# Unauthorized Blockchain Domain Names: What's a Brand to Do?

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Just when you thought you had a handle on domain name enforcement, blockchain technology has given rise to blockchain domain names, which bring novel and complex challenges. There are currently millions of blockchain domain names, with extensions such as ".crypto" and ".eth." These domain names may be used as an address for a website (typically on the decentralized web), as well as for other purposes, such as an identifier or nickname for a crypto wallet. Some blockchain domain names mimic brand or celebrity names and are being offered for sale on NFT marketplaces for the cryptocurrency equivalent of $100,000 or much more. This advisory provides a summary background regarding blockchain domain names and some suggestions for rights owners to navigate the new challenges they present with respect to enforcement.

## BASIC BACKGROUND REGARDING BLOCKCHAIN DOMAIN NAMES

### What is a Blockchain Domain Name?

An NFT (or "non-fungible token") is an electronic record that evidences ownership of another asset such as digital artwork, videos, music files, or even physical objects like a pair of sneakers worn by Michael Jordan, or physical art. In simplified terms, an NFT is like a deed that shows your ownership of a house. As a deed to a house is recorded in the public record to show ownership of the real estate, an NFT records ownership of its related asset on a blockchain.

A blockchain domain name is similar to a traditional domain name in some ways, but there are significant differences. Both types of domain names are human-readable text strings which serve as an address that directs a user to a particular place on the internet. A traditional domain name represents a particular Internet Protocol ("IP") address for a website accessible via the traditional internet. When one enters the traditional domain name "www.kelleydrye.com" in a URL field, the browser queries a Domain Name Service ("DNS") server that links the domain name to the proper IP address and displays the website associated with the domain name.

A blockchain domain name, like "kelleydrye.eth." does not utilize a DNS server to link to an internet IP address. Instead, it links to an address on a blockchain via an NFT provided by a blockchain domain name service. The blockchain address linked to the blockchain domain name is a specific crypto wallet that may store crypto and NFTs. The owner of the crypto wallet linked to the blockchain domain name may also take additional steps to point the blockchain domain name to a website on a peer-to-peer internet system or the traditional internet.

A blockchain domain name service is necessary to create the NFTs to link blockchain domains to a blockchain address because the text string “kelleydrye.eth” does not show up as such on a public blockchain. Instead, blockchain identifiers are a long string of alphanumeric characters that are not as user friendly as a domain name that look something like this: 0x9b8c19500a8631c1f755bb365bDE398384E4f2Fa. Therefore, the creation and use of these blockchain domain names across platforms has the potential to make the crypto world much more accessible.

Currently, the two most prolific blockchain domain naming services are Unstoppable Domains (offering domains with various top level domains including .CRYPTO, .NFT, .BITCOIN and others) and Ethereum Name Service (“ENS”) (offering domains with the top level domain .ETH.).[1]

From a brand owner’s perspective, one critical difference between traditional domain names and blockchain domain names is that blockchain domain names are outside of the ICANN traditional DNS system. Therefore, these domain names are not subject to any DNS-related rules that are in place to protect brand owners. For example, blockchain domains are not subject to alternative dispute resolution procedures such as ICANN’s Uniform Domain Name Dispute Resolution Policy (“UDRP”), or any requirements regarding the maintenance of accurate and transparent domain ownership information. Another critical aspect of blockchain domain names from the perspective of enforcing brand rights is that once a blockchain domain name is distributed to an owner, only that owner may transfer ownership of the domain name. Entities that distribute blockchain domain names, such as ENS and Unstoppable Domains, reportedly do not empower themselves to transfer ownership or control over a domain name once it is distributed to the initial owner.[2]

### How Are Blockchain Domain Names Used?

At the moment, there appear to be three main uses for blockchain domain names.

First, blockchain domain names may be used as an alias or nickname for a crypto wallet address. Without a blockchain domain name, if someone wanted to transfer Kelley Drye funds via cryptocurrency, the firm would need to provide its entire unwieldy string of alphanumeric characters that constitutes its crypto wallet address. With a blockchain domain name, the firm might simply say “pay kelleydrye.eth” instead of listing the entire address for its crypto wallet.

Second, blockchain domain names may be used as a universal username for applications that allow for log-ins via a crypto address/crypto wallet. This use is analogous to the way someone may use their email address as a user name across different internet platforms.

