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Flat Broke and Busted, But Can I Keep My Domain Name? Domain Name Property Interests in the First, Fifth, and Eleventh Circuits

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FLAT BROKE AND BUSTED, BUT CAN I KEEP MY DOMAIN NAME? DOMAIN NAME PROPERTY INTERESTS IN THE FIRST, FIFTH, AND ELEVENTH CIRCUITS

I. INTRODUCTION

In April 2000, the Virginia Supreme Court issued an opinion that has become a cornerstone in the law governing domain names. In *Network Solutions, Inc. v. Umbro International, Inc.*[1] the court ruled that a creditor could not reach an Internet domain name through a garnishment proceeding because a domain name is too inextricably linked to a contract for services. Ultimately, the court reasoned that a domain name cannot exist "separate from its respective service that created it and that maintains its continued viability."[2] The decision sparked a flurry of scholarly commentary and debate concerning whether other jurisdictions would follow the Virginia approach and the ruling's effect on other areas of the law involving domain names.[3] Most notably, commentators have considered *Umbro* with respect to whether a creditor can use a domain name as a security interest under UCC Revised Article 9[4] and whether a domain name should be considered an asset of the debtor's estate in a bankruptcy proceeding.[5]

In their analyses, however, these commentators have largely overlooked an interesting portion of the *Umbro* opinion in which the Virginia Supreme Court hinted that the First and Fifth Circuits might have decided the issue differently.

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[1] 529 S.E.2d 80, 54 U.S.P.Q.2d (BNA) 1738 (Va. 2000).

[2] *Id.* at 87.

[3] *E.g.*, Marjorie Chertok & Warren E. Agin, *Restart.com: Identifying, Securing and Maximizing the Liquidation of Cyber-Assets in Bankruptcy Proceedings*, 8 AM. BANKR. INST. L. REV. 255, 273-80 (2000); Brent R. Cohen & Thomas D. Laue, *Acquiring and Enforcing Security Interests in Cyberspace Assets*, 10 J. BANKR. L. & PRAC. 423, 429-30 (2001); Francis G. Conrad, *Dot.coms in Bankruptcy Valuations under Title 11 or www.snipehunt in the dark.noreorg/noassets.com*, 9 AM. BANKR. INST. L. REV. 417, 430-31 (2001); William H. Kiekhofer, III & Jeffrey C. Selman, *Bankruptcy and Licensing*, *in* PLI'S PATENT AND HIGH TECHNOLOGY LICENSING at 279, 337-41 (PLI Patents, Copyrights, Trademarks and Literary Property Course Handbook Series No. 652, May 2001); Johnathan Krisko, *U.C.C. Revised Article 9: Can Domain Names Provide Security for New Economy Businesses?*, 79 N.C. L. REV. 1178, 1185-86 (2001); Xuan-Thao N. Nguyen, *Cyberproperty and Judicial Dissonance: The Trouble with Domain Name Classification*, 10 GEO. MASON L. REV. 183, 199-204 (2001); Keith Shapiro, *Dotcom Bankruptcies*, Address Before the American Bankruptcy Institute Sixth Annual Rocky Mountain Bankruptcy Conference (Feb. 8-10, 2001), *in* WL 020801 ABI-CLE 89.

[4] *See, e.g.*, Cohen & Laue, *supra* note 3, at 433-35; Kiekhofer & Selman, *supra* note 3, at 333-45; Krisko, *supra* note 3, at 1186.

[5] *See, e.g.*, Chertok & Agin, *supra* note 3, at 273-76; Shapiro, *supra* note 3.

Although the *Umbro* court insisted that a domain name is too "inextricably bound to the domain name services" and thus indistinguishable as a property interest separate from the contracted services, the court went on to note that "at least two jurisdictions have made such a similar distinction with regard to telephone numbers."[6] If the *Umbro* court is correct in its assessment, then it stands to reason that those two jurisdictions might accept a domain name/telephone number analogy and therefore distinguish a domain name as a property interest separate from the services provided under the registration agreement.

The two jurisdictions to which the *Umbro* court referred are the First and Fifth Circuits. The Fifth Circuit, said the *Umbro* court, recognized a property interest in telephone numbers in *Georgia Power Company v. Security Investment Properties, Inc.*[7] According to the *Umbro* court, *Security Investment* stands for the proposition that "for a business, . . . telephone numbers constitute a unique property interest, the value of which increases as the number becomes widely known."[8] Because *Security Investment* was decided before the Fifth Circuit split, this assessment by the *Umbro* court also should apply to the Eleventh Circuit.

The *Umbro* court based its conclusion that the First Circuit would hold likewise on one First Circuit case, *Darman v. Metropolitan Alarm Corporation.*[9] The *Umbro* opinion devotes little time to *Darman*; it merely cites the case and summarizes it, saying that it "approv[ed] [the] sale of telephone numbers in order to increase [the] value of [a] bankruptcy estate and not[ed] [a] distinction between 'a subscriber's rights derived from a contract for telephone service and a subscriber's possible claim to a possessory interest in the telephone number.' "[10]

As of the date of this writing, neither the First, Fifth, nor Eleventh Circuits have had a reported case involving the property status of Internet domain names in the context of a bankruptcy or proceeding in any other context. Thus, while the *Umbro* opinion hints at how those Circuits would decide such a case, real uncertainty exists about how those courts actually would approach the issue. Still, what is certain is the likelihood that if the issue arises in any of those three jurisdictions, then one party would surely argue, as Umbro did, that domain names are analogous to telephone numbers and, therefore, that *Security Investment* or *Darman* should control.

If and when a party advances this argument in the First, Fifth, or Eleventh Circuit, the court must complete a two-part inquiry. First, the court must

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[6] 529 S.E.2d at 87.

[7] 559 F.2d 1321 (5th Cir. 1977).

[8] Network Solutions, Inc. v. Umbro Int'l, Inc., 529 S.E.2d 80, 87, 54 U.S.P.Q.2d (BNA) 1738, 1744 (Va. 2000) (quoting Georgia Power Co. v. Sec. Inv. Props., Inc., 559 F.2d 1321, 1324 (5th Cir. 1977)).

[9] 528 F.2d 908 (1st Cir. 1976).

[10] *Umbro*, 529 S.E.2d at 87 (quoting *Darman*, 528 F.2d at 910 n.1).

determine whether the *Umbro* opinion's assessment of the precedential value of *Security Investment* and *Darman* is accurate. In other words, the court must decide whether those two cases actually stand for the proposition that a telephone number can be subject to a possessory property interest. Moreover, even if those cases posit that proposition, the court must examine *Security Investment* and *Darman* to determine whether they establish limitations on the circumstances in which such a property interest exists.

After determining whether and when *Darman* and *Security Investment* recognize a property interest in telephone numbers, a court governed by the precedent of either case next would have to determine whether that property interest would, or should, apply to domain names as well as telephone numbers. In addressing new legal issues presented by Internet-related technologies, courts constantly and consciously must choose whether to apply established legal doctrine to these new technologies or to create wholly new legal doctrine to deal with the unique issues presented by the Internet.[11] This truism certainly applies to any consideration of property interests in domain names. Thus, courts bound by *Security Investment* and *Darman* must determine whether domain names are similar enough to telephone numbers that they should be treated in like manner when considering the existence of a possessory property interest. Making this determination requires consideration of the domain name/telephone number analogy in general terms and examination of the factors and policy concerns which the *Security Investment* and *Darman* courts set forth in their analyses.

Because a First, Fifth, or Eleventh Circuit court addressing the issue of domain name property interests would likely go through some form of the two-part inquiry previously described, this Note undertakes that same inquiry to ascertain how those courts would, or should, decide the issue. First, this Note presents general information on the Internet, domain names, and the domain name registration process. It also discusses *Umbro*, as it remains a leading case regarding the property status of domain names. Next, this Note examines the accuracy of *Umbro*'s assessments of First and Fifth Circuit precedent with respect to property interests in telephone numbers. As will be explained, the *Umbro* assessment of First and Fifth Circuit precedent greatly misconstrues the actual holdings of *Security Investment* and *Darman*. Unfortunately though, only one published article has addressed the *Umbro* court's characterization of *Security Investment*, and that commentator seems to have accepted at face value *Umbro*'s

[11] Paul H. Arne, *New Wine in Old Bottles: The Developing Law of the Internet*, *in* INTELLECTUAL PROPERTY LAW INSTITUTE at 9, 16-19 (PLI Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. 416, Sept. 1995).

misappraisal of the Fifth Circuit's stance on the issue.[12] Further, no published article has contemplated *Umbro*'s assessment of *Darman*.

After explaining the First and Fifth Circuit approaches to property interests in telephone numbers, this Note considers the domain name/telephone number analogy to determine whether and how *Darman* and *Security Investments* might be applied to domain names. Several cases have discussed this domain name/ telephone number analogy,[13] and while a handful of publications have pondered the analogy in passing,[14] none have done so within the context of the Fifth and First Circuits' specific reasons for holding that a telephone number can be subject to a possessory property interest.

II. BACKGROUND

A. THE INTERNET AND DOMAIN NAMES

Before discussing *Umbro* and the Fifth and First Circuit cases on property rights in telephone numbers, the complexities of the Internet and domain names must be addressed to the extent that such an understanding is relevant to the discussion at hand. The history of the Internet has been retold so many times in law reviews and other publications that it has, according to some, entered the realm of "economic folklore."[15] Therefore, this Note will devote little time to that same task except to emphasize a few of the more important facts of the Internet's origin and evolution.

