

# WHAT'S IN A NAME?: THE RIGHTS TO DOMAIN NAMES UNDER VARIOUS PRINCIPLES OF LAW

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## I. INTRODUCTION

Bill Gates, American entrepreneur and founder of Microsoft, once said, “The Internet is becoming the town square for the global village of tomorrow.”<sup>1</sup> As technology continues to gain momentum, an internet presence for businesses becomes indispensable. Even small companies serving local markets may face economic trouble without a website.<sup>2</sup> Meanwhile, young professionals are encouraged to maintain professional social networks or personal websites in order to stay competitive in the job market.<sup>3</sup> Indeed, the digital age has seemingly ushered in a lack of patience for anything that cannot be found at the click of a button, and an internet presence might help secure the necessary competitive edge when employers seek candidates out. Therefore, the young professional—Joe Smith—looking to create a website can do so by registering a domain name, such as [www.joesmith.com](http://www.joesmith.com). Similarly, a small business can register its business name as a domain name for the business’s website.

While the digital age capacitates individuals and businesses in this way, its interplay with the law has been less than amicable. In particular, technology has proven to be a difficult client primarily because its ever-upgrading nature constantly brings issues of first impression to the courts. One of the issues brewing in the federal circuits involves the rights to the domain names that individuals or businesses select. Registration of a domain name creates a right for the owner, but like any other right, the access, use, or worth of the domain name can be compromised. In this regard, a question arises as to whether the rights to domain names should essentially be treated the same as rights to a piece of property or whether they could be better interpreted as created by contract.

The difference is more than analytical; as reflected in a recent circuit split, the interpretation of domain name rights matters because

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1. I-QUOTE: BRILLIANCE AND BANTER FROM THE INTERNET AGE 6 (David L. Green ed., 2008).

2. Nicole Leinbach-Reyhle, *3 Reasons Websites Are Vital for Small Businesses*, FORBES (Sep. 29, 2014), <http://www.forbes.com/sites/nicoleleinbachreyhle/2014/09/29/websites-for-small-businesses/#3ba7cdf24318>.

3. Jacquelyn Smith, *Why Every Job Seeker Should Have a Personal Website, and What It Should Include*, FORBES (Apr. 26, 2013), <http://www.forbes.com/sites/jacquelynsmith/2013/04/26/why-every-job-seeker-should-have-a-personal-website-and-what-it-should-include/#320efb5b902e>.

whichever law is considered subservient is largely dispositive of liability under the Anti-Cybersquatting Consumer Protection Act (ACPA).<sup>4</sup> Under the ACPA, it's a crime to register a domain name that is confusingly similar to the trademark or personal name of another, or to register a famous trademark as a domain name and then offer it for sale to the trademark owner.<sup>5</sup> These kinds of extortionate behaviors are prohibited by the ACPA as "cybersquatting."<sup>6</sup>

Yet, principles of property law would define acts constituting cybersquatting differently than would principles of contract law. For example, if Joe Smith registers a domain name as [www.joesmith.com](http://www.joesmith.com), then property law allows him to essentially own that domain name indefinitely, regardless of whether a famous fashion designer also named Joe Smith emerges in five years and wants to purchase [www.joesmith.com](http://www.joesmith.com) as the domain name for his clothing brand. The original Joe Smith can continuously reregister for the right to the domain name, and offer the domain name to another prospective domain purchaser at an unreasonably high price. This is because, viewed in light of property law principles, the original Joe Smith can do what he wants with his lawfully registered domain name, and doing so would not violate the cybersquatting prohibitions of the ACPA.

On the other hand, viewed in light of contract law principles, registering a domain name creates a contract right, not a property right. Like any other contract, it must be entered in good faith. Considering this fundamental contract principle, when an individual renews a domain name registration to keep that particular domain name for himself and, therefore, unavailable to anyone else, the individual's actions fall within the purview of the extortionist behavior that the ACPA was drafted to prohibit. The same rationale applies when an individual secures the domain right and then offers it for sale at an unfairly high price. The only difference in liability in either situation is not the presence of bad faith in one instance and the lack of it in another; it is merely the subservient law that is applied to the issue before the court, and whether that law views what Joe Smith does as "bad faith," or as behavior entirely within his rights.

This Comment will discuss the circuit split surrounding this issue, focusing specifically on each circuit's reasoning in applying one analytical approach over the other. The discussion section will then

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4. 15 U.S.C. § 1125 (2012).

5. "A person shall be liable in a civil action by the owner of a mark . . . if . . . that person—(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and (ii) registers, traffics in, or uses a domain name that . . . is identical or confusingly similar to that mark." *Id.* § 1125(d)(1)(A)(i)–(ii).

6. *Id.*

dissect each approach to conclude that, in light of the intent to prevent extortion and unfair business practices that is apparent from the ACPA, the Third and Eleventh Circuits were correct to interpret rights to domain names under principles of contract law.