Third, blockchain domain names may be used as an address for websites that reside on a decentralized internet that is outside of the control of any central entity, such as ICANN.[3] In a decentralized internet system, the website files are loaded onto a peer-to-peer network for storing and sharing data in a distributed file system. The content of the website—text and images—are loaded on a peer-to-peer platform where a user may link to those files. The chief feature of websites hosted on a decentralized network is that they cannot be censored or regulated. The inability to censor or regulate a website is a big benefit for the advancement of freedom of expression in many countries. However, those same features make blockchain domain names and the decentralized web attractive to cybercriminals and other bad actors, including those seeking to profit from intellectual property that they do not own.

## ENFORCING RIGHTS IS DIFFICULT

Given the anonymous, decentralized, and unregulated nature of the blockchain community, there are currently few remedies available to stop third parties from owning and using blockchain domain names that reflect another party's trademarks or names.

First, no blockchain domain naming companies currently offer an avenue via which a rights owner may object to third party registration or ownership of blockchain domains that infringe upon trademarks or other intellectual property rights. In other words, once a domain naming service has distributed a blockchain domain name to a third party, a rights owner has no recourse to complain to the naming service. As noted above, these organizations are not governed by ICANN and do not provide for any dispute resolution proceedings.

Some domain naming companies have taken steps to reserve domain names that include names and marks that the organizations have deemed to be well-known.[4] For example, Unstoppable Domains has reserved domain names reflecting words it deems to be "closely associated with well-known entities, products or individuals"[5] so that the rightful owner may purchase the domain name itself. However, as of the date of publication of this advisory, this "Sunrise Period" will close on April 19, 2022. Similarly, Handshake has "reserved" for purchase by brand owners the top one hundred thousand Alexa ranked websites. In addition, Handshake has offered limited time sunrise periods where trademark owners may pre-reserve certain domain names that are not on this Alexa ranked list.[6]

Unfortunately, these systems are dependent upon the name services' own determination of which words warrant protection. So far, there appears to be no method via which a rights owner may request that its name or mark be protected from use in a blockchain domain name sold to third parties via a "reserved list" or otherwise. While a rights owner may attempt to be the first to mint and purchase blockchain domain names that reflect its marks or names, it would be costly and virtually impossible to register all such domains and related variations (for example, kelleydrye.eth, kelleydryelaw.eth, etc.).

Second, there are many obstacles to bringing a lawsuit to prevent unauthorized ownership or use of blockchain domain names. The owner of a blockchain domain name is not likely to publicize its identity. Therefore, it is often impossible to ascertain the identity of the owner. This presents challenges in determining the proper party, jurisdiction, and venue with respect to anti-cybersquatting, infringement, or other legal claims. NFT exchanges and marketplaces will not voluntarily disclose blockchain domain name ownership. Legal options to compel the exchange to produce ownership information are limited and costly, particularly because many of these organizations are decentralized entities and/or not located in the United States. In addition, due to the nature of blockchain technology and the ability to hide an individual's identity online, the exchange or marketplace may not even have useful information regarding the ownership of blockchain domain names. Finally, forensic investigations that attempt to track the identity of a blockchain domain owner from blockchain wallet information and other online activity can be prohibitively expensive, with no guarantee that the investigation will ultimately identify the owner.

The Lanham Act's Anti-Cybersquatting Consumer Protection Act[7] ("ACCPA") provides *in rem* jurisdiction over domain names themselves in certain circumstances where there is no personal jurisdiction over the defendant who owns the domain name.[8] However, this is only possible in judicial districts where the registrar or other domain name registry or authority that issued the domain name is located. To the extent that there is an identifiable legal entity associated with blockchain naming companies, most[9] are not located in the United States and do not utilize centrally located servers that might give rise to location in one place.

Perhaps more importantly, even if a rights owner was able to obtain a court order directing that an infringing blockchain domain be assigned to the genuine rights owner, the major blockchain domain name distributors like ENS and Unstoppable Domains apparently are not able to transfer ownership of a blockchain domain after the initial distribution. Currently, there is not a mechanism in place within the blockchain domain protocols to force an owner of a blockchain domain name to transfer ownership of the domain name. However, a brand owner in an *in rem* action under the ACCPA might request that a court order a blockchain naming service like Unstoppable Domains to disable a link from an infringing domain name to a blockchain or "burn" the NFT,[10] which would effectively disable the functionality of the domain name.[11]

## WHAT'S A BRAND TO DO?: ALTERNATIVE ENFORCEMENT STRATEGIES

Given the limited and costly options currently available to force the assignment or disabling of an infringing blockchain domain name, rights owners should consider alternative strategies in an attempt to minimize consumer confusion and devalue infringing blockchain domain names.
First, rights owners should consider utilizing takedown procedures offered by certain NFT marketplaces to stop the sale of infringing blockchain domain names. As with traditional cybersquatting, it would appear that the vast majority of unauthorized blockchain domain names containing third party trademarks or names were minted and purchased for investment purposes – because the owner speculates that some future use or sale of the blockchain domain name will prove valuable. The easiest place to sell NFTs, in general, are marketplace platforms such as OpenSea,[12] Rarible,[13] and Nifty Gateway.[14] Each of these platforms has procedures for removing items from the marketplace in response to takedown notices from intellectual property owners.[15] Marketplaces such as these are not the exclusive method of selling NFTs, but they generally provide access to the largest market of potential buyers. While these takedown procedures will not result in an assignment of the infringing domain to the rightful owner, removing the infringing domain names from sale on these major platforms may serve to drive down the re-sale value.

