ICM Registry White Paper
Legal Analysis of .XXX Registry Trademark Liability

As a part of the launch of the .XXX top-level domain ("TLD"), a number of questions arose regarding the protections for existing trademarks within the new TLD. To address these questions, ICM Registry published details about its application process, sunrise procedures and dispute resolution procedures at http://www.icmregistry.com/launch. This White Paper briefly sets forth the history of the TLD registry system, and how ICM's .XXX domain name registry (the "Registry") fits within the larger domain name system overseen by the Internet Corporation for Assigned Names and Numbers ("ICANN"). It explains the Registry's procedures to address conflicting trademark claims, and outlines basic principles of law that govern this area.

Executive Summary

- ICM is a global domain name registry operator, approved by ICANN for the purpose of initiating and maintaining a database of domain names within the .XXX TLD. As operator of the registry, ICM manages the domain name database and overall policies for the TLD, and independent registrars handle the specific transactions through which potential domain names in the TLD are registered.

- Some TLDs are defined by category and subject matter, while others are unrestricted, like .com. The various TLDs have adopted different procedures to deal with potential claims that a domain name in their TLD might infringe a trademark. These have included sunrise periods, claims periods, and other mechanisms. At a minimum, all domains must adhere to ICANN's Uniform Domain Name Dispute Resolution Policy ("UDRP").

- ICM Registry has adopted more extensive protections for existing domain name holders and trademark owners than ever implemented by any previous registry. Unlike other registries, ICM offered a sunrise period, for both adult industry members with existing trademarks and domain names as well as for other trademark owners who wished to prevent the use of domain names incorporating their trademarks within the .XXX space. ICM also added new, robust dispute resolution policies and procedures to address potential trademark infringement, including a Rapid Evaluation Service ("RES") to resolve disputes within two (2) business days.

- ICM Registry's trademark protection policies are far more extensive than required by law. Courts have held uniformly that the mere registration of a domain name does not amount to infringement of a mark similar to the name. They also have made clear that neither registry operators nor registrars are liable for infringement, dilution, or unfair competition where a domain name may incorporate a trademark. The Anticybersquatting Consumer Protection Act ("ACPA") expressly immunizes both registrars and registries from liability for registration of domain names. No court has ever held that a domain registry, which is a step removed from the registrars, can be held liable for the registration of a domain name incorporating another party's trademark

Background on the Global Domain Name System and Sunrise Periods

The operator of a domain name registry manages the domain name database and overall policies for the TLD, but typically does not handle the specific transactions through which potential domain names are registered. Rather, registry operators usually authorize specified domain name registrars to handle those transactions. Finally, parties who seek to register particular domain names are known as registrants.

Originally, seven generic TLDs were created in a domain name system that, after 1998, was overseen by ICANN: .com, .edu, .gov, .int, .mil, .net, and .org. Each was intended for (and in some cases restricted to) use by a particular category of entities, such as for-profit businesses (.com), non-profits (.org), and educational institutions (.edu). In the case of the .com and .net registries in particular, which were originally maintained by Network Solutions, Inc., usage quickly expanded beyond the intended scope. However, domains within the other TLDs remain mostly limited to entities and individuals that fall into the intended categories, as do more recent TLDs such as .museum, .coop, and .pro.

For the .com, .net and .org unrestricted registries, domains were permitted to be registered on a first-come, first-served basis. This led to challenges from parties claiming pre-existing rights in the words being registered as domain names by others. This happened because multiple parties may hold trademark rights in the same terms as used on different products or services, or in different countries, but there can only be one domain name in each TLD. (That is, there might be an ACME brand of toothpaste as well as an ACME brand of televisions, but there can only be one acme.com.)

ICANN established the UDRP to address conflicting trademark claims. Under this policy, all registrants must agree that their registration of the domain name does not infringe upon or otherwise violate the rights of any third party, that the domain name is not being registered for an unlawful purpose, and that the registrant will not knowingly use the domain name in violation of any applicable laws. In the event of conflicting claims, all domain names are subject to an arbitration process.

In 2000, ICANN announced the addition of seven additional TLDs: .aero, .biz, .coop, .info, .museum, .name, .pro. Several different types of procedures were adopted to address the registration of domain names consisting of existing trademarks. (A complete listing of these procedures, and those employed in connection with the introduction of other TLDs, can be found at http://www.icann.org/en/udrp/#sutop.) These included "sunrise" periods during which owners of pre-existing trademarks could register domain names identical to their trademarks (for example, sunrise periods were used for the .info and .pro TLDs).

For the .biz registry, the domain registry operating company Neulevel, Inc. created an "IP Claims Period." During this period, owners of pre-existing trademarks could, for a fee, list their trademarks in an IP claims database. Any applicant for a domain name that contained a trademark listed in the database would receive a notice of the claim, although the applicant would not be prevented from registering its domain name if it chose to do so after being put on notice. The .name registry employed a similar mechanism.

The .aero TLD is a sponsored, industry-specific domain for entities and individuals in aviation-related fields, and is operated by SITA, an air transport communications and information technology company. SITA limits registration of .aero domains to registrants who are validated as eligible members of the aviation community. When this TLD was introduced, no sunrise or other similar mechanism was employed, given the validation requirements.

