domain names are kind of like postal addresses, vanity license plates and billboards, all rolled up into one digital enchilada."); see also Conrad, *supra* note 28, at 429 ("Like a trade name, nickname, logo or company name, the domain name conveys an image. It is something customers or viewers can recognize, remember, and associate with a web site or company.") (footnote omitted); Todd W. Krieger, *Internet Domain Names and Trademarks: Strategies for Protecting Brand Names in Cyberspace*, 32 SUFFOLK U. L. REV. 47, 50 (1998) (comparing domain names to "vanity license plates or alphanumeric telephone numbers.").

³¹ See *Caesars World, Inc. v. Caesars-Palace.com*, 112 F. Supp. 2d 502, 504 (E.D. Va. 2000) (holding domain name registration is property and can serve independently as res for *in rem* jurisdiction); *Online Partners.com, Inc. v. Atlanticnet Media Corp.*, 2000 WL 101242, at *9 (N.D. Cal. Jan. 18, 2000) ("A domain name is intellectual property and may be attached under the law."); *Dorer*, 60 F. Supp. 2d at 561 (defining domain name as merely address that has value subject to lien only to extent that manner of use adds value); *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80, 86 (Va. 2000) (holding while domain name is intangible asset, that asset is limited to contract rights held under contract between domain name holder and registrar).

that can be sold in bankruptcy separate from the sale of the entire business and whether a lender is able to obtain and enforce a security interest in a domain name.

In *Dorer v. Arel*,³² the plaintiff, a judgment creditor, requested for writ of *fiery facias*³³ to execute on an Internet domain name held by the judgment debtor.³⁴ In dicta, the U.S. District Court for the Eastern District of Virginia expressed doubt as to whether the writ of *fiery facias* could be applied to domain names because of uncertainty over what precisely would be seized.³⁵ The Court denied the requested relief and recommended that the parties use the domain name registrar's dispute resolution process rather than litigate the issue.³⁶ The Court did not resolve the issue of whether a domain name is personal property subject to a writ of *fiery facias*. In dicta, the Court stated, "if the only value that comes from transfer of the domain name is from the value added by the user, it is inappropriate to consider that an element subject to execution."³⁷ This suggests that a domain name is not personal property subject to judicial lien, but instead represents trademark rights (to the extent the domain name holder has trademark rights in the term registered as a domain name) and contract rights (under the contract between the domain name holder and the registrar).³⁸ The Court further provided that some domain names "are valuable assets as domain names irrespective of any goodwill which might be attached to them."³⁹ The Court's conflicting classifications of domain name values illustrates the need for a clear determination of whether a domain name is personal property that can be levied upon or sold apart from the business as a whole.

Similarly, In *Network Solutions, Inc. v. Umbro International, Inc.*,⁴⁰ the Supreme Court of Virginia concluded that a domain name holder has no property

³² 60 F. Supp. 2d 558 (E.D. Va. 1999).

³³ *Fieri Facias* is Latin meaning "that you 'cause (it) to be made." A writ of *fiery facias* is a writ to enforce the collection of a claim that has gone to judgment and has become final. BLACK'S LAW DICTIONARY 64 (7th. ed. 1999).

³⁴ *Dorer*, 60 F. Supp. 2d at 559.

³⁵ See *id.* at 559 n.8 ("As a practical matter, it is difficult to see in the case of a domain name precisely what the executing official would seize—or what steps an executing official would take to compel the registering authority, in this case, NSI, to cancel a domain name or to transfer one from one party to another.").

³⁶ See *id.* at 561 ("The knotty issue of whether a domain name is personal property subject to the lien of *fiery facias* ultimately need not be resolved because there is a more readily available, practical solution to the problem to be found in NSI's policies.").

³⁷ *Id.*

³⁸ NORTON, *supra* note 17, at § 151:48; see also Warren E. Agin, Reconciling Commercial Law and Information Technology: An Essay on Bankruptcy Practice during the Next Business Cycle, Address at the American Bankruptcy Institute Northeast Bankruptcy Conference (July 13-16, 2000), available at <http://www.abiworld.org/abidata/online/conference/00nebc/agin/html> (last visited Jan. 28, 2002). But see *Kremen v. Cohen*, 99 F. Supp. 2d 1168, 1174 (N.D. Cal. 2000) (suggesting legislature is appropriate place to determine legal status of domain names).

³⁹ See *Dorer*, 60 F. Supp. 2d at 561 (noting some domain names have value on open market such as "computer.com" and could be "freely transferred apart from their content. Indeed, there is a lucrative market for certain generic or clever domain names that do not violate a trademark or other right or interest, but are otherwise extremely valuable to Internet entrepreneurs.").

⁴⁰ 529 S.E.2d 80 (Va. 2000). This decision overruled the lower court decision in *Umbro Int'l, Inc. v. 3263851 Canada, Inc.*, 48 Va. Cir. 139 (1999).

interest other than the contractual right to utilize the services provided by the domain name registrar, NSI, and therefore, a domain name cannot be levied upon by a judgment creditor.⁴¹ There, the court was presented with the issue whether a domain name could be garnished to satisfy a judgment against the domain name registrant.⁴² The court concluded that the domain name registrant did not have any rights independent of the contractual right with NSI to use the domain name stating that, "whatever contractual rights the judgment debtor has in the domain names ... those rights do not exist separate and apart from NSI's services that make the domain names operational Internet addresses."⁴³ This decision acknowledged that a domain name is an intangible asset albeit one that is limited to the contract rights held under the registration contract.⁴⁴ Although the court determined that a domain name may not be garnished under Virginia state law, it did not resolve the issue of whether a domain name registrant has a transferable interest in the domain name which would permit the registrant to sell or transfer the domain name.

In *Caesars World, Inc. v. Caesars-Palace.com*,⁴⁵ the plaintiff, a trademark owner, brought an *in rem* proceeding under the Anticybersquatting Consumer Protection Act⁴⁶ ("ACPA") seeking to have the defendant's infringing Internet domain names cancelled.⁴⁷ The defendant argued that a domain name is not property and therefore, cannot serve as the res necessary for *in rem* jurisdiction.⁴⁸ The U.S. District Court for the Eastern District of Virginia stated that Congress has specifically provided in the ACPA that a domain name is property sufficient for *in*

⁴¹ See *Network Solutions*, 529 S.E.2d at 86; see also *Kremen v. Cohen*, 99 F. Supp. 2d 1168, 1173 (N.D. Cal. 2000) ("A domain name is a form of intangible property which can not serve as a basis for a conversion claim."). But see Conrad, *supra* note 28, at 431 (analyzing cases in this area to conclude that "domain names are a property interest that can be sold.").

⁴² See *Network Solutions*, 529 S.E.2d at 81 ("We address the issue whether a contractual right to use an Internet domain name can be garnished."). The issue before the court was only whether a domain name could be garnished under Virginia Code § 8.01-501. Thus, the holding may be narrowly read as concluding that a domain name may not be garnished under Virginia state law rather than holding that a domain name is not property to which a security interest may attach in bankruptcy.

⁴³ *Id.* at 86 (stating domain name registrant acquires contractual right to use unique domain name for specified period of time and "that contractual right is inextricably bound to the domain name services that NSI provides . . . a domain name registration is the product of services between the registrar and registrant.").

⁴⁴ See *id.* at 86; see also *Dorer*, 60 F. Supp. 2d at 561 (noting domain name registration is product of contract for services between registrar and registrant). But see *Kremen*, 99 F. Supp. 2d at 1173 n.2 (N.D. Cal. 2000) (finding merit in dissent's position in *Network Solutions* that right to use domain names "exists separate and apart from NSI's various services that make the domain names operational Internet addresses.").

⁴⁵ 112 F. Supp. 2d 502 (E.D. Va. 2000).

⁴⁶ 15 U.S.C. § 1125(d)(1)(A) (2000) states:

Any person who, with bad-faith intent to profit from the goodwill of a trademark or service mark of another, registers, traffics in, or uses a domain name that is identical to, confusingly similar to, or dilutive of such trademark or service mark, without regard to the goods or services of the trademark or services of the parties, shall be liable in a civil action by the owner of the mark, if the mark is distinctive at the time of the registration of the domain name.

⁴⁷ See *Caesars World*, 112 F. Supp. 2d at 502.

⁴⁸ See *id.* at 504.

rem jurisdiction.⁴⁹ Similarly, the U.S. District Court for the Northern District of California held in *Online Partners.com Inc. v. Atlanticnet Media Corp.*,⁵⁰ a trademark infringement action, that the court would exercise a lien over the domain name and transfer it to the plaintiff.⁵¹ The court further held that "a domain name is intellectual property and may be attached under the law."⁵² The conflicting holdings in the above cases illustrate the embryonic and chaotic state of the law in this area.

E. What is Property?

Property is only a legal conclusion, best viewed as "an abstract right or a legally-constructed relationship among people with respect to things."⁵³ The term "property" refers to a multilithic concept that includes a bundle of rights, powers, privileges and immunities⁵⁴ that define the relationship of an individual organization or government to a resource.⁵⁵ Property is not confined to tangible or

⁴⁹ See *id.* 15 U.S.C. § 1125(d)(2)(C) (2000) states:

The owner of a mark may file an *in rem* civil action against a domain name if –
 (i) the domain name violates any right of the registrant of a mark registered in the Patent and Trademark Office, or section 43 (a) or (c); and
 (ii) the court finds that the owner has demonstrated due diligence and was not able to find a person who would have been a defendant in a civil action under paragraph (1).

15 U.S.C. § 1125(d)(2)(B) (2000) states:

The remedies of an *in rem* action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

⁵⁰ 2000 WL 101242 (N.D. Cal. 2000).

⁵¹ *Id.* at *9.

⁵² *Id.* See generally Susan Thomas Johnson, *Internet Domain Name and Trademark Disputes: Shifting Paradigms in Intellectual Property*, 43 ARIZ. L. REV. 465, 474–75 (2001) (debating whether domain names are intellectual property); Pamela Ratliff, *Protection and Enforcement of New Intellectual Property*, 8 TEX. WESLEYAN L. REV. 467, 469–80 (noting that although domain names may appear not to be intellectual property, when trademarks are used in domain names, worlds of intellectual property and domain names collide).

⁵³ See A. Mechele Dickerson, *From Jeans to Genes: The Evolving Nature of Property of the Estate*, 15 BANKR. DEV. J. 285, 287 (1999) (defining property); see also Stephen L. Carter, *Does it Matter Whether Intellectual Property is Property?*, 68 CHI.-KENT L. REV. 715, 716 (1993) ("In theory, the term [property] does not refer to any object or to any necessary set of legal rights that always inheres in a property relationship. Instead, the term refers to a bundle of rights - rights that define, singly or collectively, the relationship of an individual to a resource."); Jeanne L. Schroeder, *Death and Transfiguration: The Myth that the U.C.C. Killed "Property,"* 69 TEMP. L. REV. 1281, 1282–83 (1996) (characterizing property as bundle of sticks).

⁵⁴ See Wesley N. Hohfeld, *Some Fundamental Legal Conceptions as Applied in Judicial Reasoning*, 23 YALE L.J. 16, 22–23 (1913) (characterizing property as legal relations between and among legal subjects); see also Thomas Ross, *Metaphor and Paradox*, 23 GA. L. REV. 1053, 1055–56 (1989) (explaining concept of property has changed from things of ownership to bundle of sticks theory). See generally JESSE DUKEMINIER & JAMES E. KRIER, *PROPERTY* (4th ed. 1998).

⁵⁵ See Carter, *supra* note 53, at 716 ("In theory, the term [property] does not refer to any object or to any necessary set of legal rights that always inheres in a property relationship. Instead, the term refers to a bundle of rights—rights that define, singly or collectively, the relationship of an individual to a resource."); see also Dickerson, *supra* note 53, at 287 (defining property).

corporeal objects.⁵⁶ The word property has an unusually broad meaning designating the right of ownership and any other rights of any nature that can legally attach to the res.⁵⁷ Such rights include the right to possess, to enjoy income from, to alienate, to exclude, to dispose of and to recover title from one who has improperly obtained ownership of the res.⁵⁸ Often called "nomen generalissimum," the term property is so comprehensive that it is "employed to signify any valuable right or interest protected by law, and the subject matter or things in which rights or interest exist."⁵⁹ Property includes practically all valuable rights and extends to every category of valuable rights and interests.⁶⁰ Thus, valid contract rights are property.⁶¹

Whether something is property subject to ownership turns on the definition of property which incorporates several aspects of ownership. The philosopher, Honoré's definition of property includes eleven incidents of ownership.⁶² The following chart lists Honoré's incidents of ownership and whether a domain name embodies the corresponding aspect of ownership.

⁵⁶ See *Gibbes v. Nat'l Hosp. Serv., Inc.*, 24 S.E.2d 513, 514 (S.C. 1943) ("The word 'property' is not confined to tangible or corporeal objects, but is a word of unusually broad meaning."); see also *Vollmer v. McGowan*, 99 N.E.2d 337, 341 (Ill. 1951) (explaining property includes every interest one may have in anything which is subject of ownership). Property includes even music, images, literature, and patents, but not feelings, emotions, or things in nature. See generally David F. Fanning, Comment, *Quasi In Rem On The Cybberseas*, 76 CHI.-KENT L. REV. 1887, 1896-97 (2001) (explaining what characterizes property rights).

⁵⁷ *Gibbes*, 24 S.E.2d at 515; see also *Lott v. Claussens* 163 S.E.2d 615, 617 (S.C. 1968) (applying broad definition of property to include rights acquired as member of trade council).

⁵⁸ See *First Charter Land Corp. v. Fitzgerald*, 643 F.2d 1011, 1014-15 (4th Cir. 1981) ("In contemporary jurisprudence, 'property' refers to both the actual physical object and the various incorporeal ownership rights in the res, such as the right to possess, to enjoy the income from, to alienate, or to recover ownership from one who has improperly obtained title to the res."); see also *Smalling v. Terrell*, 943 S.W.2d 397, 401 (Tenn. Ct. App. 1996) (holding property includes all rights that have value); *S.C. Dep't of Highways & Pub. Transp. v. Balcome*, 289 S.C. 243, 246, 345 (S.C. Ct. App. 1986) ("Property in a thing consists not merely in its ownership or possession, but in the unrestricted right of use, enjoyment and disposal.").

