

# THE LEGAL NATURE OF DOMAIN NAMES

*Claudio Caruana*

## ABSTRACT

The legal nature of domain names is one of the most controversial issues on the Internet and is part of the debate concerning the type of legal principles we should apply on new rights deriving from cyberspace. Currently, there are two schools of thought on this issue: according to the first one, domain name should be considered as contracts for services, which derive out of the contractual relationship between Registrars and Registrants. The second one considers domain names as intangible property rights belonging to the domain name holder. Based on existing case law in various jurisdictions as well as basic theory convictions of property and contract, you are asked to evaluate what the legal nature of domain names is and what this legal nature means for domain names.

**KEYWORDS:** INFORMATION TECHNOLOGY LAW – DOMAIN NAMES – INTERNET – ONLINE – SECURITY INTERESTS – PROPERTY RIGHTS

# THE LEGAL NATURE OF DOMAIN NAMES

*Claudio Caruana*<sup>1</sup>

## 1. Introduction

The Internet has changed the manner in which people relate to the things they own and the manner in which they relate to others when possessing a thing. In the world of cyberspace companies may operate and reap huge profits even though they may not have any physical goods for sale or hardly own any physical assets. These companies only need a computer and a website. Therefore the primary assets of companies involved in e-commerce services are predominantly intangibles, such as for instance the personal data which they aggregate about their customers, intellectual property rights they own and domain names, the latter being the subject of discussion in this paper.

The original scope of domain names was to serve a technical function so as to convert long and complicated numerals into alpha-numeric text which is easier for Internet users to remember and locate.<sup>2</sup> However domain names have evolved and are considered to be much more than just a connection between the Internet user and the computer hosting the website. In fact domain names play a significant role in branding for e-commerce companies and are associated with goods and services, businesses and resources. A domain name is the first thing an Internet user comes in contact with when accessing an Internet website.<sup>3</sup> This demonstrates the importance of domain names. A domain name which is easy to remember has the benefit of being easier for previous visitors to remember and generally drives more users to that website due to its precise relevance to the subject of the search of Internet surfers.<sup>4</sup> Therefore one is to understand that a domain name which is

---

<sup>1</sup> Claudio Caruana began his legal career when he joined Fenech Farrugia Fiott Legal in 2011. He attended the University of Malta and successfully completed a Bachelor of Laws Degree. In 2013 Claudio graduated from the University of Strathclyde (Glasgow) acquiring a master's degree in Internet Law and Policy. In 2013 Claudio was also awarded a Doctor of Laws Degree from the University of Malta. Claudio specialises in the area of digital media and the internet. Claudio is also actively involved in the gaming industry providing consultancy. This article placed 1<sup>st</sup> in the 2013 Science and Technology Essay Competition.

<sup>2</sup> Stanford, 'An overview of the domain name system' <<http://sunburn.stanford.edu/~eroberts/courses/cs181/projects/the-domain-name-system/what.html>> accessed 25 March 2013

<sup>3</sup> Louise Davidsson and Sara Thulin, The Legal Status of Domain Names in Sweden <[http://www.google.com.mt/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=OCC4QFjAA&url=http%3A%2F%2Fhj.diva-portal.org%2Fsmash%2Fget%2Fdiva2%3A3529%2FFULLTEXT01ei=wvvhXUaKKH-Xj4QSk\\_IGADQ&usg=AFQjCNHseh8FXctsVdVVS231wr5xXRha7BA](http://www.google.com.mt/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=OCC4QFjAA&url=http%3A%2F%2Fhj.diva-portal.org%2Fsmash%2Fget%2Fdiva2%3A3529%2FFULLTEXT01ei=wvvhXUaKKH-Xj4QSk_IGADQ&usg=AFQjCNHseh8FXctsVdVVS231wr5xXRha7BA)> accessed 30 March 2013