A product of the Cold War, the Internet, originally called ARPAnet (Advanced Research Projects Agency Network) started life as the brainchild of the Department of Defense, which began funding its development in 1969.[16] By the early 1980s, the Internet had strayed from its purely military research initiatives, and the National Science Foundation had largely taken over the job of funding its continued existence.[17] The Internet did not veer from its research/scientific bent

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[12] *See* Chertok & Agin, *supra* note 3, at 278-79 (claiming that *Security Investment* is consistent with two recent decisions recognizing a domain name as a property right).

[13] For examples of cases that have addressed the similarities between telephone numbers and domain names, see *Name.Space, Inc. v. Network Solutions, Inc.*, 202 F.3d 573, 584-85 (2d Cir. 2000); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1325, 46 U.S.P.Q.2d (BNA) 1511, 1522 (9th Cir. 1998); *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 19, 60 U.S.P.Q.2d (BNA) 1941, 1949 (1st Cir. 1991); *Dorer v. Arel*, 60 F. Supp. 2d 558, 561 (E.D. Va. 1999); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 957-58, 44 U.S.P.Q.2d (BNA) 1865, 1876 (C.D. Cal. 1998).

[14] *See, e.g.*, Cohen & Laue, *supra* note 3, at 433.

[15] *Id.* at 423.

[16] G. BURGESS ALLISON, THE LAWYER'S GUIDE TO THE INTERNET 31-32 (1995).

[17] *Id.* at 32.

until the second half of the nineties. During that time, use of the Internet, especially personal and home use, exploded.[18] The exponential growth of Internet use resulted largely from the World Wide Web application, which allows users to connect to the Internet via web browsers such as Microsoft Explorer or Netscape Navigator.[19]

Navigation within the cyber-world is enabled by what essentially functions as a high-tech address system. In the cyber-world, addresses of websites are known as URLs (uniform resource locators).[20] For example, http://www.uga.edu is the URL for the University of Georgia homepage. The first portion of this particular address, "http," identifies the scheme or transfer protocol. In particular, "http" stands for "hypertext transfer protocol," which is the most common scheme for URLs.[21] Following the two forward slashes is the "key component of a website's URL"—its domain name.[22]

In reality, computers connected to the Internet do not locate websites using the domain names that people use. Instead, networked computers use Internet Protocol (IP) addresses to locate websites. An IP address is a string of four numbers (often with each containing a varying number of digits) each separated by a period.[23] For example, 131.96.160.50 is the IP address for one of the University System of Georgia's library servers.[24] "Because people remember names better than numbers, a conversion system called the Domain Name System ('DNS') is used to translate the Web addresses used by people into the numeric IP addresses used by the Network."[25]

According to some commentators, a domain name functions as a combination of a trademark, address, and telephone number all rolled into one.[26] In substance, a domain name has at least two parts, each separated by a dot. In its simplest form, a domain name consists of a "top-level" domain "preceded by a 'second level' domain name which serves as an individual identifier."[27] Some refer to the top level domain name as a generic Top Level Domain (gTLD).[28] Thus, for

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[18] Navin Katyal, *The Domain Name Registration .BIZness: Are We Being "Pulled Over" on the Information Super Highway?*, 24 HASTINGS COMM. & ENT. L.J. 241, 248 (2002).

[19] Milton Mueller, *ICANN and Internet Governance: Sorting through the Debris of 'Self-Regulation'*, Vol. 1, No. 6 INFO 497, 500 (1999).

[20] Allison, *supra* note 16, at 60.

[21] Cohen & Laue, *supra* note 3, at 425.

[22] Kiekhofer & Selman, *supra* note 3, at 333.

[23] Cohen & Laue, *supra* note 3, at 425.

[24] *See Z39.50 Access Parameters for GIL Libraries*, *at* http://gil.usg.edu/html/z3950-server.html (last visited Sept. 3, 2003).

[25] Cohen & Laue, *supra* note 3, at 425.

[26] Adam Chase, *A Primer on Recent Domain Name Disputes*, 3 VA. J.L. & TECH. 3, 4 (1998).

[27] Kiekhofer & Selman, *supra* note 3, at 333.

[28] *E.g.*, David H. Bernstein, *The Alphabet Soup of Domain Name Dispute Resolution: The UDRP and*

example, in "uga.edu" the top-level domain is ".edu" and the second-level domain name is "uga." Originally, only five generic top-level domain names existed: .com, .org., .gov, .edu, and .net. Two others, .mil and .int, were later added. The Internet Corporation for Assigned Names and Numbers (ICANN) recently expanded the list to include seven more: ".aero (for the aviation industry), .biz (for businesses), .coop (for cooperative groups), .info (for information), .museum (for museums), .name (for personal and character names), and .pro (for professionals . . .)."[29] "Additional top level domains may indicate the country of origin. For example, '.uk' represents the United Kingdom and '.jp' represents Japan."[30]

Because every domain name must be unique, a rather lucrative market for domain names has arisen, particularly in the case of generic domain names, where trademark protection does not prevent the registration of the name by anyone. "For example, www.wallstreet.com reportedly sold for $1 million and www.drugs.com sold for over $800,000."[31] The market for generic domain names is essentially a race of the swiftest—he who registers the name first is he who will reap the rewards. The race to register has been so competitive that relatively few valuable .com (the most popular gTLD) domain names remain available.[32] Thus, a large demand now exists for valuable second level domain names within other top-level domains. Since few top-level domain names exist though, and since each top-level domain has restrictions placed on its use (i.e., .museum must be used for museums, .aero must be used by the aviation industry, etc.), many businesses face a real scarcity of alternatives to the .com gTLD.[33]

In an interesting display of entrepreneurship, at least three countries have started selling and registering domain names within their countries' top-level domains to meet the demand for alternative gTLDs. For example, Tuvalu, whose top-level domain is .tv, has sold domain names within the .tv domain with initial registration fees starting at $100,000. The CoCos Keeling Islands, whose top-level domain is .cc, has jumped into the game as well. The most valuable .cc

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ACPA, *in* PLI'S EIGHTH ANNUAL INSTITUTE FOR INTELLECTUAL PROPERTY LAW at 251, 255 (PLI Patents, Copyrights, Trademark, and Literary Property Course Handbook Series No. 716, Sept. 26-27, 2002).

[29] Meichelle R. MacGregor, *What's in a Name: Domain Names and Trademarks in the New Media Environment*, *in* REPRESENTING THE NEW MEDIA COMPANY: GUIDING YOUR CLIENTS THROUGH A CHANGING ECONOMY 2002 at 373, 382 (PLI Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. 686, Jan. 2002).

[30] Cohen & Laue, *supra* note 3, at 426.

[31] Richard D. Harroch, *Legal Issues Associated with the Creation and Operation of Web Sites*, *in* FOURTH ANNUAL INTERNET LAW INSTITUTE at 537, 548 (PLI Patents, Copyrights, Trademarks, and Literary Property Course Handbook Series No. 610, June 2000).

[32] Katyal, *supra* note 18, at 257-58.

[33] *Id.*

domain name, www.beauty.cc, sold for $1 million.[34] The Northern Mariana Islands has taken a slightly different approach. Saipan DataCom, Inc. contracted with the Northern Mariana Islands, whose top-level domain is .mp, to acquire the right to become a registrar for domain names in the .mp domain. This business venture resulted in MarketPlace Domain, Inc., a domain registrar that now competes with VeriSign, the most popular registrar of domain names.[35] Thus, for many, acquiring and selling domain names has become an expensive venture that can produce lucrative rewards nearly overnight.

B. THE REGISTRATION PROCESS

1. ICAAN and the Anticybersquatting Consumer Protection Act. How the domain name game is played has changed as the registration process has evolved over the last decade. In recent years, much of this change has been effected through the creation of ICANN and the passage of federal legislation. In 1992, Network Solutions, Inc. (NSI)[36] outbid competitors for designation by the National Science Foundation as the sole registrar of domain names in the .com, .edu, .gov, .org, and .net gTLDs.[37] This virtual monopoly continued until the original contract between the National Science Foundation and NSI expired in 1998.[38] Shortly before the contract's expiration, the Clinton administration pushed for the creation of an international organization to govern domain name registration.[39] These efforts resulted in ICANN—the Internet Corporation for Assigned Names and Numbers.[40] "As things currently stand, ICANN accredits those companies who wish to act as domain name registrars. [Verisign] continues to run the registry for .com, .net, and .org names, but shares access to Route Server A with other registrars for a fee."[41] Route Server A contains the registry of the most popular domain names and acts as a sort of card catalogue for those domain

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[34] 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, 957 (2001).

[35] Cohen & Laue, *supra* note 3, at 426-27.

[36] NSI is now known as VeriSign. Zohar Efroni, *The Anticybersquatting Consumer Protection Act and the Uniform Dispute Resolution Policy: New Opportunities for International Forum Shopping?*, 26 COLUM.-VLA J.L. & ARTS 335, 362 (2003).

[37] Luke A. Walker, *ICANN's Uniform Domain Name Dispute Resolution Policy*, 15 BERKELEY TECH. L.J. 289, 293 (2000).

[38] Katyal, *supra* note 18, at 248 n.32.

[39] Adam Silberlight, Comment, *WWW. How to be a Master of Your Domain.com: A Look at the Assignment of Internet Domain Names under Federal Trademark laws, Federal Case Law and Beyond*, 10 ALB. L.J. SCI. & TECH. 229, 271 n.255 (2000).

[40] Cohen & Laue, *supra* note 3, at 427-28.