⁵⁹ See 50 *Corpus Juris*, 729 (explaining term property encompasses extremely broad meaning);

see also *Lott v. Claussens, Inc.*, 163 S.E.2d 615, 617 (S.C. 1968) (holding valid contract rights are property); *Gibbes*, 24 S.E.2d at 515 ("[Property] is defined as any valuable right or interest considered primarily as a source or element of wealth, or any civil right of a pecuniary nature.").

⁶⁰ See 50 *Corpus Juris*, 738 ("In modern legal systems, property includes practically all valuable rights. The term is indicative and descriptive of every possible interest which a person can have, extends to every species of valuable right or interest, and comprises a vast variety of rights."); see also *Lott*, 163 S.E.2d at 617 ("The term 'property' is, in law, a generic term of extensive application. It is a term of large import, of broad and exceedingly complex meaning, of the broadest and most extensive signification, a very comprehensive word, and is the most comprehensive of all terms which can be used."); *Gibbes*, 24 S.E.2d at 515 (explaining property is term of unusually broad meaning).

⁶¹ See *Lynch v. United States*, 292 U.S. 571, 579 (1934) (holding valid contract rights are property); see also *In re Asbestosis Cases*, 281 S.E.2d 112, 115 (S.C. 1981) (stating it is well settled that contract rights are property rights for venue purposes); *State v. Broad River Power Co.*, 181 S.E. 41, 52 (S.C. 1935) (explaining any valid contract rights are property).

⁶² See TONY HONORÉ, *MAKING LAW BIND* ESSAYS LEGAL AND PHILOSOPHICAL 168 (1987); see also Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519, 554 (1993) (stating in determining whether something is property subject to ownership, analysis using Honoré's incidents of ownership should be conducted). See generally Erik B. Seeney, *Moore 10 Years Later—Still Trying to Fill the Gap: Creating a Personal Property Right in Genetic Material*, 32 NEW ENG. L. REV. 1131, 1150 (1998) (exploring Honoré's concept of full ownership).

<u>Honoré's incidents of ownership</u>	<u>Domain Name</u>
(1) the right of possession;	yes
(2) the right to use; ⁶³	yes
(3) the right to manage; ⁶⁴	maybe ⁶⁵
(4) the right to enjoyment of income;	yes
(5) the right to the capital; ⁶⁶	yes
(6) the right to security; ⁶⁷	yes
(7) the right of transmissibility; ⁶⁸	maybe ⁶⁹
(8) absence of term;	yes ⁷⁰
(9) prohibition of harmful use; ⁷¹	yes ⁷²
(11) liability to execution and; ⁷³	yes
(10) residuary. ⁷⁴	not applicable

The right to use is the most important characteristic of the right to possession.⁷⁵
An analysis of each of these incidents is not necessary for a finding that something

⁶³ See HONORÉ, *supra* note 62, at 168 (explaining right to use refers to owner's personal use and enjoyment).

⁶⁴ See *id.* at 168 (stating right to manage is "the right to decide how and by whom the thing shall be used.").

⁶⁵ A domain name registrant has the right to decide how the domain name is used, but the registrant is not able to determine by whom the domain name is used, meaning that any Internet user is able to log onto that web site.

⁶⁶ See HONORÉ, *supra* note 62, at 170 (explaining right to capital "consists of the power to alienate the thing and the liberty to consume, waste or destroy the whole or part of it" and power to alienate may be subdivided into power to make valid disposition of thing and power to transfer it).

⁶⁷ See *id.* at 171 (defining right to security as right to indefinitely remain owner of thing if he so chooses and if he remains insolvent).

⁶⁸ See *id.* at 172 (explaining right of transmissibility is owner's right to transmit thing to his successors).

⁶⁹ A domain name owner may transmit a domain name to his successors, however the domain name registration agreement may prohibit transferability of ownership. The registrant is able to avoid the restriction and transmit the domain name to his successors by leaving instructions in his will that the domain name be transferred to another registrar.

⁷⁰ Although the domain name registrant has a contractual term for the use of the domain name with a particular registrar, the registrant is able to indefinitely exercise his contractual right to renew at the end of each term or keep his domain name and transfer the registration of it to a different registrar.

⁷¹ See HONORÉ, *supra* note 62, at 174 (noting owners have special responsibility to see to it that their property is not used in manner that is harmful to others).

⁷² This is demonstrated through the ACPA which prohibits the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks.

⁷³ See HONORÉ, *supra* note 62, at 175 (defining liability of execution as "the liability of the owner's interest to be taken away from him for debt, either by execution for a judgment debt or insolvency.").

⁷⁴ See *id.* at 179 (explaining residuary is concerned with cases involving split ownership).

⁷⁵ See *In re Pers. Computer Network, Inc.*, 97 B.R. 909, 911 (N.D. Ill. 1989) ("Right of use is surely the most important attribute of possession . . . " (quoting *S. Cent. Bell Tel. Co. v. Simon (In re Fontainebleau Hotel Corp.)*, 508 F.2d 1056, 1059 (5th Cir. 1975))); see also *In re Connecticut Pizza, Inc.*, 193 B.R. 217, 226 (Bankr. D. Md. 1996) ("Debtor's right to use . . . constitutes a possessory interest . . ."); *In re Kassuba*, 396 F.Supp. 324, 326 (N.D. Ill. 1975) (finding summary jurisdiction proper because debtors maintained right to use telephone numbers).

is property.⁷⁶ Thus, satisfaction of some, but not all of these incidents will lead to a finding that something is property.⁷⁷

The legal standard for whether something is property hinges on whether one has the exclusive right to control how a thing may be used and who can use it.⁷⁸ Domain names are assigned on a first come first served basis.⁷⁹ Therefore, because each domain name is unique, the first person to register a domain name has the exclusive right to use, control, and profit from the domain name as well as the right to exclude others from using that same domain name for the term of the contract.⁸⁰ The exclusive nature of a domain name is the "essential basis of its utility and value."⁸¹ The significant value of these rights is demonstrated by the sale of domain names for millions of dollars.⁸² Domain names are assets that can be sold, transferred, and

⁷⁶See Port, *supra* note 62, at 554 ("Whether trademarks themselves are property subject to ownership should be analyzed using one of the well-accepted definitions of the concept of ownership . . ."); see also Michael A. Heller, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 HARV. L. REV. 621, 663–64 (1998) ("Any individual incident may be absent from the list . . . as to a given owner."); Joan L. McGregor, *Property Rights and Environmental Protection: Is this Land Made for You and Me?*, 31 ARIZ. ST. L.J. 391, 396 (1999) ("[I]ncidents . . . are jointly neither necessary nor sufficient conditions for private property.").

⁷⁷See Heller, *supra* note 76, at 664 ("[I]f a person controls all or most of these incidents with respect to a certain thing, he or she is said to 'own' it."); McGregor, *supra* note 76, at 396 ("[F]or each of the standard incidents, it is not the case that having that right in X is either necessary or sufficient for owning X." (quoting GOPAL SREENIVASAN, *THE LIMITS OF LOCKEAN RIGHTS IN PROPERTY* 11 (1995)); Thomas W. Merrill, *Property and the Right to Exclude*, 77 NEB. L. REV. 730, 737 (1998) ("Honoré conceded that not all of these incidents are present in all cases in which we speak of property.").

⁷⁸See Ellen Rony, *Clicks or Mortar: Are Domain Names Property?*, at http://www.domainnotes.com/news/print/0,,5281_350311,00.html (May 10, 2000) ("The legal touchstone of 'property' is the exclusive right to control how and by whom a particular thing may be used."); see also Merrill, *supra* note 77, at 730 ("Give someone the right to exclude others from a valued resource . . . and you give them property."); Port, *supra* note 62, at 554–55 ("The primary incident of ownership, implies the exclusive control of a thing and the right to remain in control." (quoting HONORÉ, *supra* note 76, at 166)).

⁷⁹See Deanna L. Kendall, *The Domain Name Game: Applying Trademark Law to an Internet Tug of War*, 1999 COMP. L. REV. & TECH. J. 1, 7 (1999) ("NSI assigns domain names blindly on a first-come, first-served basis."); Julie W. Meder, *A Visit to the Cyberspace Mall: Who Owns a Web Site Address?*, 35 DUQ. L. REV. 989, 992 (1997) ("Domain names are assigned by NSI on a first come, first serve basis."); Rony, *supra* note 78, ("[D]omain names are registered on a first come, first-served basis.").

⁸⁰See Nguyen, *supra* note 1, at 191 ("[R]egistrant has the exclusive right to use the unique domain name."); Richard Philip Rollo, *The Morass of Internet Personal Jurisdiction: It is Time for a Paradigm Shift*, 51 FLA. L. REV. 667, 689 (1999) (explaining Zippo, Inc. had exclusive right to domain names based on its registration of them); Rony, *supra* note 78, ("[T]he first individual or company to complete the registration template for an available name gets the sole right to be associated with it.").

⁸¹See Fanning, *supra* note 56, at 1896 (noting domain names represent value and are like other forms of intangible property).

⁸²See NORTON, *supra* note 17, at § 151:48 ("Amounts paid to settle domain name suits, or to purchase domain name rights, are generally kept confidential, but seven figure asking prices are not unknown."); see also Scott Hejny, *Opening the Door to Controversy: How Recent ICANN Decisions Have Muddled the Waters of Domain Name Dispute Resolution*, 38 HOUS. L. REV. 1037, 1047 (2001) (stating domain names have been sold for exorbitant sums and giving example of "business.com" selling for \$7.5 million); Rony, *supra* note 78, (noting Compaq Computer Corporation paid \$3.35 million in July of 1998 for rights to domain name ALTAVISTA.COM, DRUGS.COM sold at auction for \$823,456, LOANS.COM sold at auction for \$3 million, WALLSTREET.COM was purchased for \$1.03 million, COMPUTER.COM attracted \$1 million in cash, securities, and other consideration without any content or branding associated

encumbered.⁸³ Thus, the rights acquired by registering a domain name are valuable and satisfy four of Honoré's incidents of ownership thereby indicating that a domain name is, in fact, property, albeit intangible property.

In bankruptcy, a domain name represents part of a company's goodwill because the traffic generated by a web site, the profits derived from web site sales, and, consequentially, the value of the web site depends on the domain name.⁸⁴ The domain name and the rights associated with the right to use the domain name should be preserved in bankruptcy.⁸⁵ Once a domain name changes, traffic to the web site usually decreases as a result of visitors being unable to locate the web site.⁸⁶

A domain name has been compared to a street address because it is an Internet address through which a visitor is able to locate the desired web site.⁸⁷ However, describing a domain name as merely an address does not negate the finding that a domain name is property. Although a street address provides information as to how to locate a particular place, the post office does not maintain any control over the property at a particular address.⁸⁸ Similarly, although a domain name provides Internet users with a means of locating a particular web site, the domain name registrar does not exercise any control over the domain name or web site content.⁸⁹

with domain name, and BUSINESS.COM sold first in 1997 for \$150,000 and was sold two years later for \$7.5 million).

⁸³ See *Dorer v. Arel*, 60 F. Supp. 2d 558, 561 (E.D. Va. 1999) (stating domain names are freely transferable and are appropriate targets for judgment creditors); *NORTON*, *supra* note 17, at § 151:23 (stating domain names "are not, strictly speaking, assets in and of themselves, but bundles of intellectual property and contract rights."); see also *Archer Daniels Midland Co. v. Narula*, No. 99 C 6997, 2001 U.S. Dist. LEXIS 9715, at *22 (N.D. Ill. July 10, 2001) (evincing domain names can be assigned).

⁸⁴ See *NORTON*, *supra* note 17, at § 151:48 (concluding domain name is part of company's goodwill because traffic to website and value of company is based on domain name); see also *Brookfield Communications, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1057 (9th Cir. 1999) (associating Brookfield's goodwill with its domain name, "moviebuff.com"); *Caterpillar Inc. v. Telescan Techs., L.L.C.*, 2002 WL 1301304, at *2 (C.D. Ill. Feb. 13, 2002) (stating *www.cat.com* and *www.caterpillar.com* represent good will of Caterpillar Inc.).

⁸⁵ See Jonathan C. Krisko, *Recent Developments: U.C.C. Revised Article 9: Can Domain Names Provide Security for New Economy Businesses?*, 79 N.C. L. REV. 1178, 1187 (2001) (stating U.C.C. § 9-408 preserves domain name and rights associated with it for secured party in bankruptcy); see also *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 259 Va. 759, 770 (2000) (concluding domain name is contract for services, not liability, and not garnishable).

⁸⁶ See *NORTON*, *supra* note 17, at § 151:48 (stating change in domain name causes drop in traffic to website); G. Gervaise Davis III, Esq., *Internet Domain Names and Trademarks: Recent Developments in Domestic and International Disputes*, 21 HASTINGS COMM. & ENT. L.J. 601, 607 (1999) (asserting in certain instances website traffic has dropped by 75% due to changes in domain name).

⁸⁷ See *Strick Corp. v. Strickland*, 162 F. Supp. 2d 372, 373 n.1 (E.D. Pa. 2001) (analogizing domain names to street address); *Chatam Int'l, Inc. v. Bodum, Inc.*, 157 F. Supp. 2d 549, 552 n.4 (E.D. Pa. 2001) ("A domain name tells users where they can find a particular web page, much like a street address tells people where they can find a particular home or business." (quoting *Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 238 F.3d 264, 266 (4th Cir. 2001))).

⁸⁸ See *NORTON*, *supra* note 17, at § 151:48 ("Possibly, the domain name registration is like a street address listing, the post office provides a mechanism for describing where you are and acknowledges that you are there, but exercises no control over your right to be there.").

⁸⁹ This is demonstrated in the World Intellectual Property Organization's Uniform Dispute Resolution Policy which provides that a domain name registrar will not participate in any dispute with any party other than the registrant regarding the registration and use of the domain name. See Uniform Dispute Resolution

Moreover, a domain name does not exist until it is registered.⁹⁰ As a result, a domain name registrar does not have a property interest in a domain name that precedes registration. Therefore, a domain name registrar does not transfer a property interest to a domain name registrant upon registration of a domain name. Additional evidence that a domain name is property is derived from the new ".us" top level domain name system incorporating a six week "sunshine period" during which trademark owners were provided the exclusive opportunity to register their trademark as domain names before the customary first come first served registration system took effect.⁹¹

Like a phone number, the property interests in a domain name derive solely from registration of a domain name.⁹² A phone number has been considered property and property of the bankruptcy estate.⁹³ This supports the conclusion that the domain name registrant's exclusive right to use, control, profit from, and exclude others from using the domain name, even though this right is the product of a service contract with the domain name registrar, creates the property rights associated with the domain name.