At least one marketplace called OpenSea also represents that it "will forward your notice of intellectual property infringement, including your contact information, to the party who will have their content removed so they understand why it is no longer available on OpenSea and can also contact you to resolve any disputes."[16] In some rare instances, this might lead to the owner of the blockchain domain name revealing its identity to the rights owner, perhaps in an attempt to sell the blockchain domain.

Second, rights owners should consider purchasing blockchain domain names that reflect their own primary marks or names. As noted above, some naming services have reserved the use of certain words they have determined to be well-known for purchase by a rightful owner, at least for a limited time.

Third, rights owners should inform the public via media campaigns about any official blockchain domain names associated with the brand and/or warn against any blockchain domain names that are not associated with the rights owner. This public outreach will help guard against consumer confusion and deception and will also help to devalue the infringing blockchain domain name.

Finally, rights holders should consider combining resources and lobbying governments and other stakeholders in the internet and blockchain communities to advocate for the creation of protections for brand owners in the blockchain domain name environment, such as requirements to have transparency regarding the identity of the owners of blockchain domain names, dispute resolution

proceedings and/or other remedies. Unfortunately, the decentralized nature of blockchain technology, which has no single entity or group of entities that governments may regulate, makes it difficult to implement effective laws and regulations with respect to blockchain activity. Nevertheless, the potential threat of governments prohibiting certain blockchain activity through restrictions on mining or exchanges, and the desire within the blockchain communities to gain legitimacy in the marketplace, might bring some economic pressure to bear on influential stakeholders in the blockchain system.

While far from ideal, these strategies can help protect valuable intellectual property in the blockchain domain space.

Please contact Andrea Calvaruso if you have intellectual property (IP) related questions about these developments or how they may apply to your business.

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[1] An entity named Handshake is also a leading blockchain-based domain naming system, which attempts to decentralize the DNS by enabling users to register and operate their own top level domains on the Handshake blockchain. For example, rather than distributing the domain name "kelleydrye.eth" such as ENS, Handshake distributes a top level domain that is to the right of the dot such as .kelleydrye.
[2] ENS requires periodic renewal of the domain names to keep them active, but the operable smart contract does not allow ENS to transfer ownership so long as the domain is renewed within the required timeframe. *See* https://docs.ens.domains/permanent-registrar-faq; https://docs.ens.domains/dapp-developer-guide/managing-names. Unstoppable Domains does not require any such renewal. *See* https://unstoppabledomains.com/.
[3] The domain name may also be used as an address for a website on the traditional internet.
[4] ENS currently offers no mechanisms to protect against a third party registering a domain name that includes a well-known name or mark.
[5] https://unstoppabledomains.com...
[6] This is not ideal, as it puts the burden on rights owners to purchase within a given time frame and expend resources to purchase blockchain domain names it may not want simply to prevent an infringer or other bad actor to purchase the domain name.
[7] 15 U.S.C. § 1125(d).
[8] The ACCPA provides a safe harbor from liability for domain name registrars which will apply in most cases. *See* 15 U.S.C.A. § 1114(2)(D).
[9] Unstoppable Domains is located in San Francisco, CA. *In rem* jurisdiction under the ACCPA may be possible for domains distributed by Unstoppable Domains.
[10] "Burning" an NFT involves transferring ownership of the NFT to a null crypto wallet, so that it is no longer transferable or usable. The ability to burn an NFT without the NFT owner's consent will depend on the particular smart contract underlying the NFT.
[11] This would arguably amount to a cancellation or forfeiture of a domain name permissible under 15 U.S.C. § 1125(d)(2)(D)(i)). ("The remedies in an *in rem* action under this paragraph shall be limited to lose a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.")
[12] https://opensea.io/.
[13] https://rarible.com/
[14] https://niftygateway.com/
[15] https://opensea.io/tos/ at § 9; https://static.rarible.com/terms.pdf at § 3.6, https://niftygateway.com/termsofuse/ at § 8.
[16] https://opensea.io/tos/ at § 9.