<sup>4</sup> Xuan-Thao N. Nguyen, 'Cyberproperty and Judicial Dissonance', Geo Mason L. Review 10(2) 187 <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1493482](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1493482)> accessed 2 April 2013

simple, memorable and short is normally valued at a higher price than a complex and lengthy domain name.<sup>5</sup> For instance, the domain sex.com was valued at an exorbitant \$16 million.<sup>6</sup>

The purpose of this paper is to determine whether domain names are classified as property rights or merely considered as contracts for service. This classification has been the cause of much discussion and debate over the last two decades particularly as a result of the rising value of domain names. Given the monetary value associated with certain domain names it has been consistently argued that domain names should be treated as property.<sup>7</sup> However considering the number of conflicting decisions delivered by the courts worldwide, it begs the question: are domain names really property?

## **2. Domain Names as Contracts for Service**

Domain names have been classified by some courts as service contract rights. Broadly speaking, domain names are conferred upon an individual by virtue of a service agreement which the individual, referred to as the registrant, enters into with the domain name registrar. The registrars function is to ensure that the requested domain name is available and if it is it will match the domain name with an IP address.<sup>8</sup> The registrant has a right to keep using the domain name for as long as the renewal fee is paid to the registrar and so long as the registration of the domain name is not found to infringe the intellectual property rights of others.<sup>9</sup>

In support of the contractual rights theory, authors argue that the registrant receives only the conditional contractual right to the exclusive association of the registered domain name with a given IP address for the term of the registration.<sup>10</sup> It is observed that the rights in a domain name are derived from the contract of service with the registrar and they cannot exist separately from that contract. Rindforth<sup>11</sup> maintains the view that domain names are merely electronic addresses on the Internet. He adds that a person who registers a domain name is simply the holder of that name and does not become its owner. In support of his views Rindforth compares the assignment of domain names to the assignment of telephone

---

<sup>5</sup> Steve Newmann, founder and director of GreatDomains.com

<sup>6</sup> Wordpress Blog, Iterative top ten most valuable domain name for the insurance Ranking list 2 <<http://www.sites-master.com/?p=102>> accessed 3 April 2013

<sup>7</sup> Xuan-Thao (n3) 185

<sup>8</sup> Sheldon Burshtein, 'Is a domain name property,' Journal of Intellectual Property Law & Practice 1(1) 59 <[http://cjlt.dal.ca/vol4\\_no3/pdfarticles/burshtein.pdf](http://cjlt.dal.ca/vol4_no3/pdfarticles/burshtein.pdf)> accessed 1 April 2013

<sup>9</sup> Domain Registrar Agreement, <<http://myhosting.com/privacy-policy/nsi-agreement.aspx>> (Fees, Payment and Terms of Service) accessed 3 April 2013

<sup>10</sup> Umbro International Inc v. 3263851 Canada Inc & NSI, Circuit Court of Virginia 1999 WL 117760

<sup>11</sup> Petter Rindforth

numbers and concludes that despite the possibility of the latter having substantial value, the telephone company retains ownership of the number.

This was the view of the court in *Network Solution Inc. v. Umbro International* whereby the court held that the fact that a person registers a domain name does not entitle him to any rights enforceable against third parties other than the right for the domain name to be exclusive to the registrant for the duration of the contractual agreement as specified in the contract with the registry.<sup>12</sup>

The Supreme Court of Virginia, in acceding to the arguments brought forward by the counsels of NSI held that domain names may not function on the Internet absent the contract with the registrar and were intrinsically bound to the services offered by NSI.<sup>13</sup> The court argued that the registrant only has a possessory interest in the domain names registered in its name.<sup>14</sup>

On the other hand, Umbro contended that it was possible to distinguish between the registrant's right to use a domain name from the registrar's obligation to provide services to the registrant. Umbro argued that a right to the exclusive use of a domain name was in and of itself a right to property which would effectively be subject to garnishment. The Supreme Court however discarded such arguments and in reaching its decision it totally disregarded the entire area of intangibles.<sup>15</sup>

