

## E-Commerce

# Whose Domain Are Web Names?

By Vicki M. Young

**NEW YORK** — Fashion companies holding famous trademarks — possibly in danger of being misappropriated in cyberspace — got an early holiday present from President Clinton last month: his signature on a \$390 billion budget bill.

The President signed into the appropriations law, on Nov. 29, a provision that is aimed at helping trademark holders combat cyber-squatters, or individuals who poach an owner's registered mark as their domain name on the World Wide Web.

Under the anti-cyber-piracy proviso, known as "Intellectual Property and Communications Omnibus Reform Act of 1999," trademark owners can seek up to \$100,000 in damages from cyber squatters and require the transfer of the domain name to the owners of the mark.

Cyber squatters register names similar to famous trademarks, hoping to sell them to the trademark owner for a profit, or draw traffic to their own sites. For example, earlier this year, fashion consultant Vicki Ross registered the domain names *jillstuart.com* and *jillstuart.net*. Saks & Co. filed suit in 1998, attempting to retrieve the name *saksfifthavenue.com* from a company in Bethesda, Md., called Fashion Commentaries that registered the domain name in hopes of obtaining payment from the luxury retailer.

Domain names — those words between "www" and a three-letter

ending code, like ".com" or ".net" — serve as Internet addresses that allow users to enter a particular Web site. Those names are assigned, on a first-come, first-served basis, by Network Solutions Inc., a domain name registrar. Lawyers and trademark owners have criticized NSI's easy registration process and inefficient procedures to resolve disputes over domain names.

Much of the controversy centers on NSI's policy not to shut down a site unless the infringing name and the registered trademark are spelled identically.

However, that principal is changing with the passage of the new legislation to combat cyber-squatting.

Theodore Max, who heads the intellectual property department at Philips Nizer Benjamin Krim & Ballon, observed, "The new law is positive for trademark holders. It establishes the owner's right to sue when someone else uses the same mark [as a registered trademark] or a similar mark, as a domain name in bad faith."

Even if a registered, infringing domain name is not yet in use, Max explained, the act of registering the name is sufficient liability if it was done for a wrongful purpose. One indicator of bad faith, under the cyber-squatting statute, is the warehousing of domain names.

NSI allows applicants to hold names in reserve for two years, for a \$119 registration fee per name. Names for active sites can be had for a \$70 charge.

Designer Jill Stuart thought she could use her trademarked name as her Internet address — until she discovered that Vicki Ross had already staked out rights to the *jillstuart.com* and *jillstuart.net* domain names.

However, Jill Stuart Web sites were never opened online, and Ross never tried to sell the domain names to Stuart.

Currently, the two parties are disputing an alleged finder's fee in connection with a Japanese licensing arrangement. Ross admitted in Manhattan federal court that she had planned to use the sites to voice her side of the dispute.

She told the court in July that a *vickiross.com* site wasn't an option because "I don't know anybody who would go [to it]." The court ordered Ross to return the *jillstuart.com* name to the designer in July, but could temporarily keep the name *jillstuart.net*.

The domain name dispute was settled in September, according to Howard D. Bader of Ballon Stoll Bader & Nadler, Stuart's counsel. The specifics of the settlement could not be learned.

Holding sought-after domain names can be a profitable business. The most notorious example occurred two weeks ago, when the name *business.com* was sold for \$7.5 million, an astronomical gain for the seller, Marc Ostrossky, who bought the name three years ago for just \$150,000.

According to domain-name

auction site *greatDomains.com*, the average purchase price for a domain name is \$14,500. Currently available for bidding is *america.com*, whose latest offer was \$10 million; *fashions.com*, last bid for at \$1.1 million; *clothing.com*, \$400,000; *belowmarket.com*, \$360,000; *shoppingmall.com*, \$300,000, and *eFashion.com*, \$150,000.

Henry Welt, business law partner at Kronish Lieb Weiner & Hellman, said, "The new [domain name] law doesn't change my advice to clients doing business overseas. We're still advising clients against giving away their domain name registration for free."

Steven Gursky, an intellectual property attorney specializing in advising designers on counterfeit matters, of Gursky & Ederer, applauded the cyber-squatting measure, noting that as a result of the law, "the trademark holder doesn't have to register every permutation of a trademark to prevent others from using it as a domain name."

Soon, though, fashion companies may be brandishing additional weapons in their arsenal to combat cyber squatters: The Internet Corporation for Assigned Names and Numbers will become the authority for domain-name management, naming new parties to administer the registration of Web site monikers.

ICANN is set to begin operations in January, and it also will introduce a new dispute resolution policy.