## II. BACKGROUND

### *A. What Is a Domain Name?*

A domain name functions in the same way that a contact functions in a phone—once a person clicks the name of a particular contact, the phone automatically dials the number saved under that name. Similarly, when a user enters [www.apple.com](http://www.apple.com), the browser matches the domain name with the correct IP address for Apple and takes the user to the Apple home page.<sup>7</sup>

Anyone can acquire a domain name by registering for one through a registrar, and there are a number of different registrars to choose from.<sup>8</sup> The registrars must be certified and approved by the Internet Corporation for Assigned Names and Numbers (ICANN).<sup>9</sup> However, no applicant can secure a domain name forever. Therefore, renewing a registration is necessary to retain rights to use a particular domain name. Registration can last anywhere from one to ten years, with these options for renewal.<sup>10</sup>

### *B. The Problem with Domain Names*

In today's modern and digital world, it is rare to come across a company that does not have a website. An internet presence in the digital world is imperative to competing in the business market. Furthermore, the recent growth of technology demonstrates that the need for domain names will not diminish in the years to come. However, the

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7. An Internet Protocol (IP) address is assigned to every computer on the internet. In a way, IP addresses are similar to street addresses: they identify where a computer is located on the internet. Furthermore, they help map information so that it can travel between computers, just like mail travels between addresses. IP addresses are a series of numbers. Rather than requiring everyone to memorize the string of numbers assigned to every website, the domain name system—also known as “DNS”—takes IP addresses and translates them into domain names. Therefore, domain names were created to make IP addresses friendlier to the everyday internet user.

8. ICANN, *Information for Registrars and Registrants*, <https://www.icann.org/resources/pages/registrars-0d-2012-02-25-en> (last visited Aug. 24, 2016).

9. For a list of all ICANN accredited registrars, visit the Accredited Registrar Directory and follow the appropriate prompts. *The Accredited Registrar Director*, INTERNIC, <http://www.internic.net/regist.html> (last visited Aug. 24, 2016).

10. ICANN, *General Questions*, <https://www.icann.org/resources/pages/faqs-84-2012-02-25-en#7> (last visited Aug. 24, 2016).

trouble with domain names starts with an important architectural limitation of the internet and internet domains: no two users may acquire the same domain name.<sup>11</sup> So, a fruit distributor specializing in apples is nevertheless unable to purchase a domain name registration for [www.apple.com](http://www.apple.com) if this domain name is already taken—unless, of course, Apple’s registration expires, and the fruit distributor quickly snatches the domain name for himself before Apple reregisters the domain.<sup>12</sup> Before the internet boom, it was even possible for savvy internet users to purchase domain names for themselves before relevant businesses had a chance to take the necessary steps.<sup>13</sup>

The fruit distributor could theoretically choose a different extension and register a domain name as [www.apple.net](http://www.apple.net) to obtain a domain name technically different from [www.apple.com](http://www.apple.com), yet substantially close to the one he originally desired.<sup>14</sup> While this avoids the rule that no two users may acquire the same domain name, it complicates the market for people who do not know that [www.apple.net](http://www.apple.net) will not take them to a page where they can purchase a new iPhone.<sup>15</sup>

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11. ICANN advises users to arbitrate disputes amongst themselves when someone else is shown as the registered owner; a person cannot otherwise acquire rights and access to a domain name registered by someone else. See ICANN, *FAQ for Domain-Name Holders*, <https://www.icann.org/resources/pages/faqs-2014-01-21-en> (last visited Aug. 24, 2016).

12. Lisa Hagen, *Jeb Bush Domain Name Redirects to Trump Site*, HILL (Dec. 7, 2015), <http://thehill.com/blogs/ballot-box/presidential-races/262325-jeb-bush-domain-name-redirects-to-trump-site>.

13. Joshua Quittner, *Billions Registered: Right Now, There Are No Rules to Keep You from Owning a Bitchin’ Corporate Name as Your Own Internet Address*, WIRED MAG. (Oct. 1, 1994), <http://www.wired.com/1994/10/mcdonalds/> (Quittner tells his readers that he purchased the rights to [www.mcdonalds.com](http://www.mcdonalds.com), asking for suggestions regarding whether he should auction it off or “hold it as a trophy”).

14. For example, software mogul Microsoft sent a cease and desist order to Zero Micro Corporation, a Texas computer company, for its use of [www.micros0ft.com](http://www.micros0ft.com). The order alleged that replacing the “o” in “Microsoft” with a zero was still likely to confuse users intending to visit a website for Microsoft. Zero Micro subsequently stopped using the domain name. See Neal J. Friedman & Kevin Siebert, *The Name Is Not Always the Same*, 20 SEATTLE UNIV. L. REV. 631, 645 (1997).

15. See *Hasbro Inc. v. Internet Entm’t Grp.*, No. C96-130WD, 1996 U.S. Dist. LEXIS 11626 (W.D. Wash. Feb. 9, 1996) In *Hasbro*, adult entertainment provider, Internet Entertainment Group, registered for the domain name [www.candyland.com](http://www.candyland.com) and thereafter posted sexually explicit material on the site. Children’s gamemaker Hasbro sued the provider alleging that the domain name was confusingly similar to Hasbro’s children’s game “candyland”; the court agreed that [www.candyland.com](http://www.candyland.com) was misleading to the public. See also *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001) (holding that defendant’s registration of the domain name [www.PETA.com](http://www.PETA.com), which stood for “People Eating Tasty Animals,” was likely to prevent internet users from reaching the website for the animal rights group People for the Ethical Treatment of Animals, or “PETA”).

