Evolving Property Rights in Domain Names

Jeffrey R. Wiedmann

Seton Hall Law

Follow this and additional works at: https://scholarship.shu.edu/student_scholarship

Part of the Internet Law Commons, and the Property Law and Real Estate Commons

Recommended Citation

EVOLVING PROPERTY RIGHTS IN DOMAIN NAMES

Jeffrey Weidmann

May 1, 2009

PART I: INTRODUCTION

Unless you have been living under a rock for the past fifteen years you have undoubtedly noticed that internet commerce has blossomed into a driving engine in the economy.\(^1\) Property rights have been rapidly evolving thanks in large part to the birth of the internet, and the accompanying technological and intellectual property creations that were created as a result. With this new technology came savvy businesspeople that looked to the internet to turn a profit. Forward thinking internet users registered domain names early on in hopes of selling for profit. Creditors have utilized domain names as security for debts. This comment will focus on property rights in domain names, namely that of a creditor.

Property is a legal creation that has been viewed as “an abstract right or legally-constructed relationship among people with respect to things”\(^2\) or “a bundle of rights, powers,

\(^1\) Internet World Stats: Usage and World Population Statistics, http://www.internetworldstats.com/emarketing.htm (last visited April 1, 2010) (The number of users on the internet has gone from 16 million, or .4% of the world’s population in 1995 to 1.8 billion, or roughly 26.6% of the world’s population in December 2009).

privileges and immunities that define one’s relationship to a resource.”³ These concepts have generally proven useful for normal property rights, but domain names have proven more complicated, causing courts to struggle whether or not domain names fall under these concepts. Property rights in domain names have been a problem that the e-generation and Congress have wrestled with since the internet became a profitable revenue source.⁴ The courts have also struggled in deciding whether domain names are governed under property law or contract law.⁵

In 1999, Congress enacted the Anti-Cybersquatting Consumer Protection Act (“ACPA”) to help establish certain rights for parties.⁶ This Act only settled a few issues, while leaving many to the discretion of future statutory laws and case decisions.⁷

Part II of this comment will give a brief explanation of domain names and the rights that accompany them. It is necessary to understand some of the underpinnings of domain names so that we may know what rights, if any, are associated with them.

Part III of this comment will discuss the Anti-Cybersquatting Protection Act (“ACPA”) of 1999. The ACPA is an extremely important piece of legislation that drastically altered the rights in a domain name

Part IV of this comment will discuss core principles of property rights and how those rights translate to domain names. This section will also address how courts have differed on their opinions on what a domain name is and what rights a domain name holder has.

³ Stephen L. Carter, Does it Matter Whether Intellectual Property is Property?, 68 CHI.-KENT L. REV. 715, 716 (1993) (“In theory, the term [property] does not refer to any object or to any necessary set of legal rights that always inheres in a property relationship. Instead, the term refers to a bundle of rights—rights that define, singly or collectively, the relationship of an individual to a resource.”); see also A. Mechele Dickerson, From Jeans to Genes: The Evolving Nature of Property of the Estate, 15 BANKR. DEV. J. 285, 287 (1999) (defining property).
⁴ See Sporty’s Farm L.L.C. v. Sportsman’s Mkt., Inc. 202 F.3d 489, 493 (2d Cir. 2000) (commenting on how cybersquatting was a problem because people registered trademarked names for profit).
⁷ See generally Infra, accompanying notes.
Part V of this comment will deal with using domain names as collateral in a security instrument under Article 9 of the UCC. This section will also address some bankruptcy implications should a domain name holder file for bankruptcy.

Part VI concludes this comment by reconciling the different laws that can be used to enforce one’s property rights in the virtual world.

PART II: BACKGROUND

Before delving into an analysis of the property rights that accompany domain names, it is necessary to explain what a domain name is and how the Domain Name System (DNS) Works. Any website is essentially an organized and interactive presentation of data that comes from a “host” computer. All internet websites are distinguishable by either an “Internet Protocol Address” (IP Address) or an alphanumeri c domain name to differentiate one user from the next. Each computer has its own IP address, similar to that of a telephone number. For instance, Nike’s website IP address is <66.54.56.30> and its domain name is www.nike.com. The IP address specifies not only the exact computer, but also where on that computer the information is stored. Therefore, a user can request another’s stored information so long as they have the proper IP address.11

As convenient as it is to easily access stored information by using a long string of integers, using easily memorable words and phrases is much easier. Therefore, the internet norm has become to send a request to one of the more than 500,000 “domain-name servers” in the

---

8 See Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 872 (9th Cir. 1999).
9 Id.
11 See Ned Snow, The Constitutional Failing of the Anticybersquatting Act, 41 WILLAMETTE L. REV. 1, 76 (2005) (explaining how IP addresses are used to contact specific computers to access their information).
world. These servers are computers that translate the domain name into the properly corresponding IP address which the user is seeking. All domain names are broken down into three parts. The first part, the top-level domain name (“TLD”), is the part of the domain name at the far right. The more common TLD’s include: .com, .net, .edu, .gov, and .org. The next level of the domain name is the second-level domain name (“SLD”). This can be any alphanumeric combination so long as it has not been registered with the TLD of your choice. There may be more than one SLD, but these names are just to reference more specific “sub-sites” within the website you are accessing. For instance, the Seton Hall University’s website is http://shu.edu. However, if you want to access the law school at Seton Hall it would be located at http://law.shu.edu.

Most businesses use the “.com” TLD. Therefore, one could intuitively search for a company or specific product by typing in the name or product as the SLD and “.com” as the TLD. Because of the ease at which internet traffic can access a website whose domain name is a popular word, name, or phrase, certain domain names became highly coveted for their and valuable. Nowadays, a valuable domain name can fetch prices in the millions of dollars.

---

12 See Christopher P. Rains, A Domain by Any Other Name: Forging International Solutions for the Governance of Internet Domain Names, 14 Emory Int'l L. Rev. 355, 362 (2000).
13 Snow, supra note 103 at 16.
15 Id.
16 Id.; See also http://data.iana.org/TLD/tlds-alpha-by-domain.txt (The full list of top level domain names is held by ICANN).
17 See Avery Dennison Corp., 189 F.3d at 872.
18 Seton Hall University, http://shu.edu (last visited April 22).
19 Seton Hall Law School, http://law.shu.edu (last visited April 22).
21 Network Solutions, Inc. v. Umbro Int'l, Inc., 529 S.E. 2d 80, 83 (Va. 2000) (Note also that cursory searches for books.com and shoes.com revealed Barnes and Nobles and Zappos, respectively.)
To gain the right to use a domain name you must request to register the specific name you seek to hold through a registrar. The registrar then reserves the domain name through the Internet Corporation for Assigned Names and Numbers (“ICANN”). ICANN is a non-profit corporation whose sole purpose is to manage the DNS.