F. Trademarks

The Restatement (Third) of Unfair Competition defines a trademark as "a word, symbol, device, or other designation, or a combination of such designations, that is distinctive of a person's goods or services and distinguishes them from the goods or

Policy, ICANN.com, at <http://www.icann.org/dndr/udrp/policy.htm> (Aug. 26, 1999) (providing domain name registrar will not participate in any dispute with any party other than registrant regarding registration and use of domain name); see also *Bird v. Parsons*, 289 F.3d 865, 869 (6th Cir. 2002) (opining domain name registrars: 1) screen applications to make sure domain name is not already in use and 2) maintain directory that links domain names with IP addresses); *Am. Online, Inc. v. Huang*, 106 F. Supp. 2d 848, 853 (E.D. Va. 2000) ("Registrar and registry functions are limited to (i) assigning unique second level domain names for certain TLDs, and (ii) directing DNS queries to the appropriate SLD name server.").

⁹⁰ See *Bird*, 289 F.3d at 869 (stating desired domain name must be registered with domain name registrar); *PGMedia, Inc. v. Network Solutions, Inc.*, 51 F. Supp. 2d 389, 392 (S.D.N.Y. 1999) (stating person or entity must register with domain name registrar and receive IP address to obtain Internet presence); *Playboy Enters., Inc. v. Asiafocus Int'l, Inc.*, No. 97-734-A1998, 1998 U.S. Dist. LEXIS 10359, at *4 (E.D. Va. Feb. 2, 1998) (asserting federal government requires registration of domain name with domain name registrar).

⁹¹ See Alldomains Registration Information, at <http://www.alldomains.com/newtlds/us.html> (last visited Oct. 11, 2002) (explaining sunrise period).

⁹² See *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 259 Va. 759, 772 (2000) (finding phone numbers are like domain names, in each case it is the contract with phone company/registrar that gives rise to property interests).

⁹³ See *Georgia Power Co. v. Sec. Inv. Props., Inc. (In re Sec. Inv. Props., Inc.)*, 559 F.2d 1321, 1324 (5th Cir. 1977) ("[T]elephone numbers constitute a unique property interest."); see also *S. Cent. Bell Tel. Co. v. Simon (In re Fountainebleau Hotel Corp.)*, 508 F.2d 1056, 1059 (5th Cir. 1975) ("[T]elephone numbers are a valuable asset, just like the hotel's building or furniture . . ."); *In re Pers. Computer Network, Inc.*, 97 B.R. 909, 912 (Bankr. N.D. Ill. 1989) ("[P]ossession of the numbers was sufficient to bring them into the debtor's bankruptcy estate and within the summary jurisdiction of the bankruptcy court."); *Sheppard's Dental Ctrs. v. S. W. SDC Inc. (In re Sheppard's Dental Ctrs., Inc.)*, 65 B.R. 274, 278 (Bankr. S.D. Fla. 1986) (referring to telephone numbers as intangible property); *In re Prof'l Sales Corp.*, 48 B.R. 651, 660 (Bankr. N.D. Ill. 1985) (citing several cases giving examples of § 541 property, including telephone numbers).

services of others," even if that source is unknown.⁹⁴ The primary right a trademark holder has in a trademark is the exclusive right to use that mark to distinguish his product from others.⁹⁵ Trademark law is based on the policies of consumer protection, policy rights, economic efficiency and universal concepts of justice,⁹⁶ and the concepts that underlie copyright and patent rights which "protect the creator's right to the intellectual products of the mind."⁹⁷ In accordance with the Lockean theory of property ownership⁹⁸, trademarks are property subject to ownership because one is entitled to ownership of the ideas he creates.

A trademark has no value separate from the goodwill attached to it.⁹⁹ A trademark is not a right in gross because it does not exist without the business or product associated with the mark.¹⁰⁰ Rather, the Supreme Court explained that, "There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed."¹⁰¹

⁹⁴ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995) ("A trademark is a word, name, symbol . . . or other designation . . . that is distinctive of a persons goods . . . used in a manner that identifies those goods . . . and distinguishes them from goods or services of others."); see also 15 U.S.C. § 1127 (2000) (defining "trademark" as any word, name, symbol, or device used to identify and distinguish goods from those of others and to indicate their source, even if it is unknown); *McLean v. Fleming*, 96 U.S. 245, 254 (1877) (stating trademarks may consist of names, symbols, figures, and devices if used by manufacturer to designate and distinguish his goods from those of others).

⁹⁵ See 15 U.S.C. § 1057(b) (2000) ("A certificate of registration of a mark upon the principal register . . . shall be prima facie evidence of . . . the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate . . ."); see also *In re Shell Oil Co.*, 992 F.2d 1204, 1207 (7th Cir. 1993) (discussing effect of federal trademark act as giving registrant, prima facie, exclusive rights over the registered mark for goods and services). See generally J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 2:7 (4th ed. 2002) (explaining trademark law as branch of Unfair Competition and Unfair Trade Practices Law).

⁹⁶ See MCCARTHY, *supra* note 95, at § 2:2 (stating policies of consumer protection, property rights, economic efficiency and justice underlie trademark law). See generally MATTHEW BENDER & CO., TRADEMARK PROTECTION AND PRACTICE, § 5(b) (1974) (discussing trademarks as serving purpose of guaranteeing consumer freedom and protection from deception).

⁹⁷ See INTERNATIONAL INTELLECTUAL PROPERTY LAW 31 (Anthony D'Amato et al., eds. 1997).

⁹⁸ See Susan Thomas Johnson, *Internet Domain Names and Trademark Disputes: Shifting Paradigms in Intellectual Property*, 43 ARIZ. L. REV. 465, 474 (2001) (discussing famous philosopher John Locke's rationale for property ownership is expenditure of one's labor). Locke's logic has been paraphrased as follows:

Labor is mine and when I appropriate objects from the common, I join my labor to them. If you take the objects I have gathered you have also taken my labor, since I have attached my labor to the objects in question. . . . You therefore have a duty to leave these objects. Therefore I have property in the objects.

⁹⁹ See MCCARTHY, *supra* note 95, at § 2:15 (discussing trademarks as symbol of goodwill); see also, Port, *supra* note 62, at 553 ("Mark holders do not possess a property right in the mark itself, because trademarks are nothing when devoid of the goodwill they have come to represent or the product on which they are used.").

¹⁰⁰ See *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 97 (1918) (explaining trademark right is not right in gross); see also *Am. Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619, 625 (5th Cir. 1963) (restating settled legal notion that trademark is not right in gross). See generally *Delaware & Hudson Canal Co. v. Clark*, 80 U.S. 311, 322 (1871) (stating property in trademark has nearly no analogy to property rights of copyrights and patents).

¹⁰¹ *United Drug*, 248 U.S. at 97; see *Am. Steel Foundries v. Robertson*, 269 U.S. 372, 380 (1926) (explaining trademark law to come within broader scope of unfair competition).

In the United States, there has always been common law understanding about trademark protection. The concept of trademark protection did not arise as a result of statutory invention. Trademark protection under the Lanham Act arises only from use of the mark in interstate commerce.¹⁰² Trademarks that are used locally or in intrastate commerce are protected under common law.¹⁰³ The same basic rules and standards for protection apply under both common law and federal law.¹⁰⁴ Both common law and federal law entitle a trademark to court protection from unwarranted use and interference by third parties only to the extent that the trademark is used in commerce indicating source of identity;¹⁰⁵ a mark's mere existence is not entitled to protection.¹⁰⁶

1. Trademark Classification and Protection

The Lanham Act provides protection against infringement to both registered and unregistered trademarks.¹⁰⁷ Trademarks are classified in two basic categories:

¹⁰² See 15 U.S.C. §§ 1051(d), 1127 (2000); see also *Persons Co. Ltd., v. Christman*, 900 F.2d 1565, 1568 (7th Cir. 1990) (stating Lanham Act allows owner of trademark used in commerce to register trademark, and Act's provision is enforceable under Congress' interstate Commerce Clause powers). See generally Port, *supra* note 62 at 553 (noting trademarks are afforded no protection within reading of Constitution in same way copyrights and patents are).

¹⁰³ See *Mariniello v. Shell Oil Co.*, 511 F.2d 853, 857–58 (3d Cir. 1975) (stating local trademarks may be enforced by statute or common law as long as no conflict develops with federal trademark); see also *Philco Corp. v. Phillips Mfg. Co.*, 133 F.2d 663, 670 (7th Cir. 1943) (discussing state law controlling in interstate commerce trademark issues); *Advance Stores Co. Inc. v. Refinishing Co.*, 948 F. Supp. 643, 652 (W.D. Ky. 1996) (noting suit brought on common law trademark claim of statewide business is best governed by local law).

¹⁰⁴ See MCCARTHY, *supra* note 95, at § 16:1 (discussing common law rights for trademark owners); see also Michael Helfand, *When Mickey Mouse is as Strong as Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Character*, 44 STAN. L. REV. 623, 635 (1992) (stating analysis of trademark infringement is nearly identical as between common law and federal law); Michael Landau, *Problems Arising Out of the Use of WWW.Trademark.com: The Application of Principles of Trademark Law to Internet Domain Name Disputes*, 13 GA. ST. U. L. REV. 455, 463 (1997) (stating same basic rules of protection apply to trademarks under both federal and common law).

¹⁰⁵ See Port, *supra* note 62, at 553 ("[C]ourts will protect a trademark holder's right to exclude third parties for as long as the trademark owner does not abandon the mark, but courts will not protect the ownership of the mark devoid of any source-indicating function by use on goods."); see also Laurinda Hicks & James Holbein, *Convergence of National Intellectual Property Norms in International Trading Agreements*, 12 AM. U. J. INT'L L. & POL'Y 768, 808 (1997) (noting rights of trademark holder include right to prevent third parties from unauthorized use of same or similar mark in commerce). See generally Trade-Mark Cases, 100 U.S. 82, 98–99 (1879).

¹⁰⁶ See MCCARTHY, *supra* note 95, at § 16.1; Carter, *supra* note 53, at 720 ("At common law, and, for the most part, in federal statutory trademark law as well, rights in a mark are said to flow from its use, not from its existence."); Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 767–68 (1990) (stating mark itself is afforded no federal protection when mark lacks goodwill, no matter how clever design of mark).

¹⁰⁷ See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) (demonstrating where unregistered trademarks may fall under protection of Lanham Act); *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 299 n.9 (3d Cir. 1986) ("The law governing unregistered marks is largely judge-made, but federal law under . . . Lanham Act generally follows the principles established by statute and the courts for registered marks.");

(1) those that are inherently distinctive, and (2) those that have acquired distinctiveness through secondary meaning.¹⁰⁸ Within these two categories there are four subcategories of marks ranging in their levels of distinctiveness and resulting eligibility for trademark protection.¹⁰⁹ A generic term commonly describes the type of good or services and is not entitled to trademark protection.¹¹⁰ Examples of generic terms include "light beer" and "aspirin." Descriptive terms describe the intended purpose, function, characteristic, or use of the product.¹¹¹ Examples of descriptive marks are the Yellow PagesTM¹¹² telephone directory and "Raisin Bran." A descriptive mark is only entitled to trademark protection if it has acquired secondary meaning, which means that the mark has come to distinctively identify the source of a particular good or service, as opposed to merely identifying the product or service.¹¹³ A suggestive term suggests rather than describes the good or a characteristic of the good requiring the customer to use imagination to determine the nature of the good.¹¹⁴ For example, MicrosoftTM¹¹⁵ is a suggestive term because it suggests software for microcomputers, it does not immediately describe to the consumer what it does, rather the consumer must think for a minute about what the product does. A suggestive mark is stronger than a descriptive mark and does not require secondary meaning in order to be afforded trademark protection. Arbitrary, fanciful and suggestive marks are considered inherently distinctive and are afforded

Thompson Med. Co. v. Pfizer Inc., 753 F.2d 208, 215–16 (2d Cir. 1985) (demonstrating similarities between requirements for trademark protection in registered and unregistered trademarks).

¹⁰⁸ See *Two Pesos*, 505 U.S. at 769 (asserting general rule about distinctiveness and enumerating two categories); *Park'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985) (demonstrating descriptive mark registered only after secondary meaning shown); see also 15 U.S.C. §§ 1052(e)–(f) (depicting categories of descriptiveness trademarks must fall within to be registered).

¹⁰⁹ See MCCARTHY, *supra* note 95, at § 11:2 ("Within the two basic categories are sub-categories that form the complete spectrum of distinctiveness of marks. Arrayed in ascending order roughly reflecting their eligibility to trademark status and the degree of protection afforded, the categories are: (1) generic terms; (2) descriptive; (3) suggestive; (4) arbitrary or fanciful."); see also *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 594 (6th Cir. 1989) (stating four subcategories); *Little Caesar Enters., Inc. v. Pizza Caesar, Inc.*, 834 F.2d 568, 571 (6th Cir. 1987) (utilizing four subcategories).

¹¹⁰ See *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1117 (6th Cir. 1996) (defining generic terms); *Induct-O-Matic Corp. v. Inductotherm Corp.*, 747 F.2d 358, 362 (6th Cir. 1984) (defining generic term as one commonly used as name or description of goods); J. THOMAS MCCARTHY, MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 139 (1991).

¹¹¹ See *Worthington Foods, Inc. v. Kellogg Co.*, 732 F. Supp. 1417, 1433 (S.D. Ohio 1990) (noting mark that "imparts information directly" is descriptive); see also *Two Pesos*, 505 U.S. at 766 n.4 ("Secondary meaning is used generally to indicate that a mark or dress 'has come through use to be uniquely associated with a specific source.'"); *Burke-Parsons-Bowlby Corp.*, 871 F.2d at 594 (defining when mark can be descriptive).

¹¹² Trademark owned by Yellow Pages Inc. CORPORATION NEVADA 27126A Paseo Espada, Suite 1627 San Juan Capistrano CALIFORNIA 92675.

¹¹³ See *Worthington*, 732 F.Supp. at 1434.

¹¹⁴ See *id.* at 1433 (explaining suggestive mark requires imagination and perception to determine nature of good, but it does not require secondary meaning in order to receive trademark protection).