The court failed to draw an analogy with other intangibles which are widely recognized to confer property rights on their holder, who becomes the owner. Take for instance bank accounts. Nowadays no-one would dare argue that bank accounts opened with banks are the property of the bank. It is well established that a deposit bank account is the property of the depositor and the bank merely maintains the obligation to keep proper records of the funds flowing in and out of that respective account. Should the bank not have an obligation to keep proper records then the depositor would face difficulty claiming back the money which belongs to him. Therefore bank accounts are only valuable if the bank maintains proper records of the depositor who the money belongs to. This is also true for domain names. Domain names are useless unless the registrar links that domain name to the IP of a website. Therefore, one can analogize the case of domain names with bank accounts. Both are inextricably tied to the services performed by the service provider however no-one

---

<sup>12</sup> The Legal Status of Domain Names in Sweden (n2) 50

<sup>13</sup> Network Solutions Inc v. Umbro Int'l 529

<sup>14</sup> *Ibid.*

<sup>15</sup> Juliet M Moringiello, 'Seizing Domain Names to Enforce Judgments: Looking Back to Look to the Future', 15 Widener Law <[http://works.bepress.com/juliet\\_moringiello/10](http://works.bepress.com/juliet_moringiello/10)> accessed 5 April 2013

argues that bank accounts are not a form of property.<sup>16</sup>

Interestingly, the court did not unambiguously lay down that domain names cannot be a form of intellectual property, albeit giving ample evidence by its assertions that it was implied. However it decided the case refusing to offer such a classification since it felt that the matter was immaterial to the real subject of the case, i.e. whether a domain name can be subject to garnishment.<sup>17</sup>

### **3. The Relationship between Domain Names, Trademarks and Telephone Numbers**

The court in *Dorer v. Arel* opined that domain names which are not protected under trademark law are merely products of contracts of services and cannot be freely traded on the market apart from the goodwill to which they are attached.<sup>18</sup>

The court also observed that domain names do not always enjoy trademark protection and referred to the theory of domain names as merely products of contracts for services. It held that 'the contracted-for service produces benefit and value depending upon how the party receiving the service exploits it.'<sup>19</sup> The court drew parallels with the use by a person or company of a telephone number. The court noted that similar to a telephone number, a domain name becomes valuable depending on how it is used by the registrant and depending on its popularity. Therefore the court discoursed that the value of a domain name depends on the value added by the user. It held that a domain name existing separate from the value added by the user is not valuable in itself.<sup>20</sup> In reaching this conclusion the court however acknowledged that it is possible that in rare circumstances generic domain names are extremely valuable irrespective of their content or repute and decided not to provide a justification for its conclusion in view of this possibility. The court noted that these domain names, unlike trademarks, may be transferred separate from the goodwill to which they are attached. The court felt that this was a knotty issue that need not be decided upon given the possibility of an alternative remedy in this specific case.<sup>21</sup>

---

<sup>16</sup> *Ibid.*

<sup>17</sup> Network Solutions Inc. v. Umbro International, Inc., et al., Internet Library of Law, <[http://www.internetlibrary.com/cases/lib\\_case106.cfm](http://www.internetlibrary.com/cases/lib_case106.cfm)> accessed 5 April 2013

<sup>18</sup> *Dorer v. Arel* 60. F.Supp. 2d 558 (1999) No. Civ,A 98-266-A

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

In his book<sup>22</sup> Dr. Komaitis notes that domain names should not only be afforded protection and granted protection according to its commercial use. Rather, Komaitis notes that that unlike trademark use, domain name use may not always be commercial. Take for instance educational and informational web-pages where no trading activity takes place. Komaitis observes that if domain names are only assessed from a trademark point of view then one is accepting the misconception that the Internet is only a commercial space. He remarks that:

If we continue applying the trademark test in domain names and allow the trademark culture to penetrate domain name registrations, then any expansion of the Root will highly depend on trademark interests. This way, we limit the Internet's potential only to its economic interests, dismissing any of its other virtues.