### *C. Domain Names and the Law*

In 1999, Congress passed the ACPA.<sup>16</sup> In a manner, the ACPA is an extension of the Lanham Act which was passed by Congress in 1946, and codified the existing common law of trademarks.<sup>17</sup> Trademark law is largely traced back to the tort of unfair competition. Of course, there are numerous ways in which someone may unfairly compete in a physical commercial market. However, the expansion of the digital world ushered in a new platform—the internet—in which users might unfairly compete in a digital commercial market. This new and unprecedented platform ultimately depended on the law to safeguard it from unfair competition due to the disproportionate sophistication levels of its users. In particular, the widespread use of domain names was accompanied by opportunities to misappropriate the commercial market.

Thus, the ACPA was designed to prevent what is essentially extortion through use of domain names—such as registering a domain name that is confusingly similar to the trademark or personal name of another, or registering a famous trademark as a domain name and then offering it for sale to the trademark owner.<sup>18</sup> In either scenario, the ACPA prevents individuals from using domain names in bad faith to make a profit off another.<sup>19</sup>

The crux of liability under the ACPA is the “bad faith” intention to profit from the domain name’s likeness to someone else’s identity or trademark. The statute provides several factors for a court to consider in deciding whether a user acted in bad faith. The factors include (1) the extent to which the registered owner actually uses the domain name, and the necessity of retaining that particular domain name for the registered owner’s desired purposes; (2) the registered owner’s intent to divert internet users away from the owner of the mark; (3) the registration of multiple domain names that are similar in likeness to other identities or marks; or (4) any offers to transfer or sell rights to the domain name for unreasonable consideration.<sup>20</sup>

### *D. The Significance of “Bad Faith”*

There are three conduct hooks that can land a user within the purview

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16. 15 U.S.C. § 1125 (2012).

17. 15 U.S.C. § 1051 (2012).

18. “A person shall be liable in a civil action by the owner of a mark . . . if . . . that person—(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and (ii) registers, traffics in, or uses a domain name that . . . is identical or confusingly similar to that mark.” 15 U.S.C. § 1125(d)(1)(A)(i)–(ii) (2012).

19. *Id.* § 1125(d)(1)(A)(i).

20. *Id.* § 1125(d)(1)(B).

of ACPA liability: “registering,” “trafficking in,” or “using” a domain name in bad faith.<sup>21</sup> However, a question remains as to the interplay between the bad faith requirement and the rights conferred in domain names upon registration. Namely, what metric should the courts use to analyze whether an actor registered—or reregistered—trafficked in, or used a domain name in bad faith? This query is where the legal analysis across jurisdictions begins to differ.

The bad faith contingency of ACPA liability is derived from the duty of good faith that is well established in the law and is owed in a number of different legal relationships. The Uniform Commercial Code imposes the duty of good faith as follows: “Every contract or duty within this Act imposes an obligation of good faith in its performance or enforcement.”<sup>22</sup> Similarly, the Restatement of Contracts notes: “Every contract imposes upon each party a duty of good faith and fair dealing in its performance and its enforcement.”<sup>23</sup> In other contexts, courts are split on whether to characterize the duty of good faith as fiduciary in nature. However, regardless of how the duty is ultimately characterized, courts consistently impose a duty of good faith in fiduciary contexts as a way to check disproportionate power and to obligate parties to consider all relevant interests. In essence, the duty of good faith captures the obligations parties owe to anyone with whom they transact in any capacity, including acting honestly and fairly. Violations of the good faith requirement are actionable in these various legal contexts because liability for bad faith dealings dissuades fraud. Similarly, the bad faith element required for ACPA liability dissuades a specific fraudulent behavior of keen interest to its drafters: extortion.

The ACPA clarifies: “Bad faith intent . . . shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.”<sup>24</sup> Although seemingly redundant, this reiterates that the opposite of bad faith is good faith. In that regard, the ACPA creates a safe harbor: a person reasonably believing that they are registering, trafficking in, or using a domain name fairly or lawfully is not acting in bad faith and will not be liable under the statute.

What muddies the waters of this analysis is deciding what metric to apply when drawing a meaningful distinction between the users acting in an honest, good faith belief, and those who are fundamentally acting in bad faith. Specifically, this provision of the ACPA is not entirely clear as to what constitutes bad faith, which would separate the conduct

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21. *Id.* § 1125(d)(1)(A)(i)–(ii).

22. U.C.C. § 1-304 (AM. LAW INST. & UNIF. LAW COMM’N 2016).

23. RESTATEMENT (SECOND) OF CONTRACTS § 205 (AM. LAW INST. 1981).

24. 15 U.S.C. § 1125(d)(1)(B)(ii) (2012).

described in this safe harbor provision from the conduct characterized as cybersquatting. The interpretations of this provision have led to disparities in analyzing the contours of cybersquatting, and subsequently, the extent of liability under the ACPA.

In particular, this legal uncertainty surrounds a circuit split on whether to analyze the rights to the domain name at issue under principles of property law or contract law. At first glance, the statute is not clear on how an analytical distinction like this would even matter. The statute makes it an offense only to, in bad faith, make a profit from “registering,” “trafficking in,” or “using” a domain name that is identical to another’s mark. As it turns out, however, the distinction has great bearing on whether a court will ultimately find an ACPA violation.

