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David Franklyn

Golden Gate University School of Law, dfranklyn@ggu.edu

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ARTICLES

OWNING WORDS IN CYBERSPACE: THE ACCIDENTAL TRADEMARK REGIME

DAVID J. FRANKLYN*

INTRODUCTION

The Internet is facilitating a new attitude toward word ownership that will spill over into American trademark law and eventually erode its core conceptual boundaries. This Article argues that the Internet domain name system is fostering a much more pro-property view of word ownership than currently exists under trademark law, and that this new attitude will not be easily quelled. The Internet readily embraces the idea of language as a commodity. Words on-line are not much different than pork bellies. Both commodities can be bought, sold, stored and swapped with ease. The domain name business.com was recently sold for \$7.5 million, wine.com fetched \$3 million, and wallstreet.com \$1.03 million.¹ GreatDomains.com, a popular on-line auction house, lists thousands of words for sale on its web site and reports scores of daily transactions.²

None of this is permitted under trademark law. Trademark law does not permit the sale of words and has historically been relatively stingy in doling out property rights in words. Trademark law is an offshoot of tort law, and while it has been expanded beyond its tort law roots in several important respects, it still retains its basic tort law character.³ Trademark law seeks to protect business owners from third parties who attempt to interfere with established business reputation.⁴ It

* Associate Professor of Law; Executive Director of the McCarthy Institute for Intellectual Property and Technology Law; and Director of the Intellectual Property and Technology Law LL.M. Program at the University of San Francisco School of Law. B.A. 1983, Evangel College; J.D. 1990, University of Michigan Law School. For reading prior drafts of this Article, providing fresh insights, and arguing with me over its contents, I am especially grateful to J. Thomas McCarthy, Graeme Dinwoodie, Joshua P. Davis, Frederick Tung, Joshua Rosenberg, and Susan Freiwald. All errors and omissions, of course, are mine.

1. Andrew Pollack, *What's in a Cybername? \$7.5 Million for the Right Address*, N.Y. TIMES, Dec. 1, 1999, at C8.

2. GreatDomains.com, at <http://www.greatdomains.com> (last visited Apr. 16, 2001).

3. See, e.g., 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:14 (4th ed. 1996) (rev. 2001).

4. See *id.* §§ 2:19-:20.

continues to erect substantial barriers to the commodification of language by withholding exclusion rights until a word is actually used to sell goods in commerce,⁵ by limiting the scope of rights that attach to trademark ownership,⁶ and by imposing restrictions on the alienability of marks.⁷ American trademark law is explicitly designed to preclude an independent “market in marks.” Language *qua* language is not for sale.

To be sure, trademark law even in the off-line world is becoming more propertized. By propertized, I mean the tendency of law to respect an individual’s claim that a word is exclusively “hers” in a broad range of situations and enforce her attempts to transfer her ownership interest in that word to others as an independent and divisible article of trade.⁸ That courts have expanded exclusivity rights in favor of mark owners and gradually loosened restrictions on alienation is illustrative of the fact that trademark law has become increasingly propertized.⁹ Thus, we have seen more expansive approaches to trade address protection which is illustrated by: a more generous application of the “likelihood of confusion” test; a proliferation of intent to use trademark applications; more robust anti-dilution protection; and judicial softening of the assignment in gross prohibition.¹⁰

But the domain name system accelerates this propertization process in much more dramatic ways than courts could ever accomplish under existing trademark rules. The Internet confers word ownership rights with abandon. People are able to lock up potentially valuable domain names for future use with little effort. For a relatively minor investment, worldwide exclusivity in an on-line mark can be ensured.

Domain names became such valuable commodities in part because they are not encumbered by limitations that apply to off-line trademarks. Unlike trademarks under American law, domain names can be acquired

5. *See id.* §§ 3:3, 16:27-:32.

6. *Id.* § 2:14.

7. *Id.*

8. This definition assumes, as have most property theorists, that exclusivity and alienability are both inherent in the notion of “property.” *See, e.g.,* JOHN STUART MILL, PRINCIPLES OF POLITICAL ECONOMY 218 (W.J. Ashley ed., Longmans, Green, & Co. 1909) (1848). *But see* Margaret Jane Radin, *Market-Inalienability*, 100 HARV. L. REV. 1849 (1987) (arguing that inalienability is not always a necessary component of property). Whether alienability is a necessary component of property is not the main issue I address here. Even if one can have property without alienability, it still seems true to hold that unrestricted alienability facilitates the full commodification of a good.

9. *See generally* Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367 (1999).

10. *See id.* (describing and critiquing the gradual modification of trademark law from a tort-based system to a more robust property regime).

through mere registration.¹¹ There is no use requirement as a prerequisite to establishing exclusivity for a domain name. Exclusivity arises on-line because, for the Internet to function effectively, only one person can use a given domain name, and as to that name, exclusivity is absolute.¹² Trademark exclusivity, by contrast, is always conditional on a showing of actual use in commerce, and even then extends only so far as is necessary to prevent consumer confusion, or in some instances, to prevent dilution of a mark as a selling tool.¹³

Domain names can be sold as independent commodities, whereas trademarks can be sold only appurtenant to the goodwill they represent. Generic words—like the word “loans”—are ineligible for trademark protection; but generic domain names are frequently used as source indicators on-line with a built-in form of exclusivity.¹⁴ Domain name exclusivity, moreover, is international. Trademark rights exist only on a national basis. The relative ease with which domain names are acquired, coupled with their unconditional exclusivity and free alienability, permits the commodification of words on-line in a way that trademark law historically has not allowed.

As this novel form of word ownership expands, the domain name system is quickly becoming a rival trademark regime that coexists in an uneasy tension with traditional trademark law. Each system is affecting the other as they twist toward the same apparent end: the further commodification of language.

The domain name system may impact trademark law in two distinct ways. First, the domain name system, in its robust approach to word ownership, is putting pressure on the core conceptual boundaries of trademark law. The domain name system can be seen as a giant petri dish, an experiment of sorts, in which new life forms are growing. On-line structures and practices are creating new norms—new customs—that may be quite different from the customs that gave rise to trademark law. It has been said that law follows custom, not the other way around.¹⁵ This may be an apt description of the effects of developing cybernorms on traditional trademark law.

Second, the domain name system may generate a valuable body of empirical data to evaluate certain critical assumptions that underlie trademark law. Trademark law has long assumed, for example, that

11. Graeme B. Dinwoodie, *(National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. PA. J. INT’L ECON. L. 495, 499 (2000).

12. *Id.*

13. 1 MCCARTHY, *supra* note 3, § 2:14.

14. *See infra* Part II.D.

15. On the kinds of normative systems that nourish and are nourished by official law, see generally ROBERT C. ELLICKSON, *ORDER WITHOUT LAW: HOW NEIGHBORS SETTLE DISPUTES* (1991).

owning words in gross, separate and apart from the goodwill they represent, would have anti-competitive effects. Early cases and commentators referred to the threat of "trademark monopolies."¹⁶ Trademark law also refuses to extend exclusionary rights to generic words for fear that such rights could lead to monopolization of entire industries.¹⁷ One continues to see similar anti-commodification arguments advanced in contemporary trademark scholarship and in judicial opinions.¹⁸

It has been difficult to test these claims because there is a lack of hard empirical evidence, one way or the other, to show the likely effects of a trademark regime that grants more expansive rights. The Internet may provide such a body of evidence over time. It permits words to be owned in gross, to be sold apart from the goodwill they represent, and to be warehoused for future use. It also permits exclusivity to attach to generic words. Has free enterprise and fair competition suffered as a result? The answer may be forthcoming. In the process, the Internet may demonstrate that trademark law is based on certain assumptions that are no longer grounded in commercial reality.

But trademark law is also transforming the domain name system. There are important values embedded in trademark law, and in its limiting principles, that should be preserved on-line. Trademark law

16. See, e.g., FRANK I. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS* 141 (1925) ("The most dire consequences, such as fraudulent uses and sales of trade-marks and the creation of monopolies, it was prophesied, must ensue from the recognition of trademarks as property."); see also *Coca-Cola Co. v. J.G. Butler & Sons*, 229 F. 224, 232 (E.D. Ark. 1916) ("The trademark laws, like the patent laws, give the owner a monopoly which neither the Sherman Act nor any other act of Congress forbids."); EDWARD CHAMBERLIN, *THE THEORY OF MONOPOLISTIC COMPETITION* 57 (1933); RICHARD T. ELY, *MONOPOLIES AND TRUSTS* 43 (1973); THORSTEIN VEBLEN, *THE THEORY OF BUSINESS ENTERPRISE* 55 (1904); Ralph S. Brown, Jr., *Advertising and the Public Interest*, 57 *YALE L.J.* 1165, 1206 (1948); Lunney, *supra* note 9, at 373; Sigmund Timberg, *Trade-marks, Monopoly, and the Restraint of Competition*, 14 *LAW & CONTEMP. PROBS.* 323, 324 (1949).

17. See, e.g., 2 MCCARTHY, *supra* note 3, § 12:2 ("To grant an exclusive right to one firm of use of the generic name of a product would be equivalent to creating a monopoly in that particular product, something that the trademark laws were never intended to accomplish."); see also Ralph H. Folsom & Larry L. Teply, *Trademarked Generic Words*, 89 *YALE L.J.* 1323, 1340-42 (1980).

18. See, e.g., Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 *YALE L.J.* 1687, 1714 (1999); Lunney, *supra* note 9, at 372. Justice O'Connor recently articulated the anti-property view of trademarks in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989):

The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting *consumers* from confusion as to source. While that concern may result in the creation of "quasi-property rights" in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.

evolved slowly over a number of years. It attempts to protect business reputation and to ensure that consumers can adequately distinguish between different producers' goods in an impersonal, mass-produced market place. The domain name system, by contrast, is relatively new on the scene and was originally fashioned as an Internet addressing system, not as an alternative trademark regime. It became a rival trademark regime primarily because of the unique structure of on-line exclusivity and because of the lack of restrictions upon alienability. It has not had much time to assimilate to traditional trademark values, and it is not likely to do so on its own. Increasingly, however, the domain name system is coming under pressure to incorporate values and limitations embedded in traditional trademark law.

The domain name system presents challenges to trademark law that are unique—in both kind and degree—and that promise to have long lasting effects. Because the domain name system is essentially non-legal in character and international in scope, it is not subject to the dictates of any particular legal sovereign.¹⁹ Conformity with trademark law is further frustrated by the fact that the domain name system was initially developed without any thought of its potential effects on trademark rights or traditional trademark regimes. All of these factors render it particularly difficult to control as a cultural force.

The remainder of this Article is divided into five parts. Part I briefly describes the development of trademark law as a property regime and outlines the property debate as it has unfolded in trademark scholarship. Part II describes the migration of the domain name system from a mere addressing mechanism to a shadow trademark system. Part III discusses five ways in which the domain name system diverges from traditional trademark law and considers the implications of such divergence. Part IV considers whether the domain name system is properly regarded as a property regime at all and examines whether it will be possible to limit that system's influence on trademark norms. Part V offers some concluding observations.