¹¹⁵ Trademark owned by Microsoft Corporation CORPORATION WASHINGTON One Microsoft Way Redmond WASHINGTON 980526399.

the highest degree of protection.¹¹⁶

2. Trademarks are Property Rights; Relationship between Trademarks and Domain Names

Trademark rights are intangible property rights because the primary feature and value of a trademark are customers' perception of the mark.¹¹⁷ Goodwill is inseparable from a trademark therefore it is the goodwill,¹¹⁸ together with its symbolic trademark, that is legally classified as property.¹¹⁹ A trademark owner has the exclusive right to use that mark, and that exclusive right to use is a property right.¹²⁰ Justice Douglas referred to trademarks as "valuable business assets."¹²¹

¹¹⁶ See *Homeowners Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1117 (6th Cir. 1996) (quoting *Little Caesar Enters., Inc. v. Pizza Caesar, Inc.*, 834 F.2d 568, 571 (6th Cir. 1987)).

A "fanciful" mark is a combination of letters or other symbols signifying nothing other than the product or service to which the mark has been assigned (e.g., EXXON, KODAK). An "arbitrary" mark has a significance recognized in everyday life, but the thing it normally signifies is unrelated to the product or service to which the mark is attached (e.g., CAMEL cigarettes or APPLE computers).

¹¹⁷ See MCCARTHY, *supra* note 95, at § 2:16 (stating any 'property' in trademarks is created and defined by mental state of customers); see also *Power Test Petroleum Distributors, Inc. v. Calcu Gas, Inc.*, 754 F.2d 91, 96 (2d Cir. 1985) ("The metes and bounds of a trademark are defined by the perceptions that exist in the minds of the relevant buying public."); *Intrawest Fin. Corp. v. W. Nat'l Bank*, 610 F. Supp. 950, 957 (1985) ("[A]ny property in trademarks is created and defined by the mental state of customers. Trademark law has many presumptions, assumptions and a few overriding public policies, but the central key is customer perception.").

¹¹⁸ See MCCARTHY, *supra* note 95, at § 2:19 (defining goodwill as "the intangible value of a business beyond the value of its physical assets"); see also *Metro. Bank v. St. Louis Dispatch Co.*, 149 U.S. 436, 446 (C.C. Mo. 1888).

[Good will is] the advantage or benefit, which is acquired by an establishment, beyond the mere value of the capital stock, funds or property employed therein, in consequence of the general public patronage and encouragement which it receives from constant or habitual customers, on account of its local position, or common celebrity, or reputation, for skill or affluence, or punctuality, or from other practical circumstances, or necessities, or even from ancient partialities or prejudices.

(quoting STORY ON PARTNERSHIP § 99 (6th ed. 1868)).

¹¹⁹ See *Old Dearborn Distrib. Co. v. Seagram-Distillers Corp.*, 299 U.S. 183, 194 (1936) (stating goodwill may be considered property); *Cont'l Distilling Sales Co. v. Brancato*, 173 F.2d 296, 298 (8th Cir. 1949) (stating goodwill is property under law); *Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510, 513 (7th Cir. 1912) ("Goodwill or business popularity is property, and, like other property, will be protected against fraudulent invasion."); *Metro. Nat'l Bank v. St. Louis Dispatch Co.*, 36 F. 722 (C.C.E.D. Mo. 1888) (stating goodwill is property), *aff'd*, 149 U.S. 436 (1893); *Hunt v. Phinney*, 177 Cal. App. 2d 212, 216 (4th Dist. Ct. App. 1960) ("The goodwill of a business is property and as such will be protected by the courts."); *Dutcher v. Harker*, 377 S.W.2d 140, 144 (Mo. Ct. App. 1964) ("Goodwill is a valuable property right."); *Freeling v. Wood*, 361 P.2d 1061, 1063 (Okla. 1961) ("While goodwill is in its nature intangible, it is uniformly recognized that it is a species of property and constitutes a valuable asset of the business of which it is a part.").

¹²⁰ See MCCARTHY, *supra* note 95, at § 2:14 ("In the sense of an 'exclusive right' trademarks can be categorized as a form of 'property': 'The right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used.'"); see also *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259 (1916) ("The right to use a trademark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used."); *Stork Rest. v. Sahati*, 166 F.2d 348, 352 (9th Cir. 1948) ("Ownership of a trade

Justice Scalia observed that trademarks are "'property' of the owner because he can exclude others from using them."¹²² A trademark owner's exclusive right to use a mark prevents unwarranted interference and use of the mark by others. Therefore, this right to exclude embodies the trademark owner's concurrent right to prevent customer confusion as to the source of a product.¹²³ Consequently, a trademark owner's right to exclusive use of the mark should be, and indeed is, categorized and treated as property because the goodwill and reputation of a company lends value to the mark itself.¹²⁴

Because a trademark symbolizes nothing without the goodwill attached to it, a trademark cannot be sold or assigned apart from the goodwill it represents.¹²⁵ A

name is a property right."); *Coca-Cola v. Bergstrom*, 149 U.S.P.Q. 546, 549 (D. Colo. 1966) ("A trademark is a property right.").

¹²¹ See *Jacob Siegel Co. v. FTC*, 327 U.S. 608, 612 (1946); see also *FTC v. Royal Milling Co.* 288 U.S. 212, 217 (1933) (stating good will may "constitute [a] valuable business asset[]"); *United States v. Lever Bros. Co.*, 216 F. Supp. 887, 889 (S.D.N.Y. 1963) ("A trademark may be a very valuable asset of a company.").

¹²² See *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 673 (1999) ("The hallmark of a constitutionally protected property interest is the right to exclude others."); *K Mart Corp. v. Cartier, Inc.*, 485 U.S. 176, 185 (1988) (holding "[t]rademark law . . . confers private rights, which are themselves rights of exclusion."); *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979) (stating exclusion of others is essential right of property).

¹²³ See 15 U.S.C. § 1114(1) (2000) (providing manner in which act that causes confusion in terms of trademark is thus actionable); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979) ("Trademark laws are designed . . . to prevent customer confusion."); *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976)

A 'trademark' is not that which is infringed. What is infringed is the right of the public to be free of confusion and the synonymous right of a trademark owner to control his product's reputation The trademark laws exist not to 'protect' trademarks, but, as above indicated, to protect the consuming public from confusion, concomitantly protecting the trademark owner's right to a non-confused public.

appeal after remand, 572 F.2d 574 (7th Cir. 1979); *Avon Shoe Co., Inc. v. David Crystal Inc.*, 279 F.2d 607, 612 (2d Cir. 1960) (stating confusion is "keystone" behind actions on trademark infringement).

¹²⁴ See MCCARTHY, *supra* note 95, at § 2:14

Common law trademarks and the right to their exclusive use are of course to be classed among property rights . . . but only in the sense that a man's right to the continued enjoyment of his trade reputation and the good-will that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trademark is an instrumentality.

see also *Int'l Bancorp, L.L.C. v. Societe Des Bains De Mer Et Du Cercle Des Etrangers a Monaco*, 192 F. Supp. 2d 467, 488 (E.D. Va. 2002) ("Because trademark rights have the characteristics of property, and indeed are so treated by owners of these rights, it would appear that infringement claims brought pursuant to the Lanham Act constitute injuries to property rather than personal injuries."); *Hoey v. Drexel Sys. Corp.*, 716 F. Supp. 222, 224 (E.D. Va. 1989) (using statute of limitations rules applying to property in copyright infringement case).

¹²⁵ See *Indus. Rayon Corp. v. Dutchess Underwear Corp.*, 92 F.2d 33, 35 (2d Cir. 1937) (stating trademark "cannot be assigned in gross and may only be transferred with a business to identify the merchandise of the owner"); *Merry Hull & Co. v. Hi-Line Co.*, 243 F. Supp. 45, 51 (S.D.N.Y. 1965) ("Since the purpose of a mark is to protect the goodwill of a business, a right in the mark is created by its adoption and use in connection with that business, and if there is no business there is no goodwill and therefore nothing to protect."); MCCARTHY, *supra* note 95, at §§ 2:15, 18:1-18:9; see also *Columbia Mill Co. v. Alcorn*, 150 U.S. 460, 463 (1893) (discussing right of mark is conceived through association of what it represents).

transfer of a trademark without transferring some of the goodwill associated with the mark is a "naked assignment" that has no value.¹²⁶ When taken together, trademarks and their goodwill are subject to ownership rights like any other form of intangible property rights.¹²⁷ Thus, a trademark, with the goodwill associated with it, is alienable and may be sold, transferred, and assigned.¹²⁸

The ability for a trademark to be sold and transferred along with its goodwill is important when transferring the right to use a domain name because trademark rights and domain name rights are related. Domain names, like trademarks, may be words, symbols, or devices.¹²⁹ A registered domain name owner is able to develop trademark rights in his domain name because a domain name can be used, like a trademark, to indicate origin and identify the source of information or products sold on a web site.¹³⁰ Like a trademark, a domain name represents the goodwill of a company or product.¹³¹ The value of a web site and the traffic generated by it stems

¹²⁶ See Port, *supra* note 62, at 559 (explaining assignment of trademark "in gross" is invalid transfer because use of the mark is what gives the mark value); see also *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918) ("There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed."); *Am. Foods, Inc. v. Golden Flake, Inc.*, 312 F.2d 619, 625 (5th Cir. 1963) ("The right to a particular mark grows out of its use and not is mere adoption.").

¹²⁷ See MCCARTHY, *supra* note 95, at § 2:20 (explaining there may be ownership in trademark and trademark is property which transferable); see also *Metro. Nat'l Bank v. St. Louis Dispatch Co.*, 36 F. 722, 724 (C.C. Mo. 1888) (stating good will is "intangible property"); *Hunt v. Phinney*, 177 Cal. App. 2d 212, 216 (4th Dist. Ct. App. 1960) (explaining goodwill of business to be property).

¹²⁸ See 15 U.S.C. § 1060(10) (2000) (providing registered trademark may be assigned with part or all of goodwill of business connected with use of mark); *Purity Cheese Co. v. Frank Ryser Co.* 153 F.2d 88, 90 (7th Cir. 1946) (stating trademark may be "assigned, licensed, or lent" as long as there is association with goodwill); *Avon Shoe Co. v. David Crystal, Inc.*, 171 F. Supp. 293, 300-01 (S.D.N.Y. 1959) (explaining common law rule "trademark can only be transferred with the business . . . which it symbolizes").

¹²⁹ See Shuli L. Green, Comment, *Launching Trademark Law into Cyberspace: Should the Domain Name System be Federalized?*, 49 ADMIN. L. REV. 1031, 1043 (1997) (comparing domain names to trademarks); Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900-2000*, 88 CAL. L. REV. 2187, 2213 (2000) (viewing domain name as "name, symbol, or device"); see also 15 U.S.C. § 1127 (2000) (defining trademark to be "word, name, symbol, or device").

¹³⁰ See *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.*, 33 F. Supp. 2d 488, 499 (E.D. Va. 1999):

To facilitate access to their websites, individuals and companies typically prefer to have a domain name that is memorable and that may even be surmised by users who do not know their exact website address . . . significantly, a particular domain name can only identify one website, just as a particular mailing address can only identify one physical location. Thus, a company that owns an intuitive domain name owns a potentially valuable asset, as ownership of such a name makes it more likely that users will accurately surmise its website address and visit its corporate website rather than the website of a competitor.

see also NORTON, *supra* note 17, at § 151:50 (discussing relationship between domain names and trademarks); Fanning, *supra* note 56, at 1895-96 (explaining domain names are similar to trademarks); Susan Thomas Johnson, Note, *Internet Domain Name and Trademark Disputes: Shifting Paradigms in Intellectual Property*, 43 ARIZ. L. REV. 465, 469 (2001) (explaining how cause of conflict is due to similarity in use between trademarks and domain names).

¹³¹ See *Ty Inc., v. Perryman*, No. 02-1771, 2002 U.S. App. LEXIS 20870, at *2-3 (7th Cir. Oct. 4, 2002) (establishing reason companies use trademarks is to profit from goodwill associated with company); *Victoria's Cyber Secret Ltd. P'ship v. V Secret Catalogue, Inc.*, 161 F. Supp. 2d 1339, 1343 (S.D. Fla. 2001)

from the goodwill and reputation of the domain name. Just as a trademark loses its value when the right to use the mark is lost, similarly, a domain name loses its value when the exclusive right to use the name is lost through a transfer or abandonment of trademark rights.¹³² This is demonstrated by the decreased traffic that a web site receives once its domain name is changed.¹³³ Hence, a domain name has no value independent of the goodwill associated with it.¹³⁴ A domain name that identifies and distinguishes its goods or services or the source or sponsorship of the service may qualify as a trademark and reap the benefits of both federal and common law trademark protection against infringement.¹³⁵

The United States Patent and Trademark Office ("PTO") published a policy statement on the registration of domain names as trademarks.¹³⁶ The PTO policy distinguishes domain name trademarks between "link providers" and "content providers." The PTO defines a "link provider" as nothing more than an Internet address, a way to contact a company that is not eligible for trademark

(stating Victoria's Secret trademark has become well known and famous based upon goodwill of company); NORTON, *supra* note 17, at § 151:48 (1997) (explaining in bankruptcy context domain names represent goodwill because traffic generated by websites and value of websites depend on domain name).

¹³² See *Cardservice Int'l Inc. v. McGee*, 950 F. Supp. 737, 741 (E.D. Va. 1997) ("A domain name is more than a mere internet address."). See generally NORTON, *supra* note 17, at § 151:16 (1997) (acknowledging when trademark rights and goodwill are transferred value of rights to use domain name could decrease); David J. Loundy, *A Primer on Trademark Law and Internet Addresses*, 15 J. MARSHALL J. COMPUTER & INFO. L. 465, 473-74 (1997) (commenting on problems that can arise when more than one entity registers domain name).

¹³³ See *E & J Gallo Winery v. Spider Webs Ltd.*, 286 F.3d 270, 275 (5th Cir. 2002) (stating valuable trademarks can be adversely effected when someone else registers domain names that are same as pre-existing trademarks because it prevents trademark owners internet users from reaching trademark owner's own website); *Shields v. Zuccarini*, 254 F.3d 476, 485 (3d Cir. 2001) (noting deliberately maintaining domain name to divert consumers from web site harms goodwill associated with mark); see also NORTON, *supra* note 17, at § 151:48 ("a domain name represents good will because the traffic generated by a website, and consequently the value of website, depends on domain name.").

¹³⁴ See *Checkpoint Sys., Inc. v. Check Point Software Tech., Inc.*, 269 F.3d 270, 294-95 (3d Cir. 2001) (stating trademark value comes from goodwill associated with underlying company which is why trademark infringers often try to create confusion thereby getting free ride on goodwill of established trademarks); *United Parcel Serv. of Am., Inc., v. Net Inc.*, 185 F. Supp. 2d 274, 276 (E.D.N.Y. 2002) (stating trademarks represent businesses and their goodwill which is why they are valuable). See generally NORTON, *supra* note 17, at § 151:48 (acknowledging domain names are assets due to goodwill of companies).