At one point, all domain names using the “.com,” “.org,” “.net,” and “.edu” suffixes have historically been established by registration with an organization called Network Solutions, Inc. (“NSI”). NSI, no longer has the exclusive registration rights of these popular TLD’s, but it is still one of the most popular registrars in the world.

PART III – ANTI-CYBER SQUATTING PROTECTION ACT

Before the ACPA Enactment

In the early 1990’s, forward thinking internet users became aware of the potential value in domain names. These users sought out to actively register domain names that they knew could be sold for profit in the future. Some of these users sought out generic names like

---

24 Id.
27 Network Solutions Company History, http://about-networksolutions.com/corporate-history.php (last visited April 21, 2010) (NSI was acquired by Verisign, Inc. in 2000. Verisign subsequently sold NSI in 2003 to Pivotal Equity Group but retained the registry business which had been originally created within Network Solutions prior to VeriSign's acquisition of the company).
28 See Kremen v. Cohen, 337 F.3d 1024 (9th Cir. 2003); See also Julia Angwin, LOVE'S LABOR LOST - Online matchmaker still seeks love, money, http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/1998/02/12/BU57PER.DTL&hw=Business+Week+Online&sn=204&sc=271; http://www.foxnews.com/story/0,2933,182646,00.html (last visited April 1, 2010) (Gary Kremen registered sex.com and match.com, amongst many other popular named websites from Network Solutions in the early 1990’s. He later went on to sell match.com for $7 million and sex.com for about $12 million).
29 See supra, note 12.
“match.com”, “sex.com”, and “jobs.com”\textsuperscript{30}. These “internet prospectors” realized the value popular domain names would hold once the internet fully developed.

Other internet users sought to make a profit off domain names in a more unsavory manner. Those people are called “cybersquatters”.\textsuperscript{31} A cybersquatter is a person that registers a trademarked name or name very similar to a trademark named as a domain name with the intention of (1) extorting money from the trademark owner by registering the trademarked name first; (2) luring someone to a site spelled very similar to the trademarked name on the off-chance that someone misspelled the trademarked website; or (3) storing the name until someone with the intention of using it comes forward and realizes the cybersquatter has registered it already at which point the cybersquatter offers to sell the site for an usurious profit.\textsuperscript{32}

One of the earliest instances of cybersquatting was in Intermatic v. Toeppen and Panavision International, L.P. v. Toeppen (collectively referred to as “the Toeppen cases”).\textsuperscript{33} In 1995 Dennis Toeppen, an individual residing in Illinois, registered more than 200 domain names including “Panavision.com”, “Panaflex.com”, and “Intermatic.com”.\textsuperscript{34} Both Panavision International, L.P. and Intermatic, Inc. brought separate suits against Toeppen in November 1996 alleging trademark dilution.\textsuperscript{35} Both plaintiffs in the Toeppen cases exercised personal

\textsuperscript{30}Ron Jackson, Be Careful what You Wish For: The Continuing Saga of Gary Kremen and Sex.com, http://www.dnjournal.com/cover/2006/march.htm (last visited April 20, 2010) (All three of these sites were actually registered by the same man, Gary Kremen).

\textsuperscript{31}Wisegeek, What is a Cybersquatter?, http://www.wisegeek.com/what-is-a-cybersquatter.htm (last visited April 13, 2010) (explaining that “Cybersquatting is the act of registering domain names, especially those connected with celebrities or recognizable trademarks, with the intention of reselling them at an inflated price. A cybersquatter takes advantage of the domain registration companies’ ‘first come, first served’ policy by submitting a large list of very popular words and names all at once. While the domain registration company is in the process of entering these names, the cybersquatter uses profits from individual domain resales to finance the required registration fees”).

\textsuperscript{32}See Cynthia A. R. Woollaccott, Name Dropping: Recent Anti-cybersquatting Legislation Offers Some Relief to Trademark Holders, 23 L.A. Law. 28, 29 (2000) (explaining the types of registration activities of cybersquatters).

\textsuperscript{33}Panavision Int’l, L.P. v. Toeppen, 141 F.3d 1316, 1327 (9th Cir. 1998); Intermatic v. Toeppen, 947 F. Supp. 1227 (N.D. Ill. 1996).

\textsuperscript{34}Intermatic, 947 F.Supp. at 1236.

\textsuperscript{35}Panavision Int’l, L.P., 141 F.3d at 1319; Intermatic, 947 F.Supp. at 1229.
jurisdiction on Toeppen by gaining jurisdiction from his registration of the domain names. In both cases, the courts held that Toeppen had diluted the respective companies’ marks and prevented the rightful mark owners from selling their goods and services by registering the marks as domain names.

Most courts tended to follow suit of the Toeppen cases. If a registrant was using a domain name that was a mark holder’s name with the intention of profiting off the mark, they were found to be infringing on the mark holder’s rights. However, not all cybersquatting cases were as successful as the Toeppen cases were.

Porsche Cars North America, Inc. v. Porsche.com was an important step toward rectifying the problem cybersquatters imposed on rightful mark holders. When trademark holders discovered that their trademark was already registered as a domain name by a cybersquatter, they normally sought an in personam action against the offending party. Unfortunately, the plaintiffs in these actions often found out that the domain name was registered under a fictitious name or by someone outside United States jurisdiction. Porsche Cars North America Inc. (“Porsche”) sought a different approach. Unlike its predecessors who tried to file in personam actions against the offending domain names, Porsche filed an in rem action against the domain names, stating that the domain names violated the Trademark Dilution Act.

---

36 Id.
37 Panavision Int'l, L.P., 141 F.3d at 1327; Intermatic, 947 F.Supp. at 1240.
38 See, e.g., The N.Y. State Soc'y of Certified Pub. Accountants v. Eric Louis Assoc., Inc., 79 F. Supp. 2d 331 (S.D.N.Y. 1999) (Finding infringement where an accountant set up a website using the trademark of his competitor as his domain name); Avery Dennison Corp. v. Sumpton, 189 F.3d 868 (9th Cir. 1999) (Following the Toeppen cases, the registered domain names did not constitute infringement because the defendant did not have the trademark in mind when registering the domains).
40 See e.g. Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1327; Intermatic v. Toeppen, 947 F. Supp. 1227.
41 See Juliet M. Moringiello, Seizing Domain Names to Enforce Judgments: Looking Back to the Future, 72 U. CIN. L. REV. 95, 122 (2003) (explaining how “cyberpirates” do not want to be found so they register their domain names using fictitious names or addresses).
42 Porsche, 51 F.Supp.2d at 709.
This was a novel approach on behalf of Porsche. Registrants of allegedly infringing domain names could hide behind fictitious registered names, but the domain name still had to be registered with a domain name registrar\textsuperscript{43}. Porsche’s theory was that if you could find a domain name’s registrant infringing on your rights but could not obtain jurisdiction over the registrant at least you could always take action against the registrar\textsuperscript{44}.