[41] *Id.* at 428.

names.[42] As of the date of this writing, ICANN has accredited over one hundred domain name registrars.[43] The Bush administration, however, has expressed disappointment in ICANN's less than hoped for achievements.[44] Still, ICANN will continue in its current capacity at least until the end of September 2003 based on the U.S. government's recent renewal of its contract with ICANN for another year.[45]

Changes in the registration process also have come in the form of federal legislation. In 1999, Congress passed the Anticybersquatting Consumer Protection Act as an amendment to section 43 of the Lanham Act.[46] Congress intended the legislation "to protect companies against persons or entities that acquire domain names for the purpose of extorting payment for the purchase of these names from trademark owners and/or for trading on the brand recognition and good will of an existing mark."[47] Since the Act aims to affect only "true" cybersquatters, it protects individuals from only those squatters who register domain names in bad faith.[48]

The Act allows a party injured by another's squatting of a domain name to commence an *in rem* civil proceeding.[49] Thus, a successful litigant can prompt the court to seize the domain name by forcing the registrar "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."[50] Still, only a small fraction of domain names are also registered or protected trademarks,[51] and therefore, the Anticybersquatting Consumer Protection Act does not affect the squatting and trading of generic domain names, which are often the most valuable.[52]

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[42] *Id.* at 426.

[43] Jennifer S. Cook, Comment, *Enforcing the Federal Dilution Trademark Act of 1995 and the Anticybersquatting Act of 1999: Judicial Discretion Advised*, 1 HOUS. BUS. & TAX L.J. 224, 228 (2001).

[44] Jim Wagner, *DoC Set to Renew Vows with ICANN*, Internetnews.com, *at* http://www.Internetnews.com/bus-news/article.php/1465601 (Sept. 18, 2002).

[45] *Id.*

[46] 15 U.S.C. § 1125(d) (2000).

[47] Chertok & Agin, *supra* note 3, at 274, 275.

[48] RAYMOND T. NIMMER, THE LAW OF COMPUTER TECHNOLOGY § 15:91 (2002).

[49] *See generally* Caesars World, Inc. v. Caesars-Palace.com, 112 F. Supp. 2d 502, 54 U.S.P.Q.2d (BNA) 1121 (E.D. Va. 2000); Cable News Network L.P. v. CNNews.com, 162 F. Supp. 2d 484, 61 U.S.P.Q.2d (BNA) 1323 (E.D. Va. 2001).

[50] Chertok & Agin, *supra* note 3, at 275 (quoting 15 U.S.C. § 1125(d) (2000)).

[51] Krisko, *supra* note 3, at 1183.

[52] Robert P. Merges, *One Hundred Years of Solicitude: Intellectual Property Law, 1900–2000*, 88 CAL. L. REV. 2187, 2215 (2000).

2. *NSI, VeriSign, and the Role of the Registrar.* NSI was originally the only registrar of domain names,[53] and today it remains the registrar (under the name VeriSign) for the most common gTLDs.[54] VeriSign originally operated only as an identifier of secure websites and played no role in the actual registration process. Thus, any site that met VeriSign's standards for security of information could display a VeriSign Secure Site symbol.[55] In 1999, VeriSign and NSI announced an agreement whereby NSI would display the VeriSign security symbols on its dot com directory next to those sites which had met VeriSign's security requirements.[56] Under the agreement, a website not listed could apply for a digital certificate through VeriSign or NSI.[57] Thus, under the terms of the April 1999 agreement, NSI assumed the functions of VeriSign yet retained its name. Not until March of the following year, 2000, did VeriSign and NSI take the crucial steps toward the NSI name change. On March 7, 2000, VeriSign entered into an agreement to buy out NSI. As a result of the buyout, VeriSign replaced NSI on the NASDAQ-100 list and VeriSign now offers all of the services previously offered by NSI.[58]

Even though ICANN has accredited other domain name registrars,[59] VeriSign remains the most popular registrant of domain names.[60] Thus, examination of VeriSign's registration process provides a sufficient understanding of the registrar's role in registering and maintaining domain names. VeriSign performs two important functions for domain name registrants. First, "it screens domain name applications against its data base to prevent duplication."[61] This step in the registration process begins online at the company's home page.[62] The registrant submits the desired domain, and then VeriSign performs a search of all currently registered domain names in the VeriSign directory.[63] If the desired name is

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[53] To be precise, the Internet Assigned Numbers Authority (IANA) was actually the first registrar of domain names, and it remained the only registrar until 1992 when NSI outbid competitors for the job. PGMedia, Inc. v. Network Solutions, Inc., 51 F. Supp. 2d 389, 393 (S.D.N.Y. 1999).

[54] *See supra* notes 16-17 and accompanying text.

[55] Sirkka L. Jarvenpaa & Emerson H. Tiller, *Customer Trust in Virtual Environments: A Managerial Perspective*, 81 B.U. L. REV. 665, 682 (2001).

[56] Maura Ginty, *VeriSign, NSI Ink dot com Agreement*, Internetnews.com, *at* http://www.Internetnews.com/ec-news/article.php/101041 (Apr. 19, 1999).

[57] *Id.*

[58] *VeriSign to Replace NSI on NASDAQ-100 Index*, Internetnews.com, *at* http://dc.Internet.com/news/article.php/386181 (June 2, 2000).

[59] *See supra* notes 16-17 and accompanying text.

[60] Cohen & Laue, *supra* note 3, at 426.

[61] *Id.*

[62] *VeriSign*, *at* http://www.verisign.com (last visited Aug. 27, 2003).

[63] At least one other registrar, MarketPlace Domain Inc., does not allow potential registrars to

available, the registrant may register the name for a minimum of one year for $35 or a maximum of ten years for $150.[64] The second function of VeriSign and other registrars in the registration process is that of linking domain server IP numbers with their respective domain names.[65]

C. OVERVIEW OF *NSI V. UMBRO*

The factual background of the seminal case of *Network Solutions, Inc. v. Umbro International, Inc.*[66] actually begins with *Umbro International, Inc. v. 3263851 Canada, Inc.*[67] There, Umbro, maker of soccer apparel, was solicited by a Canadian corporation owned by James Tombas. Tombas' corporation mainly dealt in the distribution of pornography over the Internet,[68] but Tombas, through the corporation, had also registered a number of domain names with NSI for the purpose of cybersquatting in the most classic of fashions. One victim of Tombas' cybersquatting turned out to be Umbro. Though Umbro had registered its name as a trademark approximately ten years earlier, Tombas registered the name "umbro.com" with NSI and then faxed Umbro a "demand letter" requesting that the company pay Tombas $50,000, give $50,000 to an Internet charity, and give Tombas a lifetime supply of Umbro merchandise in return for the domain name.[69] Umbro sued Tombas' corporation in the South Carolina District Court for trademark infringement and won a default judgment. Tombas' corporation was enjoined from any further use of the "Umbro" mark, was directed to relinquish all interest in the domain name, and was ordered to pay Umbro $23,489.98 in reasonable attorneys' fees and expenses.[70] After winning its South Carolina federal suit against Tombas' corporation and obtaining a Certificate of Registration from another South Carolina District Court, Umbro turned its attention to NSI, the registrar of "umbro.com." Umbro went to Virginia, where NSI was headquartered, and obtained a writ of *fieri facias* which was subsequently served on NSI.[71] Umbro then instituted a garnishment proceeding seeking a

search its database of domain names for available names. This is aimed at reducing cybersquatting. Note also that the MarketPlace registrant of a non-generic domain name must also hold a trademark in the name. Cohen & Laue, *supra* note 3, at 426 (2001).

[64] *Network Solutions*, *at* http://www.netsol.com (last visited Sept. 3, 2003).

[65] Cohen & Laue, *supra* note 3, at 426.

[66] 529 S.E.2d 80, 54 U.S.P.Q.2d (BNA) 1738 (Va. 2000).

[67] 48 Va. Cir. 139, 50 U.S.P.Q.2d (BNA) 1786 (1999).

[68] *See id.* at 1790 (explaining how Tombas' corporation operated several websites such as "picsofchics.com," "sexxx.com," "pornplaza.com," and "slutpix.com").

[69] *Id.* at 1787.

[70] *Id.* at 1786.

[71] One should note that VeriSign, which acquired NSI in 2000, is a California-based corporation. Christopher Saunders & Michael Singer, *VeriSign Settles Marketing Lawsuit*, Internetnews.com, *at*

judicial sale of Tombas' corporation's domain names to satisfy Umbro's judgment. Specifically, Umbro sought to garnish thirty-eight domain names that Tombas' corporation had allegedly registered with NSI.[72] NSI, however, answered that it had no "money or garnishable property of the Judgment Debtor."[73]

In December 1998, the Virginia Circuit Court held a hearing to determine whether NSI had cause not to deposit the domain names into the registry of the court. NSI claimed that the court should characterize the domain names sought to be garnished as "standardized, executory service contracts" or "domain name registration agreements."[74] The court pointed out that NSI had, at that time, registered 3.5 million domain names and that ninety percent of these registration applications had involved no human intervention.[75] Since NSI had registered over three million domain names on a completely electronic basis, the court had little patience with NSI's claim that the garnishment would force it to perform contractual services for someone with whom it had not entered into a contract; NSI essentially exercised no discretion over whom it registered.[76]

The circuit court further buttressed this argument by noting that the Patent Office performs certain services in issuing a patent, but a patent still can be garnished. "The fact that this form of intellectual property results from a service that NSI provides does not (as NSI argues) preclude the property from garnishment any more than the service provided by the Patent Office in issuing a patent immunizes patents from garnishment."[77] Thus, the circuit court disagreed with NSI and held that NSI had to deposit the domain names into the court's registry in order to be auctioned by the sheriff.[78]

On appeal to the Virginia Supreme Court, NSI reasserted the argument it had made before the circuit court, claiming that the circuit court had wrongly concluded that a domain name could be considered subject to a possessory property interest separate from the services called for by the registration

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http://www.Internetnews.com/IAR/article.php/1478091 (Oct. 7, 2002). Since VeriSign remains the most popular domain name registrar and this author is unaware of any Virginia-based ICANN-accredited registrars, the precedential importance of *Umbro* has become diminished.