In 2005, ICANN approved the .travel TLD, which is a sponsored, industry-specific domain for travel and tourism operated by Tralliance Corporation. Registration of .travel domains was and is limited to legitimate service and product providers in the travel and tourism industry.

The introduction of many country code domains, such as .co, .tv, .eu, and .me, among others, has been accompanied by a "sunrise" period during which existing trademark owners could register their trademarks in the new domains, followed by a "landrush" period for general registration by the public.

How ICM Registry Fits Within the Domain Name System

ICM is a global registry operator, approved by ICANN for the purpose of initiating and maintaining a database of domain names within the new .XXX TLD. Its obligations are set forth in a Registry Agreement dated 31 March 2011 (see http://www.icann.org/en/tlds/agreements/xxx/xxx-agreement-31mar11-en.htm) and related ICANN documents. Among other things, ICM manages registration policies for the entire TLD. ICM is not a registrar, and does not handle the specific transactions by which potential .XXX domain names are registered. Rather, like other TLD registry operators, ICM authorized several domain name registrars to handle those transactions.

The .XXX domain is an industry-specific TLD, approved by ICANN. The Registry accepts applications for new domain names under the .XXX extension, and manages the database of such domains. Like other industry-specific registries, the Registry limits registrations to those applicants verified as members of the designated industry. In this case, the Sponsored Community is defined as individuals, business, entities, and organizations have voluntarily agreed to comply with all Policies and Best Practices Guidelines promulgated by the International Foundation for Online Responsibility, and either (a) Provide Online Adult Entertainment intended for consenting adults; (b) Represent Providers; or (c) Provide products or services to Providers and Representatives.

Unlike other registries, ICM Registry offered a dual sunrise period, for both adult industry members with existing trademarks and domain names as well as for other trademark owners who wished to prevent the use of domain names incorporating their trademarks within the .XXX space. ICM also added new, robust dispute resolution policies and procedures to address potential trademark infringement. We believe this makes the Registry the most advanced, responsive and fair domain name registry that has yet been introduced. Set forth below are further details on our policies and procedures.

ICM Policies and Procedures

ICM Registry published its detailed application process, sunrise procedures and dispute resolution procedures. These can be found at http://www.icmregistry.com/launch/plan/. The Registry's verification and sunrise provisions were more comprehensive and stringent than any ever employed by a domain registry. In terms of verification, the Registry's Membership Application Process was designed to confirm the status and validate contact information for prospective registrants who are members of the Sponsored Community.

With respect to the sunrise provisions, members of the Sponsored Community were able to apply during the sunrise period to register .XXX domains corresponding to their registered trademarks and existing domain names in other TLDs. If more than one sunrise application was made for a name by different applicants, all such applicants for that name were notified of the other applications. In the event an applicant proceeded with a registration request after such notification, the applicant was deemed on notice of the intellectual property claims submitted by the other sunrise applicants. An auction was held to resolve competing claims from parties that proceeded with registration requests after being notified of

other applicants for the same domain. Trademark holders who were not part of the Sponsored Community were able to participate in this sunrise period to prevent the use of their trademarks in the .XXX domain.

Of course, all registrants of domain names are subject to the UDRP. In addition to these procedures, ICM implemented two new methods to prevent abusive registrations. The Charter Eligibility Dispute Resolution Procedure ("CEDRP") is available to challenge any registration by an entity that is not a member of the Sponsored Community and therefore not qualified to register a resolving name in the .XXX TLD. Separately, under the Rapid Evaluation Service ("RES"), independent experts make determinations, in certain cases within two (2) business days, for claims involving well-known or inherently distinctive marks.

In short, ICM Registry has created more extensive protections for existing domain name holders and trademark owners than ever implemented by any previous registry.

Trademark Infringement Legal Background

Initially, there were some suggestions that if a domain name that incorporates a term or terms in which another party claims to hold pre-existing rights was registered in the TLD, ICM may be subject to legal claims for trademark infringement, unfair competition, and the like. There is no authority for this claim. United States federal courts have been exceedingly clear in holding that neither domain name registries nor registrars are liable for the mere processing of domain name registrations. As one court presented with such a claim explained, "Congress did not cause defendant as a domain name registrar, or as keeper of the registry, to be subject to civil liability," because if it had done so, "it would cause the domain name registration system in its entirety not to be feasible."[1] There are several reasons that support this conclusion.

<u>First</u>, the registration of a domain name containing another party's trademark in and of itself is not an infringement, even by the <u>registrant</u>. Courts have said that "[t]he registration of a domain name, without more, does not amount to infringement of a mark similar to the name. Infringing acts may occur only when a domain name is used in a Web site or other Internet form of communication in connection with goods or services."[2] In this regard, the registration of a domain name that incorporates a trademark "is not the use of the mark in connections with goods or services." [3]

Under the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) ("ACPA"), enacted after the Lockheed case, registration of a domain name with a "bad faith intent to profit from the mark" may constitute a violation of the Lanham Act in certain circumstances. However, courts have made clear

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[1] Lockheed Martin Corp. v. Network Solutions, Inc., 141 F. Supp.2d 648, 655 (N.D. Tex. 2001).