However, the Eastern District Court of Virginia held that the Trademark Dilution Act does not permit \textit{in rem} proceedings\textsuperscript{45}. The court noted that the Trademark Dilution act only protects against “another person’s” commercial use of the mark, and assessed money damages against a “person” who willfully dilutes the mark\textsuperscript{46}. Therefore, only \textit{in personam} jurisdiction is available when seeking relief under this Act\textsuperscript{47}. Because the Trademark Clause was read to not permit \textit{in rem} actions against the cybersquatters, the court dismissed Porsche’s case against the defendants\textsuperscript{48}.

\textbf{ACPA and the End of Cybersquatting}

To combat the bad faith registering of domain names, such as the example of Porsche.com, Congress enacted the Anti-Cybersquatting Protection Act (“ACPA”) in 1999\textsuperscript{49}. The intent of the act is to “protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-

\textsuperscript{43} Moringiello, \textit{supra} note 146, at 122.
\textsuperscript{44} \textit{Porsche}, 51 F.Supp.2d at 709.
\textsuperscript{45} 15 U.S.C. § 1125(c) (2000) (provides, in pertinent part:
“(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection...” (emphasis added)).
\textsuperscript{46} \textit{Porsche}, 51 F.Supp.2d at 712.
\textsuperscript{47} \textit{Id}.
\textsuperscript{48} \textit{Id.} at 713.
\textsuperscript{49} 15 U.S.C. §1125(d).
faith and abusive registration of distinctive marks as internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as ‘cybersquatting’.

To put a halt to cybersquatters and their abusive actions toward mark holders, the ACPA cybersquatters “liable in a civil action by the owner of a mark, including a personal name which is protected as a mark...[if] that person...has a bad faith intent to profit from that mark, including a personal name.” The statute proceeds to name a non-exclusive list of factors to determine whether bad faith exists, including whether the person had a trademark or other intellectual property associated with the domain name, whether domain name consists of the person’s legal or commonly used name, or whether the person has used the name with a bona fide service.

One of the most important features of the ACPA is that it allows parties to institute in rem actions against the cybersquatter. If a plaintiff succeeds in its in rem action against the offender, the domain name will be seized by the court “forcing the Registrar of the domain name to deposit with the court documents sufficient to establish the court’s control and authority regarding the disposition of the registration and use of the domain name.” The court’s seizure

---

52 Id. (stating that a cybersquatter “shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if...that person...has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section.”). But see Schmidheiny v. Weber, 146 F. Supp. 2d 701, 705 (E.D. Pa. 2001) (Arguing that the ACPA “reaches any name of ‘another living person,’ irrespective of whether that name has become a protectable mark”. The court further held that the registration of another person's name will subject the registrant to civil liability when done with an intent to profit).
53 15 U.S.C. §1125(d)(2)(A) (“The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located...”).
of the domain name then provides the mark holder the ability to attach a judgment to the domain name so that the name can be transferred to the mark holder.\textsuperscript{55}

The passage of the ACPA provides mark holders with a definite and conclusive remedy against cybersquatters through the court system\textsuperscript{56}. Plaintiffs like Porsche who had no remedy pre-ACPA against infringing domain names now had a cause of action against them.\textsuperscript{57} Cybersquatters who registered trademarked domain names in the hopes of profiting off the party with a trademark were no longer able to hide behind the guise of a fictitious name or across borders\textsuperscript{58}. If a plaintiff could not find the cybersquatter and acquire personal jurisdiction, they could now exercise \textit{in rem} jurisdiction over the domain name.\textsuperscript{59}

The only major restriction on the ACPA is that a mark holder cannot prevail under the ACPA unless the registrant is found to have registered the mark as a domain name with a bad faith intention to profit from that mark\textsuperscript{60}, the domain name is confusingly similar to a mark\textsuperscript{61}, or is a registered trademark or name\textsuperscript{62}. This requirement precludes applying the ACPA to common or generic names and words.\textsuperscript{63}

\textsuperscript{55}15 U.S.C. §1125(d)(1)(C); see also Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc., 202 F.3d at 500 (requiring transfer of infringing domain name).

\textsuperscript{56}See generally 15 U.S.C. §1125(d).

\textsuperscript{57}15 U.S.C. §1125(d)(1)(A)(ii) (2000) (registers, traffics in, or uses a domain name that: (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark; (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or (III) is a trademark, word, or name protected.)

\textsuperscript{58}15 U.S.C. (d)(2)(A) (“The owner of a mark may file an in rem civil action against a domain name”)

\textsuperscript{59}Id.


\textsuperscript{62}Id.

\textsuperscript{63}Golf Warehouse, L.L.C. v. Golfer's Warehouse, Inc., 142 F.Supp.2d 1307, 1312 (D.Kan.,2001) (holding that the name “Golfers' Warehouse” is generic, and therefore one parties use of the name for their company does not constitute cybersquatting against the other party).
The first interpretation of the ACPA at the appellate level was the case Sporty’s Farm L.L.C. v. Sportsman’s Market. The defendant in Sporty’s Farm registered his competitor’s trademarked name as a domain name. The Second Circuit applied the bad faith factors of the ACPA and found that the defendant registered the domain name www.sportys.com in bad faith with the intent to profit from the name. The court then affirmed the lower court’s decision to “order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.”

Bosh v. Zavala: Does the ACPA Contradict Itself?

Bosh v. Zavala is a recent case coming out of the Central District of California where the ACPA was applied in an unconventional manner. Bosh dealt with a cybersquatter who registered over 800 domain names of professional athletes and famous companies, including that of Chris Bosh. Bosh alleged that Zavala registered the 778 domain names to generate revenue by posting hyperlinks on the websites. When an internet user would arrive at chrisbosh.com, or any of the other domain names registered by Zavala, and click on an advertisement, Zavala would be paid a commission.