[72] *Umbro*, 529 S.E.2d at 81.

[73] *3263851 Canada*, 50 U.S.P.Q.2d (BNA) at 1788.

[74] *Umbro*, 529 S.E.2d at 81.

[75] *3263851 Canada*, 50 U.S.P.Q.2d (BNA) at 1789.

[76] *Id.* Note that part of the court's impatience with this argument resulted from the fact that many of Tombas' corporation's registered domain names were intended to be sites for the distribution and/or exhibition of pornography. That NSI had registered names for a pornographer was yet another factor leading the court to conclude that NSI exercised little or no discretion over with whom it entered into registration contracts.

[77] *Id.* at 1789-90.

[78] *Id.*

agreement.[79] In response, Umbro posited that since NSI assigned domain names on a first-come, first-serve basis and the registrant acquired the right to exclusive use of the domain names for two years, such exclusive use of the domain names should be considered as intangible property interests subject to garnishment.[80] Interestingly, NSI did not deny that a domain name is a form of intangible property. Moreover, the court neither agreed nor disagreed with the circuit court's characterization of domain names as a "form of intellectual property."[81] The court skirted the issue by declaring that regardless of the registrant's possible rights in the exclusive use of the domain name, "those rights do not exist separate and apart from NSI's services that make the domain names operational Internet addresses."[82] Thus, the court took into consideration the bifurcated nature of the services of a registrar—screening applicants to avoid the duplication of names and linking domain server IP numbers with their respective domain names.[83] Focusing on the second of these duties, the court reasoned that because use of the domain name depends upon the registrar's maintenance of the link between the IP number and the domain name, the registration of a domain name should be characterized as a contract for services.[84]

Under this "contract for services" approach to domain names, the registrant pays the registrar to maintain an IP number/domain name link and to prevent other would-be registrants from using the same domain name. The court feared that allowing garnishment of a domain name registrar's services would open the door for garnishment of "practically any service."[85] Of special concern was the court's fear that a contrary ruling would allow garnishment of corporate names.[86]

Interestingly, the Virginia Supreme Court never directly responded to the circuit court's focus on the lack of discretion during the registration process. Still, on its face, that argument has some clear flaws. For example, simply because a party has rarely exercised discretion in choosing with whom to contract, the court should not force that party to enter into a services contract with anyone willing to pay for them at a forced auction. The Virginia Supreme Court dismissed the line of reasoning accepted by the circuit court by relying upon the clearly established rule in Virginia that "where the property is in the form of a contract

[79] *Umbro*, 529 S.E.2d at 85.
[80] *Id.* at 85-86.
[81] *Id.* at 86.
[82] *Id.*
[83] Cohen & Laue, *supra* note 3, at 426.
[84] *Umbro*, 529 S.E.2d at 86.
[85] *Id.* at 86-87.
[86] *See id.* (noting that corporate names are registered by the State Corporation Commission, which disallows the use of indistinguishable corporate names by other entities).

right, the judgment creditor does not 'step into the shoes' of the judgment debtor and become a party to the contract."[87]

III. ANALYSIS

The emerging law of the Internet reveals a constant struggle between the judicial tendency to apply traditional legal doctrine to new technologies and the urge to carve out new legal principles for issues that are seemingly unique to the Internet.[88] Thankfully for lawyers and judges, new Internet-related legal issues sometimes fit neatly into old legal concepts; consider, for example, defamation. Defamatory remarks can be as injurious when broadcast on the Internet as when published in a newspaper. Thus, courts have had no trouble imposing liability for false and malicious statements posted about a person on a web page.[89]

Yet, sometimes trying to apply established legal doctrine to new Internet-related issues is like trying to force a square peg into a round hole. As one commentator has observed,

> [a]ctivities in 'cyberspace' are often identical to those that have been occurring elsewhere for a long time. In other ways, however, the nature of the Internet technology, the ubiquitousness of the medium, and the new forms of communication that are allowed by the Internet make the application of existing statutory and common law awkward at best.[90]

In situations of the latter type, the courts either must round the edges of the square peg or cut a new, square hole. For instance, determining jurisdiction in an Internet-defamation case has not fit neatly into established legal doctrine. Courts have had to consider, for example, whether a defendant in New York who publishes defamatory material on the Internet is subject to personal jurisdiction in California.[91] Clearly, applying doctrines such as "minimum contacts" and "stream of commerce" may make little sense in the Internet context. Courts,

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[87] *Id.* at 88 (quoting a case from the United States Court of Appeals for the Fourth Circuit; the Virginia Supreme Court concluded, however, that the Fourth Circuit had correctly interpreted Virginia case law).

[88] Arne, *supra* note 11, at 18.

[89] *See generally* Jay M. Zitter, *Liability of Internet Service Provider for Internet or E-Mail Defamation*, 84 A.L.R. 5TH 169, 177 (2000) ("The law of defamation . . . is applicable to the Internet in general. The courts and legislatures have employed traditional defamation principles to regulate electronic and on-line defamation.").

[90] Arne, *supra* note 11, at 13.

[91] Jewish Defense Org., Inc. v. Superior Court, 85 Cal. Rptr. 2d 611 (1999).

therefore, have had to develop new legal formulae and doctrines, including defining different categories of web pages and basing jurisdictional determinations on the particular category of web page at issue.[92] Thus, when traditional doctrines do not answer new questions posed by the Internet, old theories must be reshaped or new theories must be articulated. In this regard, domain names, like a plethora of other Internet-related issues, beg the question "whether new wine can be poured into an old bottle."[93] Answering each subtle legal question about the nature of domain names requires fitting the qualities of domain names into the features of established legal doctrines involving property, creditors and debtors, securities, and a host of other areas of law.

As one of the first cases dealing directly with domain names in the context of the law of creditors and debtors, *Umbro* exemplifies the process in which courts participate when addressing new Internet-related issues. Though the court could have given into the temptation of noting the unique features of domain names and then establishing ambitious new legal doctrines to deal with them, the court instead tried to work domain names into a web of already existing legal theories.[94] In so doing, the court looked at the nature of the contract between a domain name registrar and registrant in order to conclude that a domain name is essentially a contract for services.[95] Once the court fit domain names into the pigeonhole of contracts for services, the court's ultimate holding came as no surprise; the court only needed to apply the rule that contracts for services cannot be garnished under Virginia law to reach its conclusion that Umbro could not garnish the names registered with NSI.[96]

The *Umbro* decision put to rest any uncertainty regarding how Virginia courts will handle domain names in garnishment proceedings. By extension, the opinion also will control the treatment of domain names in Chapter 7 bankruptcies arising in Virginia.[97] Still, *Umbro* raises as many questions about domain names in the

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[92] *See generally* Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 42 U.S.P.Q.2d (BNA) 1062 (W.D. Pa. 1997) (introducing a sliding scale that divided Internet defendants into three categories); *but see* Rachael T. Krueger, *Traditional Notions of Fair Play and Substantial Justice Lost in Cyberspace: Personal Jurisdiction and On-Line Defamatory Statements*, 51 CATH. U. L. REV. 301, 324 (2001) (arguing that the *Zippo* sliding scale test was prematurely formulated and has lost favor among the courts).

[93] United States v. LaMacchia, 871 F. Supp. 535, 535, 33 U.S.P.Q. (BNA) 1978, 1978 (D. Mass. 1994) (addressing the issue of copyright infringement achieved through the use of an electronic bulletin board, the court noted the general difficulties in applying established legal concepts to the new medium of the Internet).

[94] *See supra* note 136 and accompanying text (noting that the court avoided the issue of whether domain names actually constitute intellectual property).

[95] *See supra* notes 74-76 and accompanying text.

[96] *Umbro*, 529 S.E.2d at 87-88.

[97] Generally, services contracts are not treated as assets of the debtor's estate for the purposes

context of creditor/debtor law as it answers. The most obvious question is whether other courts will agree with and follow *Umbro*. As of the date of this writing, no cases directly addressing the issue have been reported. In one of the few closely related cases, *Kremen v. Cohen*,[98] a California district court held that a domain name could not be the subject of a conversion suit. Still, the court there did not follow *Umbro*; rather, the court issued a narrow holding and specifically stated that *Umbro* did not apply.[99] Ultimately, whether courts will follow *Umbro* by concluding that domain name registration agreements are services contracts must remain a matter of pure speculation for the time being.

Another and possibly more interesting question is whether courts that classify domain name registration agreements as services contracts will also follow *Umbro* by holding that domain names cannot be garnished by a creditor or liquidated by a trustee in bankruptcy. In other words, a court in another jurisdiction might agree with *Umbro* that a domain name is the product of a services contract but might hold that the domain name can be treated as separate from the services contract. The *Umbro* decision even hints at this possibility by acknowledging that the Fifth and First Circuits made such a distinction between a telephone number and the contract for telephone service.[100] In the court's own words:

> Umbro attempts to draw a distinction between the judgment debtor's contractual right to use the domain names . . . and NSI's services that . . . make those domain names operational Internet addresses. We are not persuaded by Umbro's argument, although at least two jurisdictions have made a similar distinction with regard to telephone numbers.[101]

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of a Chapter 7 liquidation or Chapter 12 reorganization bankruptcy. *See* Arnold M. Quittner, *Executory Contracts and Leases*, *in* PLI'S 24TH ANNUAL CURRENT DEVELOPMENTS IN BANKRUPTCY & REORGANIZATION at 453, 723 (PLI Commercial Law and Practice Course Handbook Series No. 838, Apr. 11, 2002) (stating that "§ 365 concerning assumption or rejection of a contract does not apply to a personal services contract in a bankruptcy case under chapter 7 or 11"). The *Umbro* court's reasoning also makes clear that a court following the decision could not allow liquidation of a debtor's domain name. At the forefront of the court's concerns is the notion that the registrar should not be forced to provide services to a party with whom it has not chosen to contract. 529 S.E.2d at 86-87. Selling the domain name to a buyer during a Chapter 7 liquidation would, in the same way, allow a third party with whom the registrar has not contracted to step into the shoes of the registrant.