Following these judgements, many have questioned whether a valuable but passive or descriptive domain name may be bequeathed, used as collateral for a loan, garnished by creditors or considered to be property in the liquidation of a company. This elusive area of law has generated a lot of academic discussion and commentary. Perhaps the most outrageous fact is that the most valuable domain names, making use of simple and concise words, do not attract trademark protection and are accordingly not considered intellectual property rights. Effectively, should domain names only be considered property if they are endowed with trademark protection, the most valuable domain names are excluded from an action by creditors satisfying their claims through a judicial sale by auction of these domain names.

Notwithstanding the Dorer judgement, there is general consensus amongst commentators that domain names, irrespective of whether they attach to a trademark and also irrespective of their content and popularity, should be treated as property for all purposes. It is argued that the state of the law today is inconsistent and unfortunate for creditors who may not always be able to get their hands on domain names of enormous value as a result of the fact that they are not protected by trademark law. Therefore creditors of an Internet company are in a disadvantaged position in relation to their counterparts of brick and mortar companies.<sup>23</sup> However, while general consensus of what domain names *should* be is achieved, commentators' position is inconsistent when determining the state of the law today.

---

<sup>22</sup> Konstantino Komaitis, 'The current state of domain name regulation: domain names as second-class citizens in a mark-dominated world' (2010) Routledge Ltd <<http://www.dawsonera.com/depp/reader/protected/external/AbstractView/S9780203849583/S15.30/0>>accessed 1 April 2013.

<sup>23</sup> Marjorie Chertok & Warren E. Agin, 'Restart.com: Identifying, Securing and Maximizing the Liquidation Value of Cybersassets in Bankruptcy Proceedings' *Bankr. Inst. Law Review* 255,280 (2000)

#### **4. Why is it important for domain names to be classified as property?**

A clarification of the legal nature of domain names is crucial as it impacts on how businesses should relate to the domain names they register and operate. Financing issues are the biggest concern for companies who are grappling with the possibility of using their domain names as security for their loans or the possibility of their domain names being distained.<sup>24</sup> Further, the classification is also pertinent from an accounting point of view which would determine how domain names should be accounted for in a balance sheet.<sup>25</sup>

In the United States in particular, the classification is important to determine whether State laws dealing with property apply to domain names. Article 9 of the Uniform Commercial Code holds that secured creditors must have a security interest which is defined as an interest in personal property to enforce their interests in a domain name.<sup>26</sup> Therefore unless domain names are classified as property of the debtor the laws governing enforcement of judgements do not apply. In addition, in a bankruptcy, the estate of the debtor is composed of all interests in property. Therefore in the ambit of State law collection remedies, a domain name can only form part of the estate of the bankrupt debtor if it is considered to constitute property.<sup>27</sup>

The above illustrates the importance of domain names falling within the definition of property.

#### **5. Domain Names as Property**

It is argued that domain names being a 'thing' of great potential value should be treated as property. However, in the case of *International News Services v. Associated Press* Justice Holmes opined that the classification of a thing as property does not arise from value. Rather, Justice Holmes stated that 'property depends upon exclusion by law from interference, and a person is not excluded from using any combination of words merely because someone has used it before, even if it took labour and genius to make it.'<sup>28</sup> Justice Holmes' concurring opinion may be interpreted as meaning that domain names confer no property rights on their holder in themselves. In fact, domain names should be classified as property rights not because they are valuable but because they carry the characteristics of property and grant its holder/owner no less rights than an owner of conventional

---

<sup>24</sup> The Legal Status of Domain Names in Sweden (n3) 53

<sup>25</sup> *Ibid.* 35

<sup>26</sup> Moringiello (n19) 20

<sup>27</sup> *Ibid.*

<sup>28</sup> *International News Service v. Associated Press*, 248 U.S. 215 (1918)

property.<sup>29</sup> The fact that domain names are valuable should only serve as an impulse for legislators to finally establish with clarity the legal nature of domain names, separate from trademarks.