---

64 Sporty's Farm L.L.C. v. Sportsman's Market, 202 F.3d 489 (applying the ACPA to a registrant who registered the domain name prior to the ACPA's enactment).
65 Id. at 499.
66 Id. at 500.
68 See Bosh Amended Order; Chris Bosh Players’ Page, http://www.nba.com/playerfile/chris_bosh/career_stats.html (Chris Bosh is an NBA basketball player for the Toronto Raptors. He averages 20.2 points per game over his career and has made the NBA All Star Game four times) (last visited April 3, 2010).
70 Id.
On July 23, 2008 Bosh filed a complaint solely on behalf of himself\textsuperscript{71} and won a judgment against the defendant in the amount of $120,000.00.\textsuperscript{72} However, Bosh was unable to locate Zavala or any of his assets to pay the judgment.\textsuperscript{73} To satisfy the judgment, Bosh sought a turnover order of not only his website, www.chrisbosh.com, but the 778 other registered domain names the defendant had registered as well.\textsuperscript{74} To receive the money Zavala owed through the judgment order, Bosh intended to have his web development company, Max Deal Technologies, manage the domain name and create a website for the person or company.\textsuperscript{75} Bosh stipulated in his \textit{ex parte} application for turnover order that he would transfer the domain names to the rightful owner at no charge upon request whether or not they utilized the services of his company.\textsuperscript{76} The District Court Judge overseeing this case granted Bosh’s request and ordered a turnover of www.chrisbosh.com, as well as the 778 other illegally registered domain names to plaintiff.\textsuperscript{77} The Judge’s Order in favor of Bosh, although granted with good intentions, was a violation of the ACPA as well as California state law.\textsuperscript{78}

Recall that the ACPA defines a person in violation of the Act as one “who has a bad faith intent[ion] to profit from the mark”.\textsuperscript{79} At first glance, it does not seem that Bosh acted in bad faith by requesting the other 778 registered domain names to him because he was trying to

\textsuperscript{71} Id. (Bosh sued under the Anticybersquatting Consumer Protection Act and the California Right of Publicity Act (Cal. Civ. Code §3344).
\textsuperscript{72} Bosh v. Zavala, C.D. Cal. No. 2:08-cv-04851, Amended Order (Sept. 29, 2009).
\textsuperscript{73} Bosh v. Zavala, C.D. Cal., No. 2:08-cv-04851, Ex Parte Application for Turnover Order (September 15, 2009).
\textsuperscript{74} Id. (Under a typical turnover order, the Sheriff would levy on the property and sell at auction to satisfy judgment. Bosh argued that this would further cause harm to the third parties, because the purchasers would buy the domain names for uses similar to Zavala.)
\textsuperscript{75} Id.
\textsuperscript{76} Id.
\textsuperscript{77} Bosh v. Zavala, Amended Order. (Bosh was granted the other domain names in the capacity as a Trustee. Bosh and his attorneys proposed to make reasonable efforts to contact the rightful owners of the websites and transfer control to them).
\textsuperscript{78} Palacio Del Mar Homeowners Ass'n v. McMahon, 174 Cal.App.4th 1386 (2009) (decided a few months before Bosh’s order was entered, the court held that domain names are not subject to turnover orders under California’s turnover statute).
release these domain names from the grasps of Luis Zavala, an aggressive cybersquatter. Bosh merely asked the court to allow him to be a “protector” of the domain names for the parties so that Zavala could not financially benefit off their names or goodwill anymore.\textsuperscript{80}

However, at a closer look one might think that Bosh does in fact fall under the “bad faith” umbrella of domain name holders as enumerated under the ACPA.\textsuperscript{81} The ACPA sets forth a list of factors in determining whether someone has a bad faith intent in registering a domain name.\textsuperscript{82} One of the factors the court may use is whether the person has offered to “transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person’s prior conduct indicating a pattern of such conduct.”\textsuperscript{83}

Although the Order granting the turnover of domain names to Bosh was probably a violation of the ACPA, the Judge was short on options. If she chose to have a normal sheriff’s sale, then the domain names could have been purchased by other contemplating cybersquatters, as Bosh’s attorneys warned.\textsuperscript{84} On the other hand, the Judge could not have sat idly by, leaving Zavala with control of the domain names. By granting the domain names over to Bosh, at least then the court would have a responsible party accountable to transfer the domains to the right people.\textsuperscript{85}

The ACPA is by no means a cure all against cybersquatters. As these cases point out, although mark holders are now able to institute \textit{in rem} actions on the domain name, the plaintiffs

\textsuperscript{80} Bosh v. Zavala, C.D. Cal., No. 2:08-cv-04851, Ex Parte Application for Turnover Order (September 15, 2009) (Stating that Bosh’s solution to transfer the domain names to him “would also serve to stop the ongoing harm to a large number of athletes and owners of the product names and entertainment properties whose rights are currently being violated, as well as to the public at large who are confused by Zavala’s illegal actions.”)


\textsuperscript{82} Id.

\textsuperscript{83} Id.

\textsuperscript{84} Bosh v. Zavala, C.D. Cal., No. 2:08-cv-04851, Ex Parte Application for Turnover Order (September 15, 2009).

\textsuperscript{85} Id. (The Judge should have at least imposed conditions on Bosh that he was required to turn over the domain names upon request.)
are still left without an avenue to enforce monetary damages. However, the ACPA does put an end to cybersquatters being able to manage infringing domain names against mark holders.

PART IV: PROPERTY RIGHTS OR CONTRACT RIGHTS IN DOMAIN NAMES?

Introduction

Domain names can be useful to satisfy judgments outside the scope of the ACPA as well. If a debtor were to have hold of a valuable domain name, a creditor could use a debtor’s domain name as leverage to satisfy a judgment. One of the most popular methods creditors use is garnishing a debtor’s domain name for sale or to be directly turned over to the creditor. As you will see below, this attempt to satisfy debts has been met with varying levels of success.