19. For interesting discussions of the political legitimacy of the Internet Corporation of Assigned Names and Numbers ("ICANN") and issues regarding its control over the domain name system, see, for example, Margaret Jane Radin & R. Polk Wagner, *The Myth of Private Ordering: Rediscovering Legal Realism in Cyberspace*, 73 CHI.-KENT L. REV. 1295 (1998) and Joseph P. Liu, *Legitimacy and Authority in Internet Coordination: A Domain Name Case Study*, 74 IND. L.J. 587 (1999) (discussing history of domain name system and proposals for reform).

I. TRADEMARK LAW

Trademark law, in the Anglo-American tradition, is an offshoot of the common law tort of passing off.²⁰ At early common law, cases emerged in which merchant A sued merchant B for passing off his goods as those of merchant A.²¹ The cause of action might be thought of as a type of commercial impersonation.²² B pretended he was A to siphon off A's customers. As a result, A lost sales. At first, courts required A to show that the impersonation was intentional; that is, that B intentionally deceived consumers into believing that he was A.²³ Mere similarity of names or trademarks was not sufficient to create liability. Moreover, A had to prove he actually lost sales as a result of B's actions. Thus, like other tort-based causes of action, there were elements of wrongdoing, causation, and injury. The gist of the action was that B tortiously interfered with the business relationship between A and its consumers.

Gradually, courts liberalized the cause of action so that A need not prove intent.²⁴ The mental state of the defendant could be difficult to establish.²⁵ Therefore, courts came to focus on the effects of the defendant's actions instead. If they had the effect of deceiving consumers, B could be liable.²⁶ And over time, the focus on customer deception, as such, gave way to a focus on customer confusion: courts required plaintiffs to prove only that consumers were confused about whether A was the source of B's goods.²⁷ Indeed, as merchants clamored for even more protection, courts eased the causation requirement and permitted a claim where there was merely a *likelihood* of consumer confusion as to source.²⁸

20. See, e.g., 1 MCCARTHY, *supra* note 3, § 5:2 ("Beginning in about 1803, English and American common law slowly developed an offshoot of the tort of fraud and deceit and called it "passing off" or "palming off."").

21. *Id.*

22. See, e.g., *Perry v. Truefitt*, 6 Beav. 66, 73, 49 Eng. Reprint 749, 752 (1842) ("A man is not to sell his own goods under the pretence that they are the goods of another . . .").

23. 1 MCCARTHY, *supra* note 3, § 5:2 ("In nineteenth century cases, trademark infringement embodied much of the elements of fraud and deceit from which trademark protection developed. That is, the element of fraudulent intent was emphasized over the objective facts of consumer confusion.").

24. *Id.* ("By the early twentieth century, the fraudulent aspects of passing off were gradually deemphasized and emphasis was placed on the effect of confusingly similar marks on buyers, rather than upon the intent of the infringer.").

25. See *id.*

26. *Id.*

27. *Id.*

28. *Id.*

By and large, relief was still limited to situations where A and B were competitors.²⁹ If B was not a competitor of A, one could not presume damages merely because manufacturers placed similar sounding or similar looking marks on non-competing products.³⁰ This limitation also came under pressure. Eventually, merchants pressed courts to extend the cause of action to defendants who had used confusingly similar marks in “related” industries.³¹ Courts reacted to this pressure in different ways. Some readily allowed such suits.³² Others were more cautious.³³

In the early 1900s, as the Industrial Revolution was gaining momentum, some questioned the ability of trademark law to meet changing commercial realities. Companies like Eastman Kodak could not be confident that the passing off doctrine would enable them to prevent others from using the Kodak mark to sell wholly unrelated goods like bananas or bicycles.³⁴ Indeed, some judges stretched the passing off concept far beyond its stated boundaries to find alleged infringers liable.³⁵

By the 1920s, some trademark scholars were arguing that trademark law was too rooted in its tort law past.³⁶ They argued that a more expansive, pro-property approach was needed to protect the legitimate, investment-backed expectations of merchants. Chief among the proponents of a pro-property approach was Frank Schechter, a New York attorney.³⁷ Schechter argued that the function of a trademark in the (then) new economy was not so much to indicate where the goods had come from as it was to create a psychological link between producers and consumers, and the link is what caused consumers to purchase the merchants’ goods.³⁸

29. *Id.* (“‘Unfair competition’ as embodying only ‘palming off’ situations was at one time argued to be a basis for not enjoining an infringer who used the mark upon goods not in competition with the prior user.”); *see also* *Borden Ice Cream Co. v. Borden’s Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912) (finding no infringement of Borden Milk by Borden Ice Cream).

30. *Borden Ice Cream*, 201 F. at 515.

31. *See* 4 MCCARTHY, *supra* note 3, § 24:2 (setting forth historical development of “related goods” doctrine).

32. *See id.*

33. *See id.*

34. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927).

35. *Id.*

36. *See id.* at 830-33.

37. *See id.*

38. *Id.* at 831.

Schechter claimed that the mark cemented the link and that it cost money to create such a linking device.³⁹ He urged courts and legislatures to recognize this phenomenon and to protect such investments by treating trademarks as a form of property.⁴⁰ The basic idea was that if trademarks were treated more like other forms of property, their owners could stop a greater variety of trespasses, even when they could not prevail under the likelihood of confusion doctrine. Schechter was especially critical of what he saw as judicial overreliance on the confusion test as an end in itself.⁴¹ He did not urge an end to that test, only that trademark law not be confined by it.⁴² Borrowing from German law, Schechter proposed that well-known or distinctive marks, in particular, receive protection from the type of harm we now call "dilution."⁴³

Schechter's paper provoked mixed reactions. Massachusetts became the first state to adopt an anti-dilution statute in 1947. Soon other states followed suit.⁴⁴ These statutes generally permit the owner of a "highly distinctive" or "famous" mark to prevent it from being used by second comers in different industries, and on different types of goods, if such use is likely to injure the first appropriator.⁴⁵ Injury, in this context, usually consists of showing that the mark has or will lose its selling power—it will be diminished as an advertising tool due to overcrowding in the market.⁴⁶ Alternatively, plaintiffs may recover if another's use of their mark "tarnishes" their image.⁴⁷

Despite the adoption of anti-dilution statutes by some states, the anti-property view remained firmly entrenched. Judges refused to enforce the new statutes literally, often requiring a showing of consumer confusion as a predicate to recovery.⁴⁸ In the academic community,

39. *Id.* at 830-33.

40. *Id.*

41. *See id.*

42. *See id.*

43. *Id.*

44. A list of state anti-dilution statutes can be found in RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 statutory note (1993).

45. See, for example, Oregon's anti-dilution statute, OR. REV. STAT. § 647.107 (1983).

46. See 4 MCCARTHY, *supra* note 3, §§ 24:77-:81.

47. *Id.*

48. For a general discussion of state courts' reluctance to apply state anti-dilution statutes strictly, see Beverly W. Pattishall, *The Dilution Rationale for Trademark—Trade Identity Protection, Its Progress and Prospects*, 71 NW. U. L. REV. 618 (1976). Some courts continued to require proof of consumer confusion, even though such proof was not required under the language of the applicable statute. See, e.g., *Girl Scouts v. Personality Posters Mfg. Co.*, 304 F. Supp. 1228, 1233 (S.D.N.Y. 1969). Others held that the anti-dilution statutes did not apply when the parties were in competition. See, e.g., *Edgewater Beach Apartments Corp. v. Edgewater Beach Mgmt. Co.*, 299 N.E.2d

Schechter's pro-property view met substantial resistance.⁴⁹ By the mid-1950s, a spirited debate was under way. Schechter, and others, continued to push for a more expansive approach to trademark protection.⁵⁰ Their main point was that marks functioned in new ways and that trademark holders' investments deserved enhanced protection.⁵¹

In response, other commentators contended that trademark law was not a property regime in the true sense of that term, and that it should not be pushed in that direction.⁵² One concern was that expansive trademark rights could lead to monopolies or otherwise make it difficult for new companies to enter markets where existing firms had very strong marks.⁵³ Another concern was that aggressive trademark protection reinforced manufacturers' abilities to manipulate consumer behavior.⁵⁴ When consumers buy goods primarily because of a trademark (and not because of product quality), they may act irrationally and in a manner that rewards clever advertisers instead of quality manufacturers.⁵⁵ It is one thing for advertisers in a free country to stimulate such irrational associations; it is another thing for the law to protect and encourage such behavior.

In the midst of this debate, the United States Congress adopted the Lanham Act, the federal trademark statute.⁵⁶ The Lanham Act provides for the registration of trademarks but specifically declines to grant

548, 554 (Ill. App. Ct. 1973). For a comprehensive treatment of the dilution cause of action at the state level, see Howard J. Shire, *Dilution Versus Deception—Are the State Antidilution Laws an Appropriate Alternative to the Law of Infringement?*, 77 TRADEMARK REP. 273 (1987).

49. See, e.g., Lunney, *supra* note 9, at 368-69.

50. See, e.g., Beverly W. Pattishall, *Trade-Marks and the Monopoly Phobia*, 50 MICH. L. REV. 967 (1952).

51. See *id.*

52. See, e.g., George E. Middleton, *Some Reflections on Dilution*, 42 TRADEMARK REP. 175, 178-79 (1952). The author stated:

The trade-mark owner complaining of dilution, like the dress designed [sic] deploring the copyist, is seeking some means for protecting property in an idea embodied in a catchy word, an original design; but under our Constitution this can be done, if at all, only by invoking the patent or copyright laws [T]rade-mark rights have nothing to do with property in ideas.

Id.

53. See *id.*

54. See, e.g., Brown, *supra* note 16, at 1168-69 (arguing that strong trademark protection for the persuasive or advertising functions of marks would be anti-competitive).

55. See *id.*

56. The current version of the Lanham Act is codified at 15 U.S.C. §§ 1051-1127 (1994 & Supp. V 2000).

exclusionary rights based on registration alone.⁵⁷ Instead, it hews closely to the old common law rule that only use creates trademark rights.⁵⁸ Registration confers a variety of benefits on the registrant and serves mainly as a way to notify the national population of who claims rights in a particular mark.⁵⁹

Since the Lanham Act's passage, changing commercial realities and new cultural attitudes have led to other expansions of trademark law: enlargement of the trade-dress concept; revision of the Lanham Act to extend liability to situations where consumers are confused not only as to the manufacturing source of goods, but also to situations where they perceive a possible affiliation or sponsorship relationship between similarly-branded goods; and a general judicial willingness to find defendants liable whenever they believe defendants are "free-riding" or "poaching" on plaintiffs' goodwill, even if the elements of plaintiffs' case have not been clearly established.⁶⁰

This gradual expansion of rights in favor of mark holders, or, at a minimum, the perception that such an expansion has occurred, has been referred to as the "propertization" of trademark law.⁶¹ It has engendered much recent scholarly comment, and, again, we see the argument that trademark law should return, as much as possible, to its tort law roots.⁶² These scholars argue that the recent expansions are too one-sided in favor of trademark holders and too insensitive to the need for a robust public domain. Echoing the mid-century anti-monopoly

57. See, e.g., Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 776 (1990)

[T]he Lanham Act was purportedly designed to do on a national level no more than the common law already did on the local level. So if the Senate Report is to be believed, the original idea was to do little more than create for registrants a Federal action for passing off.