To illustrate, the issue before the Eleventh Circuit in *Jysk Bend’N Linen v. Dutta-Roy* was whether a reregistration falls within the “registration” hook of the ACPA.<sup>25</sup> Specifically, the question was whether renewing an already-existing registration before it expires constituted “registration” within the meaning of the ACPA, such that a person violated the ACPA by reregistering a domain name in bad faith. The defendant, Dutta-Roy, worked with the plaintiff, Jysk Bed’N Linen, to set up a website and domain name. Jysk asked Dutta-Roy to register the domain name with Jysk listed as the owner; however, Dutta-Roy listed himself as the owner. Once the registration for the domain name expired, Dutta Roy—the legal owner who could reregister—refused to reregister the domain name with Jysk listed as owner. Instead, Dutta-Roy offered Jysk the opportunity to purchase ownership of the domain name at a high price. The Eleventh Circuit upheld the injunction granted by the district court in Jysk’s favor, finding that Dutta-Roy’s actions violated the registration hook of the ACPA.<sup>26</sup>

Dutta-Roy’s liability was grounded in principles of contract law.<sup>27</sup> In particular, the Eleventh Circuit essentially viewed the registration of a domain name as a contract between the registrar and the registrant; as the Third Circuit in *Schmidheiny v. Weber* similarly noted, “[T]he registrant[] . . . enter[s] into a contractual agreement with the registrar. . . [i]n exchange for the right to use the domain name for a fixed period of time.”<sup>28</sup> Furthermore, a user seeking reregistration of a

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25. *Jysk Bed’N Linen v. Dutta-Roy*, 810 F.3d 767, 774 (11th Cir. 2015).

26. *Id.* at 773, 780–81.

27. *Id.* at 777.

28. *Schmidheiny v. Weber*, 319 F.3d 581, 582 (3d Cir. 2003). In *Schmidheiny*, defendant Steven Weber registered for [www.schmidheiny.com](http://www.schmidheiny.com), then subsequently offered to sell the rights to the website to Stephan Schmidheiny, one of Forbes magazine’s wealthiest individuals in the world. Schmidheiny commenced an action against Weber alleging violations of the ACPA. The issue the court addressed concerned the fact that Weber’s initial registration of [schmidheiny.com](http://schmidheiny.com) took place before the ACPA was passed, and therefore the court had to determine whether the ACPA even applied. The Third Circuit

domain name similarly “contractually [binds] itself in a new registration agreement with a new registrar.”<sup>29</sup>

Therefore, principles of contract law draw no meaningful distinction between a registration and a reregistration with respect to determining liability under the ACPA. A reregistration is viewed as an agreement like any other. As such, it is a transaction which must be entered in good faith. Subsequently, in *Jysk*, a bad faith reregistration—by refusing to register in the trademark owner’s name instead, or by holding out the renewed registration at an unfairly high price—was prohibited by the ACPA as cybersquatting. According to the court, “It would be nonsensical to exempt the bad-faith re-registration of a domain name simply because the bad-faith behavior occurred during a noninitial registration . . . .”<sup>30</sup>

However, analyzing the issue under principles of property law offers a different outcome. The Ninth Circuit, in particular, has opined that domain names are akin to property rights. As such, an inquiry surrounding bad faith intent at the time of reregistration is largely irrelevant for purposes of determining liability under the ACPA.<sup>31</sup>

The underlying principle drawn from property law is that a user who registers a domain name lawfully is entitled to keep that domain name or sell it at whatever price he sees fit, as long as he obtained it prior to the creation of the famous trademark that is similar to his domain name. If so, holding out for a high price or refusing to sell altogether is not considered cybersquatting within the meaning of the ACPA because the domain name’s owner can arguably do what he wishes with his own property.

This is exactly the logic the Ninth Circuit applied in *GoPets, Ltd. v. Hise*. In *GoPets*, the court held that a reregistration, when viewed in light of this property law principle, is not a “registration” within the

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reversed a district court ruling that held the ACPA did not apply. In reversing, the Third Circuit concluded that the creation date of a registration is not what controls application of the ACPA because the word “creation” is nowhere in the Act. Therefore, reading in a distinction between a “registration”—which would be covered by the Act—and a “creation registration”—which would, according to the defendants, not be covered by the Act—belies Congress’s intent. The court ultimately held that the Act covers any registration made in bad faith regardless of when the registration occurred. *Id.* at 582–83.

29. *Id.* at 583.

30. *Jysk Bed’N Linen*, 810 F.3d at 778 (11th Cir. 2015); see also *Schmidheiny*, 319 F.3d at 581.

31. “Looking at ACPA in light of traditional property law . . . we conclude that Congress meant ‘registration’ to refer only to the initial registration. It is undisputed that [defendant] could have retained all of his rights to *gopets.com* indefinitely if he had maintained the registration of the domain name in his own name. We see no basis in ACPA to conclude that a right that belongs to an initial registrant of a currently registered domain name is lost when that name is transferred to another owner.” *GoPets Ltd. v. Hise*, 657 F.3d 1024, 1031 (9th Cir. 2011).

meaning of the ACPA.<sup>32</sup> Generally, traditional property law allows an owner to sell or transfer property rights. Thus, if a court holds that rights to a domain name are merely creatures of contract and thus are lost when the registration expires, then this indicates that Congress intended rights in domain names to be inalienable; however, there is no proof of this intent anywhere in the statute.<sup>33</sup> By applying traditional property law, any bad faith in reregistering would be immaterial to a finding of cybersquatting, because only bad faith in the initial registration brings a defendant within the purview of ACPA liability.