Creditors and debtors have been arguing over their rights long before the internet became commonplace. An early case that dealt with judgment debtors arising out of New York is ABKCO Indus. v. Apple Films, Inc. 86 The creditor in ABKCO was unable to obtain personal jurisdiction over the debtor, an English company. 87 In attempt to circumvent this jurisdictional problem, the creditor sought a quasi-in-rem action against the debtor 88 by attaching to a debt owed by a third party to the debtor. 89 The third party in this case had a general licensing agreement to pay 80% of the profits received from the promotion. 90

---

87 Id.
88 Id. (The judgment debtor in ABKCO was the licensor for the motion picture film “Let it Be”, featuring the Beatles. The third party in this case was Apple Films, Inc., the company granted the license to promote the picture in America).
89 see ABKCO Indus., 350 N.E.2d 899 (By virtue of CPLR 6202, an attachment under CPLR 6214 (subd [b]) is effective only if there is within the jurisdiction of our courts a debt or property of the debtor, here LTD, within the meanings of subdivisions (a) or (b) of CPLR 5201, which provide:
“(a) Debt against which a money judgment may be enforced. A money judgment may be enforced against any debt, which is past due or which is yet to become due, certainly or upon demand of the judgment debtor, whether it was incurred within or without the state, to or from a resident or non- resident, unless it is exempt from application to the satisfaction of the judgment. A debt may consist of a cause of action which could be assigned or transferred accruing within or without the state.
The court held that, because the agreement was assignable, the agreement was attachable property under New York State Law.\textsuperscript{91} The court labeled the licensing agreement “intangible personal property” and looked past the lack of physical location or concept of embodiment.\textsuperscript{92} The fact that the debtor had an interest in the agreement was enough to allow the creditor to attach.\textsuperscript{93} Of importance to the concept of garnishing domain names, the court notes that there is “no threshold requirement that the attaching creditor show the value of the attached property or indeed that it even have any value”.\textsuperscript{94}

The issues creditors faced in garnishing intangible property in ABKCO have permeated down to domain name litigation. Courts and creditors alike still face the tough task of determining what remedies are available where the asset at issue is not easily classified. There has been a split opinion by the courts on whether domain names should be classified as a contract for services\textsuperscript{95} or property capable of being garnished.\textsuperscript{96}

**Umbro v. NSI – In Defense of Contract Rights**

Before we get to Umbro v. NSI it is important to mention its prequel case, *Dorer v. Arel.*\textsuperscript{97}

*Rose Marie Dorer,* the plaintiff, won a trademark infringement case against the defendant

---

\textsuperscript{90} ABKCO Indus., 39 N.Y.2d at 899.
\textsuperscript{91} Id. at 676.
\textsuperscript{92} Id. at 675.
\textsuperscript{93} Id.
\textsuperscript{94} Id. at 676.
\textsuperscript{95} Network Solutions, Inc. v. Umbro Int'l, Inc., 529 S.E. 2d 80 (Va. 2000).
\textsuperscript{96} Kremen v. Cohen, 337 F.3d 1024.
\textsuperscript{97} Dorer v. Arel, 60 F.Supp.2d 558 (E.D.Va.,1999).
Brian Arel. The Judge found that defendant’s domain name “WRITEWORD.COM” was an infringement on plaintiff’s mark. The plaintiff was awarded $5,000 in damages and an order that the defendant be permanently enjoined from infringing on plaintiff’s trademark.

Unfortunately for the plaintiff, the defendant never showed up in court or satisfied the judgment entered against him. Therefore, to satisfy the money judgment, the plaintiff got creative. Rose Dorer sought to obtain a writ of fieri facias against the debtor to satisfy the judgment out of the debtor’s property. The plaintiff wanted to have the court order the registrar of the defendant’s domain name, in this case Network Solutions Inc., to transfer the domain name over to the plaintiff.

The court examined the property characteristics of a domain name and noted reasons why a domain name should and should not be allowed to satisfy money judgments. First, the court states that where domain names consist of protected trademark names, trademark law should be invoked rather than personal property law. Trademarks are intellectual property not considered freely tradable on the open market. Because of this “a judgment creditor may not levy upon and sell a judgment debtor’s registered service mark or trademark.”

The District Court in Dorer also notes that even if the domain name is not a trademark subject to trademark laws, the domain name may be only subject to contract rights instead of

---

98 Id.
99 Id.
100 Id.
101 Dorer, 60 F.Supp.2d at 559.
102 Black’s Law Dictionary (8th Ed. 2004) (“A writ of execution that directs a marshal or sheriff to seize and sell a defendant's property to satisfy a money judgment”).
103 Dorer, 60 F.Supp.2d at 558-559.
104 Id.
105 Id. at 560.
106 Id. at 561.
107 30 Am.Jur.2d Executions and Enforcements §148 (2010) (Note however, that in the context of a bankruptcy proceeding, a trademark is a form of property which exists in connection with the goodwill or tangible assets of a business, and a trademark is thus an asset of a bankrupt's estate which is saleable in bankruptcy proceedings along with the bankrupt's goodwill or tangible business assets).
property rights. The court compares owning a domain name to owning a telephone number because both can be a valueless means of reaching a party, or an extremely valuable commercial tool. Dorer never ultimately answered the question of whether domain names can be subject to the writ of fieri facias because there were other remedies available to the plaintiff. The court deferred to the dispute policy in the NSI contract that states NSI has the sole discretion to “revoke, suspend, transfer or otherwise modify a domain name registration.” Therefore, the courts left the plaintiff to the avenue of self-help through the NSI contract.

Shortly after Dorer v. Arel, the leading authority on creditor’s rights in domain names was decided in Network Solutions, Inc. v. Umbro International, Inc. In Umbro, the plaintiff Umbro International Inc. (“Umbro”) sued a company called 3263851 Canada Inc. (“Canada, Inc.”) for trademark infringement. The proceeding involved Canada, Inc. registering the judgment creditor’s trademarked name as the domain “umbro.com”. Umbro obtained a default judgment against Canada, Inc. and in an attempt to enforce the judgment, obtained a writ of fieri facias against Network Solutions from the Circuit Court of Fairfax County, Virginia, the county where NSI was located. NSI was the manager of 38 domain names registered by Canada, Inc. The plaintiff commenced a garnishment proceeding whereby they sought to have

---

108 Dorer, 60 F.Supp.2d at 560-561.
109 Id.
110 Id.
111 Id. at 562.
112 Network Solutions, 529 S.E.2d at 81.
113 Id.
114 Id.
115 Network Solutions Company History, http://about-networksolutions.com/corporate-history.php (Network Solutions, Inc. is a corporation with its principal place of business in Herndon, Virginia. It was granted the right in 1992 by National Science Foundation to be the sole registrar of the most popular domains, including .com, .edu, .net, and .org. Although it now shares this right with other registrars, NSI still holds most of the popular names. Therefore, the Umbro decision is especially significant in determining the property rights of domain names).
116 Network Solutions, 529 S.E.2d at 81.
NSI deposit control of those names into the registry of the circuit court’s registry so that they could be advertised and sold to pay off the plaintiff’s judgment deficiency.\textsuperscript{117}