## 6. Bundle of Rights Theory

The concept of property was influenced by a divergence of theories and hypotheses before it finally acquired its pre-eminent status. In the beginning, Aristotle criticised Plato's preference from common property and conceived the right to property as inherent in the moral order. The next set of influential property theories appears in the early post-Enlightenment years and focused on a 'natural' right to property with John Locke being the main supporter of this thesis. Offering a different approach to the nature right justification for property, Hegel's 'personhood theory' relied on the premise that property provides the mechanism by which humans achieve self-actualisation. Moreover, Bentham leading the utilitarian jurisprudence school of thought, argued that: 'Property and law are born together and die together. Before laws were made there was no property: take away laws and property ceases'<sup>30</sup>. Finally, it was Hohfeld and Honore that first referred to a notion called the 'bundle of rights' theory, which currently is conceived as the most concrete understanding of property.<sup>31</sup>

The term 'property' suggests a multifaceted concept that includes a bundle of rights, power, privileges and immunities that define the status quo of an individual, organisation or government to a resource (*res*). Property, as a situation, is not restricted to tangible or corporeal things. The notion of property is an unusually broad term specifying the right of ownership and any other rights of any nature that can legally affix to the *res*. Such rights include the right to possess, to enjoy income from, to alienate, to exclude, to dispose or to recover title from whoever has illicitly obtained ownership of the *res*. Occasionally called "*nomen generalissimum*", the term property is so inclusive that it is: 'employed to signify any valuable right or interest protected by law, and the subject matter or things in which rights or interests exist'.<sup>32</sup>

Property includes all valuable rights and practically extends to every type of valuable rights and interests. Therefore, it can be argued that legitimate contract rights are property. The interaction between contract and property law has always been of significance in that it manages to maintain a clear balance concerning the protection of the right in question.

---

<sup>29</sup> Xuan-Thao (n3) 8

<sup>30</sup> J. Bentham, *Theory of Legislation* (first published 1811, R. Hildreth 1864) 111-113

<sup>31</sup> W. Hohfeld, 'Fundamental Legal Conceptions as Applied in Judicial Reasoning' [1913] 23 *Yale Law Journal*, 16-59

<sup>32</sup> *Poe v Poe* [1986] 711 S.W.2d 849

When we seek, for instance, to determine the balance within the property rights sector, it is inefficient to focus solely on property law. One has to take into consideration that the characteristics of transfer, waiver, license or any other policy choice that property allows are achieved through contracts; contract law provides the means that allow the full 'use' and 'exploitation' of the property right. It would, otherwise, be naïve to accept that property law, and especially intellectual property law, exists irrespective of contract law. Specifically in the context of information society, where transactions are determined by market factors and technology plays such a pivotal role, contracts provide the basic rules of engagement and outline the way property rights will be used according to the commitments made.

In the beginning of the 20<sup>th</sup> century, the concept of property had taken a U-turn, a move first supported in law by the legal realists. The approaches of Hohfeld and Honore concerning a property theory based on a 'bundle of rights' became the dominant paradigm applied by Western legal philosophers and jurisdictions. Early in the twentieth century, Wesley Hohfeld analysed the concept of a 'right' and separated it into its respective components of correlative claims and duties between individuals and society. Hohfeld pointed out that property, as a legal concept, comprises not only of rights, but also privileges and powers. He further argued that the foundation of property lies not in the relationship between a person and an object, but rather in the nexus of legal relationships amongst people towards an object.