### III. DISCUSSION

While the result of applying principles of property law to interpret rights to domain names belies the purpose of the ACPA, it was not inconsistent for the Ninth Circuit to base its holding on such principles. The Ninth Circuit previously held that domain names should be considered property for other purposes beyond determining liability under the ACPA. For instance, domain names are considered property when determining whether domain names could be subject to claims by creditors.<sup>34</sup> The Ninth Circuit affirmed this notion in *Kremen v. Cohen*, holding that creditors can attach to domain names because domain names are considered property.<sup>35</sup>

It makes sense that the Ninth Circuit ruled the way it did in *GoPets* in order to maintain consistency with the *Kremen* decision. However, the court's reasoning in *GoPets* for applying property law principles is unclear, aside from recognizing that the same court previously applied those principles in other contexts. In fact, an analysis under property law may preserve stare decisis, but it neither develops the law appropriately nor serves the fundamental purpose of the statute. Furthermore, the rights to domain names should not be determined in a vacuum. The scope of the rights to domain names must be evaluated in the context in which the alleged bad faith occurred. Otherwise, a court

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32. *Id.* at 1031–32. In *GoPets*, the defendants registered for the domain name gopets.com several years before the plaintiff created the company GoPets Ltd. The defendants initially registered for the domain name intending to develop a website to serve as a resource for pet owners; however, the defendants never used the website except to post one picture of one dog. Plaintiff and founder of GoPets Ltd. sought to purchase the domain name from the defendants, who offered it for purchase at a price of \$5 million. Instead of purchasing the domain name, the plaintiff filed suit alleging cybersquatting violations under the ACPA. *Id.*

33. *Id.*; see also 15 U.S.C. § 1125 (2012).

34. *Kremen v. Cohen*, 337 F.3d 1024, 1029–30 (9th Cir. 2003).

35. *Id.* *Kremen* involved an action for conversion, where the underlying property was a domain name. The question before the Ninth Circuit was whether a domain name is considered property, such that it could support a claim for conversion. The Ninth Circuit held yes, a domain name is property and could support a claim for conversion. *Id.*

only superficially analyzes the issue while mechanically applying concepts that may or may not be appropriate in any given context.

Principles of property law may be appropriate in the creditor context; however, they alone cannot adequately comprehend the concept of bad faith because bad faith is largely implicated pursuant to either a transaction or a legal relationship. It is inapposite to hold that principles of property law would not find bad faith in certain situations because a property owner cannot act in bad faith towards anyone who does not have a legitimate claim to the same property. Therefore, applying principles of property law is inappropriate in certain circumstances, and courts should not attempt to articulate a single standard for all cases.

Moreover, while the fault in holding that rights to domain names are property rights might not be apparent in other contexts, it is clearly apparent when the issue concerns liability under the ACPA.

#### *A. Obsolescence of the Bad Faith Requirement*

If principles of property law set the standards by which courts should analyze liability under the ACPA, then the statute's bad faith requirement is rendered functionally useless. As noted, controlling for bad faith behavior in any context is a control against fraudulent behavior. The statute's bad faith element is designed to thwart the fraudulent behavior most prevalent in the context of acquiring and maintaining domain names—namely, extortion. However, principles of property law propose that property owners may do what they wish with their property. This seems to be at odds with the statute's good faith requirement. Furthermore, it leads to the anomalous suggestion that a user might be legally required to act in good faith when registering for a domain name, without facing legal repercussions for choosing not to.

Furthermore, it cannot be the case that the bad faith requirement is implicated only in the initial registration of a domain name. The statute itself lists three separate conduct hooks—registration, trafficking, and use—which implicate behavior that can be manifested continuously over time or that might even arise in its first instance after the initial registration of the domain name, as demonstrated by the reregistration in *GoPets*. Certainly, the purview of a bad faith use of a domain name is not limited to the domain name's first use. Additionally, an analysis of trafficking in bad faith is not limited to the first transaction. Nothing in the statute limits a finding of bad faith to a specific time period because doing so would be counterproductive; if the purview of liability were limited in this manner, the statute could be easily circumscribed.

Principles of property law would not find bad faith at any point after an initial registration, trafficking, or use. However, this belies the very

nature of what it means to behave in bad faith because bad faith behavior is not isolated to a single incident; bad faith can and often does accumulate over time. For example, the defendants in *GoPets* continuously upped the price for the domain name as the plaintiff's offers increased and his business gained popularity. Subsequent holding out for unreasonably high prices did not occur in the first instance when the defendants registered the domain name. Yet the Ninth Circuit opined that the defendants could not have acted in bad faith after their initial registration because they were free to do what they wanted with their rightfully owned property. Under this view, it is hard to imagine a scenario where a defendant with property rights in a domain name could ever be characterized as acting in bad faith, regardless of the type of behavior exhibited.

Numerous users could claim that, pursuant to their ownership rights in a particular domain name, they lawfully and in good faith held a famous trademark as a domain name out for an extraordinarily high price. The argument would follow that they only held out for an unreasonable figure under the impression that they could lawfully do what they wanted with their property. However, the trouble with this is how to determine the true wrongdoers who circumvent a technical definition of extortion with crafty legalese. Indeed, the behavior of the defendants in *GoPets* may not have passed the technical hurdle of qualifying as a bad faith registration according to the court, but it is hard to fathom behavior that is more substantively equivalent.