Property is generally capable of being garnished when that property can be assigned or sold.\textsuperscript{118} To institute a garnishment proceeding under Virginia law a creditor must be able to show that the garnishee, in this case NSI, is liable to the judgment debtor, who was Canada, Inc.\textsuperscript{119} A liability, for garnishment matters, means to have a “legal oblig[ation],” “enforceable by civil remedy,” “a financial or pecuniary obligation,” or a “debt.”\textsuperscript{120} The plaintiff posited that because NSI had an obligation to grant the exclusive right to the domain name to Canada, Inc. they therefore had a possessory interest over the domain name.\textsuperscript{121}

The Supreme Court of Virginia ultimately refused to adopt the plaintiff’s position and decided that a domain registration is a contract for services not subject to garnishment.\textsuperscript{122} The court agreed with Umbro that a domain name registrant acquires the contractual right to use a domain name for the specified period of time as stated in the contract.\textsuperscript{123} However, the court refused to extend the ability to garnish the domain name because “a contract for services is not ‘a liability’ as that term is used in [Virginia’s Code]”.\textsuperscript{124} The Supreme Court of Virginia did not want to engage in a slippery slope where they would open up the flood gates and allow all

\textsuperscript{117} \textit{Id.} at 80.
\textsuperscript{119} Va. Code Ann. § 8.01-511.
\textsuperscript{120} Network Solutions, 529 S.E.2d at 85.
\textsuperscript{121} \textit{Id.} at 85-86.
\textsuperscript{122} \textit{Id.} at 86. (The Court relied on a Federal Case from Virginia called \textit{Dorer v. Arel}, 60 F.Supp.2d 558 (E.D.Va.1999). The Plaintiff in Dorer also filed a writ of fieri facias against a judgment debtor, this time for a trademark infringement action. \textit{Dorer} refuses to decide whether a domain name ultimately is personal property subject to a lien of fieri facias and instead defers to NSI’s policy that allows NSI to place the domain name in a “hold” status, pending resolution of the dispute. Once in a hold status, NSI has the right to “revoke, suspect, transfer or otherwise modify a domain name registration.” Once cancelled, the complainant would be allowed to register for the domain name. This self-help method was favored by the Court.)
\textsuperscript{123} \textit{Id.}
\textsuperscript{124} \textit{Id.}
services to be garnished.\textsuperscript{125} The court likened the right to use a domain name to satellite prepaid fees and stated “Umbro’s position would allow garnishment of the subscription service.”\textsuperscript{126}

The dissent in Umbro believed the case revolved around whether the debtor had a possessory interest in the domain names registered with NSI.\textsuperscript{127} The dissent stated that since Canada, Inc. fulfilled all of its requirements to acquire the domain name and acquire the exclusive right over it, the debtor acquired a possessory interest over it.\textsuperscript{128} NSI’s position was that the debtor’s contractual rights were dependent on fulfilling an obligation, and therefore no liability arose to garnish.\textsuperscript{129} The dissent correctly points out that Canada, Inc. fulfilled all of its obligations to NSI, and therefore was guaranteed the right to the domain name for a period of two years.\textsuperscript{130} Therefore, the contractual right of the domain name was the property in which the debtor had a possessory interest and the plaintiff should have been able to garnish.\textsuperscript{131}

Both courts in Dorer and Umbro heavily based their analysis on an incorrect understanding of how a domain name works and operates. Recall that Dorer compared a domain name to being akin to a telephone number because both can be valueless without the user’s input creating value.\textsuperscript{132} This may be true for a telephone number, but not for a domain name.

It is true that if websites were only searched by their IP addresses then the Dorer court’s analogy may hold, but when someone holds a domain name that is an easily memorable word or phrase such as “sex.com” or “money.com” that website will get a great amount of traffic no matter how much input the user adds. If the court wanted to analogize domain names to a more

\textsuperscript{125} Id.
\textsuperscript{126} Id.
\textsuperscript{127} Network Solutions, 529 S.E.2d at 88.
\textsuperscript{128} Id. at 89.
\textsuperscript{129} Id.
\textsuperscript{130} Id. at 89.
\textsuperscript{131} Id.
\textsuperscript{132} Id.
graspable and concrete concept they should compare them to brick and mortar buildings in the sense that given two comparable storefronts, one located on Main Street will be much more valuable due to its easy accessibility and memorable location, than one on a desolate and unknown roadway.

The Virginia Supreme Court also used faulty analogy to reach their holding when they compared domain names to a satellite service subscription. This comparison fares even worse for a domain name. A satellite subscription service is a feed of television signals to the user. Everybody who signs up for the satellite subscription service is entitled to the same benefits, assuming you sign up for the same television package. True, there are different levels of services that afford the subscriber higher levels of benefits, but the premise is still the same – the first in time first in right theory which makes owning the highly coveted domain names does not translate to satellite subscription services. It does not matter if you subscribed to DirecTV today or ten years ago, the current value of your package will be the same. However, if you went to NSI today to find a domain name that accurately represents the image or idea you hope to convey for your company, you are going to notice most familiar Second Level Domain Names for the most popular Top Levels are going to be registered already.

Another issue to take up with the holding in Umbro is that the majority opinion is in contention with the provisions of the ACPA. Recall that the ACPA allows for in rem actions against infringing domain names. To institute an in rem action against a thing though, it must

---

133 No pun intended.
134 Network Solutions, 529 S.E.2d at 86-87. (Although the Virginia Supreme Court does not outright compare domain names to satellite television subscription services, they do use the service as something comparable to convey the reasoning behind their holding. In either regards, this is plainly wrong).
136 See Dish Network, http://www.dishnetwork.com/ (laying out the different prices for each subscription package).
be more than a contract for services\textsuperscript{138}, which is what Umbro decided a domain name should be categorized as. However, multiple district courts have noted that “[e]ven if a domain name is no more than data, Congress can make data property.”\textsuperscript{139}

Kremen v. Cohen – In Defense of Property Rights

The Ninth Circuit Court of Appeals took a different view of the rights associated with a generic domain name in Kremen v. Cohen.\textsuperscript{140} The asset at issue in Kremen was the sex.com domain name.\textsuperscript{141} In 1994 Gary Kremen registered sex.com to his business, Online Classified.\textsuperscript{142} He used NSI to register his domain name.\textsuperscript{143} Since the modern internet was still in its infancy, there were very few security precautions established.\textsuperscript{144} Stephen Cohen, career conman was able to take advantage of this fact and conned NSI into transferring the sex.com domain name to him.\textsuperscript{145} Kremen sued Cohen and was awarded a judgment of $65 million in damages.\textsuperscript{146} Kremen was unable to collect any of the judgment before Cohen was able to remove his assets, and remove himself from the country.\textsuperscript{147}

