THE ".us" INTERNET DOMAIN

by Peter B. Maggs[1]

INTRODUCTION[2]

Domain names exist to simplify access to resources on the Internet. They are also valuable economic assets--".com" domain names have been sold for millions of dollars. Major changes are scheduled to take place in the ".us" domain, the official United States "country code" domain--changes that will raise this domain from obscurity to a high level of attention and litigation.[3] Every website address, every e-mail address, leads directly or indirectly to some physical computer attached to the Internet. Each such computer has a numerical address, such as "123.123.23.2". However, for two reasons, it would be impractical to use numerical addresses for browsing the Internet or sending e-mail. The first reason is that the numeric addresses are unstable because reconfigurations of computer systems and shifts in business practices frequently lead to changes in the physical computer and the numeric address used to support a particular website or e-mail system. The second reason is that numeric addresses are hard for humans to remember. The domain name system solves both these problems. A domain name can remain the same and be associated with numbers that change from time to time, just the way my name remains the same, even though my telephone number changes from time to time. Short and simple domain names, such as "weather.com," are much easier to remember than long strings of numbers.[4]

Every domain name includes a "Top Level Domain" ("TLD") and one or more lower level domains. In "weather.com", ".com" is the TLD, while "weather" is a second level domain. In "ci.seattle.wa.us", the TLD is ".us," "wa" is a second level domain, "seattle" is a third level domain, and "ci" is a fourth level domain. There are two types of top level domains: (1) general top level domains (gTLD's), such as ".com" and ".edu"

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[2] I am the National Reporter for the United States on the Topic 3.B.2. "Domain Names on the Internet" for the XVIth Congress of the International Academy of Comparative Law. <http://europa.law.uq.edu.au/congress/>. (This and all other cited websites were most recently visited on September 15, 2001.) I have submitted this paper to the American Journal of Comparative Law for consideration for publication with the papers of the United States delegation to the Congress. In the spring of 2001, I sent a lengthy draft National Report on covering a wide variety of issues involving domain names in the United States to the General Reporter, Professor Michel Flamée of the Vrije Universiteit Brussel. The full text of this draft report is available at <http://www.uiuc.edu/ph/ww/pmaggs/draftreport.doc>.

[3] These changes occurred after I submitted my draft national report.

[4] The history and structure of the domain name system is discussed at length in "IANA Report on Establishment of the name Top-Level Domain," <http://www.iana.org/reports/name-report-16aug01.htm>. The shameful role of the United States government in the development of the system is analyzed in Jay P. Kesan and Rajiv C. Shah, "Fool Us Once Shame on You--Fool Us Twice Shame on Us: What We an Learn from the Privatizations of The Internet Backbone Network and the Domain Name System," University of Illinois Law & Economics Research Paper No. 00-18, available at <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=260834>.

and (2) country-code top level domains (ccTLD's), such as ".uk" and ".us". Domain name registration for a TLD consists of registering rights to a domain name ending with the particular TLD. The United States government controls three gTLD's: ".edu", ".gov", and ".mil" and seven ccTLD's: ".as" (American Samoa), ".gu" (Guam), ".mp" (Northern Mariana Islands), ".pr" (Puerto Rico), ".um" (US Minor Outlying Islands), ".us" (United States), and ".vi" Virgin Islands. Because the ".us" TLD is about to take on much greater importance, the following discussion will be limited to ".us".[5]

REGISTRATION PROCEDURES AND PRACTICES FOR ".us"

The present system of domain names in the ".us" gTLD is a disaster. It is based on totally obsolete twenty-year-old technology. It assumes that (as was the case in the 1980s) the purpose of a domain name is to refer to a specific computer in a specific physical location. But this is not the way domain names are used today. Domain names identify businesses, institutions, and individuals. Domain names stay stable, but the particular host computer (or computers) used for a domain name varies over time, sometimes even from minute to minute. Most small businesses, for instance, use web hosting services (sometimes called "Internet Presence Providers"), about whose physical location the businesses neither know nor care.[6] High volume websites use networks of cache computers, whose location also is totally unrelated to the location of the business.[7] Virtual businesses may be huge, but own no bricks-and-mortar location and no host computers. Because domain names are used by people to identify businesses and institutions, it is important that they be easy to remember, easy to use, and have positive connotations. Ease of memory and use is also important when domain names are used in e-mail addresses. However, registrants in ".us" have had to use four-level domain names, such as "smith.philadelphia.pa.us". Four level domain names are hard to remember and hard to type and therefore are completely unattractive to businesses. The other problem with ".us" has been the existence of a cumbersome registration system. Registration has typically been done by delegated subregistrars or subsubregistrars, who charge no fees and so cannot afford to advertise or offer user-friendly on-line registration.[8]

The outlines of the planned new registration system for the ".us" gTLD are given in a "Request for Quotation" [hereinafter cited as "RFQ"] issued on June 12, 2001, by a United States government agency, the "National Institute of Standards and Technology."[9] This document recognizes and proposes a solution to the main problem with ".us":[10]

> Because of its deeply hierarchical and somewhat cumbersome structure, the usTLD has not been used on a wide scale. The general absence of less

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[5]Those interested in domains other than ".us" may consult my preliminary draft report to the General Reporter <http://www.law.uiuc.edu/pmaggs/draftreport.doc>. Important changes, not reflected in the draft report, are scheduled to take place in the administration of the ".edu" domain. See <http://www.educause.edu/edudomain/>.

[6]To see the services offered by a large web hosting services, visit <http://www.aitcom.net>.

[7]To see the services offered by a large caching organization, visit <http://www.akamai.com>.

[8]See <http://www.nic.us>.

[9] <http://www.ntia.doc.gov/ntiahome/domainname/us.htm>

[10] RFQ, p. 2.

hierarchical registration opportunities in the usTLD has limited the domain's attractiveness to users. It has been suggested that this more "generic" space would greatly increase the utility of the usTLD. Therefore, this acquisition also encompasses functions that will allow, on a competitive basis, for the registration of second level domains directly under usTLD (such as example.us).