Id.; see also 2 MCCARTHY, *supra* note 3, § 16:1 ("Apart from the concept of a constructive use, it is not registration, but only actual use of a designation as a mark that creates rights and priority over others.").

58. See Carter, *supra* note 57, at 777 (noting that the Lanham Act adopts an approach which "keeps Federal trademark law on the passing-off model: rights flow from the investment, the use in trade, that creates common law ownership"); see also 2 MCCARTHY, *supra* note 3, § 16:1 ("The United States, unlike many Civil Law nations, has a rule of priority that is based on first-to-use, not first-to-register.").

59. With the adoption of the intent-to-use provisions in 1988, federal registration may provide more than mere notice. It effectively permits the registrant to warehouse a mark for future use while establishing a particular product line. See 2 MCCARTHY, *supra* note 3, §§ 16:16-:17; see also Carter, *supra* note 57, at 778-81 (discussing theoretical problems with the intent-to-use option).

60. See, e.g., Lunney, *supra* note 9, at 373-444.

61. See, e.g., Lemley, *supra* note 18, at 1693-94; see also Radin & Wagner, *supra* note 19, at 1305 n.29.

62. See Lunney, *supra* note 9; see also Lemley, *supra* note 18.

concern, the claim has been raised, once again, that liberal trademark rights will lead to “trademark monopolies” and enable merchants to stifle competition.⁶³ On this view, a property-like approach to word ownership is dangerous to a free-market economy.⁶⁴ A serious attempt has been made to show that these dangers are real and substantial, and that they are playing out in various strands of trademark law.⁶⁵

The anti-property view is not limited to scholarly comment. It continues to surface in judicial decisions. One continues to see statements in judicial opinions to the effect that the primary purpose of trademark law is to protect consumers from source-confusion, and not to award property rights in words.⁶⁶ Any property rights created in words as a result of trademark law is incidental and unintended, on this view.⁶⁷ These decisions repeat the argument that a more pro-property approach to mark ownership is inconsistent with the rationales that underlie trademark law and with the balance struck by Congress when it drafted the Lanham Act.⁶⁸

Few recent scholars have defended the pro-property approach or the perceived expansion of rights in favor of mark holders.⁶⁹ One wonders why such a defense has not been more forthcoming. It is not immediately clear that the propertization process is necessarily a negative development. Indeed, one could make a fairly compelling argument that a more liberal attitude toward language ownership fuels investment.⁷⁰ When words are ownable and become articles of

63. Lemley, *supra* note 18; Lunney, *supra* note 9.

64. See, e.g., Lunney, *supra* note 9.

65. See *id.*; see also Milton W. Handler, *Are the State Antidilution Laws Compatible with the National Protection of Trademarks?*, 75 TRADEMARK REP. 269 (1985); Lemley, *supra* note 18; Kenneth L. Port, *The “Unnatural” Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433 (1994).

66. See, e.g., *Bonito Boats*, 489 U.S. at 157 (“While [trademark law] may result in the creation of ‘quasi-property rights’ in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.”).

67. *Id.*; see also *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 633 F.2d 912, 919 (9th Cir. 1980) (“A trademark owner has a property right only insofar as is necessary to prevent customer confusion as to who produced the goods and to facilitate differentiation of the trademark owner’s goods.”); *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368 (5th Cir. 1977) (finding “property” in a trademark is defined by likelihood of confusion only).

68. See cases cited *supra* notes 66-67.

69. There has been some defense of federal anti-dilution protection specifically. See, e.g., Jerome Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108 (1993); see also Kimbley L. Muller, *A Position of Advocacy in Support of Adoption of a Preemptive Federal Antidilution Statute*, 83 TRADEMARK REP. 175 (1993).

70. Private property, it has been argued, enables owners to exploit the full value of their individual investments, and thereby “encourag[es] everyone to put time and

commerce, there is more commerce. More commerce may mean more wealth for everyone. Indeed, the commodification of language could be viewed as but a subset of a larger cultural phenomenon: the commodification of everything.⁷¹ We might think of it as the acceleration of privatization generally.⁷² People seem to like to own things. Language is no exception. Why should such ownership impulses be stifled absent clear proof of injury to the social fabric?⁷³

One could also argue that a more property-oriented approach to trademark law could provide us with firmer conceptual boundaries. Much of trademark law is indeterminate.⁷⁴ The likelihood of confusion test and the anti-dilution doctrines are highly fluid concepts that yield unpredictable results.⁷⁵ One need only look at the line of cases dealing with the "related goods" doctrine to see just how inconsistent trademark law can be.⁷⁶ Perhaps less reliance on tort-like concepts, and more

labor into the development of resources." Carol Rose, *The Comedy of the Commons: Custom, Commerce, and Inherently Public Property*, 53 U. CHI. L. REV. 711 (1986); see also RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 28-29 (2d ed. 1977) (arguing that private property is an inducement to good management and the development of resources). For an older statement on the benefits of commodification, see 2 WILLIAM BLACKSTONE, *COMMENTARIES* *15 (endorsing "that wise and orderly maxim, of assigning to every thing capable of ownership a legal and determinate owner").

71. For a provocative discussion of "universal commodification," see Radin, *supra* note 8, at 1859.

72. See *id.*

73. See JOSEPH K. ANGELL, *TREATISE ON THE RIGHT OF PROPERTY IN TIDE WATERS AND IN THE SOIL AND SHORES THEREOF* 17 (1826) (arguing that all things capable of ownership should be assigned an owner, with those things incapable of exclusive ownership being assigned to the sovereign). A modern statement of this idea can be found in Bruce Yandle, *Resource Economics: A Property Rights Perspective*, 5 J. ENERGY L. & POL'Y 1 (1983) (citing the natural progression toward individual ownership of even scarce resources). For a contrary view, arguing that private property should not be *presumed* to be the most efficient or socially desirable form of resource management, see Duncan Kennedy & Frank Michelman, *Are Property and Contract Efficient?*, 8 HOFSTRA L. REV. 711 (1980).

74. For an interesting analysis of indeterminacy in trademark law, see generally Carter, *supra* note 57 (arguing that the lack of clear and consistent conceptual boundaries in trademark law enables trademark owners to sell what does not exist).

75. For a comprehensive overview of the ambiguities inherent in the likelihood of confusion test, see, for example, Michael J. Allen, *Who Must Be Confused and When?: The Scope of Confusion Actionable Under Federal Trademark Law*, 81 TRADEMARK REP. 209 (1991). For criticisms of the dilution cause of action, see, for example, Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122 (1993). See also Port, *supra* note 65.

76. See, e.g., 4 MCCARTHY, *supra* note 3, §§ 24:61-62 (citing contradictory examples of instances where goods were found to be related or unrelated).

explicit reliance on a property scheme, would lead to more stable boundaries and greater predictability in this area of law.⁷⁷

My point here is not necessarily to defend the new propretization of words—either in real space or in cyberspace. Rather, I wish to show how the Internet domain name system operates as a sort of foil to test the assumptions that underlie the anti-property view. Propertization is much more robust on-line than off. Words are clearly articles of commerce on the Internet in ways that far exceed developments in real space. The Internet thus furnishes us with a mechanism to evaluate whether the commodification of language is a bad thing. It may help us consider whether such developments have produced, or are likely to produce, the type of anti-competitive consequences some have feared.

II. THE DOMAIN NAME SYSTEM

Domain names originally were conceived as on-line addresses, that is, as a technological means by which one computer could locate another computer on the worldwide web.⁷⁸ They continue to perform that function. Every domain name has three parts.⁷⁹ The component at the end of the name (which might be thought of as a suffix) consists of either a generic top-level domain name (“TLD”) or a country code.⁸⁰ Currently there are eight generic TLDs (.com, .edu, .net, .org, .gov, .mil, .int, and .arpa).⁸¹ The Internet Corporation for Assigned Names and Numbers (“ICANN”) has indicated its intent to add seven more TLDs in the near future.⁸² The proposed new names are: .aero, .biz, .coop, .info, .museum, .name, and .pro.⁸³ Additionally, every country

77. Of course, in some situations, unclear boundaries may be preferable to clear boundaries. See, e.g., Dan L. Burk, *Muddy Rules for Cyberspace*, 21 CARDOZO L. REV. 121 (1999).

78. For a discussion of the history of the domain name system and proposals for reform, see generally Liu, *supra* note 19. ICANN’s role in setting domain name policy is discussed at length in A. Michael Froomkin, *Wrong Turn in Cyberspace: Using ICANN to Route Around the APA and the Constitution*, 50 DUKE L.J. 17 (2000).

79. For a description of the top-level domain structure, see Memorandum from Jon Postel, USC/Information Sciences Institute, to the Internet Community, Request for Comments: 1591: Domain Name System Structure and Delegation 1 (March 1994), at <http://www.isi.edu/in-notes/rfc1591.txt>.

80. See Froomkin, *supra* note 78, at 40.

81. *Id.* (noting that only three of the generic TLDs are open to anyone who is willing to pay the registration fee (.com, .net, and .org); the remaining generic TLDs are restricted on various grounds); see also <http://www.icann.org> (last visited Sept. 20, 2001).

82. <http://www.icann.org> (last visited Sept. 20, 2001).

83. *Id.*

has a country code, such as .uk for the United Kingdom or .us for the United States.⁸⁴ There are 244 two-letter country code TLDs.⁸⁵

Every domain name also has a second-level component that appears immediately to the left of the top-level component.⁸⁶ Second-level components vary considerably, but can be no longer than twenty-two digits and cannot be the same as any other name that currently is registered within a particular TLD or country code. Within each top-level domain name, there can be only one second-level name. This "rule" is merely the logical result of a naming system that requires unique names to function properly: if there were two identical second-level names within any top-level domain, computers would not know where to send information.⁸⁷

Accreditation of domain name registrars is performed by ICANN.⁸⁸ ICANN is a private, not-for-profit entity.⁸⁹ It is not an official government agency. ICANN subcontracts out domain name registration responsibility to various independent registrars.⁹⁰ Different registrars handle the registration of domain names within the generic TLDs and within the various country codes. Registrars contractually agree with ICANN to follow ICANN's policies and procedures and to abide by its uniform dispute resolution policy.⁹¹

Domain names are registered on a first-come, first-served basis.⁹² The only screening process, during the initial application phase, is whether the name has already been registered in that particular domain.⁹³ If it has been registered, it is deemed ineligible for further registration.⁹⁴ Domain names are not allocated by national governments.⁹⁵

The domain name system began as a mere on-line addressing mechanism, so that computers could locate each other on the worldwide web. Domain names could have been purely numeric, in which case

84. Froomkin, *supra* note 78, at 39-40.

85. *Id.* (noting that there is some controversy over the fact that not every country has sovereignty over the TLD associated with its territory).

86. *Id.* at 39.

87. *Id.* at 41.

88. *Id.* at 70-82.

89. *See* Management of Internet Names and Addresses, 63 Fed. Reg. 31,741 (June 10, 1998). *But see* Froomkin, *supra* note 78, at 70 (arguing that ICANN, while technically private, is beholden to, and controlled by, the United States Department of Commerce in a number of respects).