¹³⁵ See *Domain Name Clearing Co., LLC v. F.C.F. Inc.*, 16 Fed. Appx. 108, 112 (4th Cir. 2001) (explaining courts evaluate many factors when determining whether or not trademarks are distinctive); *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 94-95 (2d Cir. 2001) (noting distinctiveness of trademarks determines degree of protection they are afforded); G. Peter Albert Jr., *Right on the Mark: Defining the Nexus Between Trademarks and Internet Domain Names*, 15 J. MARSHALL J. COMPUTER & INFO. L. 277, 285 (1997) (stating internet domain names must be used in manners that identify and distinguish trademark).

¹³⁶ See *555-1212.com, Inc., v. Communication House Int'l, Inc.*, 157 F. Supp. 2d 1084, 1086 (N.D. Cal. 2001) (noting PTO registered domain name); *Image Online Design, Inc. v. Core Ass'n*, 120 F. Supp. 2d 870, 878 (C.D. Cal. 2000) (stating PTO governs trademarks for domain names); United States Patent and Trademark Office Examination Guide No. 2-99, *Marks Composed, in Whole or in Part, of Domain Names*, available at <http://www.uspto.gov/web/offices/tac/notices/guide299.htm> (Sept. 29, 1999) (discussing PTO policy of registering domain names as trademarks).

registration.¹³⁷ A "content provider" is defined as a domain name that provides information about a product or service and may be registered with the PTO for trademark protection.¹³⁸ The possibility of obtaining trademark protection by registering a domain name as a trademark with the PTO indicates that a domain name is entitled to all of the protections afforded to trademarks. This protection includes acquiring protection for unregistered domain name trademarks that are arbitrary or fanciful, or suggestive or descriptive and have acquired secondary meaning.

The PTO stated that it will examine trademark registrations for generic and descriptive terms under section 2 of the Lanham Act.¹³⁹ This means that the PTO will deny trademark registrations for generic and descriptive domain names. This does not mean that a domain name is not able to obtain trademark protection. A domain name will simply be unable to obtain registration of the name as a trademark, which would bestow the name with prima facie evidence of both the validity and ownership of the mark and the right to use the mark in commerce.¹⁴⁰ Although traditional trademark law does not extend trademark protection to generic or descriptive marks, courts and commentators seem to agree that phone numbers are able to achieve trademark status.¹⁴¹ As a domain name has been compared to a telephone number, and telephone numbers have acquired trademark status, a generic or descriptive domain name should also be able to acquire trademark status and protection.

In *Dial-A-Mattress Franchise Corp. v. Page*,¹⁴² the appellate court held that Dial-A-Mattress's telephone number that had digits corresponding to the letters "m-a-t-t-r-e-s" was entitled to trademark protection enjoining user of 1-800-MATTRESS from continued use of the number.¹⁴³ The court stated that no one

¹³⁷ See United States Patent and Trademark Office Examination Guide No. 2-99, *Marks Composed, in Whole or in Part, of Domain Names*, available at <http://www.uspto.gov/web/offices/tac/notices/guide299.htm> (Sept. 29, 1999) (discussing PTO policy of registering domain names as trademarks).

¹³⁸ See *id.*

¹³⁹ *Id.*

¹⁴⁰ See *Qualitex Co. v. Jacobson Prod. Co., Inc.*, 514 U.S. 159, 174 (1995) (discussing advantages to federal trademark registration); *555-1212.com*, 157 F. Supp. 2d at 1087 (explaining benefits of trademark registration include exclusive right to use mark in commerce); *Golf Warehouse v. Golfers' Warehouse, Inc.*, 142 F. Supp. 2d 1307, 1309-11 (D. Kan. 2001) (noting Federal protection given to valid trademarks).

¹⁴¹ See *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619, 624 (6th Cir. 1996) ("telephone numbers may be protected as trademarks and that a competitor's use of a confusingly similar telephone number may be enjoined as both trademark infringement and unfair competition."); *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (2d Cir. 1989) (holding Dial-A-Mattress's telephone number had digits corresponding to letters mat-tres was entitled trademark protection enjoining user of 800 mat-tres from continued use of number because companies doing significant business through telephone orders frequently promote their telephone numbers as key identification of the source of their products even though no one could claim trademark rights to word "mattress"). But see *Bell v. Kidan*, 836 F. Supp. 125, 127 (S.D.N.Y. 1993) (requiring telephone numbers be confusingly similar before they are afforded injunction).

¹⁴² 880 F.2d 675 (2d Cir. 1989).

¹⁴³ See *Dial-A-Mattress*, 880 F.2d at 678.

could claim trademark rights to the word "mattress."¹⁴⁴ Because companies doing significant business through telephone orders frequently promote their telephone numbers as a key identification of the source of their products a competitor's use of a confusingly similar telephone number may be enjoined as both trademark infringement and unfair competition.¹⁴⁵ The appellate court further stated that a "plaintiff does not lose the right to protection against a defendant's use of a confusingly similar telephone number and a confusingly similar set of letters that correspond to that number on the telephone dial just because the letters spell a generic term."¹⁴⁶

The holding in *Dial-A-Mattress* suggests that even a generic domain name that is used as a trademark to identify the source of the goods or services is descriptive rather than generic because it has acquired secondary meaning. Therefore, it is entitled to trademark protection. The relevance of being able to acquire trademark protection in a generic domain name is that, as a trademark is property of a debtor's estate, a generic domain name, such as books.com, would therefore be property of the debtor's estate. In addition, a creditor is able to obtain a security interest in a trademark. By following the rationale in *Dial-A-Mattress*, a generic domain name that achieves trademark status is eligible as collateral in which a security interest may be obtained and used in bankruptcy.

3. Anticybersquatting Consumer Protection Act

On November 29, 1999, President Clinton signed into the law the Anti Cyber Squatting Consumer Protection Act¹⁴⁷ ("ACPA") as an amendment to section 43 of the Lanham Trademark Act.¹⁴⁸ The purpose of the ACPA is to protect consumers and American businesses from the registration or use of domain names that are confusingly similar to another's distinctive trademark and to provide a trademark remedy for cybersquatting.¹⁴⁹ This is accomplished by "prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks – a practice commonly referred to as 'cybersquatting.'"¹⁵⁰ Thus, the ACPA protects trademark property rights on the Internet in domain names by prohibiting bad-faith use or

¹⁴⁴ See *id.* at 677.

¹⁴⁵ See *id.* at 678.

¹⁴⁶ *Id.*

¹⁴⁷ This act is also referred to as the Trademark Cyberpiracy Prevention Act. See 15 U.S.C. § 1125(d) (2000).

¹⁴⁸ See The Lanham Trade-Mark Act, 15 U.S.C. § 1125 (2000) (establishing civil remedy for trademark misuse).

¹⁴⁹ See S. REP. NO. 106-140, at 12–13 (1999) (describing conduct that is actionable under ACPA); see also H.R. CONF. REP. NO. 106-464, at 8; Coca-Cola Co. v. Purdy, 2002 U.S. Dist. LEXIS 17117, at *5 (D. Minn. Sept. 5, 2002) (stating actionable conduct lies where there is "a bad faith intent to profit of a domain name that is identical or confusingly similar to a mark that is distinctive or famous at the time of defendant's registration of the domain name.").

¹⁵⁰ See S. REP. NO. 106-140, at 4 (providing purpose for enactment of ACPA).

registration of a domain name with the intent to profit from the goodwill of another's distinctive mark.¹⁵¹ The legislative history of the ACPA states that protecting domain names and trademarks on the Internet is necessary because false designations of origin and false or misleading representations and other infringements occurring on the Internet can cause greater harm to the domain name owner and confusion to a consumer in a shorter period of time than with traditional media.¹⁵²

The ACPA's protection of property interests in domain names is demonstrated by section 1125(d)(2)(A) which provides that "the owner of a mark may file an *in rem*¹⁵³ civil action¹⁵⁴ against a domain name"¹⁵⁵ This provision further supports the conclusion that domain names are indeed property.¹⁵⁶ *In rem* jurisdiction is based on the presence of the property within the territorial jurisdiction of the court.¹⁵⁷ *In rem* jurisdiction may be exercised over both tangible and intangible property.¹⁵⁸

The *in rem* provision of the ACPA further protects a trademark owner's mark and property rights against an infringing domain name that is identical or confusingly similar to the mark even if the mark is not registered with the PTO.¹⁵⁹

¹⁵¹ A distinctive mark is one that is famous or has acquired secondary meaning. *See* Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 210–11 (2000) (stating mark is distinctive if its intrinsic nature serves to identify particular source, or if it has developed secondary meaning).

¹⁵² *See* H.R. CONF. REP. NO. 106-464, *supra* note 150, at 109; *see also* H.R. REP. NO. 106-412 at 5 (1999) (summarizing Trademark Cyberpiracy Prevention Act as giving trademark owners important tools to protect their intellectual property and respecting trademark property rights as Internet continues to grow); Target Adver., Inc. v. Miller, 2002 U.S. Dist. LEXIS 8702, at *28–29 (S.D.N.Y. May 14, 2002) (establishing ACPA was response to rapid acceleration of unfair competition via Internet).

¹⁵³ BLACK'S LAW DICTIONARY 797 (7th ed. 1999) (translating Latin term "*in rem*" to mean "against a thing").

¹⁵⁴ An *in rem* action is a proceeding against property. *See In Rem and Quasi In Rem Jurisdiction*, Fed. Proc. Lawyer's Ed. (2002), at Westlaw, 28 Fed. Proc. L. Ed. § 65:13; *see also* Freeman v. Alderson, 119 U.S. 185, 186 (1886); Cable News Network L.P. v. CNNNEWS.COM, 166 F. Supp.2d 484, 490 (E.D. Va. 2001) (stating *in rem* action arises "when a court adjudicates the property rights corresponding to a particular res").

¹⁵⁵ 15 U.S.C. § 1125(d)(2)(A) (2000).

¹⁵⁶ *See id.*; Porsche Cars N. Am., Inc. v. Porsche.net, 2002 U.S. App. LEXIS 17531, at *29 (4th Cir. Aug. 23, 2002) (finding Congress may treat domain name as property for purposes of *in rem* jurisdiction); Caesars World, Inc. v. Caesars-Palace.Com, 112 F. Supp.2d 502, 504 (E.D. Va. 2000) ("There is no prohibition on a legislative body making something property. Even if a domain name is no more than data, Congress can make data property and assign its place of registration as its situs.").

¹⁵⁷ *See* Hanson v. Denckla, 357 U.S. 235, 246 (1958) (stating state courts' *in rem* jurisdiction is grounded on physical power over property located within courts' territorial jurisdictions); *see also* Shaffer v. Heitner, 433 U.S. 186, 199 (1977) (defining *in rem* jurisdiction as courts' jurisdictional authority over property within its territorial bounds); Overby v. Gordon, 177 U.S. 214, 221 (1900) (noting locations of real estate within courts' jurisdictions provide *in rem* jurisdiction).

¹⁵⁸ *See In Rem and Quasi In Rem Jurisdiction*, Fed. Proc., Lawyers Ed. (2002), at Westlaw, 28 Fed. Proc., L. Ed. § 65.13 (stating *in rem* jurisdiction includes personal and intangible property); *see also* Hanson, 357 U.S. at 247 (noting trust assets, intangible property, provide *in rem* jurisdiction); FleetBoston Fin. Corp. v. FleetBostonFinancial.com, 138 F. Supp. 2d 121, 126 (D. Mass. 2001) (providing *in rem* jurisdiction over domain names in jurisdictions where registrars, registries, or other domain name authorities are located).

¹⁵⁹ *See* Edward T. Colbert & Lida Rodriguez-Taseff, *Anti-Cybersquatting Consumer Protection Act*, ATLA ANNUAL CONVENTION REFERENCE MATERIALS, July, 2001, at Westlaw, 2001 Ann.2001 ATLA-CLE 1899 (noting trademark registration is not required and actions *in rem* are available); *see also* Two

Under the ACPA the trademark owner is allowed to file an *in rem* proceeding against the infringing domain name for the forfeiture, cancellation, or transfer of the infringing name.¹⁶⁰ An *in rem* action may be initiated against an infringing domain name where, after due diligence, the plaintiff is unable to locate the domain name registrant or cannot obtain personal jurisdiction over the registrant.¹⁶¹ If the plaintiff succeeds in the *in rem* action, the domain name will be seized by the court "forcing the Registrar of the domain name to deposit with the Court documents sufficient to establish the Court's control and authority regarding the disposition of the registration and use of the domain name."¹⁶² This seizure of the domain name essentially provides the trademark owner with the authority to attach a judgment to an infringing domain name in order to have the domain name transferred to the trademark owner.¹⁶³ By providing for *in rem* jurisdiction and the resulting ability to attach and seize a domain name, the ACPA is instructive in concluding that a domain name is property that can be attached. This conclusion essentially invalidates the holding in *Umbro*¹⁶⁴ that a domain name is nothing more than a contractual right to use and cannot be garnished.¹⁶⁵

G. Domain Names as Service Contracts

Despite a debtor having property and/or trademark rights in its domain name, the use of the domain name exists as a result of a service contract between the domain registrant and a domain name registrar.¹⁶⁶ Under the majority of domain

Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 776 (1992) (Stevens, J., concurring) ("The Court interprets this § [43a] as having created a federal cause of action for infringement of unregistered trademark or trade dress and concludes that such a mark or trade dress should receive essentially the same protection as those that are registered."); *Rosco, Inc. v. Mirror Lite Co.*, No. 01-1271, 01-1302, 2002 U.S. App. LEXIS 20206, at *25 (September 24, 2002) (noting registered and unregistered marks receive almost identical treatment under 15 USC § 1125).

¹⁶⁰ See S. REP. NO. 106-140, at 10 (1999) (explaining mark owners can file *in rem* actions against infringing domain names); see also *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 224 (4th Cir. Aug. 23, 2002), at Westlaw (concluding 15 USC § 1125 provides *in rem* jurisdiction against certain domain name infringements); *Jack in the Box, Inc. v. Jackinthebox.org*, 143 F. Supp. 2d 590, 592 (E.D. Va. 2001) (interpreting 15 USC § 1125 to provide *in rem* jurisdiction over infringing domain names).