### *B. Misplaced Reliance on Property Law Principles*

Congress intended for the ACPA to prevent extortion and unfair business practices. It contradicts the clear purpose of the ACPA to analyze the rights to a domain name solely under principles of property law because the result allows a user to engage in the exact behavior that Congress sought to prevent. Indeed, in each case widening the circuit split on this issue, the user holding rights to the domain name at issue was quite clearly acting in bad faith. For example, the defendant in *Jysk* requested money in exchange for transferring ownership of the domain name to the plaintiff, even though the defendant was instructed to register the plaintiff as owner in the first place.<sup>36</sup> Furthermore, the defendant in *Schmidheiny* registered [www.schmidheiny.com](http://www.schmidheiny.com) in order to make a profit from selling the website to the billionaire Stephan Schmidheiny.<sup>37</sup> Additionally, while the defendants in *GoPets* registered

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36. *Jysk Bed'N Linen v. Dutta-Roy*, 810 F.3d 767, 737 (11th Cir. 2015).

37. *Schmidheiny v. Weber*, 319 F.3d 581, 582–83 (3d Cir. 2003).

the domain name years before the plaintiff started a business of the same name, they admittedly never developed the website, rejected numerous offers on at least five separate occasions by the plaintiff to purchase it, and ultimately demanded \$5 million for the sale of a domain name for which a successful ICANN arbitration would have only awarded \$100.<sup>38</sup> Even without this distinction between property law and contract law, the behavior of each defendant could not be more clearly characterized as occurring in “bad faith.”

Therefore, the difference in outcomes between the cases from the Eleventh and Third Circuits and the case decided in the Ninth Circuit can only be credited to semantics because there is no meaningful distinction between the behaviors of the parties. First, the Eleventh Circuit focused on the lack of any distinction between a registration and a reregistration contained in the ACPA.<sup>39</sup> As such, the court held that it was not appropriate for it to read inferences into the ACPA that would exempt defendants from liability. Similarly, the Third Circuit reiterated that an omission of certain words in a statute should be interpreted as an intentional choice by Congress.<sup>40</sup> Ironically, however, the Ninth Circuit willingly read into the ACPA a distinction between registration and reregistration, while simultaneously *refusing* to infer any Congressional intent that made the rights of domain names inalienable.<sup>41</sup> The Ninth Circuit’s opinion did not otherwise explain its cherry-picking method of judicial interpretation.

The Ninth Circuit’s analysis of this issue is interesting in at least one other respect. Specifically, the court recognized the overall bad faith behavior of the defendants even when principles of property law apparently exempt it from liability. For example, the court in *GoPets*

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38. After successfully registering for the service mark “GoPets,” the plaintiff made several unsuccessful attempts to purchase gopets.com from the defendants. His initial offer of \$750 ultimately increased to \$40,000 because the defendants refused to sell. *GoPets Ltd. v. Hise*, 657 F.3d 1024, 1027–28 (9th Cir. 2011).

39. “The Act does not define the term *register*. The Act nowhere contains the qualifications of *initial* or *creation* when it refers to the act of registering. It refers simply to a registration, and a re-registration is, by definition, a registration.” *Jysk Bed’N Linen*, 810 F.3d at 777.

40. “The words ‘initial’ and ‘creation’ appear nowhere in § 1129, and Congress did not add an exception for ‘non-creation registrations’ in § 1129(1)(B).” *Schmidheiny*, 319 F.3d at 582. Noting the Supreme Court’s precedent in this regard, the court added: “when Congress provides exceptions in a statute, a court should infer that Congress considered the issue of exceptions and limited the exceptions to the ones set forth.” *Id.* at 582–83 (citing *United States v. Johnson*, 529 U.S. 53, 58 (2000)).

41. The Ninth Circuit noted that the text of the Act neither explicitly distinguishes between registrations and reregistrations, nor contains qualifiers such as “initial” or “creation” to infer such a distinction. Nevertheless, the court held that principles of property law allow it to “conclude that Congress meant ‘registration’ to refer only to the initial registration.” *GoPets Ltd.*, 657 F.3d at 1031. Yet the court infers this distinction on the grounds that holding otherwise “would make rights to many domain names effectively inalienable . . . [and n]othing in the text or structure of the statute indicates that Congress intended that rights in domain names should be inalienable.” *Id.* at 1031–32.

addressed how it was only after the plaintiff expressed continued interest in the domain name that the defendants subsequently registered several related domain names, including *goingpets.com*, *gopets.mobl*, *gopets.name*, etc.; however, the defendants never put any content on the websites linked to these domain names.<sup>42</sup> The court recognized that the registration of these domain names was presumably for “leverage to increase the price they could obtain for *gopets.com*.”<sup>43</sup> Although the court remained unwilling to bring the registration of the original *gopets.com* within the purview of ACPA liability, it held that registration of the other domain names for leverage violated the ACPA because the registration hook was now satisfied: these domain names were created *after* the plaintiff registered his mark, so their rights are linked to an *initial* registration. According to the Ninth Circuit, this is the only type of registration that the ACPA apparently covers.<sup>44</sup> It seems contradictory to hold that subsequent registrations were clearly bad faith “leverages” because the previous registration of *gopet.com* was not viewed as a registration for use as “leverage,” even though that was the exact purpose of the defendants’ entire business model.<sup>45</sup> It is strange that any court would choose to read a technicality into a Congressional act when faced with ambiguity, when the result would ultimately allow for the circumvention of the very behavior the ACPA was meant to prohibit.