The RFQ envisions that a contract will be signed under which the Contractor will convert the ".us" system to one that allows the registration of second-level domain names and in which registration is done by numerous competing private registrars. There is no doubt the ability to register second level domain names and the efforts of private registrars will make ".us" much more popular. Such ccTLDs as Germany's (".de") and Russia's (".ru") that allow second level registration have attracted large numbers of business and institutional registrants.

The new contract will require the Contractor to make it possible for any individual or organization with a "United States nexus" to register a second level domain name, e.g., "example.us". Once this change is made, ".us" can compete effectively with ".com", ".org", ".net", and the various open foreign registries, such as ".tv". But, the change will lead to numerous legal problems. Key issues that will arise will include (but by no means be limited to): (1) the United States nexus requirement; (2) the method of assignment of generic names (e.g. wine.us, cars.us, movies.us--random drawing, first-come, first-served (which might in fact amount to a random drawing), auction, or use as public index sites; (2) rights of trademark owners; (3) rights to register city names at the second level, e.g., "chicago.us"; and (4) dispute resolution procedures. The RFQ's new policy of allowing competitive registrars to register second level domain names should work much better than the old system of free registration using cumbersome procedures with hard-to-locate registrars.[11] Registrars will have an incentive to advertise, but competition should keep registration fees low. The RFQ has put serious limits on the discretion of the Contractor. However, even within these limits much can be done to improve the allocation of the names.

TRADEMARK LAW

Some background in United States trademark law is necessary for an understanding of the legal issues that will emerge in ".us" domain. The commercial importance of domain names and the resulting legal disputes led United States courts and legislators to look for analogies to existing legal institutions such as trademarks[12] and trade names.[13] In the United States, there is a system of registration for trademarks, but a

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[11] <http://www.ntia.doc.gov/ntiahome/domainname/agreements/amendment21.htm>.

[12] United States law uses the word "trademark" for marks applied to goods and "service" mark for marks used for services. However, the legal treatment of trademarks and service marks is virtually identical. References in this paper to trademarks should be understood as also referring to service marks.

[13] In this paper "trade names" is used to refer to names of businesses, such as Acme Corporation. Acme Corporation might market "ACME" brand widgets, in which case its trade name and trademark would be the same. But it might market only "EMCA" brand widgets, in which case its trade name and trademark would be different.

trademark need not be registered to obtain protection.[14] There is no comprehensive system of registration for trade names (names of businesses). However, trade names are protected under a regime similar to that for trademarks. Domain names are like trademarks and trade names in that someone searching for a particular company or particular goods is likely to type in the trademark or tradename (followed by some TLD and perhaps preceded by "www".) into an Internet browser. Typing "www.acme.com" into a browser leads one to a business called "ACME Laboratories," for instance. But there is a key difference. This is that in any given top level domain, there can only be one second level domain with the name "ACME". Thus, although there are hundreds of coexisting businesses named ACME in the United States,[15] and over 100 coexisting registrations of ACME as a trademark,[16] only one entity can own the domain name "acme.com". The second key difference is that the rules governing domain name registration for many TLDs, including the important ".com" TLD allow anyone, whether or not the owner of a trademark or tradename to register a particular domain name. Thus if Acme Laboratories had not registered "acme.com," a speculator might have taken the name, hoping to auction it to the highest bidder among the hundreds of ACME businesses. Under United States law, a trademark can be reserved for up to three years by registering in good faith an intent to use the mark, but the mark is not protected until it is actually used.[17] Likewise, trade names have no protection unless they are actually used in business. Anyone may use any name for an unincorporated business, as long as it does not cause confusion with an existing business. While a state corporate registry will not register a corporation with a name identical to that of an existing corporation, anyone may register a corporation in any state, regardless of where the business of the corporation is located. Furthermore, except for famous trademarks, which are protected against "dilution" by the registration or use of like trademarks even for different goods or services, the registration of trademarks for one category of goods or services does not prevent their registration or use for other categories of goods or services.

Thus, while second-level domain names function very much as trademarks or trade names, the domain name system has created a shortage of names and an opportunity for speculation that do not exist for trademarks or trade names. Domain name shortage and speculation is compounded by the fact that not only businesses, but also individuals and governmental units compete for second-level domain names. Thus the thousands of individuals named "Smith", the several towns named "Smith", hundreds of businesses with the name or trademark "Smith," and dozens of blacksmiths may all want to own "smith.com".

Until now, there has been no litigation over ".us" because only second level domain names are worth the cost of litigating. Litigation in the United States has involved second-level domain names in the gTLDs ".com", ".net", ".org", in which anyone has been able to register a second-level domain name. The same conflicts that led

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[14] The best treatise covering the law of trademarks, trade names, and related matters is J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, 4th Ed. (St. Paul, MN, updated annually).
[15] For a list of the businesses search for "ACME" at <http://yp.gte.net/nform.phtml>.
[16] Search at <http://www.uspto.gov>.
[17] 15 U.S.C. § 1051.

to this litigation are now sure to arise in the case of the ".us" domain.   The details of the registration scheme for second level domain names in ".us" have not yet been set. They may follow the "first-come, first-served" model of ".com", ".net", and ".org"; they may follow the random drawing model of the new ".biz" and ".info" domains; or they may follow some other model.

