

**HOW TASTY IS YOUR MARK?  
A LOOK AT DOMAIN NAME TASTING AND  
OTHER SAVORY INFRINGEMENT ISSUES ONLINE**

**ALLISON MCDADE**  
Dell Inc.  
One Dell Way  
Round Rock, Texas 78682

State Bar of Texas  
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**CHAPTER 3**

## **ALLISON MCDADE**

Allison McDade is Counsel with Dell Inc. in Austin, Texas and specializes in trademark and copyright law. Allison works directly with clients on trademark management issues, including analyzing proposed new trademarks for existing and new products, crafting and executing policing strategies for existing trademarks, and licensing of intellectual property. She also enforces, prosecutes, and polices Dell's trademarks worldwide. Prior to joining Dell, Allison was an associate with Fulbright & Jaworski L.L.P., also in Austin, and previously served as a briefing attorney for Justice Greg Abbott on the Texas Supreme Court from 1999-2000.

Allison has written and lectured on legal topics relating primarily to trademark and copyright infringement. She is a member of the International Trademark Association, where she serves on the Internet Committee, and the American Intellectual Property Law Association, where she was Vice Chair of the Trademark Law Internet and Cyberspace Committee. She is also a volunteer for Texas Accountants and Lawyers for the Arts as well as Volunteer Legal Services of Central Texas.

Allison earned her J.D. in 1999 from The University of Texas School of Law, with high honors, and her B.A., *magna cum laude*, in 1995 from the University of North Texas. She is admitted to practice in Texas.

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## **HOW TASTY IS YOUR MARK? A LOOK AT DOMAIN NAME TASTING AND OTHER SAVORY INFRINGEMENT ISSUES ONLINE**

### **I. INTRODUCTION – THE INCREDIBLE DISAPPEARING DOMAIN NAMES**

The past year or so has seen a new development for lawyers dealing with domain name issues. Millions of domain name registrations appear, only to disappear a few days later (and sometimes reappear with different registrants). The phenomenon is called domain name tasting, and this now-you-see-them-now-you-don't trend has generated a great deal of discussion among trademark owners trying to protect their marks online.

### **II. WHAT IS DOMAIN NAME TASTING AND HOW DOES IT WORK?**

The basic principle of domain name tasting involves registering and using a domain name for a limited time without actually having to pay for it. The practice is of course driven by profit, and domain name tasters take full advantage of (or “exploit,” depending on your viewpoint) the system to maximize their income. To do so, tasting combines (1) provisions that allow a refund of registration fees, with (2) established ways of profiting from domain names, to make (3) increased profits with far less investment and risk than would traditionally be required.

#### **A. THE ICANN “LOOPHOLE”**

ICANN, the Internet Corporation for Assigned Names and Numbers, oversees and manages the Internet's domain name system. ICANN operates through a series of agreements with domain name registries, each responsible for one or more top-level domain. The most notable registry for purposes of this paper is Verisign, the registry for the .com and .net generic top-level domains (gTLDs).

For new domain name registrations, ICANN's policies provide for a five-day period, known as the Add Grace period, during which the domain name may be deleted and the registration fee refunded to the registrar.<sup>1</sup> This provision was originally intended to allow for correction of mistakes, such as typographical errors in entering the domain name upon registration. Certain registrars, however, have increasingly leveraged this provision to allow registration, evaluation, and deletion of domain names on an

enormous scale during the grace period. Interestingly, the ICANN-VeriSign agreement provides VeriSign with the “right to charge registrars a fee . . . for disproportionate deletes during the Add Grace Period,”<sup>2</sup> but VeriSign has never chosen to do so.

#### **B. PROFITING FROM TASTING (INCLUDING DOMAIN NAME PARKING)**

Most Internet users are likely familiar with “parking,” or search pages that are often used in connection with otherwise dormant domain names. These pages typically feature numerous links relating to the subject of the domain name, often generated automatically. The registrant of the domain name (or the registrar of an inactive domain name)<sup>3</sup> signs up with an Internet advertising program and receives a referral fee for each link that users click on the parked site. Traditionally, such pages would have had to draw a fair amount of traffic (and clicks) just to earn back the annual domain name registration fee, so the fee served to limit the amount of domain names involved.

By utilizing the grace period, however, tasters realized they could register a virtually unlimited number of domain names, post parking pages at all of them for a few days, and evaluate the profitability before deciding whether the domain name was worth keeping. This process has allowed tasters to evaluate millions of potential domain names without risk and keep only the names that have a demonstrated ability to turn a profit. Additionally, many tasters continually drop and then re-register even marginally producing names for repeated five-day periods without ever having to actually pay for them. Having just a few domain names involved in such a process would not generate enough profit to make the ordeal worthwhile; having several hundred thousand certainly does.

It should be noted that a large number of domain names that are tasted are variants of generic or descriptive words or phrases, and do not necessarily implicate trademark concerns. Nevertheless, tasters that deal with millions of domain names every month invariably pick up, intentionally or not, some domain names that create trademark problems.