### C. “Registration” by Any Other Name

Technical distinctions between registrations, reregistrations, renewals, or any other variants to express what is fundamentally just the registration of a domain name have nothing to do with holding internet users accountable for extortion under the ACPA. The type of holding out for sale employed by the defendants in *GoPets*—preemptive registrations in anticipation of a future need by someone else—was still an act of using domain names as leverage. Under the ACPA this is extortion. Therefore, the Ninth Circuit’s interpretation of the language

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42. *Id.* at 1028–29.

43. *Id.* at 1032.

44. The domain name that the plaintiff originally wanted—*www.gopets.com*—was registered in the defendants’ name before the plaintiff obtained a service mark for *GoPets*. *Id.* at 1026–27. On the other hand, the defendants registered eighteen other domain names containing possible variants of a “*GoPets*” domain name, and only did so after they knew the plaintiff wanted a domain name related to his mark. *Id.*

45. “Among other things, the Hises perform internet-related services for clients, including registering and maintaining domain names . . . . [They] have registered more than 1300 domain names in the last decade. Most appear to be plausible names for future internet sites rather than names of existing businesses. They frequently register similar domain names at the same time.” *Id.* at 1027.

of the ACPA results in a semantic oddity wherein liability hinges on a judicially created procedural requirement. Specifically, timing of the registration is dispositive. It is the timing of the registration that separates the *initial* registrations from the *noninitial*—and therefore exempt—registrations. Yet, no timing qualifiers such as “initial” or “creation” are ever mentioned in the ACPA.<sup>46</sup>

Beyond addressing this technicality, the Ninth Circuit’s opinion in *GoPets* did not articulate how the defendants’ behavior was so inherently different from the behavior of other defendants who were liable under the ACPA.<sup>47</sup> For example, the defendant in *Jysk* always held legal rights to the domain name, but the Eleventh Circuit held that his reregistration was made in bad faith. According to the *Jysk* court, it was clear that, irrespective of when the registration was made, the defendant never maintained a meaningful and continued ownership interest in the domain name beyond making a high profit off of the plaintiff’s purchase of it.<sup>48</sup> Similarly, the defendants in *GoPets* could not seriously argue that they had a meaningful and continued ownership interest in *gopets.com* even if they registered it before the plaintiff created his mark. Not only did the defendants fail to post any content except for a single picture of a dog, but the domain name was registered along with around 1,300 other domain names over time.<sup>49</sup> This was admittedly for the purpose of securing domain names for “future internet sites rather than names of existing businesses.”<sup>50</sup> Thus, it is unclear what sense subsequent courts will make of such a disparately treated issue.

Relatedly, the Ninth Circuit’s opinion in *GoPets* is internally irreconcilable given the attachment of ACPA liability to one set of registrations but not the other. The court held that the eighteen subsequent registrations similar to *gopets.com* were registered in bad faith, yet maintained that the initial registration of *gopets.com* was not made in bad faith. With respect to the eighteen subsequent registrations, this holding is entirely incongruous because the court noted that the defendants’ behavior was essentially a culmination of events that began with registration of *gopets.com*.<sup>51</sup> Taking the time difference between the registration of *gopets.com* and the registration of the eighteen other

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46. See 15 U.S.C. § 1125 (2012).

47. *GoPets Ltd.*, 657 F.3d at 1027.

48. *Jysk Bed’N Linen v. Dutta-Roy*, 810 F.3d 767 (11th Cir. 2015).

49. *GoPets Ltd.*, 657 F.3d at 1031–32.

50. *Id.* at 1027.

51. The Ninth Circuit affirmed the district court in part, specifically on the holding “that the Hises had used the Additional Domains as leverage to increase the price they could obtain for *gopets.com*.” *Id.* at 1032.

domain names as dispositive seems inapposite when, in any instance, the defendants had no real intention of developing the websites for which they registered. Furthermore, the court recognized that the defendants had registered more than 1,300 domain names near the time they initially registered gopets.com, understanding that these domain names could be names for future companies.<sup>52</sup> Finally, the defendants never developed any content on these websites.<sup>53</sup>

Separating the registration of gopets.com from the eighteen subsequent registrations completely missed the mark in terms of analyzing the “registration” hook of the ACPA. It not only resulted in incongruous reasoning, but it controverted the plain language of the ACPA, which makes no mention of the distinctions on which the Ninth Circuit relied. If qualifiers were inserted into the language of the ACPA, then the distinction would be appropriate. However, that is not the case, and a distinction of this sort—particularly one that is significant enough to completely exempt individuals from liability—is an egregious judicial error. The *GoPets* defendants engaged in preemptive registration of domain names in anticipation of their future worth, and one of those domain names was gopets.com. If there is any distinction between the defendants’ behavior in *GoPets* and the *Schmidheiny* defendant’s extortion of someone else’s future need for a website—that is, beyond the technicalities described by the Ninth Circuit—the court did not take the opportunity to articulate it clearly enough for subsequent courts to understand.

#### *D. Proper Analysis of the ACPA*

Aligning with the Third Circuit,<sup>54</sup> the Eleventh Circuit held that the proper approach was instead to view the issue under principles of contract law. In that way, the rights created in any domain name are viewed as created by contract rather than by interest in property. This is the correct approach for two main reasons.

First, analyzing this issue under principles of contract law preserves the purpose of the ACPA in a way that analysis under principles of property law does not. Application of property law principles results in an interpretation that is inconsistent with the plain language of the ACPA. As noted, nothing in the ACPA defines the term “register,” or specifies that a “registration” is limited only to an initial or original registration. There are no qualifiers that distinguish between initial and noninitial registrations that would provide an exemption for one type but

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52. *Id.* at 1031–32.