\textsuperscript{138} 28 U.S.C.A. § 1655 (If an absent defendant does not appear or plead within the time allowed, the court may proceed as if the absent defendant had been served with process within the State, but any adjudication shall...affect only the property which is the subject of the action).
\textsuperscript{140} Kremen v. Cohen, 337 F.3d 1024 (9th Cir. 2003).
\textsuperscript{141} Id.
\textsuperscript{142} Id.
\textsuperscript{143} Id.
\textsuperscript{144} Id. at 1025-1026.
\textsuperscript{145} Id. at 1026.
\textsuperscript{146} Id. at 1027.
\textsuperscript{147} Id.
Since Kremen was unable to ascertain Cohen’s whereabouts, he instituted a conversion claim against Network Solutions for the wrongful disposition of his domain name to Cohen.\textsuperscript{148} Kremen alleged that NSI mishandled his domain name by granting the rights in the name to Cohen without first making an inquiry with Kremen.\textsuperscript{149} Whether Kremen had an actionable claim against NSI boiled down to the question of whether a registrant has a property right in a domain name.\textsuperscript{150}

To determine whether a property right exists, the court created a three-part test: (1) there must be an interest capable of precise definition; (2) it must be capable of exclusive possession or control; and (3) the putative owner must have established a legitimate claim to exclusivity.\textsuperscript{151}

First, the court found that a domain name satisfied the first element because it is a well-defined interest.\textsuperscript{152} The court analogized it to corporate stock or a plot of land in that those who are searching out the particular name or area know where to look.\textsuperscript{153} The court then found that it satisfied the second element as well in that it is capable of exclusive possession or control because the registrant alone has the ability to alter the website or transfer the domain name.\textsuperscript{154} Finally, the court agreed that registrants have a legitimate claim to exclusivity. The Kremen court likened registering a domain name to “staking a claim to a plot of land at the title office. It informs others that the domain name is the registrant’s and no one else’s”.\textsuperscript{155}

The Ninth Circuit’s analogy that a domain name is more comparable to a plot of land, rather than a contract for services, should become instructive to future courts. Professor Snow carries this analogy out further, arguing that (1) the registration agreement between registrar and
registrant acts like a deed; (2) the webpage is similar to the structure or building that a landowner would build on a plot of land; (3) the registrar is like the administrative person (lawyer, real-estate agent, title searcher) involved in facilitating the transaction; and (4) the government is like a real-estate seller because they originally created the rights to owning domains.\textsuperscript{156}

When this analogy is extended even further, the Kremen decision seems to be the only logical way to characterize domain names. First, the registration agreement between registrar and registrant is similar to a deed because both are instruments representing rights to space.\textsuperscript{157} Just as a deed is effective once delivered to the grantee, a registration agreement is effective once the registrant fills it out and receives confirmation from the registrar.\textsuperscript{158}

Second, the webpage that the registrant creates and builds upon is similar to the building a landowner constructs and builds. Without either the building or website, it is impossible to access either space. Also, when a developer builds an aesthetically pleasing building or website that business stands a better chance at garnering more visitors.

Third, the domain name registrar acts as the administrative people behind a land transaction. In a real world land sale, lawyers draft up the deeds and title to the property and real estate agents match buyers to sellers. In the “internet world” both of these functions are achieved through the registrar.

Finally, the government acts like a seller of real-estate. An unclaimed domain name exists in the public commons until a potential registrant claims it from the Government, the owner of the public commons, and takes title.\textsuperscript{159}

\begin{flushleft}
\textsuperscript{157} Id.
\textsuperscript{158} Snow, supra notes 359-360 at 53-54,
\textsuperscript{159} Snow, supra notes 366-367 at 55.
\end{flushleft}
Comparing an intangible domain name to something concrete and easily identifiable, such as a plot of land, is a tough task for Judges. There has never been anything like web sites before. Sure, there have been things and services we refer to that are not tangible (e.g. telephone number, satellite subscription, trademark) but all have shortcomings to prevent them from being characterized as property in the sense that land is property. A domain name, on the other hand, does not have any of these shortcomings. The only problem is that you cannot see and touch a domain name in the sense that you can see and touch land or personal property. Until Judges are able to look past this hurdle, the conflict between categorizing domains as contracts for service or property will continue to be fought.

PART V: SECURITY INTERESTS IN A DOMAIN NAME

Introduction

With the proliferation of business being conducted on the internet, many companies have increasingly supported more and more of their companies with less physical property and more virtual property. Because of the nature of internet business, companies like eBay and Amazon have very little physical capital other than the computers and servers with which they run their businesses. Internet-related businesses very often consider a great portion of their business’s value their domain name and the goodwill associated with the name.160

Security Interests Implications with Domain Names

As domain name have become more important in terms of value to companies and entrepreneurs, domain name holders have found ways to try and securitize their domains in

exchange for cash. For instance, the Industrial Bank of Korea established a lending program in the late 1990’s which allowed companies to post their domain names as collateral in exchange for up to 30% of the appraised value.

For a domain name to serve as a source of collateral for a creditor, Article 9 of the UCC, which has been adopted by all fifty states, must permit an enforceable security interest in the rights of the domain name. Article 9 of the Uniform Commercial Code applies to security interests in personal property or fixtures by contract, sales of accounts, chattel paper, payment intangibles, promissory notes, and many other interests not relevant to this comment. Article 9 however, does not apply to a lien unless it was created consensually. Therefore, in the cases mentioned earlier in previous sections where a judgment lien was ordered against debtors, Article 9 of the UCC would not have been an appropriate remedy. In fact, nearly every right of value a company has can be assigned as a consensual secured interest.

To be able to grant creditors a security interest in their domain names, the debtor must be able to have a transferable property right in the collateral. It is this power to transfer a right in the collateral that allows attachment to the domain name.