DIFFERENCES BETWEEN DOMAIN NAME LAW AND TRADEMARK LAW

Domain name law has gone through three phases. In the first phase, the courts applied existing law, particularly trademark law, to deal with what they saw as the unscrupulous conduct of "cybersquatters" – speculators who registered domain names containing the trademarks of others with the hope of profiting by selling the domain names to the trademark owners. In the second phase, the courts interpreted and applied the "Anti-Cybersquatting Consumer Protection Act" that became law in 1999. This Act increased the protection of trademark owners against domain name speculators. In the third phase, most claims have been settled under the Uniform Dispute Resolution Policy ("UDRP"), which all registrants of ".com", ".net", and ".org" domain names must accept. This policy tilted the rules even further in favor of trademark owners. Because of the fact that numerous articles have been published on each of these three phases,[18] I have sharply limited my discussion of these phases. More detailed material on these phases is available in the second part of my draft national report on domain names.[19]

UNITED STATES NEXUS REQUIREMENT

There are two models for administration of ccTLDs. Some countries allow registration by anyone, anywhere in the world who pays an appropriate fee to use their country code. Such ccTLDs are often called "open ccTLDs." Most countries, because of national pride and strong domestic demand, have restricted their country code domain to their own residents and businesses, for instance Brazil (".br"). Such ccTLDs are often called "closed ccTLDs." Both models bring benefits, though different benefits, to the broad Internet community. The first model helps break the shortage of domain names created by the failure to create reasonable number of general TLDs.[20] The second model preserves the informational content of the country code. Websites in the ".br" domain generally are, in fact, owned by Brazilian businesses. The first model is an obvious choice for small countries with little domestic demand for domain names and highly marketable country codes, e.g., Tuvalu (".tv") and Moldova (".md").[21] The second model may be a wise choice for the United States. It will create an alternative to the ".com" monopoly for United States businesses, which are a huge percentage of all existing and would-be domain name registrants. It will also convey an informational "Made in USA" message, to the extent that the requirement is not evaded. The RFQ provides:[22]

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[18] For an excellent summary of the statutes, the cases, and the literature, see Allon Lifshitz, "Cybersquatting," 38 *Harv. J. Legis.* 529 (2001).

[19] <http://www.law.uiuc.edu/pmaggs/draftreport.htm>, pp. 78-122.

[20] Kesan and Shah, *supra* note 2.

[21] Country codes are assigned by the International Standards Organization. For a list see: <http://www.din.de/gremien/nas/nabd/iso3166ma/codlstp1/en_listp1.html>.

[22] RFQ, p. 5.

Implement United States Nexus Requirement: The Contractor must run the usTLD as a country code top level domain intended to serve the community of Internet users (including end users, business, government, and not-for-profit organizations, among others) resident or located with a bona fide presence in the United States, and is not intended to attract or otherwise encourage registrations from outside the United States. In addition to the current policy set forth in RFC 1480 requiring that usTLD domain name registrations be hosted on computers located within the United States, the Contractor must implement a United States Nexus Requirement . . .

The first sentence of this policy is difficult to interpret. The Contractor is expected to delegate registration to registrars. The first sentence might be read as preventing the Contractor (but not the registrars) from recruiting foreign registrants. However, the second sentence suggests that the Contractor must require the registrars to demand a United States nexus. This requirement will be extremely difficult to enforce. The registrars for second-level domain names will be private profit-making entities. Even if the Contractor does nothing to attract or encourage registrations from outside the United States, the private registrars will want to maximize their profits by maximizing the number of registrations. They will not have the capacity or the will to distinguish a fake United States nexus from a real United States nexus.   Unlike many countries, the United States does not have a register of businesses. Any individual may start a business under his own name without registering with anyone. Some business entities, such as stock corporations and limited liability companies, must register with state business registration authorities. Other entities, however, need only register with Federal and state tax authorities. It would be easy for a resident of the United States to register a domain name and then secretly lease the use of the domain name to a foreigner. Furthermore, the cost of creating a corporation in the United States is much lower than that in many other countries. There are no minimum capital requirements for incorporating in the United States. One Internet service offers to create a corporation for a total cost (including both its services and state filing fees) of $120.[23] Thus the United States nexus requirement is likely to be only a minor impediment to any foreign individual or entity that really wants a ".us" domain name. A private mailbox with a private street address can be rented for $10 a month.[24]

The requirement that computers hosting ".us" websites be located in the United States is an anachronism. It is based upon the now obsolete use of domain names to denote particular computers and upon the obsolete system of hosting an entire website on a single computer. Today a website often is hosted on on several servers, some optimized for text, others for streaming audio and video. High volume websites are often cached in multiple copies at different locations around the world. For instance, when one goes to Microsoft's website to download software updates, the site provides a list of computers in various countries and asks the user to select the nearest computer that contains the update. The United States hosting requirement will cause difficulties for

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[23] <http://www.incorporatetime.com/Fee.htm>.
[24] <http://www.mbefl.com/mailbox.htm#compare>.

companies that offer worldwide caching services, since they would normally cache copies of clients' websites in servers all over the world, so as to provide faster and more reliable access to distant users. And by preventing such worldwide caching it could slow foreign access to ".us" websites and so handicap United States companies in their international business operations. The hosting requirement also may well be in violation of World Trade Organization rules, since it is a form of protectionism with no rational justification. Because of the high quality and efficiency of web hosting companies in the United States, many foreign businesses host their websites in the United States. It is foolish for the United States to discourage free trade in an area in which it has a strong advantage.

ICANN OPEN ccTLD POLICIES REQUIREMENT

ICANN is a not-for-profit California corporation to which the United States government has turned over many aspects of domain name policy-making and implementation.[25] Trademark owners appear to be happy with ICANN, but others have strongly criticized it.[26]

The RFQ provides:[27]

Adopt ICANN Policies Pertaining to Open ccTLD's: Although the usTLD is intended to serve the Internet community of the United States, and is not intended to encourage registrations from entities or individuals resident outside the United States, the Contractor must follow the ICANN policies pertaining to open ccTLD's unless otherwise directed by the Contracting Officer.

This provision is puzzling because at present ICANN policies do not distinguish between "closed" ccTLD's (such as that of Brazil) and "open" ccTLD's (such as that of Tuvalu). Current ICANN policies pertaining to all ccTLD's are contained in "ICP-1: Internet Domain Name System Structure and Delegation (ccTLD Administration and Delegation)"[28] The most relevant of the polices in "ICP-1" is:

(c) Fair Treatment. The designated manager must be equitable and fair to all groups in the domain that request domain names. Specifically, the same rules must be applied to all requests and they must be processed in a non-discriminatory fashion. The policies and procedures for the use of each TLD must be available for public inspection. Generally these are posted on web pages or made available for file transfer. While variations in policies and procedures from country to country are expected due to local customs and cultural values, they must be documented and available to interested parties. Requests from for-profit and non-profit companies and organizations are to be treated on an equal basis.