¹⁶¹ See 15 U.S.C. § 1125(2)(a) (2000); see also *Harrods*, 302 F.3d at 223 (stating *in rem* actions are "available only when the plaintiff cannot find or cannot obtain personal jurisdiction over the domain name registrant"); *Porsche Cars N. Am., Inc. v. Porsche.Net*, 302 F.3d 248, 254 (4th Cir. 2002) (noting if personal jurisdiction over registrants of infringing domain names does not exist, then *in rem* actions against infringing domain names are permissible).

¹⁶² 15 U.S.C. § 1125(d) (2000).

¹⁶³ See Fanning, *supra* note 56, at 1902 (stating 15 USC § 1125 authorizes trademark holders to attach domain names for purposes of *in rem* jurisdiction); see also *Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 238 F.3d 264, 271 (4th Cir. 2001) (mandating transfer of infringing domain name); *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 500 (2d Cir. 2000) (requiring transfer of infringing domain name).

¹⁶⁴ See *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80 (Va. 2000).

¹⁶⁵ *Id.* at 88.

¹⁶⁶ See *NORTON*, *supra* note 17, at § 151:32, 151:34 (noting debtors' right to use domain names is based on contractual agreements with domain name registrars); see also *Dorer v. Arel*, 60 F. Supp. 2d 558, 561 (E.D.

name registration agreements, the registrant is obligated to indemnify the registrar against any present or future claims, losses, liabilities, claims, demands, damages, costs, expenses, causes of action, or suits relating to or arising out of the registration of the domain name. In addition to paying a service fee and agreeing to indemnify the registrar, the registrant is further obligated to be bound to a dispute resolution policy.¹⁶⁷ The registrar is obligated to provide services in connection with that domain name, including providing the registrant with the exclusive right to use the domain name and maintaining records between the domain name and its corresponding numerical Internet address.¹⁶⁸ Both parties to the agreement are required to perform these obligations throughout the term of the contract, which is typically a two-year term subject to renewal.¹⁶⁹

H. Executory Contracts in Bankruptcy

Section 365(a) of the Bankruptcy Code provides that "the trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor."¹⁷⁰ The essence of this section is to allow the trustee or debtor-in-possession ("dip") to assume executory contracts that are beneficial to the bankruptcy estate and to reject¹⁷¹ those that are burdensome.¹⁷² Some contracts may

Va. 1999) (noting contracts underlie service agreements between domain name registrars and registrants); *Network Solutions*, 529 S.E.2d at 86 (concluding service contracts exist between registrars and registrants).

¹⁶⁷ See, e.g., 007Names.com, at <http://register.webex.net/transfer-registrar.html> (last visited Oct. 6, 2002) (stating users "agree to be bound by 007NamesInc.'s current . . . Domain Name Dispute Resolution Policy"); 123 Easy Domain Names, Inc. d/b/a Signature Domains, at <http://www.signatredomains.com/agreement/jsp> (last visited May 8, 2002); 123 Registration, Inc. d/b/a 123registration.com, at <http://www.123registration.com/Help/123ServiceAgreement21.cfm> (last visited May 8, 2002); 1stDomain.Net, at <http://www.1stdomain.net/service/terms.html> (last visited May 8, 2002); AAAQ.com, at <http://www.aaq.com/policies/registration.php> (last visited May 8, 2002); Abacus America, Inc. d/b/a Names4ever, at <http://www.names4ever.com/domain-agreement.html> (last visited May 8, 2002); ABR Products Inc. d/b/a Nitin Networks, at <http://www.registersite.com/regagreementgtld.nihtml> (last visited May 8, 2002); Domain Names Int'l, Inc. d/b/a 1dni.com, at <http://www.1dni.com/new-net-registration-agreement.htm> (last visited May 8, 2002); enameCo, at <http://www.enameco.com> (last visited May 8, 2002); Network Solutions, Inc., at http://www.netsol.com/en_US/legal/static-service-agreement.jhtml (last visited May 7, 2002).

¹⁶⁸ See *supra* note 168; see also *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 953 (C.D. Cal. 1997) (stating registrars perform two tasks when domain names are registered), *aff'd*, 194 F.3d 980, 981 (9th Cir. 1999); *Network Solutions*, 529 S.E.2d at 84 (explaining registrars compare domain names to prevent identical names and match domain names with IP numbers for web sites per service agreements).

¹⁶⁹ See *supra* note 168; see also *Lockheed*, 985 F. Supp. at 953 (stating NSI has one fee for two years, and additional amounts for more years); *Network Solutions*, 529 S.E.2d at 84 n.10 (noting one registrant has started registering domain names for up to ten years).

¹⁷⁰ 11 U.S.C. § 365(a) (2000).

¹⁷¹ Rejection allows the trustee to breach the contract transforming the debtor's contractual obligation into a claim for money damages and puts the other party to the contract *pari passu* with the general unsecured creditors under 11 U.S.C. §§ 365(g)(1) and 502(g) (2000).

¹⁷² See *Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095, 1098 (2d Cir. 1993) (observing purpose of § 354(a) is to "permit the trustee or debtor-in-possession, subject to the approval of the bankruptcy court, to go through the inventory of executory contracts and decide which ones it would be beneficial to adhere to and which ones it would be beneficial to reject"); see also *Control Data*

have great value to the estate because they are profitable in themselves; other contracts may be valuable to the estate because the debtor can profitably assign its rights under the contracts to third parties.¹⁷³ When the trustee or dip assumes¹⁷⁴ an executory contract it preserves the benefits of a favorable contract which is a net asset to the bankruptcy estate by bringing it into the estate.¹⁷⁵ If a trustee assumes a contract it must do so cum onere, meaning that it must assume the contract with all of its burdens.¹⁷⁶ A trustee's decision to assume or reject an executory contract generally is approved by the bankruptcy court provided that the trustee exercised reasonable business judgment in making the decision.¹⁷⁷

The determination of whether a contract is executory is important because only an executory contract may be assumed or assigned in bankruptcy. A contract that is an outright sale provides the debtor with the exclusive rights in the object under the

Corp. v. Zelman (*In re Minges*), 602 F.2d 38, 41 (2d. Cir. 1979) (noting debtor may cancel burdensome executory contracts.); *In re Sundial Asphalt Co.*, 147 B.R. 72, 81 (E.D.N.Y. 1992) (stating executory contract should be rejected if it will not benefit estate.).

¹⁷³ See William M. Goldman, *The Treatment of Intellectual Property in Bankruptcy*, PLI PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES 2001, Westlaw 670 PLI/Pat 297, 325 (noting benefit of contract making it ripe for assumption may be in amount third party will pay for contract.); see also *In re Bronx-Westchester Mack Corp.*, 20 B.R. 139, 141-43 (Bankr. S.D.N.Y. 1982) (stating trustee may assume contract to sell (assign) it to third party that will pay to receive benefits of contract.). See generally *In re Sapolin Paints, Inc.*, 5 B.R. 412, 421 (Bankr. E.D.N.Y. 1980) (construing leases favorably as to produce asset for estate.).

¹⁷⁴ See 11 U.S.C. §§ 365(b)(1)(A)-(C) (2000) (stating before trustee is permitted to assume executory contract trustee must cure any defaults under contract or provide "adequate assurance" of prompt cure, compensate other party to contract "for any actual pecuniary loss to such party resulting from such default," and provide "adequate assurance of future performance" under contract); see also *In re Bronx-Westchester Mack*, 20 B.R. at 143 (concluding assumption of agreement constituted adequate assurance); *In re Sapolin Paints Inc.*, 5 B.R. at 421 (allowing assumption due to adequate assurance).

¹⁷⁵ See Joint Executive Bd., AFL-CIO v. Hotel Circle, Inc., 419 F. Supp. 778, 788 (S.D. Cal. 1976) ("Only where the executory contract would inure to the benefit of the estate is assumption warranted . . ."), *aff'd*, 613 F.2d 210 (9th Cir. 1980); *Bradshaw v. Loveless (In re Am. Nat'l Trust)*, 426 F.2d 1059, 1064 (7th Cir. 1970) (warranting assumption if contract is of benefit to debtor); see also *In re Orion Pictures Corp.*, 4 F.3d at 1098; DOUGLAS G. BAIRD, THOMAS H. JACKSON, & BARRY E. ADLER, CASES, PROBLEMS, AND MATERIALS ON BANKRUPTCY (3d ed. 2000).

¹⁷⁶ See *In re Chi. Rock Island & Pac. R.R. Co.*, 860 F.2d 267, 272 (7th Cir. 1988) ("Trustee cannot accept the benefits of an executory contract without accepting the burdens as well."); *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985) ("The often-repeated statement that the debtor must accept the contract as a whole means that the debtor cannot choose to accept the benefits of the contract and reject its burdens to the detriment of the other party of the agreement."); *Bank of Am. Nat'l Trust and Sav. Ass'n v. Smith*, 336 F.2d 528, 529 (9th Cir. 1964) (noting contracts are assumed with their burdens).

¹⁷⁷ See *Phar-Mor, Inc. v. Strauss Bldg. Assocs.*, 204 B.R. 948, 951-52 (N.D. Ohio 1997) ("Whether an executory contract is 'favorable' or 'unfavorable' is left to the sound business judgment of the debtor," and that "courts should generally defer to a debtor's decision whether to reject an executory contract."); *Lubrizol Enters. Inc., v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043, 1046 (4th Cir. 1985) ("Courts . . . must start with the proposition that the bankrupt's decision upon [executory contract] is to be accorded the deference mandated by the sound business judgment rule as generally applied by courts . . ."); see also Madlyn Gleich Primoff & Erica G. Weinberger, *E-Commerce and Dot-Com Bankruptcies: Assumption, Assignment and Rejection of Executory Contracts, Including Intellectual Property Agreements, and Related Issues Under Sections 365(c), 365(e) and 365(n) of the Bankruptcy Code*, 8 AM. BANKR. INST. L. REV. 307, 311 (2000) (noting bankruptcy judges generally approve trustee's decision to assume or reject executory contract if reasonable business judgment was used in making decision).

contract.¹⁷⁸ Thus, under a non-executory contract, the debtor is able to continue to use the contracted for property without assuming the contract pursuant to section 365 of the Bankruptcy Code. Moreover, if a contract is non-executory, the debtor is permitted to sell its rights under the contract pursuant to section 363 without satisfying the conditions of assignment required under section 365.¹⁷⁹

The term executory contract is not defined in the Bankruptcy Code. A majority of courts have adopted the definition of executory contracts for bankruptcy purposes coined by the late Professor Vern Countryman which provides that an executory contract is one where material performance is required on both sides.¹⁸⁰ Under this definition, a contract that has been fully performed on either side is not executory.¹⁸¹ The Supreme Court has offered a broader definition of executory contract citing the legislative history to section 365(a), finding that "The Bankruptcy Code furnishes no express definition of an executory contract, but the legislative history...indicates that Congress intended the term to mean a contract 'on which performance is due to some extent on both sides.'"¹⁸² Other courts have adopted the result-oriented functional analysis which makes the benefit to the estate the sole criterion in determining whether a contract is executory.¹⁸³ Although no

¹⁷⁸ *Primoff*, *supra* note 178, at 319 ("An exclusive debtor-licensee may own the rights in the intellectual property granted under a licensing agreement, such debtor could continue to use the intellectual property without assuming the license pursuant to § 365 of the Bankruptcy Code."). *See generally* Perlman v. Catapult Entm't, Inc. (*In re Catapult Entm't, Inc.*), 165 F.3d 747, 754–55 (9th Cir. 1999) (holding debtor in possession could not assume nonexclusive patent licenses upon licensor's objection.); *In re Pease*, 195 B.R. 431, 434 (Bankr. D. Neb. 1996) (noting Bankruptcy Code provides debtors with "broad authority to use, sell or lease property . . .").

¹⁷⁹ 11 U.S.C. § 363 (2000); *see also In re Pease*, 195 B.R. at 434 ("Bankruptcy Code gives the debtor broad authority to use, sell or lease property, and to assume executory contracts and leases as a matter of federal law, notwithstanding the rights of creditors under applicable non-bankruptcy laws."). *See generally In re Downtown Athletic Club*, No. M-47, 2000 U.S. Dist. LEXIS 7917, at *10 (S.D.N.Y. June 9, 2000) (noting Bankruptcy Code allows debtor to "sell property . . . free and clear of any interest in such property of an entity other than the estate" if, *inter alia*, 'such interest is in bona fide dispute' (quoting 11 U.S.C. § 363 (f) (2000))).

¹⁸⁰ *See* Vern Countryman, *Executory Contracts in Bankruptcy: Part I*, 57 MINN. L. REV. 439, 460 (1973) (defining executory contract as "a contract under which the obligation of both the bankrupt and the other party to the contract are so far unperformed that the failure of either to complete performance would constitute a material breach excusing the performance of the other"); *see also In re Waste Systems International, Inc.*, 280 B.R. 824, 826–27 (Bankr. D. Del. 2002) (stating Third Circuit adopted traditional Countryman test for determining if agreement is executory contract); *In re Teligent, Inc.*, 268 B.R. 723, 730 (Bankr. S.D.N.Y. 2001) (noting courts in district rely on Countryman test.).

¹⁸¹ *See* Countryman, *supra* note 180, at 460.

¹⁸² *See* N.L.R.B. v. Bildisco and Bildisco, 465 U.S. 513, 522 n.6 (1984).

¹⁸³ *See* Chattanooga Memorial Park v. Still (*In re Jolly*), 574 F.2d 349, 351 (6th Cir. 1978)

The key, it seems, to deciphering the meaning of executory contract . . . is to work backward, proceeding from an examination of the purposes rejection is expected to accomplish. If those objectives have already been accomplished, or they cannot be accomplished through rejection, then the contract is non-executory within the meaning of the Bankruptcy Act.

see also Rieser v. Dayton Country Club Co. (*In re Magness*), 972 F.2d 689, 694 (6th Cir. 1992) (suggesting court should work backward to determine if contract is executory.); *In re Drexel Burnham Lambert Group, Inc.*, 138 B.R. 687 (Bankr. S.D.N.Y. 1992) (abandoning traditional focus on executory nature of contracts under § 365 and applying functional approach to determine whether contract is executory).

court has been required to determine whether a domain name registration agreement is executory, because performance remains due on both sides of the contract for the duration of the contract term, it may be considered an executory contract. As an executory contract, a domain name registration agreement may be assumed and assigned in bankruptcy.