[98] 99 F. Supp. 2d 1168 (N.D. Cal. 2000).

[99] *Id.* at 1173 n.2.

[100] 529 S.E.2d at 87.

[101] *Id.*

In support of its assertion that two other jurisdictions have made this distinction with respect to telephone numbers and telephone services, the *Umbro* court cited a case from the First Circuit and a case decided by the Fifth Circuit before the circuit split.[102] By accepting the *Umbro* court's assessment of Fifth and First Circuit authority with respect to property interests in telephone numbers, the possibility remains that three of the federal circuits (three rather than two because the Fifth Circuit case was decided before the split) might accept the *Umbro* court's conclusion that a domain name registration agreement is a services contract yet still hold that a domain name can be considered subject to a possessory property interest separate and distinct from the registration services contract.

To determine whether the First, Fifth, and Eleventh Circuits might make the same distinction between a domain name and the services provided by the registrar that the *Umbro* court claims that the Fifth and First Circuit make regarding telephone numbers, a two-part inquiry is required. First, the accuracy of the *Umbro* court's characterizations of Fifth and First Circuit precedent regarding telephone numbers must be examined. Second, if the *Umbro* court was accurate in its assessments that those two Circuits have distinguished between telephone numbers and domain names, the next inquiry would be whether the First, Fifth, and Eleventh Circuit courts would, and should, give credence to the argument that telephone numbers and domain names are so similar that they merit like treatment at least within the context of garnishment and Chapter 7 liquidation proceedings. This, in turn, requires comparing the nature of telephone numbers and services to those of domain names and the services of domain name registrars. Moreover, even assuming that the domain name/telephone number analogy is persuasive, the question remains as to whether the First, Fifth, and Eleventh Circuits should extend their established precedent into the realm of domain names or, instead, whether the courts and legislatures should formulate new legal rules to address domain names in a manner different from their treatment of telephone numbers.

A. POSSESSORY PROPERTY INTERESTS IN TELEPHONE NUMBERS IN THE FIFTH CIRCUIT

In its effort to persuade the court to apply established legal doctrine to new technologies, Umbro tried to distinguish the registrant's exclusive right to use a domain name from the services provided by the registrar by pointing out that "at least two jurisdictions have made a similar distinction with regard to telephone

[102] *Id.* at 87 (citing Ga. Power Co. v. Sec. Inv. Props., Inc., 559 F.2d 1321 (5th Cir. 1977) and Darman v. Metro. Alarm Corp., 528 F.2d 908 (1st Cir. 1976)).

numbers."[103] Moreover, Umbro argued that telephone numbers and domain names are so similar that they should be treated in a similar vein.[104] While that argument will be addressed later in this analysis, the *Umbro* court did not necessarily agree or disagree with the argument that similarities exist. The court never had to directly address the issue because it flatly held that despite the possible existence of similarities between telephone numbers and domain names, both should be construed as contracts for services. In the court's words, "neither one exists separate from its respective service that created it and that maintains its continued viability."[105] In so holding, the *Umbro* court posited its fundamental disagreement with the Fifth Circuit's conclusion in *Georgia Power Company v. Security Investment Properties, Inc.*[106]

In its discussion of *Security Investment*, the *Umbro* court characterized that case as standing for the proposition that a business debtor has actual or constructive possession of its telephone number sufficient for the bankruptcy court to exercise jurisdiction over the number. The *Umbro* court, however, disagreed with this proposition and held that telephone numbers and domain names were both too interwoven with service contracts to be treated as distinct possessory property interests.[107] Contrary to the *Umbro* court's characterization of *Security Investment*, however, the Fifth Circuit's approach to property interests in telephone numbers is riddled with subtleties and not nearly as easily defined as the *Umbro* court suggested. In fact, the Fifth Circuit did *not* hold that a telephone number is subject to a possessory property interest in *Security Investment*. Rather, in *Security Investment*, the Fifth Circuit held that a debtor does not have a possessory property interest in electrical service.[108]

At issue in *Security Investment* was the bankruptcy court's ability to enjoin a power company from discontinuing electrical service to two bankrupt debtors in the absence of a deposit or surety bond for future payments.[109] Both debtors had voluntarily filed Chapter 11 bankruptcy petitions.[110] Subsequently, Georgia Power threatened to discontinue service to the debtors unless it had assurance of future payments in the form of either a deposit or surety bond.[111] Despite Georgia Power's argument that Georgia law allowed it to demand a deposit for twice the amount of a customer's monthly bill, the bankruptcy court issued a preliminary,

[103] *Umbro*, 529 S.E.2d at 87.
[104] *Id.*
[105] *Id.*
[106] *Id.*; Ga. Power Co. v. Sec. Inv. Props., Inc., 559 F.2d 1321 (5th Cir. 1977).
[107] 529 S.E.2d at 87.
[108] 559 F.2d at 1324-25.
[109] *Id.* at 1323.
[110] *Id.*
[111] *Id.*

and later a permanent, injunction preventing Georgia Power from requiring a deposit during the period of the debtors' Chapter 11 reorganizations.[112]

On appeal, the Fifth Circuit held that the bankruptcy court did not have jurisdiction to enjoin Georgia Power from requiring a deposit as a prerequisite to continued electrical service.[113] In reaching that conclusion, the court first noted that the bankruptcy court cannot exercise summary jurisdiction over property unless the debtor or trustee has actual or constructive possession of the property; in other words, the bankruptcy court has no power over property that is not part of the debtor's estate.[114] Next, the court reasoned that a recipient of electrical service has no possessory property interest in future electric service; therefore, the bankruptcy court lacked jurisdiction to enjoin Georgia Power from cutting off electrical service in the absence of a deposit.[115]

Given this description of the issues at work in *Security Investment*, understanding why the *Umbro* court relied so heavily upon it in concluding that the Fifth Circuit had held that a party can have a possessory property interest in a telephone number is quite difficult. Indeed, the *Umbro* court is off target in relying on *Security Investment* for its assessment of Fifth Circuit precedent; the holding of *Security Investment* clearly does not extend to telephone companies threatening to discontinue service.[116]

Still, the *Umbro* court's focus on *Security Investment* was not completely unwarranted since *Security Investment* does address telephone numbers in dicta. The discussion of property interests in telephone numbers arose in *Security Investment* because the debtors made an argument based on *In re Fontainebleau Hotel Corporation*,[117] the one Fifth Circuit case that actually held telephone numbers subject to a possessory property interest. *Fontainebleau* involved the bankruptcy of a hotel that had accumulated over $9,000 in unpaid bills by the time it filed for bankruptcy under Chapter 11.[118] After learning of the bankruptcy filing, the South Central Bell Telephone Company gave the hotel two alternatives: pay the outstanding debt and continue with the existing service (and, by extension, the same telephone numbers) or begin with new service (and, hence, new numbers).[119]

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[112] *Id.*

[113] Ga. Power Co. v. Sec. Inv. Props., Inc., 559 F.2d 1321, 1326 (5th Cir. 1977).

[114] *Id.* at 1324.

[115] *Id.* at 1324-25.

[116] *See id.* at 1324 ("The property interest in [telephone] numbers differs from a subscriber's rights to the telephone utility's service. By contrast, the debtors in this case possess no indicia or adjunct of the future electric service in issue analogous to [a debtor's possible property interest in] telephone numbers.").

[117] 508 F.2d 1056 (5th Cir. 1975).

[118] *Id.* at 1057.

[119] *Id.* at 1058.

In response, Fontainebleau sought help from the court in the form of a temporary injunction (to last until a reorganization plan could be submitted and approved) in order to keep its then existing phone numbers.[120]

Fontainebleau received the relief it requested.[121] The Fifth Circuit Court of Appeals first noted (as it also did in *Security Investment*) that a bankruptcy court has no jurisdiction over property that is not in the debtor's actual or constructive possession.[122] Unlike the *Security Investment* court's conclusion regarding property rights in electrical service, however, the *Fontainebleau* court concluded that a telephone number *is* the object of a possessory property interest.[123]

Although the *Fontainebleau* court did not clearly delineate its reasons for finding a possessory property interest in telephone numbers, the court seems to have considered three reasons in reaching that conclusion. First, the court noted that the hotel had the right to use the numbers.[124] The court indicated that this should be the predominant consideration in determining whether a possessory property interest exists when it stated, "[r]ight of use is surely the most important attribute of possession, and the hotel clearly had the right of use as to these telephone numbers . . . ."[125]

The second reason relied on by the *Fontainebleau* court draws upon one of the purposes of Chapter 11 bankruptcy itself. Keeping in mind that the essential purpose of a Chapter 11 bankruptcy is "to restructure a business's finances so that it may continue to operate, provide its employees with jobs, pay its creditors, and produce a return for its stockholders,"[126] the court noted that "telephone numbers are a valuable asset, just like the hotel's building or furniture."[127] Thus, "[p]rotecting use of the telephone numbers by the debtor clearly falls within that responsibility [of preserving the wherewithal for maintaining the debtor's business]."[128] On this point, the Fifth Circuit Court of Appeals agreed with the bankruptcy court's determination that "the hotel's business would be substantially impaired if it could not keep the present numbers."[129]

The third and final justification posited by the court is based on what might be deemed a labor theory approach. The *Fontainebleau* court noted that "[k]eeping

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[120] *Id.* at 1058.