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[25] <http://www.icann.org>.

[26] Kesan and Shah, supra note 4. Ongoing criticism may be found at <http://www.icannwatch.com> and <http://www.cavebear.com>.

[27] RFQ, p. 6.

[28] <http://www.icann.org/icp/icp-1.htm>

No bias shall be shown regarding requests that may come from customers of some other business related to the TLD manager. For example, no preferential service for customers of a particular data network provider. There can be no stipulation that a particular application, protocol, or product be used.

The "fair treatment" requirement raises an important question. Will the contract that results from the RFQ be interpreted as giving applicants for registration the status of third party beneficiaries with the right to sue to enforce "fair treatment" from the Contractor and its delegated registrars? The ICANN agreements with registrars contain a clause providing that no rights are created for third parties. A United States court has enforced this clause.[29] If the contract for ".us" does not contain a clause barring third party rights, undoubtedly third parties will try to enforce the fairness requirement.

GOVERNMENT ADVISORY COMMITTEE PRINCIPLES

The RFQ provides:[30]

Abide by Government Advisory Committee Principles: The Contractor must abide by the principles and procedures set forth in the Government Advisory Committee document "Principles for the Delegation and Management of Country-Code Top Level Domains," unless inconsistent with U.S. law or regulation.

ICANN's "Government Advisory Committee" consists of representatives of governments who advise on policy.[31] In 1999, it produced a draft set of "Principles for the Delegation and Management of Country Code Top Level Domains."[32] The following year, it produced a final document with a slightly different name, "Principles for Delegation and Administration of ccTLDs."[33] Presumably the RFQ meant to refer to the later document, but mistakenly referred to the earlier document. The later document includes the following:

5.3 It is recalled that the Governmental Advisory Committee (GAC) to ICANN has previously adopted the general principle that the Internet naming system is a public resource in the sense that its functions must be administered in the public or common interest.

5.4 The relevant government or public authority should ensure that DNS registration in the ccTLD benefits from effective and fair condition of competition, at appropriate levels and scale of activity.

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[29] Register.com, Inc. v. Verio, Inc., 126 F.Supp.2d 238 (S.D.N.Y.2000).

[30] RFQ, p. 6.

[31] "ICANN Governmental Advisory Committee (GAC) Home Page," <http://www.noie.gov.au/projects/international/DNS/gac/>.

[32] "Principles For Delegation And Management of Country Code Top Level Domains," <http://www.wia.org/icann/GAC/GAC_cctld-principles.HTM>.

[33] "Principles for Delegation and Administration of ccTLDs," <http://www.icann.org/committees/gac/gac-cctldprinciples-23feb00.htm>.

This very general definition of fairness could be interpreted in many ways. The key issue, as with the ICANN policy of fair treatment, is if the Contract will create third party beneficiary rights for applicants for registration.

SUNRISE POLICY FOR TRADEMARK OWNERS

The RFQ provides:[34]

Implement a . . . Sunrise Policy. . . .
. . . The Contractor must . . . implement a "Sunrise Policy" that permits qualified trademark owners to pre-register their trademarks as domain names in the expanded usTLD space prior to the opening of the expanded usTLD space to wider registration.

This protection afforded to trademark owners will raise a number of serious legal and policy problems under United States law. The term "qualified trademark owners" is undefined in the RFQ. In the United States trademark owners include those who own: (1) unregistered common-law trademarks; (2) trademarks registered in at least one state but fewer than all states; (3) trademarks registered in all states; (4) trademarks registered on the Federal Supplemental Register; (5) trademarks registered on the Federal Principal Register; (5) concurrent registrations on the Federal Principal Register, where different parts of the United States are assigned to different trademark owners; (6) famous foreign trademarks protected without registration under § 44(h) of the Trademark Act, 15 U.S.C. § 1126(h), which implements United States obligations under Article 6bis the Paris Convention for the Protection of Industrial Property. Some trademark registrations are for a word alone, for instance "Apple" as a trademark for computers.[35] Others are for a phrase with all but one word disclaimed, "Apple Computer, Inc." with "Computer, Inc." disclaimed[36] and "Apple Blossoms", with "Apple" disclaimed.[37] Others are for a phrase including a particular word, but without the other word or words disclaimed, e.g. "Apple Krate."[38] Which of these trademark owners is "qualified" to apply for "apple.us" during the sunrise period? The Contractor risks being sued no matter what it decides constitutes a "qualified trademark owner." If it chooses to include unregistered trademarks, it will have no practical way to determine if claims to unregistered trademarks are valid. Even claims to registered trademarks may be invalid, because a trademark may remain on the register for a period of time after it has in fact been lost by abandonment. The Contractor will have no practical way to determine if a trademark has been abandoned.

UNFAIR ADVANTAGES FOR TRADEMARK OWNERS DURING THE SUNRISE PERIOD

Generic Names: Getting Lucky With "SEX"

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[34] RFQ, p. 6.
[35] Registration No. 1078312, available at <http://www.uspto.gov>.
[36] Registration No. 2273661, available at <http://www.uspto.gov>.
[37] Registration No. 2395938, available at <http://www.uspto.gov>.
[38] Registration No. 2409232, available at <http://www.uspto.gov>.