### **III. HISTORY OF DOMAIN TASTING AND CURRENT STATISTICS**

While some commentators note that the practice of domain name tasting has its origins dating back to

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<sup>1</sup> The relevant Appendix to ICANN's registry agreement with Verisign is available at <http://www.icann.org/tlds/agreements/verisign/registry-agmt-app7-22sep05.pdf> (see paragraph 3.1, Grace Periods).

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<sup>2</sup> *Id.* at paragraph 3.1.1.

<sup>3</sup> Oftentimes, the registrar of an inactive domain name will, by agreement with the actual registrants, park in bulk the dormant domains in its portfolio (although it is doubtful that many of the registrants know this practice occurs).

2001 or 2002,<sup>4</sup> the issue did not receive widespread attention until 2006, as the number of domain names involved in tasting programs exploded.

VeriSign issues a Registry Operator's Monthly Report with domain name statistics, in accordance with the ICANN/VeriSign Registry Agreements. As of March 2005, there were a total of 42.7 million .com and .net domain names registered, and 2.5 million names were deleted that month.<sup>5</sup> By March 2006, the total number of registrations had increased to 56.4 million, but the number of deletions during March 2006 had shot up to 33 million.<sup>6</sup>

The monthly reports show the distribution of deleted domain names among the various registrars. According to the report for September 2006,<sup>7</sup> there were 753 operational registrars in the .com and .net gTLDs. Eight of those registrars had more than one million "gross deletes," and these eight registrars alone accounted for over 30 million of the 36 million total deletions. NameKing.com, Inc. had 6.6 million deletions, while maintaining 1.6 million registrations. Belgiumdomains, LLC, Capitoldomains, LLC, and Domaindoorman, LLC each had nearly 6 million deletions in September 2006, while maintaining fewer than 500,000 registrations each.

Most of the significant "tasters" quietly register and delete millions of domain names without trying to draw attention to the practice. At least one domain name retailer, however, is attempting to market the practice of domain name tasting. Pool.com recently launched a service it calls "Catch & Release," offering users an opportunity to "try a domain on for \$ize." Under this program, users may "evaluate" domains for "approximately 4 1/2 days" for a fee ranging from 10 to 20 cents per domain, depending on the volume evaluated.<sup>8</sup>

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<sup>4</sup> E.g., Frank Shilling, *The Closing Window: A Historical Analysis of Domain Tasting*, available at [http://www.circleid.com/posts/historical\\_analysis\\_domain\\_tasting](http://www.circleid.com/posts/historical_analysis_domain_tasting).

<sup>5</sup> <http://www.icann.org/tlds/monthly-reports/com-net/verisign-200503.pdf>.

<sup>6</sup> <http://www.icann.org/tlds/monthly-reports/com-net/verisign-200603.pdf>

<sup>7</sup> The September 2006 report, available at <http://www.icann.org/tlds/monthly-reports/com-net/verisign-200609.pdf>, is the most recent report currently available. As noted in the report, the information must be "kept confidential by ICANN until three months after the end of the month to which the report relates."

<sup>8</sup> See [www.pool.com/CNRLanding.aspx](http://www.pool.com/CNRLanding.aspx).

#### **IV. EFFECTS OF DOMAIN NAME TASTING ON TRADEMARK OWNERS**

The most obvious impact of this practice on trademark owners is that it makes cybersquatting easier on the cybersquatter to squat and harder on the trademark owner to track; it also makes cybersquatting itself less expensive and more profitable. (Sounds like a much better deal for the cybersquatter.)

Without the availability of tasting, the registration fees, while modest (as low as \$7/year at the "discount" registrars), help to limit the number of variations of marks that will be profitable. Only those domain names that will generate \$7.01 or more per year in revenue are worth registering and maintaining, and determining which names are likely to do so requires analysis, guesswork, and usually a human element. By utilizing a domain name tasting program, however, registrants can register as many domain names as their computers can find available, test them for several days using software programs to track which domain names generate the most traffic and clicks, and keep only the names proven profitable.

A second significant impact is the added complexity and confusion that tasting adds to the policing process. Trademark owners often subscribe to watch reports that notify them when new domain names of concern are registered. Many a trademark lawyer has identified a list of "problem" domain names and begun to take action, only to find a week later that some of the domain names were then "available" or registered to a new registrant. This trend has led to the practice of deferring action on newly identified registrations long enough to get through the tasting period, then checking on them again, in effect doubling (or more) the work and cost involved in keeping up with registrations of concern.

A third, less direct effect that impacts both trademark owners and all persons attempting to secure a domain name is that the practice of tasting removes millions of domain names from the system that would otherwise be available. It is almost impossible to review a trademark search these days without finding multiple variants of the proposed mark registered in multiple gTLDs, often pointing to parking pages. This not only complicates the screening process, but may also interfere with marketing objectives.