[121] *Id.*

[122] *In re* Fontainebleau Hotel Corp., 508 F.2d 1056, 1058 (5th Cir. 1975).

[123] *Id.* at 1059.

[124] *Id.*

[125] *Id.*

[126] Bankruptcy Reform Act of 1978, H.R. REP. NO. 95-595, at 343 (1977), *reprinted in* 1978 U.S.C.C.A.N. 5787, 6179-80.

[127] *In re* Fontainebleau Hotel Corp., 508 F.2d 1056, 1059 (5th Cir. 1975).

[128] *Id.*

[129] *Id.* at 1058.

the present numbers is important to the hotel because it has invested substantial sums in advertising that lists the numbers."[130] This emphasis on advertising that used the numbers indicates the court's interest in protecting the labor expended to give the numbers value rather than the numbers themselves. A concern for protecting value added by one's labor seems strongly reminiscent of Locke's labor theory arguments. According to Locke,

> Whatsoever then he removes out of the State that Nature hath provided, and left it in, he hath mixed his Labour with, and joined to it something that is his own, and thereby makes it his Property. It being by him removed from the common state Nature placed it in, it hath by his labour something annexed to it that excludes the common right of other Men.[131]

Based on its justifications, the *Fontainebleau* court did not necessarily intend to lay down a blanket rule about property interests in telephone numbers. Rather, the *Fontainebleau* holding is limited to situations in which (1) a debtor has a present right to use the number; (2) he has expended energy in adding value to the number; and (3) considering the number as a property interest would further the Chapter 11 goal of encouraging the future success of a bankrupt enterprise.

The *Umbro* court's characterization of the Fifth Circuit approach to phone numbers, therefore, is flawed for two reasons. First, the *Umbro* court did not cite or discuss *Fontainebleau*, which was the sole Fifth Circuit case that actually held that a possessory property interest exists in telephone numbers. Instead, the court looked only to *Security Investment*, a case not even involving telephone numbers. The *Security Investment* court had distinguished *Security Investment* from *Fontainebleau* (primarily on the very grounds that *Security Investment* did not involve telephone numbers) and, in dicta, discussed telephone numbers, stating that: "for a business, . . . telephone numbers constitute a unique property interest, the value of which increases as the number becomes known through publication in guidebooks, posting on billboards, and imprinting on publicity items."[132] The *Umbro* court honed in on this language, quoted it, and concluded that the Fifth Circuit generally recognizes property interests in telephone numbers.[133] By failing to examine the exact nature of this Fifth Circuit precedent the *Umbro* court

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[130] *Id.*

[131] JOHN LOCKE, TWO TREATISES OF GOVERNMENT 305-06 (Peter Laslett ed., Cambridge Univ. Press 1967) (1690).

[132] Ga. Power Co. v. Sec. Inv. Props., Inc., 559 F.2d 1321, 1324 (5th Cir. 1977).

[133] Network Solutions, Inc. v. Umbro Int'l, Inc., 529 S.E.2d 80, 87, 54 U.S.P.Q.2d (BNA) 1738, 1744 (5th Cir. 2000).

overlooked the subtleties apparent in *Fontainebleau*. Contrary to *Umbro*'s assessment, it is not at all clear that a Fifth Circuit court would find a possessory property interest in telephone numbers unless the three justifications found in *Fontainebleau* are satisfied.

B. POSSESSORY PROPERTY INTERESTS IN TELEPHONE NUMBERS IN THE FIRST CIRCUIT

The *Umbro* court indicated that the First Circuit was another jurisdiction that distinguished between telephone numbers and the services contracted for with the telephone company.[134] In reaching this conclusion, the *Umbro* decision merely cited *Darman v. Metropolitan Alarm Corporation*,[135] a First Circuit case which the court summarized by saying it had "approv[ed] [the] sale of telephone numbers in order to increase value of [the] bankruptcy estate and not[ed] [the] distinction between 'a subscriber's rights derived from a contract for telephone service and a subscriber's possible claim to a possessory interest in the telephone number.' "[136] As with its assessment of Fifth Circuit precedent, the *Umbro* court failed to explore the subtleties of *Darman*.

Like *Security Investment* and *Fontainebleau*, *Darman* involved a Chapter 11 reorganization bankruptcy.[137] The controversy in the case arose from the debtor's desire for a bankruptcy court order confirming the sale of two phone numbers, which apparently had value because they had been listed in the directory under a valuable trade name.[138] Thus, as in *Fontainebleau*, the *Darman* court had to grapple with whether the debtor had sufficient possession of a phone number to give the bankruptcy court jurisdiction over it.[139] The similarities between *Darman* and *Fontainebleau* end there. In *Fontainebleau*, the telephone company itself challenged the bankruptcy court's assertion of jurisdiction.[140] In *Darman*, however, the telephone company actually consented to the sale of the numbers.[141] Thus, while the Virginia Supreme Court concluded from *Darman* that the First Circuit is one of two jurisdictions to recognize a property interest in telephone numbers, the *Darman* holding is probably limited to cases in which the telephone company

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[134] *Id.* at 87.

[135] 528 F.2d 908 (1st Cir. 1976).

[136] *Umbro*, 529 S.E.2d at 87 (quoting Darman v. Metro. Alarm Corp., 528 F.2d 908, 910 (1st Cir. 1976)).

[137] *Darman*, 528 F.2d at 910.

[138] *Id.*

[139] *Id.*

[140] *In re* Fontainebleau Hotel Corp., 508 F.2d 1056 (5th Cir. 1975).

[141] Darman v. Metro. Alarm Corp., 528 F.2d 908, 910 (1st Cir. 1976).

consents to the sale or assignment of the telephone numbers. Indeed, *Darman* contains a footnote stating:

> There appears to be a conflict of authority on whether in the absence of telephone company consent a bankrupt subscriber has an interest such as to give the bankruptcy court summary jurisdiction. [citations omitted] However, as the telephone company has acquiesced in the bankruptcy court's order, we need not rule on that question.[142]

Hence, the *Umbro* court overlooked the subtleties of both the First and Fifth Circuit approaches to telephone numbers as property interests and misconstrued both *Security Investment* and *Darman* as setting forth a blanket rule that a telephone number can be treated as an asset of a debtor.

C. THE TELEPHONE NUMBER/DOMAIN NAME ANALOGY AND THE APPLICABILITY OF FIFTH AND FIRST CIRCUIT PRECEDENT TO DOMAIN NAMES

This analysis has heretofore explored the accuracy of the *Umbro* court's conclusion that two jurisdictions have recognized a distinction between a debtor's interest in receiving telephone services and an interest in the telephone number itself. As previously indicated, the *Umbro* court was rather imprecise in holding that a blanket rule exists in either the Fifth or First Circuit; indeed, definite limitations have been placed on the recognition of possessory property interests in telephone numbers in both jurisdictions. Still, *Darman* and *Security Investment* both indicate that the First and Fifth Circuits and, by implication, the Eleventh Circuit, are willing to recognize a property interest in telephone numbers when those limitations are met. Thus, those jurisdictions might also recognize a property interest in domain names *if* domain names were found to be sufficiently analogous to telephone numbers. Accordingly, this section addresses the telephone number/domain name analogy, first in general terms and then within the context of the reasoning underlying *Darman* and *Fontainebleau.*

A number of commentators have discussed the strong similarities between domain names and telephone numbers,[143] and this comparison has been

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[142] *Id.* at 911 n.2.

[143] *See, e.g.*, HOWARD C. ANAWALT & ELIZABETH E. POWERS, IP STRATEGY: COMPLETE INTELLECTUAL PROPERTY/PLANNING, ACCESS AND PROTECTION § 1(V)(B) (2002) (stating that the "owner" of a domain name or telephone number only has a property interest in the value he has added to the name or number by "exploiting" it); Anne Hiaring, *Basic Principles of Trademark Law*, in UNDERSTANDING BASIC TRADEMARK LAW 2002 at 7, 14 (PLI Patents, Copyrights, Trademarks, and Literary Property Handbook Series No. 713, July-Aug. 2002) (arguing "domain names are similar to

addressed to several courts with varying levels of success.[144] Determining the accuracy of the telephone number/domain name analogy begins with considering the respective technological functions served by each. Of course, in this respect the two are remarkably similar. A telephone caller dials a telephone number so that a number of electronic switches can then route the call to the appropriate destination.[145] Similarly, when an Internet user enters a domain name, the user's networked computer begins receiving information from the computer whose IP address corresponds to the domain name entered by the user.[146] Domain names, however, require an extra step for which there is no equivalent when one dials a telephone number. Networked computers do not identify other computers by the domain names that people use.[147] Instead, the domain names must be converted to IP address numbers, by means of the Domain Name System, which the user's computer then utilizes to locate the accessed computer.[148]

While the one-step removed nature of domain names does not alter their functional equivalence to telephone numbers, it does affect the potential value of domain names, which in turn prevents the domain name/telephone number analogy from being an "all-fours" analogy. As opposed to most phone numbers, domain names can have inherent value. For example, as already mentioned, names like "wallstreet.com" and "beauty.cc" have sold for $1 million or more.[149] Such generic domain names have value primarily because they consist of easily remembered words; in fact, the Domain Name System exists solely because users can remember words better than numbers.[150] Likewise, a non-generic domain name containing a business' name also can have a value that is derived from the

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telephone number mnemonics, but they are of greater importance, since there is no satisfactory Internet equivalent to a telephone company white pages or directory assistance, and domain names can often be guessed").

