

# UK raises question of whether domain names are property

## Secretary of State considers the freezing of domain names

It is well known that in England and Wales a domain name can be an instrument of fraud, but whether property rights subsist in a domain name is less clear. And yet despite the importance of such a question for brand owners, it has not generated much argument before the courts in the UK.

Perhaps due to the absence of judicial guidance, the issue of whether domain names are property was recently raised by a Written Question to the Secretary of State for the Home Department, Mike Penning. Rosie Cooper, the Member of Parliament for West Lancashire, asked the Secretary whether the police powers under the Proceeds of Crime Act 2002 ('POCA') to freeze company assets included the power to freeze domain names (the property limb of the question) and, if so, how domain name renewals falling within the period of freezing could be dealt with (the process limb of the question<sup>1</sup>).

On the process limb of the question, the Secretary pointed out that courts can allow dealing in otherwise restrained property to enable a person to carry on a trade, business, profession or occupation. As a practical matter, then, companies may wish to instruct a third party who would not be subject to a restraint order against the company, such as a professional nominee, to register domain names for the company to use, so that uncertainties about being restrained from renewing domain names or about having to rely on a judge's discretion to make an exception to a restraint order can be avoided.

On the property limb of the question, it is noted that the Proceeds of Crime Act does not specifically address whether domain names form property that can be subject to a restraint (a.k.a. a freezing) order: POCA only defines relevant property as including 'things in action and other intangible or incorporeal property.' According to the Secretary, however, "The intellectual property rights in a domain name could fall within this definition and so a restraint order would be available."

There are two points worth noting about the Secretary's answer to the property limb of the question. The first is that it merely states that the intellectual property rights in a domain name "could" fall within the definition of property under the Act. This is an unusual qualification since intellectual property rights are almost universally regarded as a form of intangible property. The second point to note is that according to the Secretary it is the intellectual property rights in domain names, rather than the domain names themselves, which could be subject to a restraint order. This interpretation suggests that domain names used by registrants to attract custom can be divided into three categories:

1. Domain names comprising terms which are inherently distinctive and therefore in which intellectual property rights are likely to subsist. These domain names are likely to be susceptible to restraint orders;
2. Domain names comprising generic or descriptive terms that are also trade marks of the registrant for the same goods and

services being offered at the corresponding website. Since the registrant's intellectual property rights subsist in this category of domain names, these too are susceptible to a restraint order; and

3. Domain names comprising generic or descriptive terms which, whether or not they are also trade marks of third parties, are being used by the registrant only in their generic or descriptive sense and not as trade marks. In this circumstance, the registrant would not be incorporating any of his intellectual property rights into the domain names, so these domain names would not be susceptible to a restraint order.

Ironically, if the availability of a restraint order is to be dependent upon the incorporation of the registrant's intellectual property rights within a domain name, then the most valuable domain names, that is, those that incorporate truly generic terms used as such, cannot be restrained.

In the end, it will be for the courts to determine whether domain names are, by themselves, 'property' under POCA and otherwise, and the implications of such a determination could be significant. Since October 2013, the number of top-level domains and the places where their registry operators are situated has been growing rapidly as part of ICANN's new generic Top-Level Domains ('gTLD') programme. If domain names are to be viewed as property, where is this property created and where is it located? Whose jurisdiction are they under? Does a finding that there are property rights in domain names mean that domain name registrants might have assets in foreign territories and be subject to the jurisdiction of those other territories?

As competition for domain names continues to grow out of an increasingly diverse pool of profit seeking registry operators, we can expect plenty of interesting questions to be raised in the coming months and years.

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1. The full question can be read at <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2015-09-11/9975>