90. *See* Memorandum from Jon Postel, *supra* note 79, at 2.

91. Froomkin, *supra* note 78, at 25.

92. *Id.*

93. *Id.*

94. *Id.*

95. *See* Liu, *supra* note 19, at 593.

there would have been little potential for conflict with trademark law. But it was determined early on that alphabetical names were easier to remember.⁹⁶

In part because domain names permit the use of alphabetical components, it quickly became much more than a mere addressing mechanism. Beginning in the 1990s, merchants began to see its potential as a commercial naming system akin to, but in some ways more potent than, traditional trademark regimes. Particularly within the lucrative dot-com realm, domain names became potentially valuable source locators for on-line goods or services.⁹⁷ An easily-remembered domain name held advantages similar to easily-remembered trademarks.

One might say that domain names became trademarks-plus. A domain name could be registered as a trademark and acquire the full panoply of rights that registration confers. But it could also acquire another, distinct set of rights that arise by virtue of the structure of the domain name system and the lack of legal rules limiting domain name ownership, arbitration, or usage.

Domain names differ from trademarks in several ways, which, when taken together, make them exceedingly valuable commodities—in some instances more valuable than regular trademarks. Under the domain name system, word rights are acquired through the simple act of registration. This is different than American trademark law, where legal exclusivity is acquired only through actual use of the mark in commerce. Once a person registers a domain name, she acquires a type of exclusivity that in some senses is stronger than trademark exclusivity. Domain name exclusivity arises because only one person can own and use a particular domain name.

This simple fact has far-reaching consequences. It ensures its owner, wholly apart from law, an absolute right in a piece of language. Trademark law never grants such rights. Unlike trademarks, domain names can be owned “in gross”; that is, as things in and of themselves. Trademarks, by contrast, can only be owned in connection with a going concern, and when trademarks are assigned, the goodwill attached to them must travel with the mark. This represents a substantial restraint on alienation that does not constrict domain name transfers. The result has been the creation of an independent market in language that could not exist under American trademark law.

Domain names also acquire the same bundle of rights regardless of whether they incorporate generic, common descriptive, or invented words. This too is different than trademark law. Generic words cannot be trademarks at all off-line, common descriptive words get relatively

96. Froomkin, *supra* note 78, at 38.

97. *See id.* at 59-60.

weak protection, and invented words are singled out for favored treatment.⁹⁸ None of these distinctions apply to domain names.

Finally, domain names quickly became attractive as commercial identifiers because they are global in scope. Only one person in the world can own a given domain name. Trademark rights, by contrast, are only national in scope. Multiple persons can own exactly the same trademark in different countries without obtaining permission from the first user. The possibility of attaining broad exclusivity rights with few restraints on alienation combined to make domain names especially attractive pieces of on-line property.

III. POINTS OF DIVERGENCE

In this section, I explore how various aspects of the domain name system facilitated the commodification of language on-line and how such commodification may impact the conceptual boundaries of trademark law. In particular, I focus on (a) differences in the mode in which property rights are acquired; (b) the scope of exclusivity that each system affords; (c) divergent approaches to alienability rights; (d) how the systems differ in regard to descriptive and generic words; and (e) the geographic scope of rights. At each juncture, I consider how such differences might impact trademark regimes in the future and, conversely, how the domain name system may come under increasing pressure to conform to trademark law.

A. Acquisition Rights

American trademark law has long followed the principle that one cannot acquire exclusive rights in a word or other symbol until one actually uses it in trade.⁹⁹ The idea is that one only "owns" the right to use the word as a link to the goodwill one has developed in an on-going concern.¹⁰⁰ Until there is use, there is no goodwill to protect and no concern about consumer confusion. Under American trademark law,

98. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir. 1976). For a comprehensive overview of the distinctiveness spectrum in trademark law, see 2 MCCARTHY, *supra* note 3, §§ 11:1-91.

99. See 2 MCCARTHY, *supra* note 3, § 16:1 ("The way to obtain rights in a business symbol is to actually *use* it as a mark.").

100. See, for example, Justice Pitney's famous comment in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916):

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

one cannot own a word in gross, i.e., as a thing separate and apart from the goodwill it represents.¹⁰¹

Use thus acts as a sort of conceptual boundary, a way to mark off and limit what one owns and what one does not. The common law rule might be stated as follows: one only owns a mark insofar as one has actually used it in connection with a certain line of goods and in a certain geographical area.¹⁰² Such use does not create absolute property rights in the word at issue. One only “owns” the right to exclude confusingly similar uses of the mark by others.¹⁰³

For example, assume company X uses the word LION to sell bed sheets in New York and does not register the mark on the federal trademark registry. X owns the LION mark only in connection with sheets, only in the New York region, and even then only to the extent necessary to prevent consumer confusion. If a competitor can think of a way to distinguish its use of LION or some similar mark from company X’s use of the same mark, company X will not be able to prevent the competitor’s use of that mark. Relying solely on the likelihood of confusion test, X will not be able to stop a different company from using the word LION as a mark for wholly unrelated goods, such as bicycles (putting aside for the moment the anti-dilution statutes). Thus, under common law principles, X’s ownership interest in the word LION is quite limited; it is limited both by geographic and product markets. Use defines the scope of rights.

The use boundary is firmly established in American trademark law and affects many trademark doctrines. To be sure, the use boundary has been eroded in many respects that have nothing to do with domain names.¹⁰⁴ The nationwide priority right created by the registration system and the 1988 intent-to-use provisions have eroded the boundary to a certain extent.¹⁰⁵ And dilution law has gone even further in granting trademark owners rights to exclude unrelated goods—i.e., one can

101. 1 MCCARTHY, *supra* note 3, § 2:14 (“[B]ecause they are merely symbols of good will, trademarks must be transferred very carefully, lest the symbol and its good will go separate ways.”).

102. The common law rule has been modified somewhat by the 1988 intent-to-use provisions, which permit a registrant to reserve a mark for potential use (for a limited period of time) even though she has not yet used it in commerce. However, even under this provision, use is ultimately required. If such use is perfected within the allowable time frame, her use date relates back to the earlier date on which she filed her intent-to-use application. *See generally* 2 MCCARTHY, *supra* note 3, §§ 16:15–:18 (describing the intent-to-use application and the effects of constructive use priority).

103. *See, e.g.*, 1 MCCARTHY, *supra* note 3, § 2:14 (“[T]he ‘property’ in a trademark is the right to prevent confusion.”).

104. *See generally* Carter, *supra* note 57.

105. *See id.*

prevent uses of famous marks even in product markets where one has not used a given symbol as a mark.¹⁰⁶

But the domain name registration system presents a unique challenge to the use boundary. A measure of exclusivity exists on-line as soon as one registers a domain name. At that point in time, the registrant is the only person who can use that exact domain name as an on-line address or trademark. The scope of exclusivity that attaches will be discussed more fully below. But the point to observe here is that under the domain name system, the act of registration, not use, creates exclusionary rights. This is squarely at odds with American trademark law, where use, not registration, creates exclusive property interests.

Is this a conflict? One could say it is not, because the limited rights that arise by virtue of domain name registration are not the same as trademark rights. They are two different types of exclusivity rights operating in different spheres. For example, a domain name owner cannot prevent non-identical uses of its domain name on-line without relying on trademark law. The exclusivity that exists merely by virtue of the domain name system is limited and qualitatively different from the type of exclusivity that exists under trademark law. Domain name exclusivity only applies to the domain name *qua* domain name, whereas trademark exclusivity applies to the domain names *qua* trademark. Once a domain name is actually used in commerce as a source identifier, it should be subject to the same legal restraints that apply to off-line marks, including the limitations on use and alienation. Thus, one might contend that we should not be too worried about the different manner in which on-line exclusivity is acquired.

While these arguments have some intuitive appeal, they ultimately fail to account for the complexities of the situation. Registration as a divergent mode of rights acquisition is significant in two respects. First, domain names cannot be kept entirely separate from trademarks. It is true that a domain name does not become a trademark under the American system until it is used in commerce to identify goods. But domain names can be registered with the intent to use them as trademarks and warehoused for future use. In this pre-use period, traditional trademark restrictions do not apply, because they are not yet trademarks. Thus, they can be warehoused or sold in gross (i.e., as divisible commodities). And by their mere registration, they prevent trademark use by others. One might think of domain names during the

106. Cf. Lemley, *supra* note 18, at 1698 (noting that “[t]he most obvious example of doctrinal creep in trademark law is dilution”). *But see* Lunney, *supra* note 9, at 408 (arguing that prior to the widespread adoption of anti-dilution statutes, the likelihood of confusion standard had already expanded to cover many of the injuries dilution law sought to redress).

pre-use period as “trademarks-in-waiting.” During this period of time, they are essentially trademarks, and yet they evade trademark law. The mere fact that on-line trademarks can be reserved and stored in this manner means that the use boundary has already been eroded for such pre-mark marks.

Second, domain name exclusionary rights are still exclusionary rights, and domain name registration confers its own bundle of powerful property interests. From the merchant’s point of view, domain name exclusivity confers benefits wholly apart from trademark rights. This may be why some on-line owners and users of generic domain names are not terribly concerned about their inability to register their domain names as marks with the United States Patent and Trademark Office (“USPTO”). Even if such domain names are not considered trademarks, the merchant still obtains the right to exclude all uses of the same domain name—as a domain name—on-line. The domain name system thus confers its own type of trademark right through the mere act of domain name registration.

Whether these developments will eventually undermine the use boundary off-line, or will in any respect pressure the United States to adopt a first-to-file system, is difficult to predict. But it is clear that the on-line merchant enjoys certain advantages in reserving trademarks for potential use that the off-line merchant does not.

B. Exclusionary Rights

A second major area of difference is the scope of exclusivity that exists by virtue of trademark law and the scope of exclusivity that arises through the domain name system. Domain names acquire exclusivity in two distinct ways. First, they have a measure of exclusivity by virtue of the fact that only one person can own a given domain name. This type of exclusivity approaches an absolute right in a piece of language; it is narrowly confined to the exact domain name at issue, but as to that domain name, it is a very strong form of exclusive right. I shall call this bundle of rights “computer-generated exclusivity.”

Second, when domain names function as trademarks, they can also acquire the full bundle of exclusivity rights embedded in standard trademark law. Domain names do not always function as trademarks. Some function merely as on-line addresses. But, generally speaking, whenever a domain name is understood by the ordinary person to be the name for a source of goods, it is functioning as a trademark.

Computer-generated exclusivity is both deeper and narrower than the exclusivity afforded by trademark law. It is narrower, because it extends only to the exact domain name at issue. The domain name

owner must resort to trademark law to stop others from using similar, but not exact, replicas of its name, and to stop unfair acts off-line.

But within its sphere, this computer-generated exclusivity is much deeper and more absolute than the exclusivity offered by trademark law. As stated above, in a certain sense, the domain name holder owns what amounts to a fee simple absolute in a piece of language. Only one person in the entire world can use that piece of language to buy or sell goods on-line. It is much stronger than the typical trademark type of exclusivity, which, under American law, extends only to the use of the same or similar mark on the same or similar goods and even then can be invoked only to the extent necessary to prevent consumer confusion.