Generally, the trustee or dip is permitted to assume and assign any executory contract in bankruptcy notwithstanding any anti-assignment provision in the contract even though the anti-assignment provision would be enforced under non-bankruptcy law.¹⁸⁴ An exception to this general rule is provided in section 365(c)(1) which states that an executory contract may not be assumed in bankruptcy if applicable non-bankruptcy law makes the contract non-assignable even if the contract is silent on this point, and the trustee has no intention of assigning the contract to a third party.¹⁸⁵ For example, a personal service contract that requires unique or special skills of one party is not assignable under contract law without consent of the other party,¹⁸⁶ and therefore is not assumable in bankruptcy. The provision is not, however, confined to personal service contracts.¹⁸⁷

¹⁸⁴ See 11 U.S.C. § 365(f)(1) (2000) ("[N]otwithstanding a provision in an executory contract ...that prohibits, restricts, or conditions the assignment . . . the trustee may assign such contract."); see also 11 U.S.C. § 365(d)(2) (2000) (stating in chapter 11 executory contract may be assumed or rejected any time prior to confirmation of chapter 11 plan of reorganization or as part of plan); 11 U.S.C. § 365(d)(1) (2000) (finding in chapter 7 case, trustee must assume or reject executory contracts within sixty (60) days after order for relief or they are automatically deemed rejected); *In re Office Prods. of Am., Inc.*, 140 B.R. 407, 410 (Bankr. W.D. Tex. 1992) ("[A]bility to assign, notwithstanding any anti-assignment lease provision is made clear in Code."); *In re Café Partners/Washington* 1983, 90 B.R. 1, 6 (Bankr. D. D.C. 1988) (explaining § 365 overrides lease provisions restricting ability of debtor to assign lease).

¹⁸⁵ 11 U.S.C. § 365(c)(1)(A) (2000):

The trustee may not assume or assign any executory contract or unexpired lease of the debtor, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties, if – applicable law excuses a party, other than the debtor, to such contract or lease from accepting performance from or rendering performance to an entity other than the debtor or the debtor in possession, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties.

§§ 365(c)(2)–(3) further prohibit assumption of contracts to make loans or to extend financial accommodations to or issue securities of a debtor and assumption of leases of nonresidential real property that were terminated under applicable non-bankruptcy law prior to the order for relief in the bankruptcy case. 11 U.S.C. §§ 365(c)(2)–(3) (2000). See generally *In re Supernatural Foods*, 268 B.R. 759, 773–75 (Bankr. M.D.L.A. 2001) (detailing history and purpose of § 365(c)); Brett W. King, *Assuming and Assigning Executory Contracts: A History of Indeterminate "Applicable Law,"* 70 AM. BANKR. L.J. 95 (1996) (providing history, case law and statutory construct of § 365(c)).

¹⁸⁶ See *In re McVay*, 169 B.R. 49, 51 (Bankr. W.D. Tenn. 1994) ("Ordinarily, personal services contracts cannot be assumed or assigned by bankruptcy trustees because they are based upon personal services or skills or upon personal trust or confidence."); *In re Catron*, 158 B.R. 624, 627 (Bankr. E.D. Va. 1992) (stating one type of non-assignable or assumable contract is personal services contract), *aff'd*, 158 B.R. 629 (E.D. Va. 1993), *aff'd*, 25 F.3d 1038 (4th Cir. 1994); *In re Taylor*, 103 B.R. 511, 516 (Bankr. D. N.J. 1989) (explaining § 365 sets limitations on ability to assume or assign contracts such as personal service contracts) *aff'd* in part, appeal dismissed in part, 913 F.2d 102 (3d Cir. 1990).

¹⁸⁷ See *Perlman v. Catapult Entm't, Inc.* (*In re Catapult, Entm't, Inc.*), 165 F.3d 747, 750 (9th Cir. 1999) (holding non-exclusive patent license is personal and may only be assumed and assigned with consent of licensor); *Everex Sys. v. Cadtrak Corp.* (*In re CFLC, Inc.*), 89 F.3d 673, 679 (9th Cir. 1996) (dealing with non-exclusive patent license); *In re West Elecs., Inc.*, 852 F.2d 79, 82 (3d Cir. 1988) (dealing with

In determining whether a domain name registration agreement is assumable and assignable in bankruptcy, the courts should look to trademark or Internet law as the relevant non-bankruptcy law that could prohibit assignment.¹⁸⁸ Currently, no laws exist that prohibit the assignment of a domain name registration agreement. Domain name registration contracts are not personal service contracts.¹⁸⁹ In order to register a domain name the only information required by the registrant is the name of the domain name to be registered, payment information, and contact information of the registrant.¹⁹⁰ Registration, cancellation, and transfer of a domain name all can be accomplished in seconds through the registrar's web site requiring minimal human interaction.

Several registration agreements specifically allow for assignment of the domain name and the services under the contract.¹⁹¹ Although NSI prohibits assignment of the rights under the agreement, NSI provides a Registrant Name Change Agreement under which the registrant effectively is able to assign its rights to a third party.¹⁹² Moreover, most domain name registration agreements provide a mechanism through which the registrant is able to transfer its domain name from one registrar to another.¹⁹³ This allows a domain name registrant to forum shop for an agreement that provides desirable terms. Therefore, despite the anti-assignment provisions

government defense contract); *In re Pioneer Ford Sales*, 729 F.2d 27, 30 (1st Cir. 1984) (dealing with franchise agreement); *Pension Benefit Guar. Corp. v. Braniff Airways, Inc.*, (*In re Braniff Airways, Inc.*), 700 F.2d 935, 943 (5th Cir. 1983) (dealing with airport landing slot lease), *reh'g denied*, 705 F.2d 450; *In re Patient Educ. Media, Inc.*, 210 B.R. 237, 242 (Bankr. S.D.N.Y. 1997) (holding non-exclusive copyright license non-assignable).

¹⁸⁸ See 11 U.S.C. § 365(n). This section provides non-debtor intellectual property licensees with certain rights and protections when a trustee rejects an executory contract under which the debtor is a licensor of an intellectual property does not apply to domain name registration contracts because it is limited to intellectual property as it is defined in § 101(35A) of the Bankruptcy Code. 11 U.S.C. § 365(N). § 101(35A) defines intellectual property as a trade secret; invention, process design, or plant protected under title 35; patent application; plant variety; work of authorship protected under title 17; or was work protected under chapter 9 of title 17; to the extent protected by non-bankruptcy law. This definition does not provide protection for licenses for the use of a trademark or for licenses of technology. See generally Warren E. Agin, *Technology Contracts and Licenses Under the Bankruptcy Code*, 6 CYBERSPACE LAWYER 2 (May 2001) (discussing different licensing contracts and bankruptcy).

¹⁸⁹ See *Kremen v. Cohen*, 99 F. Supp. 2d 1168, 1174 (N.D. Ca. 2000) (holding domain name rights are intangible property rights, although not variety that would sustain action for conversion); *Dorer v. Arel*, 60 F. Supp. 2d 558, 561 (E.D. Va. 1999) (stating generic or descriptive domain names which are not protected by copyright law are valuable, assignable and transferable). But see *Network Solutions, Inc. v. Umbro Int'l, Inc.*, 529 S.E.2d 80, 86 (Va. 2000) (concluding registration of domain name is product of personal services contract).

¹⁹⁰ See *supra* note 167.

¹⁹¹ See Registration Agreements for the following registrars: Names4ever, *Domain Name Registration Service Agreement* at <http://www.names4ever.com/domain-agreement.html> (last visited Oct. 5, 2002); Nitin Networks, *Registration Agreement* at <http://www.registersite.com/regagreementgtld.nihtml> (last visited Oct. 5, 2002).

¹⁹² See NSI, *Registrant Name Change Agreement* at http://www.netsol.com/en_US/makechanges/rnca/expressed-instructions.html (last visited Oct 5, 2002).

¹⁹³ See *supra* note 191

included in some registration contracts,¹⁹⁴ bankruptcy law permits a trustee to assume and assign these registration agreements notwithstanding the contractual restriction on assignment. In the event a court does not approve of a debtor's assumption and assignment of a domain name registration contract, the debtor is easily able to transfer its domain name to a registrar that allows for assignment of the agreement.¹⁹⁵

A domain name registrant's ability to assign its rights under the contract or transfer the domain name to another registrar indicates that the domain name itself is owned by the registrant and not by the registrar. The registrar merely provides the technological mechanism through which the registrant is able to operate its domain name. Once in bankruptcy, the debtor registrant's ability to assume and assign the agreement further supports the conclusion that a registrant has a transferable property interest in a domain name. As either a contract right or a trademark, it is the transferable property interest that makes a domain name a general intangible under the UCC.¹⁹⁶ A transferable property interest in a general intangible provides an adequate basis for the attachment and perfection of a valid security interest in a domain name.¹⁹⁷ Therefore, since a domain name also is a general intangible, a creditor is able to obtain a security interest in a domain name.¹⁹⁸

I. Security Interests in Domain Names

As intangible property that is not a good, account, chattel paper, document, instrument, investment property or right to letter of credit rights or money, a commercial tort claim, or a deposit account, a domain name falls under the category

¹⁹⁴ Of the registration agreements I reviewed the following registrars include anti-assignment provisions in their registration agreements: Network Solutions, Inc., *Service Agreement at* http://www.netsol.com/en_US/legal/static-service-agreement.jhtml (last visited Oct. 5, 2002); Signature Domains, *Service Agreement at* <http://www.signatredomains.com/agreement.jsp> (last visited Oct. 5, 2002); 123registration.com, *123 Registration Customer Service Agreement at* <http://www.123registration.com/Help/123ServiceAgreement21.cfm> (last visited Oct. 5, 2002).

¹⁹⁵ See *supra* note 191.

¹⁹⁶ See *Dorer v. Arel*, 60 F. Supp. 2d 558, 560 (E.D. Va. 1999) (observing some domain names consist of protected trademarks enjoying rights afforded trademarks); *In re Together Dev. Corp.*, 227 B.R. 439, 441 (Bankr. D. Mass. 1998) (explaining Article 9 governs transactions of personal property such as general intangibles which trademarks can be classified as); NORTON, *supra* note 17, at § 151:49, 151–58, 59 (describing relationship between general intangibles and domain names); see also UCC § 9-102(a)(42) (2001) (defining general intangibles).

¹⁹⁷ See *In re Richardson*, 216 B.R. 206, 219–20 (Bankr. S.D. Ohio 1997) (holding valid security interest when party had transferable property interest at time of contract); Xuan-Thao Nguyen, *Intellectual Property Financing: Security Interests In Domain Names And Web Content*, 8 TEX. WESLEYAN L. REV. 489, 494–98 (2002) (explaining courts interpretation of how to properly obtain security interest in domain names). See generally Warren E. Agin, *Domain Names: Obtaining and Perfecting a Security Interest*, THE RISK MGMT. ASS'N J. 78–82 (Sept. 2000) at <http://www.agin.com/indexframe.html> (detailing how to get security interests in domain names).

¹⁹⁸ See The New Article 9 Uniform Commercial Code Second Edition (expanding scope of collateral to include general intangibles).

of a "general intangible" under the Uniform Commercial Code ("UCC").¹⁹⁹ As a general intangible under the UCC, a creditor is able to obtain a security interest in a domain name.²⁰⁰ The ability to attach and perfect a security interest in a domain name as a general intangible is further support of the conclusion of this thesis that a domain name is property in which a debtor can grant a security interest.²⁰¹

In general, a debtor can grant a security interest in collateral to the extent that the debtor has a transferable property right in the collateral.²⁰² A security interest is enforceable by the secured party against the debtor upon attachment of the security interest. It is the power to transfer rights in the collateral that allows attachment of a security interest.²⁰³ The other requirements necessary for attachment are that there must be a written agreement showing that a lien was created and describing that collateral, and there must be value in the collateral.²⁰⁴

Under Revised Article 9, a security interest in a general intangible only can be perfected if a financing statement is filed against the asset.²⁰⁵ A security interest in a trademark also is perfected by filing a financing statement.²⁰⁶ Under Revised Article

¹⁹⁹ See U.C.C. § 9-102(a)(42) (2000) (defining general intangibles).

²⁰⁰ See U.C.C. § 9-102 (2001) (expanding scope of collateral to include general intangibles); Trapp v. Hancuh, 530 N.W.2d 879, 887 (Minn. Ct. App. 1995) ("General intangibles are personal property that may be used as collateral in a security agreement."); see also Kremen v. Cohen, 99 F. Supp. 2d 1168, 1173 (N.D. Cal. 2000) (analyzing internet domain names as intangible property); Krisko *supra* note 85, at 1182 (arguing internet domain names "may serve as general intangible collateral within the scope of Article 9").

²⁰¹ See U.C.C. § 9-102(a)(42) (2001) (defining general intangibles); see also *In re Sanner Contracting Co.*, 181 B.R. 465, 472 (Bankr. D. Ariz. 1995) ("A general intangible is determined through a process of elimination"); *Underground Flint, Inc. v. Viro, Inc.*, 80 B.R. 87, 89 (E.D. Mich. 1986) (using process of elimination to determine that liquor license constitutes general intangible). See generally BARKLEY CLARK & BARBARA CLARK, *THE LAW OF SECURED TRANSACTIONS UNDER THE UNIFORM COMMERCIAL CODE* ¶ 1.03[2] (rev. ed. 2002).

²⁰² See U.C.C. § 9-102 cmt. 5(d) (2001) (expanding scope of collateral to include general intangibles); Brent R. Cohen & Thomas D. Laue, *Acquiring and Enforcing Security Interests in Cyberspace Assets*, 10 J. BANKR. L. & PRAC. 423, 429 (2001). See generally Scott J. Driza, *Perfecting Security Interests in Intellectual Property*, 88 ILL. B.J. 162 (2000).

²⁰³ See U.C.C. § 9-203 cmt. 6 (2000).

²⁰⁴ Any consideration sufficient for a contract is sufficient to create value. See *In re Blatstein*, 226 B.R. 140, 152 (E.D. Pa. 1998) (quoting *Putnam Realty, Inc. v. Terminal Moving & Storage Co.* (*In re Terminal Moving & Storage Co.*), 631 F.2d 547, 551 (8th Cir. 1980) "consideration sufficient to support a simple contract was present, value was given and the security interest attached."); *Hill v. Farmers & Merchs. Bank of Waterloo*, 641 So. 2d 788, 790 (Ala. 1994) (concluding "[A]ny consideration sufficient to support a simple contract" is sufficient "value" to establish a security interest.).