[2] Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 954 (C.D. Cal. 1997) (citing Panavision Int'l, L.P. v. Toeppen, 945 F.Supp. 1296, 1303 (C.D.Cal.1996); Planned Parenthood Fed'n of America v. Bucci, 42 U.S.P.Q.2d 1430, 1437, 1997 WL 133313 (S.D.N.Y.1997)).

[3] Lockheed Martin Corp., 985 F. Supp. at 959. See Ford Motor Co. v. Greatdomains.com Inc., 177 F. Supp. 2d 635 (E.D. Mich. 2001) ("neither registering nor trafficking in a domain name, without having used it in connection with goods or services, violates either the infringement or dilution statutes").

that "none of the conditions and conduct listed [in the ACPA is] applicable to a person functioning solely as a registrar or registry of domain names."[4] A registrant may have numerous defenses to claims of cybersquatting, including but not limited to fair use, the existence of a license from the trademark owner, independent trademark rights in other classes of goods and services or geographic areas than the plaintiff trademark owner, and the like.

Second, the courts have held unequivocally that registrars are not liable for the mere act of registering a domain name on behalf of a customer, because "acceptance of domain name registrations is connected only with the names' technical function on the Internet to designate a set of computers."[5] That is, registrars are not involved in the decision of a registrant to select a domain name that incorporates someone else's trademark. Given the various valid reasons a registrant might have to register a domain name even where some other party has a trademark in the particular term, a registrar cannot be in the position of determining competing claims.

In some cases, courts do find that a party that induces or contributes to another party's trademark infringement can be held liable under a theory of secondary liability. However, this theory simply does not apply where a registrar takes no action other than accepting the registration. The courts have found that knowledge of infringement cannot be imputed to a registrar even after the registrar receives notice of the existence of another party's rights, in light of the inherent uncertainty with respect to the scope of trademark rights, and the mere assertion by a trademark owner that a domain name infringes its mark is not sufficient to impute knowledge of infringement.[6] Moreover, the domain name system is global, while trademark protection is limited geographically. Neither a registry nor a registrar can be expected to act as the arbiter of regional disputes. This is why ICANN devised the UDRP.

Third, the ACPA expressly immunizes both registrars and registries from liability for registration of domain names:

> A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a do main name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.[7]

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[4]Lockheed Martin Corp., 141 F. Supp.2d at 655.

[5]Lockheed Martin Corp., 985 F. Supp. at 954.

[6]Lockheed Martin Corp., 985 F. Supp. at 964-65; Lockheed Martin Corp.,194 F.3d 980, 984-85 (citing Inwood Lab., Inc. v. Ives Lab., Inc., 456 U.S. 844, 853-54 (1982). Other cases have followed the Lockheed cases in relevant part, although also examining the liability of the allegedly infringing registrar (or similarly situated party) under the later-enacted ACPA. See Ford Motor Co., 177 F. Supp. 2d 635 (domain name auction house did not "directly transfer or receive a property interest in a domain name" and therefore did not "traffic in" domain names under ACPA); Bird v. Parsons, 289 F.3d 865 (6th Cir. 2002); Size, Inc. v. Network Solutions, Inc., 255 F. Supp.2d 568 (E.D. Va. 2003); Baidu, Inc., 760 F. Supp.2d at 320-22.

 15 U.S.C. § 1114(2)(D)(iii).

The courts have confirmed the scope of this immunity, holding that "domain registrars are granted immunity for registering or maintaining a domain name for another."[8]

Finally, no court has ever held that a domain registry, which is a step removed from the registrars, can be held liable for the registration of a domain name incorporating another party's trademark. Indeed, at least one court unequivocally has held that in undertaking its function as a registry, a registry operator cannot be held liable for infringement. That court stated:

> [N]one of the conditions and conduct [for liability] would be applicable to a person functioning solely as a registrar or registry of domain names. . . . Congress did not cause a defendant as a domain name registrar, or as keeper of the registry, to be subject to civil liability under Section 1125(d). . . . The reason the UDRP was developed was to provide the mechanism to resolve these disputes. Not only would imposing plaintiff's scheme render the UDRP nugatory, it would cause the domain name system in its entirety not to be feasible.[9]

It should be abundantly clear from the above that the operations of the Registry are lawful, non-discriminatory and in accord with ICANN policies.

We invite you to learn about our pioneering trademark protection programs, both in the .XXX TLD as well as in other TLDs that ICM Registry may be operating. Please visit http://icmregistry.com to find out more information about our unprecedented brand protection.

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[8]Baidu, Inc., 760 F. Supp.2d at 320 (citing S. Rep. No. 106-140, at 11 (1999) for fact that domain registrars are granted immunity to "promote[] the continued ease and efficiency users of the current registration system enjoy by codifying current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a name.").

[9]Lockheed Martin Corp., 141 F. Supp.2d at 655.