There is no on-line limit or boundary regarding the type of goods or services that may be used in connection with one's mark. Nor can others use that same mark to sell different types of goods or services, even where such concurrent use clearly would not harm the first user. For example, only one person can own united.com. By being first to register that domain name, an owner can effectively prevent others from using that exact address as a trademark with regard to all types of goods or services on-line.

This is a form of protection that is even broader than dilution law, which enables a trademark owner to extend her monopoly to different types of goods, but still requires proof that the defendant's use of the plaintiff's mark diminishes the selling power of the mark or tarnishes plaintiff's image.¹⁰⁷ The domain name right is much simpler and broader than this. It is unconditional and not in any way tied to a showing of harm. In this sense, it more closely resembles property rights in other contexts and is quite different from the tort-based protection one receives through trademark law.

Again one has to ask whether there is a conflict here. Why should on-line merchants obtain a type of right that off-line merchants may not? Will this computer-generated exclusivity ultimately make us more receptive to expansions of trademark rights off-line, to the further perpetuation of American trademark law? Does the absolutism of the domain name system threaten important values that underlie the more cautious and limited approach reflected in traditional trademark law?

Perhaps these questions can be put in a slightly more accessible context with a hypothetical. Assume American trademark law was changed such that only one person or company could have a trademark right in the word UNITED or AMERICAN or AMAZON or CHERRY, and that this right was absolute; that is, it extended across all geographic

107. See *supra* Part I (discussing evolution of dilution law); see also 4 MCCARTHY, *supra* note 3, §§ 24:68-:69.

and product boundaries and in no way depended on a showing of likely consumer confusion or dilution.¹⁰⁸

Would this be bad? In some ways it might be better than the current trademark system, which allows concurrent use of the same word as a mark for different types of goods. Because such concurrent use is allowed, mushy line-drawing becomes necessary as goods get more related. The likelihood of confusion test is not a model of clarity or predictability.¹⁰⁹ And while one might be able to resort to dilution protection to prevent uses of famous marks in non-related markets, dilution is also a very vague doctrine.¹¹⁰ It has saddled trademark law with problems. A bright-line rule declaring that only one entity or person could own a given word as a mark might be refreshingly clear compared with the indeterminacy of trademark law.

But if this is so, why has trademark law so steadfastly refused to grant such absolute rights in words? Perhaps one concern is that such an approach would lead to language depletion—if words could be fenced off in such absolute and sweeping ways, there might not be enough words left over for others to use to name their goods.¹¹¹ One can almost hear the echo of Locke and his admonition that “first to grab” is only a justification for exclusivity when one leaves “enough and as good” for others.¹¹² Is the domain name system sufficiently flexible to ensure that second-comers have “good enough” language to identify and address their on-line stores?

Perhaps the reluctance of trademark law to dispense any absolute exclusionary rights in words is based on a common-sense recognition that such rights would be unnecessary and thus wasteful in the off-line world. There is no need to permit only one company to trademark the word LION if others can also use it without detriment to consumers. The law wisely chooses to be cautious in doling out rights when it does not have to do so and when there may be negative consequences.

If caution is the rationale for trademark law, one could argue this value should also be recognized on-line. The domain name system is a

108. Authors Radin and Wagner refer to the growing pressure to grant trademark protection to particular words in all product categories as the “decompartmentalization” of trademark law. Radin & Wagner, *supra* note 19, at 1304-05. And they refer to the pressure to grant trademark protection on a global scale as the “unterritorialization” of trademark law. *Id.*

109. Allen, *supra* note 75.

110. Port, *supra* note 65, at 435.

111. *See, e.g.*, Carter, *supra* note 57, at 774-75 (arguing that while there may be an infinite number of words or combinations thereof for use as potential trademarks, in practice many merchants prefer suggestive marks because they describe a product and emphasize its favorable qualities; and suggestive marks may be limited in supply).

112. *See* JOHN LOCKE, THE SECOND TREATISE OF GOVERNMENT 20-21 (Thomas P. Peardon ed., Bobbs-Merrill Co. 1952) (1690).

human construct. The scarcity it creates can be uncreated. One simply has to redesign the system, or so it would seem. ICANN recently decided to add several new TLDs, apparently in an attempt to relieve perceived congestion within existing domains. Whether this step will be effective remains to be seen. But ICANN does not write on a blank slate. The cyberworld cannot be completely re-made at this point in time. Vested interests have arisen; consumer attitudes have been shaped. For at least the foreseeable future, the dot-com realm in particular will have special cachet that will be difficult to overcome.

Perhaps the reluctance of trademark law to grant absolute property rights in words is not based on profound philosophical concerns, but rather is a by-product of history, an outgrowth of the fact that trademark law sprung up as an off-shoot of tort law, not property law.¹¹³ Whatever the reason, the refusal to grant any unconditional rights in words is deeply embedded in trademark law and seems to be squarely at odds with the domain name system.

C. Alienability Rights

Let us now turn to alienability rights. In this section, I will first describe the ways in which trademark law has liberalized its approach to mark alienability, and then I will discuss the ways in which the domain name system may further accelerate this process. Finally, I will consider whether the fluidity of on-line language swapping threatens to undermine important values trademark law seeks to preserve in the off-line world.

1. TRADEMARK LAW'S ALIENABILITY RULES

Under American trademark law, marks in real space are owned only appurtenant to an on-going business and to the goodwill that that mark represents.¹¹⁴ Goodwill here may be defined roughly as the expectation of repeat patronage from one's customers.¹¹⁵ For this reason, one

113. Schechter, *supra* note 34, at 819-20 (discussing historical roots of trademark law).

114. 1 MCCARTHY, *supra* note 3, § 2:15 ("A trademark is a very peculiar kind of property. For it has no existence apart from the good will of the product or service it symbolizes."); *see also* United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918) ("There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed.").

115. For an early definition of goodwill in English law, *see Broad v. Jollyfe*, 79 Eng. Rep. 509 (1620). *See also* EDWARD S. ROGERS, GOOD WILL TRADE-MARKS AND UNFAIR TRADING 13 (1914) (defining goodwill as the favorable consideration shown by the purchasing public to goods known to emanate from a particular source). According

cannot assign a trademark to another unless one also transfers the goodwill it signifies.¹¹⁶ An attempt to assign a mark without also transferring its goodwill is considered an assignment in gross and is null and void.¹¹⁷ It passes nothing. This rule is based on the use boundary. One cannot sell what one does not own. One only owns the mark insofar as one has used it and developed some level of goodwill in it.

To be sure, the assignment in gross prohibition has weakened over the years.¹¹⁸ At early common law, one could not sell a trademark unless one also transferred the actual physical assets of the business in which it was used.¹¹⁹ This rule was designed to ensure that the assignor's goodwill (customers) went with the mark to the assignee.¹²⁰ It effectively prevented the assignor from easily remaining in the same business and retaining his existing customers.¹²¹ Retaining customers was cheating because one only owned the mark insofar as it created a link to the expectation of repeat patronage; the retention of customers meant one had sold one's mark in gross. And this, of course, was a violation of the use boundary.

Eventually, however, courts relaxed this rule, by redefining what it meant to transfer goodwill. No longer was it necessary to sell the physical assets of a going concern.¹²² Goodwill would be deemed to pass as long as there was some risk one's customers would travel with the mark.¹²³ And this risk could be presumed to exist if the assignee used the mark to sell the same type of goods that the assignor sold—and did so in the same geographical area.¹²⁴ In this way, assignment rules were softened to allow the assignor to stay in business, albeit under a different name, while still enabling him to sell his trademark if he so desired.¹²⁵

to Lord Eldon, goodwill is "the probability that the old customers will resort to the old place." *Bell v. Ellis*, 33 Cal. 620, 625 (1867).

116. 2 MCCARTHY, *supra* note 3, §§ 18:1-9; *see also* *Metro. Bank v. St. Louis Dispatch Co.*, 149 U.S. 436, 446 (1893) ("[Goodwill] is tangible only as an incident, as connected with a going concern or business having locality or name, and is not susceptible of being disposed of independently.").

117. 2 MCCARTHY, *supra* note 3, § 18:3.

118. Carter, *supra* note 57, at 785-87; *see also* 2 MCCARTHY, *supra* note 3, § 18:2.

119. *See generally* Lunney, *supra* note 9, at 410-16 (providing historical account of how the common law rule gradually softened).

120. *Id.* at 410.

121. *Id.* at 410-11.

122. *Id.* at 412-13.

123. *Id.* at 414-15.

124. *Id.*

125. *Id.* at 416.

Off-line alienability restrictions were further relaxed as trademark licensing rules changed. Trademark licensing may be defined as permitting another entity to use one's mark temporarily for a fee by way of a contractual relationship.¹²⁶ Initially, courts were quite resistant to the idea of trademark licensing.¹²⁷ There was a fear that consumers would assume the licensed goods were manufactured by the licensor—the trademark owner—and not by the licensee. Consumers could thus be defrauded into buying inferior goods.¹²⁸

But this fear too gave way to a more fluid approach to word ownership, as merchants called for greater flexibility in the use of their marks. With the rise of the Industrial Revolution, and the proliferation of different types of goods made under the same mark, it made sense to have a legal system that permitted trademark licensing. The rules were changed to meet new commercial realities. Under the modern approach, licensing is allowed if the licensor controls the quality of the licensee's goods.¹²⁹ This rule is designed to ensure that consumers are not fooled into buying goods of inferior quality.

The new approach to trademark licensing enables merchants to avoid many of the difficulties of the assignment in gross prohibition. Businesses can now license their marks to manufacturers in unrelated fields (often called "collateral licensing"),¹³⁰ even though they could not assign their marks to merchants in such fields. As long as they exercise some form of quality control, such collateral market licensing is permitted.¹³¹ The availability of collateral licensing takes much of the bite out of the assignment in gross rule.

2. LANGUAGE ARBITRAGE ON-LINE

While trademark law has expanded to meet merchants' demands for a more fluid word ownership system, it does not come close to offering the type of flexibility that exists on-line. The domain name system sidesteps the assignment in gross prohibition altogether. One can register a domain name, intending to use it as one's on-line trademark, save it for future use, and in the meantime sell it to someone else.

126. See, e.g., David J. Franklyn, *Toward a Coherent Theory of Strict Tort Liability for Trademark Licensors*, 72 S. CAL. L. REV. 1, 2 n.1 (1998) (defining trademark licensing).

127. *Id.* at 9.

128. *Id.*

129. *Id.*

130. *Id.*; see also Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603 (1984) (discussing consistency of collateral licensing with classical trademark theory).

131. Franklyn, *supra* note 126, at 9.

Hoarding is allowed. There are no time limits on warehousing; no requirement of use; no prohibitions on transfer or licensing. Market forces determine the value of a word. Law is not interposed as a barrier on alienability rights or practices.