The "sunrise" provision for trademarks will give certain lucky trademark owners a peculiar and unfair advantage with respect to generic names. Commentators on the economics of trademark law agree that no one should be able to monopolize ordinary English words in their generic sense.[39] They argue that monopolization of generic names increases search cost for consumers and thereby creates a barrier to entry for competitors. Furthermore, they argue if generic names could be taken from the public domain, there would be social waste in the expenditures made by rivals seeking to seize generic names. Under trademark law, a word that is generic with respect to one kind of goods or service may be a protected mark for some other kind of goods or services. No one can get trademark protection for "APPLE" for the familiar red fruit. Any food stand can post a sign saying "BUY AN APPLE HERE!" without risking suit by the famous computer company. The trademark "APPLE" for computers is quite properly registered and protected for computers.[40] In contrast, giving the holder of a trademark priority in registering a domain name corresponding to the trademark effectively gives the trademark holder a monopoly on the generic name in its generic use as well as in its trademark use.

Monopoly profit from a generic domain name is not merely a hypothetical problem. In a lawsuit over the ownership of the domain name "sex.com", testimony indicated that the name was worth tens of millions of dollars.[41] Answering arguments that the name was a trademark, the court held that the name was generic:[42]

> The domain name "sex.com" is comprised of a top-level domain name (.com) and a second level domain name ("sex"). Courts have held that the ".com" suffix is not a relevant part of a claimed trademark because it is a generic locator for domain name web sites dedicated to commercial use. *See, e.g., Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1055 (9th Cir.1999); *Northern Light Technology v. Northern Lights Club*, 97 F.Supp.2d 96, 110 (D.Mass.2000); *CCBN.com, Inc. v. c-call.com, Inc.*, 73 F.Supp.2d 106, 112 (D.Mass.1999).

The court awarded the domain name to the party who had registered it under the first-come, first-served principle that has governed registration in ".com". Thus this party obtained a multimillion dollar windfall by being the first to register the domain name that a typical user would type in search of pornography.

Someone named "R. Schatte" has registered the trademark "SEX" for "decorative refrigerator magnets" with the United States Patent and Trademark Office.[43] This is a perfectly good trademark, because the word "sex" is not a generic word for refrigerator

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[39] Landes and Posner, *Trademark Law: An Economic Perspective*, 30 *J. Law & Econ.* 265, 268-70 (1987); Ralph H. Folsom and Larry L. Reply, *Trademarked Generic Words*, 89 *Yale L.J.* 1323, 1339-40 (1980).
[40] Apple Computer, Inc. v. Formula International Inc., 725 F.2d 521 (9th Cir.1984).
[41] Andrew Quinn, "Internet Undergoes a 'sex.com' Change," <http://www.zdnet.com/zdnn/stories/news/0,4586,2658026,00.html>.
[42] Kremen v. Cohen, 2000 WL 1811403 (N.D.Cal.2000).
[43] Registration No. 76299738, available at <http://www.uspto.gov>.

magnets. A search at the United States Patent and Trademark Office website reveals that there are a total of 5 registrations of the word "sex" for various products.[44] (Many instances of the same word may be registered as a trademark as long as the word is used non-generically for different goods or services.) Given the substantial commercial value of "sex.us", the sunrise provision will give one of these trademark owners an unfair advantage and a chance for monopolistic exploitation. The huge cash value of "sex.us" is likely to lead to litigation by losing "SEX" trademark owners against the Contractor and registrars.

None of these problems need have occurred if the domain name system had been structured differently. Top level domain names could have been created for many different categories of business, for common personal names, and for geographic locations.[45] Each could have been linked to an index to the individuals, businesses, and localities linked with the TLD. Thus, if there were a "bookstores" TLD, typing "bookstores" into the browser could lead to a master index of all the bookstores on the Internet, just the way turning to the heading "Bookstores" in a classified telephone book lists all the bookstores in a given city. Such a system would be cumbersome and would hurt vested interests in the present system, so it is unlikely to be adopted.

Geographic Terms

Geographic name registration will present a particular problem for second level domains in ".us". At present ".us" uses a hierarchical system for geographic names. Thus, for instance, the city of Richmond, Virginia, is "ci.richmond.va.us". And the county of Richmond, Virginia is "co.richmond.va.us". It often happens that a city and county in the same state have the same names. But it only rarely happens that within a given state two cities or two counties have the same name. The hierarchical system therefore effectively avoids conflicts among city and county names. Peaceful coexistence is possible among "ci.richmond.va.us", "co.richmond.va.us", "co.richmond.ga.us", and "co.richmond.nc.us". Once known the system is fairly intuitive. However, will the city of Philadelphia be happy if it has to have a mere fourth level domain name: "ci.philadelphia.pa.us", while one of the various owners of the trademark "Philadelphia," for instance the holder of the well-known "PHILADELPHIA" mark for cream cheese,[46] could register "philadephia.us" during the startup period? The city of Philadelphia would be left with the inferior domain name, "ci.philadelphia.pa.us". In a well-known case, an international dispute resolution panel, over a strong dissent, ordered the private owner of "barcelona.com" to transfer it to the City of Barcelona.[47] The losing private party is currently seeking to overturn the decision in court in the United States.[48]

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[44] <http://www.uspto.gov>.

[45] Such a system is not only feasible; a version of it has actually been implemented by a maverick Internet company. <http://www.new.net/>.

[46] Registration No. 1659932, available at <http://www.uspto.gov>.

[47] Excelentisimo Ayuntamiento de Barcelona v. Barcelona.com Inc., Case No. D2000-0505, <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0505.html>

[48] Barcelona.com, Inc. v. Excelentisimo Ayuntamiento de Barcelona, Complaint dated August 17, 2000, <http://www.domainbattles.com/lawsuit3.htm> (S.D.Va. 2000).

Personal Names

Trademark owners would also have an unfair advantage with respect to personal names during the startup period. Under United States trademark law, a personal name may be protected as a mark, if it has become distinctive of particular goods or services. 15 U.S.C. § 1052(f). This would mean that the Smith Drug Company, which has the registered trademark "SMITH,"[49] could register "smith.us" before any of the thousands of people named "Smith" could register the name. This result would be quite contrary to that in United States trademark law, which respects a right for individuals to use their own name, provided that it is not used in unfair competition with businesses of the same name.[50] Experience with the gTLDs shows that monopolizing second level domains corresponding to common last names has turned into a business.[51] There are obvious economic arguments against allowing monopolization of such a business--what would we think if the telephone company auctioned the right to be the only John Smith in the telephone book? But if last names are to be monopolized, the monopoly should be auctioned for the taxpayers' benefit rather than given away free to a lucky trademark owner.