---

161 WARREN E. AGIN, BANKRUPTCY AND SECURED LENDING IN CYBERSPACE at ch. 11:1 (2005).
162 Id.
165 See Rev. U.C.C. § 9-109(a) (listing various categories of collateral within the scope of Revised Article 9)
166 UCC 9-109(d)
167 See Bosh v. Zavala, Complaint; Network Solutions, 529 S.E.2d 80.
168 UCC 9-203(b) (“A security interest is enforceable against the debtor and third parties with respect to the collateral only if: (1) value has been given; (2) the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party and (3) … the debtor has authenticated a security agreement that provides a description of the collateral…[or] the collateral is deposit accounts, electronic chattel paper…or electronic documents”).
169 See U.C.C. § 9-102 cmt. 5(d) (2001) (expanding scope of collateral to include general intangibles); Brent R. Cohen & Thomas D. Laue, Acquiring and Enforcing Security Interests in Cyberspace Assets, 10 J. BANKR. L. &
A general intangible, as defined under UCC 9-102(a)(42) includes “personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals before extraction…[as well as] payment intangibles and software.” Domain names fall under the term general intangible for UCC Article 9 matters. Even if a court categorizes domain names as a contract for service it can still be used as collateral, and have a security interest created in it.

So what happens when a debtor defaults and the creditor wishes to seek a transfer of the domain name to satisfy the debt? When a company registers a domain name, long before it ever grants a consensual lien the domain name, it has to sign a contract with the registrar. Many of the registrars have clauses in their contracts that do not permit direct assignments. For instance, NSI has the following provision in its Domain Name Service Agreement:

20. ASSIGNMENT AND RESALE. Except as otherwise set forth herein, your rights under this Agreement are not assignable or transferable. Any attempt by your creditors to obtain an interest in your rights under this Agreement, whether by attachment, levy, garnishment or otherwise, renders this Agreement voidable at our option. You agree not to reproduce, duplicate, copy, sell, resell or otherwise

---

170 See U.C.C. § 9-203 cmt. 6 (2000).
171 UCC 9-102(a)(42) (2000) (“General intangible” means any personal property, including things in action, other than accounts, chattel paper, commercial tort claims, deposit accounts, documents, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, or other minerals before extraction. The term includes payment intangibles and software).
175 Network Solutions Domain Name Service Agreement v. 7.0; see also Journal of Bankruptcy Law and Practice 2005 I’m a Domain Name. What am I? Making Sense of Kremen v. Cohen; see also Warren E. Agin 14 JBKRLP 3 ART. 3.
exploit for any commercial purposes any of the services (or portion thereof) without Network Solutions prior express written consent.\textsuperscript{176}

These clauses are meant to prohibit creditors from satisfying owed debts by transferring the domain names from the debtor.

Luckily for creditors put in this precarious situation, the UCC contains a clause that trumps anti-assignment provisions. Section 9-408 of the UCC provides that a security interest may be granted in a general intangible, even if the debtor and a third party have entered into a contract prohibiting the assignment.\textsuperscript{177} However, UCC 9-408(d)(6) states this section of the UCC “does not entitle the secured party to enforce the security interest” in the domain name.\textsuperscript{178}

So now the creditor is again stuck with few options. They have an attached interest in the collateral, but they cannot seize it, due to the anti-assignment clauses and the limits placed under 9-408 of the UCC. One way to reach the collateral is to either hope the debtor goes into bankruptcy or force the debtor into an involuntary bankruptcy.\textsuperscript{179}

The United States Bankruptcy Code is concerned with property rights, mainly those of the estate. Section 541 of the Bankruptcy Code defines property rights of the estate as “all legal

\begin{itemize}
\item \textsuperscript{176}Network Solutions, Inc. Domain Name Service Agreement v. 8.6, http://www.networksolutions.com/legal/ (last visited April 24, 2010).
\item \textsuperscript{177}UCC 9-406 (a) a term in a promissory note or in an agreement between an account debtor and a debtor which relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license, or franchise, and which term prohibits, restricts, or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment, or perfection of a security interest in, the promissory note, health-care-insurance receivable, or general intangible, is ineffective to the extent that the term:
\begin{enumerate}
\item would impair the creation, attachment, or perfection of a security interest; or
\item provides that the assignment or transfer or the creation, attachment, or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination, or remedy under the promissory note, health-care-insurance receivable, or general intangible.
\end{enumerate}
\item \textsuperscript{178}U.C.C. § 9-408(a).
\item \textsuperscript{179}11 U.S.C. §303(b) (2010) (If there are twelve or more creditors of the debtor, there must be three or more creditors filing the petition. There must also be “noncontingent, undisputed claims [in the] aggregate at least $14,425 more than the value of any lien on property of the debtor securing such claims held by the holders of such claims”).
\end{itemize}
or equitable interests of the debtor in property as of the commencement of the case.”\textsuperscript{180}

According to legislative history, this definition includes, but is not limited to, contracts, trademarks, and causes of actions.\textsuperscript{181} Section 541(a) further provides that a debtor’s property is property of the estate “wherever located and by whomever held”.\textsuperscript{182}

The Bankruptcy Code has a longstanding respect for state law and as such, yields to it unless a bankruptcy law mandates otherwise. Under United States v. Butner the Supreme Court stated that bankruptcy courts must look to state property and trademark law when considering property rights.\textsuperscript{183} Therefore, although certain principles hold true throughout the courts, the creditor must always be aware of the state laws where jurisdiction is held.

A creditor who has a security interest should be able to claim proceeds from the sale of a domain name once the debtor’s estate is sold off by the trustee. In \textit{In re Chris Don Inc.}, the defendant granted a blanket lien in all his property, including intangible properties.\textsuperscript{184} The court held that the debtor’s liquor license, because it was intangible property, was included among the items covered by the blanket lien and entitled the creditor to collect from the proceeds of the sale of the license.\textsuperscript{185} Therefore, as long as the domain name is considered intangible property under the respective state’s law, the creditor should be entitled to the proceeds from the bankrupt debtor’s estate.

\textsuperscript{180} 11 U.S.C. §541(a) (2010).
\textsuperscript{181} See H.R. REP. NO. 95-595, at 367 (1977) (providing property of estate includes all kinds of property including tangible or intangible property and causes of action).
\textsuperscript{182} 11 U.S.C. §541(a).
\textsuperscript{184} In \textit{re Chris Don}, Inc., 308 B.R. 214 (2004).
\textsuperscript{185} \textit{Id.} at 222.
PART VI: CONCLUSION

The constantly evolving property rights in domain names have ensured that courts will not come to a general consensus for years to come on how to treat them. The right to a domain name is a unique right that really is not comparable to any other. Although it looks like a general trademark or contract for a service, it is so much more complex. It can be developed to attract millions of visitors or very little visitors. It can be valued in the millions of dollars or only the price of the contract signed with the registrar. These complexities make domain names destined to slowly enter the realm of property instead of contracts.