Nevertheless, Hohfeld's observations are fundamental for having created an entirely new understanding of property as a 'bundle of rights'. The 'bundle of rights' notion of property rejects any fixed meaning to the term property and de-emphasises the significance of the thing with regard to which the rights are claimed. In the bundle metaphor, each right, power, privilege or duty is considered as one stick in a cumulative bundle that constitutes a property relationship. Whether removing a stick from the bundle will distort the unit that the bundle creates cannot be determined in advance. Therefore, the 'bundle of rights' theory provides a more flexible approach to property, amenable to numerous transformations and subject to ad hoc decision making. A bundle of rights affords the owner of property 'a sphere of private autonomy which government is bound to respect.'<sup>33</sup>

In the same vein, A.M. Honore played a pivotal role in advancing the theory of the 'bundle of rights' by providing a generally accepted list of the 'incidents' of property or ownership. Accepting that the 'fashion of speaking of ownership as if were just a bundle of rights' might entail small modifications of the list, Honore still confidently asserted:

---

<sup>33</sup> Marsh v. Chambers, 463 U.S. 783, 803 (1983)

Ownership comprises the right to possess, the right to use, the right to manage, the right to the income of the thing, the right to the capital, the right to security, the rights or incidents of transmissibility and absence of term, the prohibition of harmful use, liability to execution, and the incident of residuarity: this makes eleven leading incidents.

In conformity with its nominalist origins, the 'bundle theory of property' – the same way as – let's say – a shopping basket of fruit, filled with oranges, bananas and apples – implies that whoever owns the property is able to arrange it any way she sees fit. A person may take out the bananas, for example, and they will still enjoy a 'shopping bag of fruit'. There is nothing essential or special about any particular object within the shopping basket; they all share the same importance or unimportance for their owner. As applied to the concept of property, the bundle of rights manifests that there is 'no essential core of those rights that naturally constitutes ownership'.

In the law, academics and courts could use this bundle of rights theory without having to make any reference to property at all.<sup>34</sup>

This theory has long been observed and has been evolving with the creation of new kinds of property. The Kentucky Circuit Court noted that since property is commonly described as a bundle of rights which includes the right to possession, management and control, the right to exclude, the right to income and capital, the right to transfer *inter vivos* and *causa mortis*, the court deemed domain names to be a kind of property.<sup>35</sup> Clearly, under the bundle of rights theory domain names satisfy the criteria of property, since, as seen in this case they possess all three requirements of the bundle of rights theory, which, as discussed, may be seen as the yardstick which defines property.<sup>36</sup> Harris stresses on the importance of the right to exclude others but notes that it alone does not justify domain names as a form of property. He adds that a thing is conferred property rights upon depending on a continuum of uses by its holder and by analysing how the possessor of the thing allows third parties to relate to the thing one possesses. It is only then that a thing could be considered the exclusive property of one person.

Komaitis, in dispelling the contract for service theory, observes that when a registrant registers a domain name, the registrar cannot force the registrant to use the domain name

---

<sup>34</sup> Andrew Beckerman-Rodau, 'Are ideas within the Traditional Definition of Property? A jurisprudential Analysis' 47 Ark Law Review, 606

<sup>35</sup> Commonwealth of Kentucky v. 141 Internet Domain Names 08-CI-1409

<sup>36</sup> Gideon Parchomovsky, 'On Trademarks, Domain Names, and Internal Auctions,' (2001), U.ILL Law Review

in a particular manner.<sup>37</sup> He notes that by a bundle of rights, the domain name owner is protected in his ownership of the domain name against collective power.<sup>38</sup>

One notes that over time a practice has established whereby domain name registrants are entitled to transfer freely the registration of the domain name to third parties for an agreed consideration, and upon the death of the registrant the domain name may continue to be used by his heirs. Further, where domain names infringe the rights of others or whether they were acquired by fraudulent means, the registrant may be requested to transfer the domain name to its rightful owner. In addition domain names are unique to the registrant meaning that once it is in a person's possession any other person may not register an identical domain name, thereby being excluded from its use. The right of management and control of the domain name is also exclusive to its owner. Remarkably, the registrant may unilaterally decide whether to build a brand attached to the domain name, what goods and services to sell and the design of the website associated with that domain name.<sup>39</sup> These practices, constituting a collection of rights, are highly indicative that domain names are a form of property, since, following Hohfeld, what is property does not depend on a fixed list of objects but rather the rights conferred upon the possessor of that object which can be enforced against others.<sup>40</sup>