CHOOSING AMONG RIVAL CLAIMANTS

The existing ".us" domain name structure has avoided problems of choosing among rival claimants. It has a hierarchical structure, in which people or businesses can be listed in accordance with their geographic location. This is the system used for ".us". In ".us" the domain names "acme.urbana.il.us", "acme.urbana.in.us", and "acme.champaign.il.us" can coexist along with hundreds of other "acme" fourth level domain names in other cities. However, business users have rejected this hierarchical system, because they have perceived that customers will not be willing to type long and complex domain names into Internet browsers. Because so few businesses use the structure, there has been little or no chance for local conflicts to occur. Now that businesses will be able to register second level domain names, conflicts are sure to occur.

Neither the RFQ nor the policies that it incorporates by reference provide any specific guidance as to the system to be used for choosing among rival claimants either in the sunrise period or thereafter. Since, as mentioned above, there are typically a number, sometimes a very large number, of trademarks registered for any given name, it is likely that most of the "good" domain names--those associated with widely used trademarks or generic terms--will be registered during the sunrise period. Thus the most serious problem of rival claimants is likely to be during this initial period. However, similar difficulties also will arise after the end of the sunrise period. There are legal problems with any system that might be chosen. Possible systems include: (1) first-come, first-served; (2) market price sales; (3) merit selection; (4); selection by arbitrary criteria; (5) random selection with unlimited entries per applicant; and (6) random selection with one entry per applicant.

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[49] Registration No. 2280225, available at <http://www.uspto.gov>.

[50] Taylor Wine Co. v. Bully Hill Vineyards, Inc., 569 F.2d 731 (2d Cir. 1978).

[51] E.g., <http://www.nameplanet.com>.

First-Come, First Served

A first-come, first-served system was used for the ".com" gTLD. The result was numerous registrations by "cybersquatters." A first-come, first-served system combined with a sunrise period would allow trademark owners to protect themselves against cybersquatters, but not against one another. There are some serious technical problems with first-come, first-served. The registration of second level domains in ".com" started very gradually, because few were aware of the potential of the Internet, and because the registration process initially was user-unfriendly. However, there will be wide awareness of the potential of ".us" second level domains. Registrars will compete vigorously to make registration easy for applicants. Thus, there is likely to be a huge number of initial applicants, even at the start of the trademark sunrise period. The result may be similar to the "denial of service" attacks that hackers mount against some websites by submitting huge numbers of requests for information in a very short time. The registration site may collapse under hundreds of thousands of simultaneous access requests all occurring during the first second after the start of the sunrise period. A first come, first-served system would result in substantial social waste as registrars paid to develop software and hardware that would help them win the registration race.

Market Price Sales

Unlike trademarks (which may not be sold without a concurrent sale of the business goodwill they represent),[52] domain names may be freely bought and sold. Such sales are commonplace for second-level domain names in TLDs other than ".us". For instance, names in ".md" (Moldova), which are attractive to physicians, are initially sold at market prices by an authorized broker.[53] Various sites engage in sales and auctions of names previously registered in ".com" and other domains.[54] Domain names are a scarce resource, scarcer than trademarks, since a single trademark may be used concurrently for different categories of goods and for different regions of the country. The arguments against allowing private appropriation of generic words, personal names, geographic names, and shared trademarks have already been presented. Assuming those arguments fail to win approval, a second-best approach would be to sell second-level domain names in ".us" at market price through a broker or by auction. To implement the sunrise provision, it would be necessary to auction domain names identical to trademarks to the highest bidding trademark owner. (Though as mentioned above, it would seem bizarre to let a handful of trademark registrants be the only bidders on valuable domain names, such as "sex.com"--indeed with just five potential bidders, the chances of collusion in bidding would be extremely high.) As is the case with other second-level names in other

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[52] 15 U.S.C. § 1060(a) provides:

> A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark.

[53] See <http://www.register.md/register_home.jsp>. 2000 WL 1719493 (N.D.Ga.) In Lloyd's Underwriters v. A.O. Gazsnabtranzit, AO Moldovagaz, and the Republic of Moldova, 2000 WL 1719493 (N.D.Ga. 2000), the court allowed a judgment creditor to level execution against the whole ".md" TLD.

[54] E.g., <http://www.afternic.com/>.

TLDs, market price sales of second-level ".us" domain names will be in continuous effect once they have been registered. Thus the question is not if the second level ".us" domain names should be sold--they will be sold. The question is merely if the names, which are now in the public domain, are to be privatized, should they be given away free rather than sold at market price, and if they are sold initially, who should get the money. Since the names are public property, it would seem appropriate, since they are sure to be sold once privatized, that they should be sold and the government should get the proceeds, as it does when selling surplus property or radio frequencies.

The whole question may be moot, however, because the RFQ can be read to forbid the market price sale of domain names:[55]

> . . . [T]he Contractor may establish and collect fees from third parties for performance of the requirements of this purchase order, provided that the fee levels are approved by the Contracting Officer before going into effect, which approval will not be withheld unreasonably, provided that the fee levels are fair and reasonable.

The requirement that fee levels be approved before going into effect would appear to forbid an auction or other sale at market price, since market prices cannot be predicted in advance. Furthermore, some domain names would undoubtedly bring market prices so high that no government Contracting Officer would be likely to approve them as fair and reasonable, assuming that "fair and reasonable" is meant not as market price, but rather as a price that would fairly compensate the Contractor for its services, and so would be the same for all domain names. Nor can the registrars sell at market prices. The marginal cost of registering a domain name is almost zero for a registrar, because the process is typically done entirely by computer over the Internet. Thus, assuming competition among registrars, as required by the RFQ, the registrars can pass on the "fair and reasonable" fee charged by the Contractor, but cannot, because of competitive pressure, charge a significant amount for their own services. Even if the Contractor could sell high-demand domain names at high prices, there is no provision in the RFQ for payment of the proceeds to the government.