[144] *E.g.*, Name.Space, Inc. v. Network Solutions, Inc., 202 F.3d 573, 584-585 (2d Cir. 2000) (holding it "unwise and unnecessary definitively to pick one analogy or one specific set of words now"); Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1325, 46 U.S.P.Q.2d (BNA) 1511, 1519 (9th Cir. 1998) ("A domain name is similar to a 'vanity number' that identifies its source."); Sallen v. Corinthians Licenciamentos LTDA, 273 F.3d 14, 19, 60 U.S.P.Q.2d (BNA) 1941, 1944 (1st Cir. 1991) (noting that a domain name "functions much like a telephone number"); Dorer v. Arel, 60 F. Supp. 2d 558, 561 (E.D. Va. 1999) ("A judgment debtor 'owns' the domain name registration in the same way that a person 'owns' a telephone number."); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 957-58, 44 U.S.P.Q.2d (BNA) 1865, 1872 (C.D. Cal. 1998) (comparing "[v]anity telephone numbers" with domain names).

[145] *Telephone*, *at* http://www.infoplease.com/ce6/sci/A0848085.html (last visited Sept. 3, 2003).

[146] *See generally supra* notes 23-25 and accompanying text.

[147] Aric Jacover, *I Want my MP3! Creating a Legal and Practical Scheme to Combat Copyright Infringement on Peer-to-Peer Internet Applications*, 90 GEO. L.J. 2207, 2213 (2002).

[148] *Id.*

[149] *See supra* note 31 and accompanying text.

[150] Cohen & Laue, *supra* note 3, at 425.

value of the mark encapsulated in the domain name; this is the motive belying cybersquatting.

On the other hand, telephone numbers ordinarily consist only of a series of numbers that appear random to the user and are therefore easy to forget and of little value (in and of themselves) to the individuals to whom they are assigned. These numbers, like the numbers in *Fontainebleau* and *Darman*, acquire value only because of advertising and publicity. An exception exists, however, with respect to mnemonic telephone numbers. Consider, for example, telephone numbers like 1-800-COLLECT and 1-800-CALL-ATT. Such numbers are more easily remembered than numeric telephone numbers and, hence, more valuable to the holder of the number. Thus, the domain name/telephone number analogy is strongest with respect to mnemonic telephone numbers. Still, as one commentator has observed, "domain names are similar to telephone number mnemonics, but they are of greater importance, since there is no satisfactory Internet equivalent to a telephone company white pages or directory assistance, and domain names can often be guessed."[151]

A second factor preventing the domain name/telephone number analogy from being an "all-fours" analogy involves the different nature of the services offered by domain name registrars and telephone companies. As discussed, computers actually access information from other connected computers by identifying other computers by their IP addresses.[152] Thus, an arguably strong similarity exists between a caller dialing the number of the party with whom she wishes to speak and a computer accessing another computer using its IP address. However, one must note an important distinction—a website's IP address is not assigned by the domain name registrar in the same way that a telephone number is assigned by a telephone company. "[T]he IP address is assigned by an Internet Service Provider (ISP), such as AOL or Earthlink."[153] The ISP is also responsible, unlike the domain name registrar, for connecting the computer to the Internet.[154] Thus, an ISP is more similar to a telephone company than a domain name registrar for two reasons. First, a telephone company connects a user's telephone to an interconnected system of other telephones in the same way that an ISP connects a user's computer to the Internet. Second, a telephone company provides a user with a telephone number just as an ISP provides a user with a numeric IP address.

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[151] Hiaring, *supra* note 143, at 14.

[152] Cohen & Laue, *supra* note 3, at 425.

[153] Carole Levitt & Mark Rosch, *Protecting Your Privacy on the Internet: Use of the Internet Means Exchanging Data between Your Computer and Other Computers*, 25 L.A. LAW. 75, 75 (Nov. 2002).

[154] Shaun P. Montana, *An Approach to the International Regulatory Issues of IP Telephony*, 8 B.U. J. SCI. & TECH. L. 682, 684 (2002).

Thus, an IP address/telephone number analogy is more apt than a domain name/telephone number analogy.

Given the preceding explanation of functional roles, domain name registrars clearly are inessential to the functionality of the Internet. Users could access other computers solely by means of numeric IP addresses just as telephone callers call others solely by means of a numeric sequence. The role that a domain name registrar plays in the process is thus a third party role for which there is no exact equivalent in the context of telephone numbers. The only way to imagine something truly analogous to a domain name registrar with respect to telephone numbers is to imagine a business, separate from a phone company, that could provide telephone users with the ability to dial other users using word signals which correspond to specific telephone numbers. Consequently, the domain name/telephone number analogy is flawed by the unique nature of the services provided by a domain name registrar and the inherent value that many domain names can have due to their alpha-numeric (rather than solely numeric) form. Still, domain names and telephone numbers perform essentially the same function for users—each allows the user to specify and access another user.

Considering these similarities and dissimilarities, it would be an overly simplistic approach to ask merely whether the analogy is strong enough for a court applying *Fontainebleau* or *Darman* to find that domain names, like telephone numbers, are subject to possessory property interests. Instead, *Darman*'s and *Fontainebleau*'s justifications for finding property interests in telephone numbers must be carefully applied to the unique features of domain names to determine if the particular rationales of the two cases would be fulfilled by also holding that domain names are subject to property interests.

The *Fontainebleau* opinion focused on three distinct factors favoring a finding that the hotel had a possessory property interest in its telephone numbers. The first was the hotel's right to use the telephone numbers at the time of the hotel's bankruptcy filing.[155] This factor arguably favors finding a property interest in domain names more so than with respect to telephone numbers. Clearly, holders of both telephone numbers and domain names have a right to distribute and use them in advertising so long as that use does not infringe upon another's protectable mark.[156] A domain name registrant arguably has a stronger right to

[155] *In re* Fontainebleau Hotel Corp., 508 F.2d 1056, 1059 (5th Cir. 1975).

[156] *See* 800 Spirits Inc. v. Liquor By Wire, Inc., 14 F. Supp. 2d 675, 680 (D.N.J. 1998) (noting the inability of a party to prevent use of a telephone number even if it is a generic mnemonic telephone number (for example, 1-800-SPIRITS)); *but see also* Kelley Blue Book v. Car-Smarts, Inc., 802 F. Supp. 278, 294, 24 U.S.P.Q.2d (BNA) 1481, 1492 (C.D. Cal. 1992) (holding that where the mnemonic portion of the number contained a descriptive term that had acquired secondary meaning, it had become a protectable mark and could only be used by the party having a protectable interest in the mark). *See also* Porsche Cars N. Am., Inc. v. Porsche.net, 302 F.3d 248, 252, 64 U.S.P.Q.2d

use a domain name than the holder of a telephone number though. In particular, the sole purpose underlying one's decision to register a domain name is to acquire the right to use it or exclude others from using it. On the other hand, one does not normally enter into a service agreement with a telephone company solely to acquire the right to use a telephone number; the telephone service subscriber is more interested in the telephone company maintaining a connection to the subscriber's phone. The telephone number is merely incidental to the other services provided. A telephone service subscriber is seeking the type of service supplied by an ISP, not a domain name registrar. Hence, even though both a telephone service subscriber and a domain name registrant have a right to use his respective name or number, the domain name registrant has a superior interest in protecting his right of use because he sought out a registrar and contracted for the use of a specific name. In contrast, the telephone service subscriber's receipt of a telephone number is only incidental to the other contracted services.

Furthermore, the domain registrant normally has paid in advance for the right to use the name for a specified period of time and has a reasonable expectation that he will be allowed to use it for the duration of the contract period.[157] If the registrar interferes with the registrant's right of use, the registrar will have arguably breached a contractual duty.[158] A telephone subscriber, on the other hand, normally pays month to month and has no expectation that he will be allowed to retain the number for any definite amount of time. The subscriber should reasonably expect to lose the number for any number of reasons, including missed payments, moving, or even the periodic addition of new area codes.[159] The first *Fontainebleau* factor, therefore, weighs more heavily in support of finding a property interest in domain names than in telephone numbers.

The second identified justification underlying the *Fontainebleau* holding was the guiding purpose of a Chapter 11 bankruptcy—protecting the debtor's means of maintaining the business.[160] This appears to place a severe limitation on the number of situations in which a court following the case might find a property interest in a domain name. The importance of this factor to the holding of

(BNA) 1248, 1250 (4th Cir. 2002) (noting that one can acquire the right to use a domain name by registering it with a registrar on a first-come first-served basis); *but see generally* Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) (2000) (greatly limiting the ability of a party to register, use or sell a domain name that is or contains a protected mark).

[157] *See VeriSign, supra* note 62 (explaining the basic terms of the VeriSign registration agreement).

[158] *See, e.g.*, Barnett v. Network Solutions, Inc., 38 S.W.3d 200 (Tex. App. 2001) (illustrating a suit brought by a registrant against a registrar for breach of the registration service agreement, but dismissed due to the enforceability of a forum selection clause).

[159] *See* Wendy Tanaka, *Two More Area Codes Picked for Southeastern Pa.*, *at* http://areacode-info.com/headline/2000/pa000510.htm (May 10, 2000).

[160] *In re* Fontainebleau Hotel Corp., 508 F.2d 1056, 1059 (5th Cir. 1975).

Fontainebleau seems to indicate that even if a court chose to apply the case to domain names, then a property interest could be found only if the proceeding were a Chapter 11 bankruptcy. The nature of the registration process, however, makes it difficult to even imagine a situation in which a Chapter 11 debtor might need to seek assistance from the bankruptcy court to protect continued use of a domain name.

The property status of telephone numbers was at issue in *Fontainebleau* because the hotel had fallen into arrears in making its payments to the telephone company, and the utility threatened to replace the numbers. One should recall, however, that a domain name registrant usually, at least in the case of VeriSign and formerly NSI, pays in advance for the right to use the name for a specified period of time.[161] On the other hand, when receiving telephone service, the subscriber typically pays at the end of each billing period for charges incurred. Based on this distinction regarding time of payment, it seems doubtful that another *Fontainebleau* situation could occur with respect to domain names.