Therefore, it is witnessed that even though one may not recognise property rights in domain names at the outset, upon examination of the rights attached to domain names it becomes apparent that domain names are more than just contractual rights. In the case of *Kremen v. Network Solutions, Inc* the court held that a three-prong test should be adopted to establish whether domain names are property. Firstly it held that there must be an interest capable of precise definition. Secondly it must be capable of exclusive possession or control and thirdly the putative owner must have established a legitimate claim to exclusivity. The court in this case noted that domain names satisfy each criterion and accordingly should be classified as intangible property.<sup>41</sup>

In the recent judgement of *Tucows v Renner* the court also arrived at the conclusion that domain names confer propriety rights on the registrant by making reference to academic

---

<sup>37</sup> Komaitis (n21) 65

<sup>38</sup> *Ibid.*

<sup>39</sup> Michael Froomkin, 'Wrong Turn in Cyberspace: Using ICANN to route around the APA and the Constitution', *Duke Law Journal* 17, 38

<sup>40</sup> J.E Penner, 'The bundle of rights picture of property,' *UCLA Law Review*(1996),3 <<http://heinonline.org/HOL/Print?collection=journals&handle=hein.journals/uclalr43&id=725>> accessed 24 March 2013

<sup>41</sup> Xuan-Thao (n3) 23

literature and practice.<sup>42</sup> Primarily the court noted that nowadays the transfer of domain names from one registrant to another has become so seamless that it is as though as that the transfer takes place directly between the registrants without much discretion given to the registrar to authorise or restrict the transfer. Moreover, quoting Prof. Ziff<sup>43</sup>, the court paid tribute to the rationale suggested by Hohfeld by recognising that property is not a thing but rather a bundle of rights held by persons over physical things, particularly the right to exclude others. In addition to this right which had already been discussed as a clear indication of ownership of property, the court also noted that

[B]efore a right or an interest can be admitted into the category of property, or of a right affecting property, it must be definable, identifiable by third parties, capable in its nature of assumption by third parties, and have some degree of permanence or stability.<sup>44</sup>

The court acknowledged that domain names possess all these qualities and therefore confer property rights on their owner.

## 7. ACPA

The promulgation of the Anti-Cybersquatting Consumer Protection Act (ACPA) in the United States submits further support to the proposition that domain names are indeed property rights. ACPA was enacted so as to give trademark owners, whose name has been exploited by a domain name registrant in bad faith for their own advantage and without permission, a right to demand the cancellation or transfer of domain name and claim damages of up to \$100,000. The ACPA gives trademark owners the right to institute proceedings before the court where the domain name registrar or registry is located in the United States. This remedy is possible when the domain name registrant is unknown or cannot be located. Bearing in mind that '*in rem*' or 'against a thing' proceedings are generally confined to estate and tangibles, this somewhat indicates that the US legislator is extending property right to intangible things.

Moreover, the possibility for a court to exercise *in rem* jurisdiction over domain names proves that the US legislator recognises that domain names confer property rights on their holder. Such recognition is important since the role of the court is to enforce legislation passed by Congress. Accordingly, the intention of the legislator carries with it sufficient weight in the determination of domain names as property rights. The courts have

---

<sup>42</sup> *Tucows.Com Co. v. Lojas Renner S.A.*, 2011 ONCA 548 (CanLII), <<http://canlii.ca/t/fmjtv>> accessed 29 March 2013

<sup>43</sup> *Professor Ziff*, Principles of Property Law, 5th ed.

<sup>44</sup> *National Provincial Bank Ltd v Ainsworth* [1965] UKHL 1

acknowledged the importance of the ACPA to this debate and in fact in the case of *Caesars World, Inc. v. Caesars-Palace.com* the court held that 'even if a domain name is no more than data, Congress can make data property and assign its place of registration as a situs.' Further the court declared that property is anything that a person can own and transfer to another person and which derives value to its owner. The court ruled that given the characteristics of domain names, which, as such, may be owned, transferred and sold, there is nothing which prevents domain names being classified as property. This view was resounded in the *Cable News Network v. cnnnews.com* whereby the court also found that domain names are properties which have their *situs* in the place where the registrar is located.