Merit Selection

It is quite common for benefits to be given out on the basis of merit. A state law school, such as my own, may select students to receive a state-subsidized legal education on the basis of their grades and test scores. The National Science Foundation gives money to scientists based upon the merit of their research proposals. However, it is hard to conceive how merit selection could be applied to domain names. How could one chose the most meritorious of 20 companies with the trademark "Acme" applying for "acme.us", 1000 people with the name "Smith" applying for "smith.us", or 100 pornographers and 100 sex educators applying for "sex.us"? The computerized test scores that allow admissions committees to make quick and cheap decisions among applicants

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[55] RFQ, pp. 3-4.

are unavailable for domain names. Scientific peer review panels would be hopelessly expensive.

Selection by Arbitrary Criteria

Selection by arbitrary criteria might be possible. Applicants could be queued by birth date, date of incorporation, date of trademark registration, sign of the zodiac, or some other arbitrary, but easy to administer, criterion. However, any such method would violate the fairness required by the ICANN and Government Advisory Committee standards quoted above.

Random Selection With Unlimited Entries Per Applicant

A lottery that allowed anyone to submit any number of entries would be fair, easy (and lucrative) to administer. It might bring in aggregate amounts even greater than an auction. State lotteries in the United States, for instance, may take in two dollars or more for every dollar paid out as prizes.[56] However, privately-operated lotteries are illegal under Federal law[57] and the laws of all 50 states[58] in the United States. Indeed, class-action litigation is now underway claiming that the method used for choosing among rival claimants to .biz domains is an illegal lottery.[59] The plaintiffs in the litigation convincingly argue that the ".biz" registration system has the three elements of a lottery, consideration (the filing fee), chance (the drawing), and a prize (the domain name). NeuLevel, which is organizing the ".biz" registration process, offered counterarguments in a declaratory judgment action against the Amazon.com Internet bookstore, which had threatened to sue to stop the ".biz" registration process.[60] NeuLevel initially argued rather unconvincingly that it had sovereign immunity from state and federal lottery legislation because it is carrying out a policy approved by ICANN, and that anything that ICANN does is somehow blessed by the United States government. Soon after filing its complaint, however, NeuLevel amended the complaint to remove this argument,[61] resting its case largely on the extremely weak theory that state lottery laws interfere with interstate commerce. Since interstate lottery commerce is illegal under Federal law, it is hard to see how state lottery laws can interfere with it. Absent a Federal statute

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[56]<http://www.nylottery.org/faq.html>.

[57] 18 U.S.C. § 1301.

[58]A list of the anti-lottery laws of all 50 states may be found in Smiley v. Internet Corporation for Assigned Names and Numbers, First Amended Complaint, July 31, 2001 (Los Angeles, Cal., Superior Ct.), <http://www.lextext.com/smiley.pdf>, p. 21, n. 10.;

[59] <http://www.lasuperiorcourt.org/civilregister/register.asp?Referer=index&Case=BC254659>; in Smiley v. Internet Corporation for Assigned Names and Numbers, First Amended Complaint, July 31, 2001 (Los Angeles, Cal., Superior Ct. 2001), <http://www.lextext.com/smiley.pdf>; Smiley v. Internet Corporation for Assigned Names and Numbers, Notice of Motion, Sept. 13, 2001 (Los Angeles, Cal., Superior Ct. 2001), <http://www.lextext.com/smileynjxnmotion.pdf>; Eprize v. NeuLevel, Inc. Complaint, Sept. 10, 2000, Case No. BC257632 (Los Angeles, Cal., Superior Ct. 2001), <http://www.icannwatch.org/essays/eprize1.pdf>.

[60] NeuLevel, Inc. v. Amazon.com, Inc., Complaint, August 9, 2001, Case No. 01-1245-A (E.D.Va. 2001), <http://www.lextext.com/NeuLevelvAmazon.pdf>.

[61] NeuLevel, Inc. v. Amazon.com, Inc., First Amended Complaint, September 6, 2001, Case No. 01-1245-A (E.D.Va. 2001), < http://www.icannwatch.org/essays/neulevel.pdf>.

authorizing domain name lotteries, the current litigation is likely to scare off the ".us" Contractor from conducting a lottery.

Another dubious lottery arrangement is that used for ".info" registration.[62] The registrar, Afilias, will rotate through the registrar's lists in a random order, randomly choosing one or more applications from each list before passing on to the next. Since the registrars are charging applicants to enter this drawing, all the elements of a lottery are still present in the relationship between registrar and applicant.

If one rejects a first-come, first-served, merit, and arbitrary selection, and requires fairness (so that the registrar cannot select itself or its friends), it is impossible to avoid a chance element. And since the end of the system must be the selection of a domain name registrant, it is impossible to avoid the prize element. Thus the only remaining possibility is manipulation of the consideration element. If the registration system allowed unlimited entries and charged nothing for entering, it might be swamped with billions of computer-generated entries, leading to costs that could not be recouped from registration fees. Indeed NeuLevel has argued that this danger justifies its charging for entries in the .biz selection process.[63]

Random Selection With One Entry Per Applicant

Random selection with one entry per applicant would work during the sunrise period if sunrise applicants were limited to owners of registered trademarks. The one entry per applicant rule would be easy to enforce by requiring each applicant to submit its trademark registration number. The Contractor's computer could easily compare numbers and remove multiple applications. The Contractor and the registrars could make a profit and avoid the lottery laws by charging nothing to apply, but a rather high fee to the winning registrant.