²⁰⁵ See U.C.C. § 9-310 (2001) (excluding "general intangibles" from list of exceptions to general rule that financing statement must be filed in order to perfect security interest); Chertok & Agin *supra* note 1, at 271 (2000) (discussing perfection of general intangibles).

²⁰⁶ See *In re Roman Cleanser Co.*, 43 B.R. 940, 944 (Bankr. E.D. Mich. 1984), *aff'd*, 802 F.2d 207 (6th Cir. 1986) (holding manner of perfecting security interest in trademarks is governed by Article 9 and not by Lanham Act); *In re TR-3 Indus.*, 41 B.R. 128, 131 (Bankr. C.D. Cal. 1984) (reasoning that Congress' omission of registration requirement in Lanham Act was intentional, hence state commercial law controls). Notice of the security interest at the PTO may be sufficient for perfecting a security interest in a trademark. Therefore, it is recommended that recordation of a security interest in a trademark be made with the PTO in addition to filing a financing statement at the local level to ensure that everyone is on notice. See generally William A. Dornbos, *Structuring, Financing, and Preserving Security Interests in Intellectual Property*, 113 Banking L.J. 656 (1996) (discussing securitization of trademarks).

9, the proper place for filing a financing statement is in the state of the debtor's location.²⁰⁷ The location for a human debtor is its place of residence.²⁰⁸ The location for a corporate debtor is deemed to be their state of incorporation.²⁰⁹ If a corporation has more than one place of incorporation, the proper place for filing a financing statement is the state in which its chief executive office is located.²¹⁰

Although the UCC does not specifically define a domain name as a general intangible, regardless of whether a domain name is classified as a trademark or a service contract, security interests in domain name rights appear to fall within the scope of Revised Article 9 collateral category of "general intangibles."²¹¹ A debtor's rights in a telephone number have long been recognized as general intangibles under the old UCC.²¹² As domain names have been characterized as service contracts similar to telephone numbers, it follows that domain names, as service contracts, should be characterized as general intangibles. Moreover, trademarks are categorized under the UCC as general intangibles.²¹³ Thus, whether a domain name is characterized as a trademark or a contract right, it is a general intangible that can be used as collateral, and security interests may be created in them.

The issue then becomes whether a security interest in a domain name is enforceable. Several domain name registration agreements provide that assignment of any of the registrant's rights under the agreement and any attempt by the registrant's creditors to obtain an interest in the registrant's rights under the agreement will render the agreement voidable at the registrar's option.²¹⁴

²⁰⁷ See U.C.C. § 9-301(1) (2000) (providing that while a debtor is located in jurisdiction, local law of jurisdiction governs); see also C. Scott Pryor, *Revised U.C.C. Article 9: Impact in Bankruptcy*, 7 AM. BANKR. L.R. 465, 476 (discussing change from earlier location of collateral standard to new location of debtor standard).

²⁰⁸ See U.C.C. § 9-307(b)(1) (2001) ("A debtor who is an individual is located at the individual's principle residence.").

²⁰⁹ See U.C.C. § 9-307(e) (2000) (stating corporations are located in their state of incorporation). See also U.C.C. § 9-307(e) cmt. 4 (2000) (illustrating utility of rule).

²¹⁰ See *Id.*

²¹¹ See Rev. U.C.C. § 9-102(a)(42) (2000) (defining "general intangible"); see also *Omega Envtl., Inc. v. Valley Bank NA* (*In re Omega Envtl., Inc.*), 219 F.3d 984, 986–87 (9th Cir. 2000) (characterizing general intangibles as "catch-all" category). § 9-408 of the Revised Article 9 reflects the policy judgment that a debtor should always have the power to sell its general intangibles. See Rev. U.C.C. § 9-408 (2000) (providing term restricting assignment generally ineffective).

²¹² See *In re Remes Glass, Inc.*, 136 B.R. 132, 138 (Bankr. W.D. Mich. 1992) (holding perfected security interest in general intangibles included telephone service rights); see also *In re Salisbury Flower Mkts., Inc.*, No. 4-89-3142, 1991 WL 26597, at *2 (Bankr. D. Minn. 1991) (including telephone numbers as general intangibles); *In re Mid-West Motors, Inc.*, 82 B.R. 439, 440 (Bankr. N.D. Tex. 1988) (including rights to telephone number in assets pursuant to lien on general intangibles).

²¹³ According to the Official Comment of old U.C.C. § 9-106 general intangibles included trademarks. U.C.C. § 9-106 cmt. (2000). It may be assumed that under the definition of "general intangible" under Revised U.C.C. § 9-102(a)(42) (2000) trademarks remain general tangibles.

²¹⁴ See Registration Agreements for the following Registrars: NSI, at http://www.netsol.com/en_US/legal/static-service-agreement.html (May 7, 2002); 123 Easy Domain Names, Inc. d/b/a Signature Domains, at <http://www.signatredomains.com/agreement.jsp>; 123 Registration, Inc. d/b/a 123registration.com, at <http://www.123registration.com/Help/123ServiceAgreement21.cfm> (May 8, 2002).

Assignment restrictions could pose problems for a lender trying to obtain a security interest in general intangibles.²¹⁵ This problem is avoided under Revised Article 9 section 9-408 that provides restrictions on transfers of general intangibles are invalidated in agreements between a debtor and an account debtor.²¹⁶ Although certain domain name registration agreements include express restrictions on assignment that otherwise would bar the creation of a security interest in a domain name, section 9-408 renders these restrictions ineffective to the extent they prevent the creation, attachment, or perfection of a security interest.

Although section 9-408 allows for the creation of a security interest in a general intangible notwithstanding a contractual restriction on the assignment of the debtor's rights, under section 9-408(d) the effectiveness of section 9-408(a) invalidating restrictions on assignment of the debtor's rights is limited by making a security interest unenforceable against the other party to the agreement, in this case, the domain name registrar.²¹⁷ In the context of obtaining a security interest in a

²¹⁵ See *In re Alltech Plastics, Inc.*, 71 B.R. 686, 689 (Bankr. W.D. Tenn. 1987) (holding trustee has no power to assign patent license absent consent from licensor). A patent license, like a domain name, is a general intangible. See U.C.C. § 9-106 cmt.; see also *Moldo v. Matsco, Inc.* (In re Cybernetic Servs.), 252 F.3d 1039, 1045 (9th Cir. 2001) (including any intellectual property as "general intangible").

²¹⁶ Rev. U.C.C. § 9-408 (2000) provides:

(a) Term restricting assignment generally ineffective. Except as otherwise provided in subsection (b), a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:

- (1) would impair the creation, attachment, or perfection of a security interest; or
- (2) provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.

Rev. U.C.C. § 9-102 broadly defines "account debtor" to include any party to a general intangible other than the debtor, including persons who are obligated to render performance in exchange for payment. Rev. U.C.C. § 9-102 cmt. 5.

²¹⁷ Rev. U.C.C. § 9-408(d) provides:

To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or general intangible or a rule of law, statute, or regulation described in subsection (c) would be effective under law other than this article but is ineffective under subsection (a) or (c), the creation, attachment, or perfection of a security interest in the promissory note, health-care-insurance receivable, or general intangible:

- (1) is not enforceable against the person obligated on the promissory note or the account debtor;
- (2) does not impose a duty or obligation on the person obligated on the promissory note or the account debtor;
- (3) does not require the person obligated on the promissory note or the account debtor to recognize the security interest, pay or render performance

domain name, section 9-408(d) implications will arise only where the domain name is registered with a registrar that prohibits assignment.²¹⁸ As mentioned, not all registrars prohibit assignment of rights under the registration agreement.

In order to avoid the implications that arise with section 9-408(d), a secured lender could require that the domain name registrant transfer its domain name to a registrar that does not restrict assignment of the rights under the agreement. However, if a secured lender obtains a security interest in a domain name that is registered with a registrar that prohibits assignment, the lender's security interest is not valueless. Although the secured lender is unable to enforce the security interest against the registrar, the secured lender is able to enforce its security interest in the proceeds arising from the domain name.

Under Revised Article 9 section 9-203(f) "attachment of a security interest in collateral gives the secured party rights to proceeds."²¹⁹ Proceeds would include, inter alia, any proceeds arising from the sale of the collateral, any property collected on the collateral, and any rights arising out of the collateral.²²⁰ With domain name sales averaging millions of dollars each,²²¹ a security interest in the proceeds of a domain name could be more valuable than a security interest in the domain name itself. A secured creditor has automatic perfection in proceeds of collateral if the security interest in the original collateral was properly perfected.²²² This is important where a debtor in bankruptcy gave a security interest in its domain name to a creditor.

In bankruptcy, section 552 of the Bankruptcy Code provides that property

to the secured party, or accept payment or performance from the secured party;

(4) does not entitle the secured party to use or assign the debtor's rights under the promissory note, health-care-insurance receivable, or general intangible, including any related information or materials furnished to the debtor in the transaction giving rise to the promissory note, health-care-insurance receivable, or general intangible;

(5) does not entitle the secured party to use, assign, possess, or have access to any trade secrets or confidential information of the person obligated on the promissory note or the account debtor; and;

(6) does not entitle the secured party to enforce the security interest in the promissory note, health-care-insurance receivable, or general intangible.

²¹⁸ Cf. U.C.C. § 9-318(4) (2000) (denying effectiveness to terms prohibiting assignment in situations where payment is due or will become due). In such situations, the domain name registrar would take the role of "account debtor," which is defined as "the person who is obligated on an account . . . or general intangible." U.C.C. § 9-105(1)(a). The Bankruptcy Code also contains provisions denying the effectiveness of restrictions on assignment. See 11 U.S.C. § 365(f)(1) *supra* note 186 and accompanying text (providing trustee or DIP ability to assign any executory contract notwithstanding anti-assignment provision).

²¹⁹ Rev. U.C.C. § 9-203(f) (2000).

²²⁰ Rev. U.C.C. § 9-102(a)(64) (2000).

²²¹ See *supra* note 82.

²²² See Rev. U.C.C. § 9-315(c) (2000). A perfected security interest in proceeds will become unperfected twenty one days after the security interest attaches to the proceeds unless a filed financing statement covers the original collateral, the proceeds are collateral in which a security interest may be perfected by filing in the office where the financing statement was filed and the proceeds are not acquired with cash proceeds, and the proceeds are identifiable cash proceeds. Rev. U.C.C. § 9-315(d) (2000).

acquired by the estate or by the debtor after the commencement of the bankruptcy case is not subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case.²²³ Section 552(b), however, provides an exception to this general rule that if the security agreement for the original collateral exists prior to the commencement of the bankruptcy and extends to proceeds²²⁴ of the collateral, the security interest will extend to proceeds of the collateral acquired after the commencement of the bankruptcy case.²²⁵ Thus, a section 9-408 security interest in a general intangible combined with section 9-102(a)(64)'s broad definition of proceeds may provide a secured creditor with authority to assert a lien over post-petition profits generated from the intangible asset.²²⁶ Where the general intangible is a domain name and the domain name registrant files for bankruptcy, the secured lender will have an enforceable security interest in the proceeds of the domain name including profits arising from the sale of the domain name or revenues generated from e-commerce through the domain name. The enforceability of the security interest in the proceeds of the domain name makes the security interest valuable notwithstanding section 9-408(d)'s restriction of enforceability of the security interest against the domain name registrar.

II. RECOMMENDATION

In order to remedy the controversy of whether a domain name registrant has a transferable interest in the domain name which would permit the registrant to sell or transfer the domain name, and therefore, whether a domain name is property of a debtor's bankruptcy estate under Bankruptcy Code section 541, I propose a technical amendment to the Bankruptcy Code definition of intellectual property under section 101(35A).²²⁷ The current definition of intellectual property in the Bankruptcy Code provides, "'intellectual property' means- (A) trade secret; (B) invention, process, design or plant protected under title 35; (C) patent application; (D) plant variety; (E) work of authorship protected under title 17; or (F) mask work protected under chapter 9 of title 17; to the extent protected by applicable nonbankruptcy law."²²⁸ This definition fails to include trademarks and domain names as intellectual property for bankruptcy purposes. The existing definition of intellectual property in the Bankruptcy Code is inadequate and needs to be expanded to include trademarks and domain names as subsections (G) and (H) under the existing provision. My amendment would require that Bankruptcy Code

²²³ See 11 U.S.C. § 552(a) (2000).

²²⁴ See 11 U.S.C. § 552(b) (2000). The actual language of § 552(b)(1) provides in relevant part that a security interest extends to "proceeds, product, offspring" of such property.

²²⁵ See *id.*

²²⁶ See G. Ray Warner, *Non-Assignable Rights, Contracts and Leases as Collateral Under Revised Article 9*, 19 AM. BANKR. INST. J., Oct. 2000, at 19.

²²⁷ See 11 U.S.C. § 101(35A) (2000) (defining intellectual property).

²²⁸ *Id.*

section 365(n) be harmonized with the new definition of intellectual property by specifically excepting out trademarks and domain names from the defined term intellectual property.

CONCLUSION

A domain name registrant's exclusive right to use, the right to exclude, and the ability to transfer the domain name from one registrant to another are intangible property interests sufficient to include a domain name as property of a bankruptcy estate under Bankruptcy Code section 541. Because a domain name encompasses tripartite attributes of personal property, trademark, and contract right, classifying a domain name in one specific category creates difficulty. Nonetheless, whether a domain name is characterized as personal property, trademark, or contract right, the domain name registrant possesses a transferable property right in the domain name as demonstrated by the ability to assign the domain name to another registrant or to transfer the domain name to another registrar in an effort to accomplish assignment by circumventing a contractual restriction on assignment.

A registrant's transferable property interest in its domain name is an adequate basis for the requisite attachment and perfection of a security interest for a lender. As domain names now are acknowledged as valuable assets, secured lenders are likely to request a security interest in a domain name either as a security interest outside of bankruptcy or as collateral for post-petition "DIP" financing under section 364 of the Bankruptcy Code. Although a secured lender may be unable to enforce the security interest in the domain name itself as a result of UCC section 9-408(d)'s limitation of enforceability of a security interest against the domain name registrar as a party to the domain name registration contract, a security interest in a domain name that is enforceable against the proceeds of the domain name is likely to prove valuable to a secured lender based on the recent sales prices of domain names on the open market and on the revenues generated from e-commerce. The ability to use a domain name as collateral not only will benefit the secured lender, it also will benefit a debtor in its ability to utilize this asset to obtain both pre and post-petition financing to operate and restructure its business.