#### **V. COMBATTING DOMAIN NAME TASTING**

##### **A. EFFORTS TO REFORM THE SYSTEM TO COMBAT TASTING**

###### **1. Calls for ICANN reform**

Numerous commentators have noted the problems caused by domain name tasting and called on ICANN to end the practice. Domain name tasting was on the agenda and discussed at the ICANN meeting in

Marrakech, Morocco in June 2006,<sup>9</sup> but no reforms have yet been implemented, at least with regard to the .com and .net gTLDs.

Bob Parsons, founder and CEO of domain name registrar Godaddy.com, has been one of the most vocal and perfervid critics, coining the term “domain kiting” based on his comparison of the practice to check-kiting schemes, and “appealing to ICANN to step up and take action to put an end to domain kiting.”<sup>10</sup> Somewhat ironically, GoDaddy, with its low domain name registration fees and emphasis on volume, has long been a favorite of high-volume domain name registrants. Parsons insists, however, that GoDaddy and its affiliates do not engage in domain kiting, and the statistics appear to support this claim.<sup>11</sup>

## 2. Nominet (.EU)

Nominet UK, the registry for the .uk country code TLD (ccTLD), was the first registry to take action to limit domain tasting. In a press release dated August 7, 2006, Nominet stated that “it is clear that some registrars are now abusing [the unlimited deletion policy] by domain tasting.” It thus announced that as of the next day, it would put an unspecified limit on the number of registrations that can be deleted by registrars, noting that the “limit on deletions for practices such as domain tasting is zero.”<sup>12</sup>

## 3. Public Interest Registry (.ORG)

Public Interest Registry (PIR), the registry for the .org gTLD, proposed an amendment to ICANN allowing it to charge an “excess deletions fee” on certain .org domain names deleted in the five-day add-grace period. Under this proposal, registrars whose number of deleted registrations within the five-day period exceeds 90% of their total initial registrations would be charged a fee not to exceed five cents per name registration.<sup>13</sup> The International Trademark Association (INTA) submitted a comment denouncing domain name tasting, arguing that the five-cent fee “will have little or no deterrent impact,” and urging

ICANN to eliminate the registration grace period altogether.<sup>14</sup> Notwithstanding this objection, in the ICANN Board Meeting of November 22, 2006, the Board approved PIR’s proposal.<sup>15</sup>

## B. LITIGATION

Given the relatively recent popularity of domain name tasting, it is not surprising that there are no reported decisions yet addressing the issue.<sup>16</sup> There are some cases in the pipeline, though. Perhaps the most notable is a suit Neiman Marcus brought against domain name registrar Dotster, currently pending in the U.S. District Court for the Western District of Washington. The suit accuses Dotster of “tasting” hundreds of domain names containing trademarks of others, including at least 26 similar to plaintiff’s marks.<sup>17</sup> This case and others will no doubt be closely watched and debated.

## VI. CONCLUSION

Domain name tasting is a large, fast-growing, and profitable business, and a significant issue for trademark owners and all Internet users. Now that the issue has received the attention of trademark owners, significant players in the domain name market, and a few courts with more surely to follow, we can expect (and hope) to see numerous developments and reform efforts in the coming months.

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<sup>9</sup> <http://www.icann.org/meetings/marrakech/dn-workshop-27jun06.htm>.

<sup>10</sup> <http://www.bobparsons.com/MayKiting.html>.

<sup>11</sup> See VeriSign’s September 2006 Registry Operator’s Monthly Report, available at <http://www.icann.org/tlds/monthly-reports/com-net/verisign-200609.pdf> (showing GoDaddy with 11.7 million total registrations in .com and .net as of September 30, 2006, with 151,000 gross deletions in September).

<sup>12</sup> [http://www.nominet.org.uk/digitalAssets/8783\\_DomainTasting.pdf](http://www.nominet.org.uk/digitalAssets/8783_DomainTasting.pdf).

<sup>13</sup> See <http://www.icann.org/registries/rsep/icann-to-pir-06oct06.pdf>.

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<sup>14</sup> <http://www.icann.org/correspondence/reidl-to-icann-16nov06.pdf>. The fact that the five-cent fee is significantly lower than the fee that Pool.com is attempting to collect for commercializing the tasting practice (see Section III above) seems to support INTA’s position that the fee is not sufficient.

<sup>15</sup> <http://www.icann.org/minutes/resolutions-22nov06.htm>.

<sup>16</sup> A January 2006 Westlaw search for “domain” within five words of “tasting” in the database of all federal cases returned no documents.

<sup>17</sup> See Ryan M. Kaatz & Julie Erin Land, *Lawsuit Naming High-Volume, Domain “Tasting” Registrar Blazes New Trail in Combating Online Trademark Infringement*, available at [http://www.digitalbrands.info/Dotster\\_article6.pdf](http://www.digitalbrands.info/Dotster_article6.pdf)