The one entry per applicant rule would be difficult or impossible to enforce after the sunshine period and even during the sunshine period if this period is not limited to registered trademark owners. If "sex.us" is worth tens of millions of dollars, millions of different people and businesses might for apply for it. It would be impossible to search these entries for duplicates before the drawing. Furthermore, after selecting a winning entry, the registration authority would face pressure to make an expensive search of these millions of entries to ensure that the winner had not made other entries using different names.

DOMAIN NAME DISPUTE RESOLUTION POLICY

The RFQ provides:[64]

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[62] " ICANN Accredits New Top-Level Domains--.biz and .info Registration Process To Begin This Summer," May 15, 2001, <http://www.icann.org/announcements/icann-pr15may01.htm>.
[63] NeuLevel, Inc. v. Amazon.com, Inc., First Amended Complaint, September 6, 2001, Case No. 01-1245-A (E.D.Va. 2001), < http://www.icannwatch.org/essays/neulevel.pdf>.
[64] RFQ, p. 6.

Implement a Uniform Domain Name Dispute Resolution Procedure . . . The Contractor must implement a uniform domain name dispute resolution procedure intended to resolve disputes arising from "cybersquatting" applicable to the usTLD (such policy is intended to be modeled upon the ICANN Uniform Domain Name Dispute Resolution Procedure, consistent with modifications necessary for such policy to be applicable to the usTLD specifically). . .

The ICANN Uniform Domain-Name Dispute-Resolution Policy ("UDRP") was developed to deal with the problem of "cybersquatting"--the bad faith registration of domain names in order to hold them for ransom from trademark owners.[65] The policy contains both substantive elements, defining the cases in which domain names should be taken from cybersquatters and given to rightful owners, and procedural elements, describing how disputes should be handled. For no clear reason, the RFQ refers to a "procedure" rather than a "policy." The difference is crucial because the substantive grounds for transferring domain names under the UDRP are different from those under the United States Anti-Cybersquatting Consumer Protection Act. It is not clear if the Contractor is supposed to use ICANN procedures to enforce United States Law or is to use the whole ICANN policy, including both its substantive and procedural rules.

The policy has been very successful in allowing trademark owners to rapidly and inexpensively reclaim their marks. The vast majority of United States victims of cybersquatting now use the UDRP rather than the courts to vindicate their rights. While the policy allows the loser to contest the decision in court, in most cases it is clear that appeal to a court would be futile, so only a tiny percentage of dispute resolution decisions are taken to court. Nevertheless, many think the UDRP unfairly tips the scales of justice in favor of trademark owners and against domain name registrants. Professor Michael Giest has written a well-documented attack on the Uniform Dispute Resolution Policy.[66] He argues that the procedure is marred by procedural advantages for the complainant and is corrupted by the competition of dispute resolution organizations for complainants' ? business, which even led to the issuance of press releases by one dispute resolution organization association bragging about the victories it awarded to claimants. (UDRP complainants unilaterally choose among dispute resolution organizations. Organizations that decide for complainants are most often chosen by complainants. Respondents have no voice in choosing the dispute resolution organization.) Similar accusations were made in an earlier paper by Professor Milton Mueller.[67] It does not take a deep law and economics analysis to conclude that selling dispute resolution outcomes is not a good idea.[68] If the Contractor follows the UDRP procedure, it will allow exactly the type of dispute resolution service provider shopping that was criticized in these articles.

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[65] "Uniform Domain-Name Dispute-Resolution Policy," <http://www.icann.org/udrp/>

[66] "Fair.com: An Examination of Allegations of Systematic Unfairness in the ICANN UDRP," <http://aix1.uottawa.ca/%7Egeist/geistudrp.pdf> (2001).

[67] "Rough Justice : An Analysis of ICANN's Uniform Dispute Resolution Policy," <http://dcc.syr.edu/roughjustice.htm> (2000).

[68] Kieran McCarthy "Why ICANN's Domain Dispute Rules are Flawed," < http://www.theregister.co.uk/content/6/20304.html>; <http://www.domainshame.com/>.

The leading case in the United States on the UDRP is *Parisi v. Netlearning, Inc.*, 139 F.Supp.2d 745 (E.D.Va.2001). Parisi had registered the domain name "netlearning.com" before the creation of Netlearning, Inc. Netlearning, Inc. brought and won a claim for the domain name under the UDRP. Parisi immediately brought suit to prevent the UDRP decision from going into effect. Netlearning, which had an extremely weak case on the merits, since its business was founded after Parisi had registered "netlearning.com", moved to dismiss on the basis that the UDRP decision was an arbitration award, and so should be enforced under the Federal Arbitration Act without an inquiry into the merits of the decision. The court held that UDRP decisions are not arbitration awards and went ahead to decide for Parisi. However, only a small number of losing parties are challenging UDRP decisions in the United States courts.[69]

CONCLUSIONS

The sad conclusion of this paper is that the privatization of ".us" is following the pattern of development of intellectual property in the United States in recent years--that of giving away the public domain free of charge to private interests. The loss to the public is less in amount than the worst recent giveaway--that which added a windfall 20 years of protection to existing copyrights.[70] Nevertheless it could be substantial. The stock market valued Network Solutions' monopoly control of ".com" as worth many billions of dollars.[71] It is not likely that the United States taxpayers will receive a penny in the giveaway of the second level domain names. Since there is no chance that the government will allow the Contractor and registrars to run an auction and keep the proceeds, they may try to get the benefits of an auction indirectly, by running a lottery. But before doing so, they will seek to have the government confer immunity from Federal and state lottery laws, in view of the litigation with respect to ".biz". If they cannot get approval for a lottery, they may use either a pure first-come, first-served system or a system of random drawing with one entry per registered trademark during the sunrise period followed by a first-come, first-served system.

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[69] <http://www.udrplaw.net/UDRPappeals.htm>.

[70] <http://www.law.asu.edu/HomePages/Karjala/OpposingCopyrightExtension/default.htm>.

[71] John Geralds, "VeriSign shares plummet after NSI takeover," <http://www.vnunet.com/News/600297>.