Unfortunately the position of the court has not been consistent across the board. In the case of *Porsche Cars North America v. Porsche.net* the court declared that the US Congress merely treated domain names as property in the ACPA and there was no intention to extend this classification outside the purposes and scope of the Act.<sup>45</sup> In fact the ACPA does not explicitly determine the specific status of domain names but only endows the court with in rem jurisdiction over domain name-trademark disputes when jurisdiction *in personam* is not possible.<sup>46</sup> Therefore in this case the court found that the ACPA should be viewed as merely being a procedural technique and it is only for the purposes of ACPA that domain names should be viewed *as if they were property*.<sup>47</sup>

## 8. Conclusions

It is evident that judicial decisions and opinions are converging and increasingly recognising domain names as a form of property, intangible property to be specific. Against this background one must understand that even in United States and Canada where discussions relating to intellectual property rights are in advance of those in any other jurisdiction, it is still not clear cut what the legal status of domain names is due to existing judicial dissonance. Certainly, the courts have agreed that the high value attributed to domain names does not do much to prove to the courts that domain names are property. Rather, the court looks at the attributes of domain names and the rights derived to their owner from their registration. By dispelling the domain name-telephone number analogy and looking through the contractual agreement between the registrar and the registry, some courts have been able to realise the property characteristics of domain names. It is a misconception of the courts, particularly in the most infamous case of *NSI v. Umbro*, that contract rights and property rights are mutually exclusive.

---

<sup>45</sup> *Porsche Cars North America, Inc., et al. v. Porsch.com, et al.* 51 F. Supp. 2d 707 (E.D. Va., June 8, 1999),

<sup>46</sup> Paul Michael DeCicco, 'Anti-Cybersquatting Consumer Protection Act (ACPA)', <<http://www.pmdlaw.com/acpa-text.html>> accessed 1 April 2013

<sup>47</sup> Burshtein (n7) 61

It is important for domain name to be considered as property so as to enable their owners to exploit them in commercial transactions, particularly to use them to secure financing. Furthermore, the attribution of a right in property to domain names would also justify a legitimisation for domain name claims.<sup>48</sup> Such classification would empower domain name holders with the necessary legal means to encourage them to participate in legal actions and to challenge the claims of trademark owners. For instance, in the current state of law, domain name holders are not empowered to bring an action of reverse domain name hijacking.<sup>49</sup>

All in all, the author supports the view that property rights should be granted to owners of domain names so as to further enhance the development of cyberspace and e-commerce. Moreover, while domain name registrants should be able to reap the benefits of their registrations, they should also bear the burden of holding such a valuable right. Accordingly, considering that most e-commerce companies do not own anything more valuable than their intellectual and intangible property rights, domain names should be available for creditors to seize and sell when the debtor defaults on payments due to them or when the domain name registrant declares bankruptcy.

This essay has discussed case law from the other side of the Atlantic since that is where there have been most judicial discussions and decisions on the discussion at hand. In the UK and most of Europe the courts favour the view that domain names should be granted property rights only to the extent of the goodwill which is endowed on them, thereby applying trademark law to domain names.<sup>50</sup> However, there have not been enough cases which lay down precedent for future courts dealing with this issue. Without a doubt, when a case arises, the court will inevitably be inspired by the judicial decisions of the courts of California as discussed above.<sup>51</sup>

---

<sup>48</sup> Komaitis ( n21) 68

<sup>49</sup> *Ibid.*

<sup>50</sup> The Legal Status of Domain Names in Sweden (n2) 57

<sup>51</sup> Clare Bellis, Domain names in the UK - legal status, Legal Week, <[http://www.henmansfreeth.co.uk/domain\\_names\\_2](http://www.henmansfreeth.co.uk/domain_names_2)>accessed 6 April 2013