Still, the issue of the property status of a domain name could arise in a Chapter 11 bankruptcy proceeding. For example, the traditional method of payment in the domain name process could become more similar to the method of payment for telephone service. Another example is suggested by *Darman*, a case where a Chapter 11 debtor had a phone number that derived value from the trade name under which it was listed.[162] The debtor, therefore, wanted to sell the number to a third party as part of its Chapter 11 reorganization plan.[163] Considering the high price tags that some domain names have garnered, a bankrupt business, like the *Darman* debtor, might want to sell a valuable domain name to a third party to help rejuvenate its business. Based on the high values of domain names, Chapter 11 sales of domain names probably will become (if not already) far more commonplace than similar sales of telephone numbers. In these Chapter 11 sales, the domain names often would be a valuable asset to the debtor's estate; therefore, the *Fontainebleau* concern for furthering the purpose of Chapter 11 bankruptcies would be fulfilled.

Strict application of this second factor, however, could produce anomalous results. Consider, for example, the possibility that a non-debtor would be denied the opportunity to sell a domain name (assuming that some party, presumably the registrar, objected to the sale) while a Chapter 11 debtor *could* sell a domain name. Having a rule that determines whether a property interest exists not based on the

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[161] *See, e.g.*, *VeriSign*, *supra* note 62 (advertising that domain names can be registered for $35 for the first year and $20 for each succeeding year).
[162] Darman v. Metro. Alarm Corp., 528 F.2d 908, 910 (1st Cir. 1976).
[163] *Id.*

intrinsic qualities of the intangible at issue but, rather, on the financial condition of the alleged owner certainly would seem odd.

Two methods exist by which this intellectual conundrum may be avoided. First, the Chapter 11 factor could simply be dropped from consideration in connection with this issue. Alternatively, the matter could be addressed by statute and the property interest terminology dropped. In other words, if the court's reason for holding that a property interest exists is merely that the "owner" is a Chapter 11 debtor, then the court apparently has greater concern for protecting the debtor than with establishing a well-reasoned rule with respect to the nature of domain names. In that situation, the Bankruptcy Code and state exemption laws should be amended to protect a debtor's use of a domain name and telephone number so that courts can avoid using a legal fiction of property interests to achieve that same end.

The third factor considered by the *Fontainebleau* court is what this Note has identified as a labor theory approach to telephone number property interests. In *Fontainebleau*, the court emphasized that the hotel had "invested substantial sums in advertising that list[ed] the numbers."[164] In turn, the court said this meant that the numbers had acquired value and that keeping the numbers was important to the hotel.[165] Thus, the court seemed concerned with protecting the value added to the numbers by virtue of the hotel's advertising; acknowledging a property interest in the telephone numbers allowed for the recognition of a legally protectable interest in the value added by the advertising. By the same token, it seems less clear that the court would have recognized a property interest had the hotel not expended time and energy in publicizing the numbers. Nevertheless, the court probably would never have to consider that issue since a phone number which has not been publicized has no value, and hence, no one will likely seek to protect it.

Unfortunately, this labor theory approach is not so easily applied to domain names because of the inherent differences between domain names and telephone numbers. Specifically, while energy normally must be expended to give value to telephone numbers, domain names can have inherent financial value, particularly in the case of generic names.[166] Thus, unlike telephone numbers, domain names can have value without ever having been used. Therefore, recognizing a property interest in an unused generic domain name would not protect any value added by means of the registrant's labors; the only labor involved in acquiring a valuable domain name is being the first to register.[167] This is not to say, however, that

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[164] *In re* Fontainebleau Hotel Corp., 508 F.2d 1056, 1058 (5th Cir. 1975).

[165] *Id.*

[166] Harroch, *supra* note 31, at 548.

[167] *See* Nguyen, *supra* note 34, at 976 (suggesting that the registrant of a generic domain name

domain names can never acquire value due to the registrant's efforts. For example, a domain name containing all or part of a protectable mark has value derived from the value of the mark. Those marks need not be addressed here or by the courts in considering property interests in domain names because the Anticybersquatting Consumer Protection Act extended trademark protection to those names.[168]

Therefore, applying the *Fontainebleau* labor theory approach to domain names leads to the conclusion that unused generic names would not be subject to a possessory property interest. Moreover, those names containing protectable marks would not be subject to a *Fontainebleau* analysis because they are already protected by the Anticybersquatting Consumer Protection Act. This leaves a narrow spectrum of domain name registrants that might benefit under a labor theory approach to domain name property interests. That spectrum contains only registrants who have registered a non-mark-protected name and have used or publicized it enough to increase its value but have not sufficiently used it to make it a protected mark. In other words, the name must have been used and identified with a particular business without actually containing the trademark-protected name of that business. Surprisingly, relatively few such domain names seem to be in use. Instead, many registrants of generic domain names have also used their domain names as the names of their businesses, thereby possibly making them protectable marks.[169] Therefore, even if a court applied *Fontainebleau* to domain names, strict application of the case's principles would lead to a recognition of a property interest in a very small number of domain names.

Applying *Fontainebleau* to domain names raises many complex issues, but applying *Darman* is a far more straightforward matter. As noted, the court in *Darman* rested its holding that the Chapter 11 debtor could transfer a telephone number to a third party on the single fact that the telephone company "entered into a stipulation with the trustee in bankruptcy expressly agreeing that the trustee could transfer all benefits of the advertising and listings and the use of the numbers to the third party in question."[170] Therefore, a court applying *Darman* to domain names should have no problem concluding that a registrant may treat its domain name as separate from its services contract with the registrar so long as the registrar has consented to allow the registrant to freely assign and sell the domain name. Such consent seems unlikely, however. For example, the dispute in *Umbro* would not have arisen had NSI agreed to a judicial sale of Tombas'

gains an unfair competitive advantage merely by registering).

[168] 15 U.S.C. § 1125(d) (2000).

[169] *See, e.g.*, "http://www.shoes.com," "http://www.t-shirts.com," and "http://www.hats.com" (all of which double as a trade name and the company's domain name).

[170] Darman v. Metro. Alarm Corp., 528 F.2d 908, 910 (1st Cir. 1976).

domain names.[171] More notably, in the wake of *Umbro*, VeriSign now expressly states that it does not consent to the assignability of domain names in the registration agreement. The agreement makes this rather clear, saying:

> 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 resell any of the Services without VeriSign's prior express written consent.[172]

While it is unknown how many of the more than one hundred ICANN-accredited domain name registrars have similar provisions in their service agreements, the existence of such provisions would certainly prevent application of *Darman*. Therefore, if non-assignability provisions are widespread among other registrars, *Darman* would have virtually no applicability to domain names.

IV. CONCLUSION

Ultimately, *Umbro*'s appraisals of both *Security Investment* and *Darman* are deficient. In its analysis of *Security Investment*, the *Umbro* court honed in on dicta in the case to conclude that the Fifth Circuit recognized property interests in telephone numbers. Moreover, *Umbro* presented its discussion of *Security Investment* so as to indicate that the Fifth Circuit had established a blanket rule on the issue.[173] Thus, *Umbro*'s assessment of the Fifth Circuit approach is lacking for two reasons. First, *Security Investment* did not involve telephone numbers; thus, the *Umbro* court should have directed its attention to *Fontainebleau*.[174] Second, with *Fontainebleau*, the Fifth Circuit did not establish a blanket rule that a telephone service subscriber always has an interest in his telephone number. Rather, the *Fontainebleau* court recognized a property interest in a telephone number based on three factors that the court noted in the case. First, the holder of the number had a right to use it.[175] Second, the general purpose of Chapter 11 bankruptcies was satisfied by recognizing a property interest in the telephone numbers since

[171] Network Solutions, Inc. v. Umbro Int'l, Inc., 529 S.E.2d 80, 81, 54 U.S.P.Q.2d (BNA) 1738, 1739 (Va. 2000).

[172] Verisign Service Agreement, ¶ 20, *at* http://www.networksolutions.com/en_US/legal/static-service-agreement.jhtml (last visited Sept. 5, 2003).

[173] Network Solutions, Inc. v. Umbro Int'l, Inc., 529 S.E.2d 80, 87, 54 U.S.P.Q.2d (BNA) 1738, 1744 (Va. 2000).

[174] *In re* Fontainebleau Hotel Corp., 508 F.2d 1056 (5th Cir. 1975).

[175] *Id.* at 1059.

retention of the numbers would help preserve the wherewithal of the debtor's business.[176] Third, the debtor had expended money to give the numbers added value, which the court sought to protect by adopting a labor theory approach.[177]

If a Fifth or Eleventh Circuit Court of Appeals strictly applied the *Fontainebleau* factors to domain names, it would likely find a property interest in a given domain name only in limited situations. The registrant would be required to have a right to use the name under the terms of the registration agreement; the registrant would have to be a Chapter 11 debtor, and the registrant must have used the domain name so as to add value to its inherent worth. Of course, this prediction presupposes that the court would find the domain name/telephone number analogy sufficiently strong to apply *Fontainebleau* and that the court would strictly adhere to the factors relied upon in the opinion.

Finally, contrary to the *Umbro* court's assessment, the First Circuit has not adopted a blanket rule that a property interest can exist in a telephone number. Rather, in *Darman*, which *Umbro* cited, the First Circuit only held that a debtor could sell the right to use a telephone number when the telephone company consented to the sale, and the court explicitly limited its holding to this extent.[178]

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176 *Id.*
177 *Id.* at 1058.
178 Darman v. Metro. Alarm Corp., 528 F.2d 908, 911 n.2 (1st Cir. 1976).