This fluidity of language acquisition and transfer has created an independent language market in cyberspace. Words are bought and sold for huge sums of money. Business.com, loans.com, and other common descriptive domain names have sold for millions of dollars each.¹³² Domain names can be purchased either directly from registrars, where the fee to register is nominal, from other domain name owners, or from independent word warehouses, where they are more likely to fetch larger sums. Entire web sites exist for the sole purpose of facilitating on-line word auctions.¹³³

There is evidence that people like the new system of word ownership. Several web sites exist for the sole purpose of facilitating on-line auctions of domain names. Moreover, in the late 1990s, generic domain names fetched the highest prices.¹³⁴ Apparently investors believe that such words will make superior on-line trademarks, or they think other people will assume they do and thus pay larger sums for such words. Whatever the reasons might be for the interest in domain name ownership, it is clear that people have readily embraced the notion of words as freely exchangeable commodities.

These on-line developments are instructive, in part, because they show what happens when legal restraints on alienation are lifted. Domain names easily become subjects of property. As on-line commercial identifiers, they have obvious value. It is only natural that persons would see them as potential bundles of profit in a free market system. Their potential has been enhanced as e-commerce has flourished. With the addition of yet more TLDs, merchants will continue to be attracted to the potential rewards of warehousing easily-remembered and catchy business names for future use in the cyber marketplace.

How will on-line alienability practices affect traditional trademark law? Of course, answering such a question calls for speculation, and it is difficult to predict what may occur. But several possible effects seem worth noting. First, as language becomes more fluidly exchanged in cyberspace, people may become more accustomed to the notion that one

132. Pollack, *supra* note 1. See generally GreatDomains.com, at <http://www.greatdomains.com> (last visited Apr. 16, 2001).

133. See, e.g., GreatDomains.com, at <http://www.greatdomains.com> (last visited Apr. 16, 2001).

134. See, e.g., Xuan-Thao N. Nguyen, *Shifting the Paradigm in E-Commerce: Move Over Inherently Distinctive Trademarks—The E-Brand, I-Brand and Generic Domain Names Ascending to Power?*, 50 AM. U. L. REV. 937, 938-40, 947-58 (2001).

can own a word, and this attitude may spill over into traditional trademark law. The culture is being desensitized to word ownership taboos.

The fluid approach to on-line language swapping could eventually displace past attitudes that saw such arbitrage as a threat to competitive balance. It could further reduce the force of the assignment in gross doctrine in standard trademark law. Judges who apply trademark doctrines could be influenced by the new cultural attitudes toward word alienation as they are expressed on-line. This new attitude may lessen the vigilance with which they apply traditional doctrines. Given the malleability of those doctrines, it would not be difficult for judges to find a transfer of goodwill even if one does not actually exist.

Second, on-line language practices could affect the coherence of trademark law. Trademark law hangs together as a coherent body of legal doctrine only to the extent it adheres to the use boundary. The assignment in gross prohibition reinforces the use boundary. There is no doubt that the use boundary has already been eroded as the assignment rules have been relaxed, even in the off-line world. A further erosion of that boundary—due to cultural acceptance of a division between owning words and owning the goodwill they represent—may result in further incoherence in trademark law.

Third, on-line practices could also push American trademark law into conformity with the trademark laws of other countries, where marks can be assigned apart from the goodwill they represent.¹³⁵ As the world shrinks, the Internet could become a catalyst for American trademark law to come into harmony with the approach to trademark alienability that exists in most other countries.

Finally, alienability practices in cyberspace may provide us with a body of evidence to evaluate the validity of the rationales that underlie the assignment in gross prohibition. The assignment rules in trademark law were adopted to prevent what has been called a “market in marks” and the warehousing of language. Clearly we see such warehousing on-line. All of this is quite inconsistent with the philosophy underlying the assignment in gross prohibition. Indeed, the legislative history of the Lanham Act, the federal trademark statute, evidences a strong Congressional intent to avoid establishing a trademark system that facilitated a “market in marks.”¹³⁶ Presumably, the fear was that if language became detached from goodwill, such a market could occur,

135. Most other countries allow trademarks to be assigned in gross. See, e.g., 2 MCCARTHY, *supra* note 3, § 18:10 (“[T]he majority rule worldwide is that trademarks may be assigned without associated good will.”).

136. Carter, *supra* note 57, at 779 (noting a similar congressional sentiment prior to the adoption of the 1988 intent-to-use provisions).

with all sorts of untoward consequences: speculation in words, warehousing of words, and unnecessary costs ultimately shifted to consumers.

Some of these consequences are materializing on-line. People do speculate in words, and they store words for future use. There are two different types of possible harm associated with such practices. One possible harm is the act of speculation itself. The legislative history of the Lanham Act seems to reflect a legislative sense that speculation in words was an unseemly thing.¹³⁷ Words are uniquely our common heritage. They are little packets of meaning, constantly in flux, that we all make. To say that one word belongs to one person is an affront to the commonality of production and maintenance that language necessarily entails. And language cannot really be objectified. Unlike a particular parcel of land, to which one can point, language exists only in our collective consciousness. Its boundaries are not easily marked off. It is an ephemeral thing.¹³⁸ To permit ownership of it, in the full-blown property sense, seems a bit artificial. And to allow people to speculate in language—to swap it as freely as pork bellies—seems to cheapen it.

Another possible harm is scarcity. Warehousing words creates artificial scarcity. In the off-line world, multiple persons can use the same word to sell different types of goods or to sell the same type of product in different geographical areas. Such concurrent use rights ensure that there is enough language to go around. While language seems to be infinite (and it may be as a matter of theory), as a practical matter some words may function more easily as trademarks and thus be more desirable to would-be appropriators.¹³⁹

One reason a particular word makes a good trademark is because it is easy to remember. In the parlance of trademark law, we call these words inherently distinctive. Fanciful and arbitrary marks exhibit this characteristic. They encode themselves into our minds in ways that stick. One remembers the word KODAK for cameras, for example.

137. *Id.*

138. This thought was put nicely by Justice Oliver Wendell Holmes, Jr.: “A word is not a crystal, transparent and unchanged, it is the skin of a living thought and may vary greatly in color and content according to the circumstances and the time in which it is used.” *Towne v. Eisner*, 245 U.S. 418, 425 (1918).

139. Some market research indicates, for example, that suggestive marks frequently make superior selling tools, because they simultaneously describe a product and relate some positive feature concerning it. *See, e.g.*, Carter, *supra* note 57, at 769-72. Perhaps for this reason, Proctor & Gamble selected the mark “SWIFFER” as its trademark for a “swifter sweeper.” The closer the mark is to the product name, the less money producers need to spend to invest the mark with meaning as a memorable product link. But there are a limited number of suggestive marks to go with any particular product. In this context, language depletion may occur. Second-comers may be forced to spend more money to invest non-suggestive language with advertising significance.

There seems to be a great variety of words, or word combinations, that could achieve this type of association.

Other words are easy to recall because they parallel or evoke the generic name of a product. SWIFFER, for example, is the trademark for a new static-free mop marketed by Proctor & Gamble. It suggests “swifter” and “sweeper” and thereby lodges in the human memory bank. Proctor & Gamble chose it for this purpose. Loans.com also fits into this category. Both words are memorable because they suggest a relationship with the generic category of thing they describe.

As domain names are appropriated, there may be fewer memorable ones left over for everyone else. Indeed, given that only one person can use a given word or phrase as her domain name within a given realm, such as the dot-com realm, there is an artificial scarcity built into the domain name system. This fact, coupled with the fact that one can warehouse as many words as one desires for as long as one desires, certainly seems to drive up the potential for language hoarding. Whether creating new top-level domains can cure such hoarding remains to be seen. It is clear, however, that ICANN is concerned about current levels of congestion and language depletion that exist on-line, particularly within the coveted dot-com realm.

D. Levels of Protection

Trademark law provides different levels of protection depending on the type of word one seeks to appropriate. Judge Friendly laid out the relevant categories in his famous *Abercrombie* decision.¹⁴⁰ Made-up words, like “KODAK” as a mark for cameras, receive heightened protection, whereas common descriptive words, like “TASTEE” as a mark for salad dressing, receive very limited protection.¹⁴¹ Descriptive words must acquire “secondary meaning” as trademarks before they can be registered or protected under trademark law.¹⁴² A descriptive word acquires secondary meaning as a trademark, when, through advertising, a substantial segment of consumers see the word primarily as a mark in the context in which it is used.¹⁴³ Generic words are completely ineligible for trademark rights. In the off-line world, for example, the word “wine” cannot be a trademark for use in connection with the sale of wine. It is considered a generic word, a word that names the class of things it sells, and is thus off-limits for private appropriation.

140. See *supra* note 98 and accompanying text.

141. See 2 MCCARTHY, *supra* note 3, § 11:2.

142. *Id.*

143. *Id.*

The domain name system, by contrast, offers the same level of protection to all domain names, regardless of the type of word at issue. Fanciful terms are treated just like descriptive and generic words. All acquire the same bundle of computer-generated rights. One result of this cyber free-for-all is that generic domain names, such as wine.com are springing up everywhere.¹⁴⁴ And they are increasingly used in their generic sense, i.e., wine.com is used to sell wine on-line. The USPTO has taken the position that such domain names cannot be registered as trademarks.¹⁴⁵ But that has not stopped them from being used as trademarks on-line. Nor has it prevented their owners from enjoying the type of exclusivity that the domain name system provides.

One reason generic words cannot be owned in real space is because trademark law attempts to drive mark appropriators toward the selection of distinct marks for their businesses. Thus, arbitrary and fanciful marks are considered the strongest and eligible for the highest levels of protection. So long as marks are unusual and distinct, consumers are more apt to keep them separate. And this enables the trademark system to perform one of its central purposes: clear delineation of different manufacturers in an impersonal, mass-produced world.

It is not clear that trademark law truly achieves this objective; indeed, even in the off-line world there may be powerful economic incentives for merchants to choose descriptive or suggestive words as their trademarks.¹⁴⁶ But the law nevertheless continues to try to drive merchants in a different direction—toward the distinctive.

Generic domain names may threaten this objective. When the genus is ownable, and when it is perceived as a valuable mark/domain name on-line, others are likely to choose marks that are similar to the genus. And thus there is a proliferation of indistinct and highly similar marks around the genus. A quick check on-line reveals a clustering around most generic words. For example, in addition to wine.com, word speculators have already registered mywine.com, ourwine.com, winestore.com, and twenty-five other variations of the generic root word “wine.”¹⁴⁷

To be sure, would-be domain name owners may steer away from generic domain names because their status as trademarks in real space is in question, or, more importantly, because they may be too indistinct to

144. See Nguyen, *supra* note 134, at 947-58.

145. See OFFICE OF ASSISTANT COMM’R FOR TRADEMARKS, U.S. DEP’T OF COMMERCE, EXAMINATION GUIDE NO. 2-99: MARKS COMPOSED, IN WHOLE OR IN PART, OF DOMAIN NAMES (1999), available at <http://www.uspto.gov/web/offices/tac/notices/guide299.htm>.

146. Carter, *supra* note 57, at 769-71 (explaining why merchants may choose suggestive marks for business reasons).

147. Register.com, at <http://www.register.com> (last visited Apr. 16, 2001).

differentiate one's business, given the likely proliferation of other similar domain names. But against these downsides, merchants might weigh the possible advantages that come from linking one's domain name as closely as possible to the genus of goods one wants to sell. As we have already seen, generic domain names may be easier for consumers to remember. And some search engines may push generic domain names to the top of the list when consumers conduct on-line inquiries. Apparently, these possible advantages lead some merchants to choose generic domain names despite countervailing concerns.