53. *Id.* at 1027.

54. *See Schmidheiny v. Weber*, 319 F.3d 581 (3d Cir. 2003).

not the other. Therefore, nothing in the ACPA suggests that a “registration” for liability purposes cannot include acts substantially similar to registering for a domain name—such as renewing a registration for a domain name. The distinction that the Ninth Circuit makes between a “registration” and a “reregistration” is not only artificial, but it usurps legislative intent and replaces it with a judicially created exception that would allow a user to completely circumvent ACPA liability. This distinction is at odds with traditional canons of judicial interpretation, which assume that Congress would have explicitly drafted such a distinction if it meant to provide for it.<sup>55</sup>

Second, even if principles of property law were appropriate in resolving the issue, the Ninth Circuit has seemingly ignored a separate cardinal principle of property: resources are limited and therefore rights to property should be recognized in individuals that intend to utilize the property the most. For example, the defendants in *GoPets* admittedly never made any use of the *gopets.com* domain name. As the court noted, content on the website did not even appear until after the plaintiff made an inquiry into purchasing the rights to the domain name for his own use.<sup>56</sup> It seems incongruous for the Ninth Circuit to cherry-pick only the convenient principles of property law to apply, while ignoring other relevant principles.

#### *E. International Considerations*

The courts have ultimately decided that the appropriate analysis of one’s legal rights should be confined to American jurisprudence.<sup>57</sup> However, unlike many other rights someone may have in this country, the rights to domain names are not wholly domestic. In fact, the internet places users around the world on the same informational platform.<sup>58</sup> In that capacity, the rights to domain names should be analyzed with international considerations in mind. As noted, registration of domain names is monitored through the international organization ICANN. It makes sense for a single, international organization to monitor this in the

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55. *Id.* at 583; *Jysk Bed’N Linen v. Dutta-Roy*, 810 F.3d 767, 777 (11th Cir. 2015).

56. “According to records from the Internet Archive . . . content first appeared on *gopets.com* on September 26, 2004, approximately a month after Bethke’s first inquiry about the site. Initially, the content consisted solely of a picture and description of a lost dog. The record does not reflect whether the website was updated at all during the next two years.” *GoPets Ltd. v. Hise*, 657 F.3d 1024, 1028 (9th Cir. 2011).

57. *See generally* *Duncan v. Louisiana*, 391 U.S. 145, 149 (1968) (stating that the inquiry is whether a right is fundamental to the American scheme of justice); *McDonald v. City of Chi.*, 561 U.S. 742, 782 (2010) (finding that nearly a half a century of precedent suggests that this standard applies both to substantive and procedural rights).

58. THOMAS L. FRIEDMAN, *THE WORLD IS FLAT: A BRIEF HISTORY OF THE TWENTY-FIRST CENTURY* (2003).

digital age, especially when large companies operate across international borders and seek to utilize the same domain name for its users in foreign countries.

Additionally, the Uniform Domain Name Dispute Resolution Policy (UDRP) was established by ICANN to resolve disputes related to domain names. Since all registrars—not only those domiciled in the United States—must follow this policy, U.S. courts are shortsighted to limit the determination of domain name disputes to only principles of law unique to the American legal scheme. Rather, the rights to domain names should be globally uniform in order to better facilitate business that reaches across international borders.

In that regard, it is difficult to see how principles of property law are the appropriate vehicle through which domain name disputes may be resolved. Property law is generally quite unique to the law of any given country. Furthermore, there is a wide gap between the American treatment of intellectual property and its treatment in foreign countries. Allowing American principles of property law to govern would only frustrate the interplay between domestic and international business relations. On the other hand, allowing principles of contract law to govern would be a more uniform method across borders because a contract is less particularized to the mother country in which it is signed than it is to the individual parties who created it.

#### *F. The Purpose of Domain Names*

A final and helpful point is to note the basic purpose of the legal principles upon which the differing circuits rely. Intellectual property law is largely developed around the need to incentivize individuals to create; otherwise, unfair competition, copying, and infringement by others riding on the coattails of big ideas would thwart progress. However, this underlying purpose is not served in the context of domain names. Domain names are not registered to incentivize internet users to create; rather, they serve a functional purpose and are imperative for many business aspects. A more appropriate method is the application of contract law—the underlying purpose for which is to facilitate business.

#### IV. CONCLUSION

There is no clearer failure of the legal system than mechanical application of the law without consideration of the underlying context. While principles of property law might lend support or clarification to an ambiguity in a statute, they should not be dispositive of an issue, particularly when the resolution of a matter would oppose the ACPA's

intent if such principles were applied. The principles of property law the Ninth Circuit applied did not buttress the statute but rather usurped it. The court created an exception to liability that does not appear in the plain language of the ACPA.

Arguably, the “registration” hook of the ACPA is not even ambiguous enough to warrant such extensive judicial oversight. While it is true that the language makes no mention of a distinction between “registrations” and “reregistrations,” this omission hardly suggests that Congress left a gap for courts to fill. As the Eleventh and Third circuits properly noted, this omission is more likely due to the careful consideration of Congress to limit exemptions to those specifically enumerated in the statute. Subsequent courts should take care to consider this when faced with similar issues in the future.