But are consumers served by such developments? Are they consistent with the purposes and objectives of a rational trademark system? Are they consistent with the objectives of the trademark system we have? These are difficult questions to answer. In the long run, the lack of any system for doling out different levels of protection for domain names may lead to an abundance of common words used as on-line marks. And if this occurs, the on-line naming system may make it difficult for consumers to differentiate between producers.¹⁴⁸

We will have to see whether this occurs. As noted above, commercial realities may force merchants to choose highly distinctive domain names as on-line marks. And this, in turn, may show that a legal regime offering different levels of protection was not needed after all. It may turn out that the *Abercrombie* continuum was not bad, just unnecessary—at least insofar as it functions as an incentive to choose distinctive words as trademarks.

E. The Geographic Scope of Rights

A fundamental feature of trademark rights is that they exist only on a country-by-country basis.¹⁴⁹ The general rule is that different people in different countries can own exactly the same word as a mark for use on identical types of goods.¹⁵⁰ Smith can have trademark rights in the word LEAP for woman's clothing in the United States, whereas Jones can own that word in the United Kingdom for the same goods. There

148. Crowding may be disadvantageous for other reasons. In property theory generally, it has been noted that property regimes depend, in many contexts, on a sufficient degree of territorial distinction. One must be able to say "this is mine" and "stay away," and one must be able to enforce such territorial claims. See, e.g., RICHARD PIPES, *PROPERTY AND FREEDOM* 65-76 (1999) (noting that territorial possessiveness is instinctual in most animals, including humans).

149. 4 MCCARTHY, *supra* note 3, § 29:1.

150. *Id.*

are important exceptions and limitations to this rule, but they need not detain us at this moment.¹⁵¹

The Internet takes a different path. Domain names are global. The computer-generated exclusivity one acquires in a domain name is universal. Only one person in the world can own the domain name amazon.com and use it as his trademark on-line. It is, in a sense, a one-world mark. Again, the exclusivity I refer to exists not by virtue of law, but by virtue of the fact that only one person can own a given domain name in the entire world.

Indeed, one could view the domain name registration system as a type of universal, worldwide trademark registration protocol for on-line marks. To be sure, the rights acquired are limited and subject to attack under the trademark laws of any country where the on-line mark is used.¹⁵² Thus, rights may be contingent (in this sense) and remain in flux for some time. But surely the lure of such worldwide rights, combined with the fact that they span all product markets, has fueled the robust public interest in warehousing and trading domain names.

IV. ARE DOMAIN NAME RIGHTS PROPERTY RIGHTS?

Throughout the discussion thus far, I have assumed that domain names are a form of property, and that the domain name system can properly be characterized as a property regime. I have compared trademarks to domain names by conceptualizing both systems in explicit property terminology—i.e., discussing them in terms of acquisition, exclusionary, and alienability rights. One could argue, however, that domain names are not truly property and that the rights they confer should not be compared with other property interests. If so, it might be erroneous to view domain name developments as spurring the “propertization” of language.

There is some truth to that argument. Property in other contexts is backed by legal sanction. On one level, domain names do not fit that mold. Indeed, I have acknowledged that the computer-generated exclusivity that the domain name system facilitates is different than legal exclusivity. Much of what I have talked about arises from the technological accident that only one person can register and use a given domain name. Domain name rights might, on this view, be characterized as a set of emerging cultural norms. Customs and

151. Famous marks may be recognized in foreign countries pursuant to various international treaties. *Id.* § 29:61 (discussing the “famous marks” doctrine in international trademark law).

152. For an excellent discussion on the relationship between domain names and the territoriality principle, see generally Dinwoodie, *supra* note 11.

practices are developing on-line that resemble property transfers, but until they are legally enforced, it would be inaccurate to refer to this process as the propertization of language.

And yet, on another level, that is exactly what is occurring. While domain name exclusivity may not arise by virtue of law, it will ultimately acquire legal grounding.¹⁵³ As domain name owners swap their interests in on-line auctions, traditional contract law will be called on to enforce these deals. In this manner, computer-generated rights will be transformed into property rights.

Moreover, it is difficult to say that something that sells for \$7 million is not property. The combination of alienability and exclusivity rights (however those exclusivity rights are initially acquired) is the hallmark of property interests in other contexts.¹⁵⁴ In this instance, law and custom merge. Whether one characterizes on-line practices as extra-legal norms, as pre-legal custom, or law as structure, it is difficult not to see the emerging system as a property regime. To be sure, it is a privately administered property regime, but it is a property regime nonetheless.

On another level, it could be argued that even if domain names are a form of property, they do not pose unique challenges to trademark law. In particular, one might point to 1-800 numbers as an example of how trademark law ultimately accommodated—and controlled—a novel and technologically created form of exclusivity.¹⁵⁵

There are important parallels between domain names and telephone numbers. Each system operates as a locator mechanism, a way to find a particular entity. Domain names are used to locate computers on the Internet; telephone numbers are used to locate entities on the telephone system. Occasionally, people obtain alphabetic telephone numbers, such as 1-800-FLOWERS, and use them not merely as telephone numbers,

153. In the bankruptcy context in particular, courts have arrived at contradictory conclusions regarding whether domain names are “property.” Some courts have held that they are, and thus are subject to attachment by creditors; other courts have held that domain names are property rights of the registrar which are leased or contracted to the registrant domain holder. For an excellent survey of the cases and a discussion of the issues involved, see Marjorie Chertok & Warren E. Agin, *Restart.com: Identifying, Securing and Maximizing the Liquidation Value of Cyber-Assets in Bankruptcy Proceedings*, 8 AM. BANKR. INST. L. REV. 255 (2000).

154. There is a venerable tradition in property theory supporting the notion that exclusivity and alienability are both necessary components of property. See, e.g., MILL, *supra* note 8, at 218. But see Radin, *supra* note 8 (arguing that inalienability is not a necessary component of property).

155. See, e.g., J. Theodore Smith, Note, “I-800-Ripoffs.com”: *Internet Domain Names are Telephone Numbers of Cyberspace*, 1997 U. ILL. L. REV. 1169 (arguing that “trademark law established for mnemonic telephone numbers should be applied to domain names”).

but also as trademarks. The telephone number becomes, in essence, the brand name. The USPTO takes the position that such telephone numbers can be registered as trademarks and protected as such, but only if they function as source indicators and otherwise satisfy normal trademark requirements.¹⁵⁶ In making such determinations, the PTO drops the 1-800 part of the name on the ground that it adds nothing to the meaning of the phrase as a mark.¹⁵⁷ Under this approach, 1-800-FLOWERS, for example, would not be eligible for trademark registration because it is a generic term for flowers.

It could be argued that domain names are not much different than telephone numbers that function as trademarks—that trademark law has fashioned sufficient rules for dealing with telephone numbers, and that it should have similar success with domain names. On this view, domain names are no more likely to erode the conceptual boundaries of trademark law than telephone numbers are.¹⁵⁸

The analogy between domain names and telephone numbers has much to commend it. Both are locator systems. Both systems confer a measure of exclusivity due to the fact that only one person is assigned a particular telephone number or domain name. And telephone numbers, like domain names, are capable of functioning as trademarks. Indeed, in each area, consumers have shown a propensity to try to register generic numbers or addresses as trademarks with the USPTO.¹⁵⁹

But there are important differences between domain names and telephone numbers. The key difference is that no one sells telephone numbers. They have not become independent articles of commerce. There is no market in telephone numbers. If one wishes to obtain a special telephone number, one has to apply to the relevant service provider for that number. If it has already been taken, there is no other recourse. One cannot simply buy the number from another user. They

156. See UNITED STATES PATENT AND TRADEMARK OFFICE GUIDELINE (“TMPEP”) § 1209.01(b)(12) (regarding marks comprised in part of “1-800” or other telephone numbers).

157. See *id.*; see also USPTO EXAMINATION GUIDE NO. 2-99, *supra* note 145 (noting that adding a 1-800 or www. prefix or a .com suffix to a generic word does not make it eligible for trademark registration).

158. For an illuminating comparison of telephone numbers and domain names, see Dan L. Burk, *Trademarks Along the Infobahn: A First Look at the Emerging Law of Cybermarks*, 1 RICH. J.L. & TECH. 1, ¶ 66 (1995), at <http://www.richmond.edu/jolt/viil/burk.html> (arguing that disputes involving domain names that also function as trademarks “need not be divorced from the law of real space . . . and precedent such as the telephone mnemonic cases will continue to be helpful, so long as it is realized that, at some point, the correspondence between telephone numbers and IP addresses will break down”).

159. See *id.* ¶¶ 57-59.

are thus not “property,” if, as is commonly recognized, an essential element of property is alienability.¹⁶⁰

Domain names, by contrast, can be bought and sold on the secondary market. ICANN, the entity that runs the domain name system, has not prevented down-stream alienability,¹⁶¹ and no separate feature of law prevents it either. As a result, investors have quickly latched onto the property potential of domain names. They have realized that they could reserve one for a small fee and then sell it (or technically, sub-license it) to others for much more. This is how domain names such as loans.com, business.com, and wine.com all fetched such high prices on the secondary market.¹⁶²

Moreover, domain names are much more important than telephone numbers as potential source indicators. One thinks of cyberspace as a separate realm and e-commerce as a separate market. One does not think of the telephone system as a separate market. The telephone can be used to participate in real space markets. But there is no such thing as “tele-space.” When consumers use the Internet, domain names play a vital role in linking producers, products, and purchasers. They perform a source-identifying function that is far greater than any source-identifying role previously played by alphabetic telephone numbers.

It is possible that the function of domain names will decrease over time as new top level domains are added, and on-line consumers rely more on search engines and less on their memory of particular domain names to find useful products on the Internet.¹⁶³ ICANN has indicated it will add seven new top-level domains in the near future.¹⁶⁴ And there is nothing to stop it from enlarging the number of names even further as time goes on.

Some search engines prioritize listings based on how much a particular merchant paid to be included in the relevant directory, not based on whether the search engine’s domain name corresponds to the

160. *E.g.*, MILL, *supra* note 8, at 218.

161. It is not altogether clear why ICANN has not prevented downstream alienability. It would appear that ICANN could do so if it so desired. If ICANN were to prevent alienability, domain names would lose much of their allure as independent commodities.

162. Pollack, *supra* note 1.

163. Radin & Wagner, *supra* note 19, at 1303 (arguing that it is likely domain names will become less valuable due to the addition of new TLDs, the formation of competitors to NSI, and/or the emergence of “sophisticated search engines, ‘smart browsers,’ agent applications, or other technological innovations”); *see also* Dan L. Burk, *Trademark Doctrines for Global Electronic Commerce*, 49 S.C. L. REV. 695, 698 (1998) (arguing that domain names will “likely lose much of their value as access to online resources becomes increasingly transparent to the user [through search engines]”).

164. *See supra* text accompanying notes 82-83.

searcher's request. When these types of searches are conducted, a domain name is less significant and thus may be viewed as less valuable from a property point of view. If domain names diminish in value for any of these reasons, they may pose less of a threat to traditional trademark regimes.

But domain names should not be discounted yet. The addition of new top-level domains may reduce the value of existing domain names, such as those that exist in the popular dot-com realm, but the aggregate interest in domain names may increase as people seek to secure rights in the new TLDs. Some people will rush to register existing domain names within the new TLDs, and others will try to exploit opportunities for domain name ownership they perhaps missed the first time around.

Moreover, several search engines still employ, in whole or in part, search techniques that are keyed to domain names. More importantly, domain names will continue to be marketed as brand names. To take a particularly well-known example, Amazon.com is both an on-line address and a famous brand. Search engine approaches are not likely to diminish its value or to make it less desirable (or profitable) to turn other domain names into brands. Domain names naturally perform source-identifying functions. It is likely they will continue to do so. And it is likely that merchants will continue to exploit their potential.

Thus far in this section, I have argued that domain names are property, that they pose a significant and unique challenge to trademark law, and that they are likely to remain important in the future. If these predictions bear out, the prime difficulty will be in keeping domain name rights separate from trademark rights. On one level, the matter should be simple. Computer-generated exclusivity, while absolute, is narrow. Amazon.com owns only amazon.com; if it wishes to prevent someone from selling books at amazons.com, it must turn to trademark law. Moreover, the moment a particular domain name is used as a trademark, it should be subject to same limitations that apply to other trademarks, i.e., the assignment in gross prohibition, the generic word doctrine, the likelihood of confusion test, and the limited availability of dilution protection. In this way, it should be possible to keep the two systems fairly separate and minimize the influence of domain names on trademark law.

But in other contexts, things may get more muddled.¹⁶⁵ Property interests in domain names *qua* domain names cannot always be kept

165. To take a fanciful example, suppose A owns book.com as a domain name and never uses it to sell books. B then starts an off-line store called book.com and has no equivalent domain name. She simply likes the name and hopes that the owner of the equivalent domain name does not use it to sell books on-line. Could A stop B from operating her store? Technically, the answer should be no, since A owns only the

separate from *trademark* interests in domain names. Consider, for example, the situation that exists when a domain name is first acquired but is not yet used as a trademark. One is tempted to say that in this primal state, the domain name is only a domain name, and the mere fact that it can be warehoused or sold in gross is not particularly troubling, since one is warehousing or selling only the domain name *qua* domain name, not the domain name *qua* trademark.

The problem with this view, however, is that even in this primal state, the domain name is a *potential* trademark. Indeed, the only reason domain names command such high prices on the secondary market is because of their potential utility as on-line (and off-line) trademarks. It thus cannot be gainsaid that the domain name system does, in fact, facilitate *trademark* arbitrage in ways that simply would not be allowed off-line. Nor can one be sure that such practices will not affect the ways in which trademarks are hoarded and transferred for off-line use. For example, if one wishes to warehouse "loans.biz" as a potential trademark for use primarily in the off-line world, one need only register it as a domain name. This should have the same practical effect as registering it as a trademark. The only difference is that the domain name registration can *never* be cancelled for non-use.¹⁶⁶

Spillover is likely to occur in other ways. As we have seen, generic words are completely ineligible for trademark protection in the off-line world. If the generic word doctrine were applied rigorously to generic domain names that are used as on-line trademarks, they should be deemed similarly ineligible for trademark protection. Thus, when the owner of "loans.com" sues the owner of "loan.com" for trademark infringement, a court should dismiss the suit on the ground that the former has no trademark rights against the latter. But this is not occurring. Already, there is evidence that some judges are allowing such suits to proceed, apparently on the ground that relief may be necessary to prevent consumer confusion.¹⁶⁷ It will not always be

domain name and has not used it as a trademark. In such circumstances, she has no trademark rights and thus no legal basis for enjoining B. However, one can imagine, perhaps sometime down the road, a judge accepting the argument that there is a property interest in the domain name *qua* domain name, wholly apart from trademark law, which gives A relief as against B. As domain names are used more frequently as trademarks on-line and on bricks-and-mortar stores, such an argument becomes more credible. Surely the person who paid \$7.5 million for the domain name business.com would assert such an argument if another entity tried to use that domain name as a trademark off-line.

166. Dinwoodie, *supra* note 11, at 501.

167. In a recent case in San Francisco, for example, a federal district court refused to dismiss a trademark infringement claim brought by the owner of e-cards.com against the owner of ecards.com. *E-cards v. King*, Civ. File No. 99-3726SC (N.D. Cal. filed 1999). Plaintiff was the first entity to sell greeting cards on-line under the e-cards.com name. It alleged that defendant's use of ecards.com to sell similar products

possible to draw a tight boundary between domain names in their capacity as on-line addresses and domain names in their capacity as on-line trademarks.¹⁶⁸ And because of this difficulty, domain names that function as trademarks will escape several restrictions that apply to trademarks in the off-line world.

V. CONCLUSION

In this Article, I have examined whether the domain name system is nurturing a pro-property attitude toward language ownership that will ultimately spill over into American trademark law and reshape its core boundaries. I have argued that the domain name system is a property system that competes with trademark law and that it facilitates the commodification of words in ways that trademark law would not allow. One might say that the domain name system celebrates word ownership, while trademark law grudgingly marches in that direction.

One's attitude toward these developments might have something to do with how one feels about the idea of owning language. Indeed, it might be surprising to some that words can be owned at all. Words are not like tangible things, which often have clear boundaries. Words are incorporeal; they act as verbal symbols for packets of meaning. One cannot easily identify where one word stops and another begins.

Moreover, language is essentially a shared activity. It happens only between people and is inherently communal. The social aspect of language insures that it is constantly in flux. Words change their meanings, and these meanings exist only in the collective consciousness of a particular language group at a particular point in time.

Because of these factors, we might be reluctant to allow people to "own" words. We might be inclined to say that words are not the sort of thing that can be cabined off for purely private use. Or we might say that they are not the type of thing that should be cabined off. Allowing people to own words has its costs. If words could be fully owned, their owners could charge all others rent for use. Conversation might become

on-line was confusingly similar and thus infringed the e-card.com trademark. Defendant argued that plaintiff's mark was generic and thus ineligible for trademark protection. The court rejected this claim and permitted the case to proceed. A jury awarded \$4.5 million in favor of the plaintiff. Ultimately, the case was settled in 2001 without a reported opinion.

168. The use of generic domain names presents a number of issues, which are discussed more fully elsewhere. See, e.g., DAVID J. FRANKLYN, TRADEMARK PROTECTION FOR GENERIC DOMAIN NAMES (manuscript on file with author); See also Sarah E. Akhtar and Robert C. Cumbow, *Why Domain Names Are Not Generic: An Analysis of Why Domain Names Incorporating Generic Terms Are Entitled To Trademark Protection*, 1 CHI.-KENT J. INTELL. PROP. 226 (2000).

expensive. There might be a lot less of it. Or people might simply make up new words to avoid paying rent for use of privately owned words.

Despite these objections to commodifying language, words increasingly are the subject of property rights. Developments in trademark law and in the domain name system both reflect a similar cultural phenomenon: the growing desire of people to own words and the legal system's growing solicitude of that desire.

Jean-Jacques Rousseau said long ago the only reason mankind has been cursed with the institution of private property is because once upon a time someone erected a fence around a tract of land and said it was his, and his fellow human beings were foolish enough to respect his claim.¹⁶⁹ Today, the same could be said of domain names. People are erecting fences around words on-line and gaining the exclusive rights to use those words as commercial identifiers in cyberspace. They are purporting to buy and sell these words as if they were, in fact, articles of private property. In this sense, every domain name owner is a cyber squatter. And, as was true in Rousseau's mythological early society, other people, and courts of law, increasingly are respecting the fences.

Such fence erecting, and fence respecting, is not likely to abate. There seems to be something natural about owning words. People like it. It holds the potential for vast profit. ICANN can modify the architecture of the domain name system, for example, by creating still more top-level domains. But given the vested interests that have already arisen and the worldwide reliance on the system in its current configuration, these modifications probably will not be too substantial. Domain name ownership probably will continue to be characterized by easy acquisition rules, a broad form of computer-generated exclusivity, and a robust secondary market in the transfer of rights. And domain name owners will press in every instance for broader property rights—both on-line and off. In short, the domain name system, *qua* property regime, is here to stay.

169. See 3 JEAN-JACQUES ROUSSEAU, *Discourse on the Origins of Inequality*, in THE COLLECTED WRITINGS OF ROUSSEAU 43 (Roger D. Masters & Christopher Kelly eds., Judith R. Bush et al. trans., Univ. Press of New Eng. 1992) (1754). Rousseau put the point in more florid language:

The first person who, having fenced off a plot of ground, took it into his head to say *this is mine* and found people simple enough to believe him, was the true founder of civil society. What crimes, wars, murders, what miseries and horrors would the human Race have been spared by someone who, uprooting the stakes or filling in the ditch, had shouted to his fellows: Beware of listening to this imposter; you are lost if you forget that the fruits belong to all and the Earth to no one!

In the meantime, trademark law will continue to be challenged by the new style of word ownership that the domain name system offers. Trademark law may bend to meet new commercial realities and new cultural attitudes toward word appropriation. Such bending would seem particularly likely to occur with respect to the availability of registration as a mode of rights acquisition, the registerability of generic domain names as trademarks, and the gradual whittling away of the assignment in gross prohibition. Whether trademark law will soften its edges in these areas explicitly, as a matter of legislative act, or more gradually, as a matter of judicial decision, remains to be seen. But it seems reasonable to assume that domain name ownership will accelerate the propertization of language that is already occurring off-line.

Trademark law will also change the domain name system. This is already occurring. Indeed, one can see the push to apply trademark law more thoroughly to domain names in ICANN's mandatory dispute resolution system,¹⁷⁰ in new anti-cybersquatting legislation (at both state and federal levels),¹⁷¹ and in the application of dilution law to alleged cybersquatters.¹⁷² Some have even called for the creation of some type of worldwide agency to perform a pre-screening process similar to the process performed by the USPTO.¹⁷³ In the meantime, courts continue to apply the trademark laws of their home countries to disputes between trademark holders and domain name owners.

American trademark law and the worldwide domain name system seem destined to coexist in a sort of uneasy dialectical relationship. At some level, each system challenges the fundamental assumptions, and core boundaries, of the other. Each will bend to meet the other, but the two systems cannot be completely reconciled. The domain name system in particular seems poised to accelerate the propertization of language in ways that will reshape and transform traditional trademark regimes.

170. See, e.g., Dinwoodie, *supra* note 11, at 510-13 (discussing ICANN's mandatory dispute resolution rules and their potential impact on trademark law).

171. See Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) (Supp. V 2000); see also Gregory B. Blasbalg, *Masters of Their Domains: Trademark Holders Now Have New Ways to Control Their Marks in Cyberspace*, 5 ROGER WILLIAMS U. L. REV. 563 (1999) (describing new federal anticybersquatting legislation).

172. 4 McCARTHY, *supra* note 3, § 24:69.1 (discussing application of dilution law to cybersquatters).

173. Dinwoodie, *supra* note 11, at 515 (considering pros and cons of worldwide trademark register, for certain types of marks, in relation to the domain name system).

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