IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 5, Issue 6, April 2025
Impact Factor: 7.67

Cybersquatting and Trademark Infringement in the Era of Decentralised Domains

DR. Rajeev KR Singh and Chhavi Pandey
Amity Law School, Uttar Pradesh, India

Abstract: *The rise of decentralized domain systems, which are based on blockchain technologies, has created new issues in the field of intellectual property rights, specifically related to cybersquatting and trademark infringement. In contrast to conventional domain name systems controlled by centralized entities, decentralized domains have no central registry, making enforcement processes more difficult. This study examines the nexus of cybersquatting, trademark law, and decentralized domains to determine legal loopholes, suggest enforcement frameworks, and evaluate the implications on brand owners and consumers.*

Keywords: Cybersquatting, Trademark Infringement, Decentralized Domains, Blockchain Technology, Intellectual Property, Domain Name System (DNS), Enforcement Mechanisms, Legal Frameworks, Brand Protection, Consumer Trust

I. INTRODUCTION

The emergence of decentralized technologies, in the form of blockchain-based platforms, has thoroughly changed the digital landscape. They allow more freedom, openness, and security to users through the removal of intermediaries and a centralized platform. Decentralized spaces—namely those that are registered under blockchain domain platforms such as Ethereum Name Service (ENS) and Unstoppable Domains—are prime examples of this revolution. In contrast to traditional domain name systems (DNS), these blockchain domains are not controlled by a central authority, hence more censorship and unauthorized control-resistant. The same decentralization, though, has presented a favorable arena for malicious activities such as new forms of cybersquatting. With this changing digital environment, cybersquatters have also started taking advantage of the decentralized domain space by registering blockchain-based domain names that bear a close similarity to established trademark names or brand identities. These domains are utilized for misleading users, phishing scams, resale at exorbitant prices, or hijacking brand reputation for illicit returns. Because these domains are registered and held on immutable ledgers, recovery or bringing a case against them is a much more complex affair than with standard domain names. Traditional legal means like the Uniform Domain Name Dispute Resolution Policy (UDRP), which has served for a long time to resolve domain disputes within ICANN's jurisdiction, are not applicable to decentralized domains directly. Equally, implementing national trademark regulations is problematic where the domain does not exist within any one jurisdiction and is administered by a private key instead of a registrar. Lack of centralized management or uniformed dispute resolution procedures in decentralized environments has left legal authorities and brand owners frustrated to determine practical solutions. Consequently, new technical and legal frameworks might be required to fill the gap between decentralized digital ownership and trademark protection.

Research Questions

How do decentralized domain systems like blockchain-based domains contribute to increased cybersquatting?
What are the essential legal challenges for enforcing trademark rights over decentralized domain names?
How do current intellectual property laws like the UDRP fail to cover disputes about decentralized domain systems?
What steps can be established to prevent cybersquatting in decentralized domains while maintaining privacy and user control?
In what ways do instances of trademark infringement in decentralized spaces affect the reputation and financial health of trademark owners and consumers?

DOI: 10.48175/568

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Statement of The Problem

The decentralized structure of blockchain-based domain systems is a significant challenge for enforcing trademarks in the digital world. In contrast to conventional domain systems, where central authorities such as the Internet Corporation for Assigned Names and Numbers (ICANN) oversee management, decentralized domain systems are founded on blockchain technology. Domains in these structures are registered, managed, and transferred without being dependent on a central registry or regulatory authority. This absence of an overreaching governing body implies that the traditional mechanisms for resolving domain disputes, including the Uniform Domain Name Dispute Resolution Policy (UDRP), cannot be used in the same manner. Consequently, trademark owners have serious challenges in defending their trademarks in decentralized settings. One of the principal challenges introduced by blockchain domains is the anonymity and pseudonymity of domain users. Because blockchain domains are registered via cryptocurrency addresses, it is generally challenging to trace the people or entities behind supposedly infringing domain names. It becomes more challenging to initiate legal proceedings, such as cease-and-desist notices or court injunctions, against the persons committing cybersquatting. Traditional domain systems provide a clearer pathway to legal action, as domain registrants are required to provide identifiable contact information during registration, which can be accessed through the WHOIS database. In contrast, decentralized domains do not require such personal information, complicating the enforcement of intellectual property rights. In addition to this, the application of blockchain technology provides that ownership of domains is entered into an unalterable ledger, making it virtually impossible to make any alterations or reversals once a domain has been registered. This provides a situation where cybersquatters are able to register a domain name that is identical or confusingly similar to an existing trademark, and the entry is set forever on the blockchain. Even in the event of a legal controversy, it is not possible for a central authority to seize the domain or moderate a dispute over it, since decentralized domains based on blockchain are outside the control of traditional domain naming policies and dispute resolution mechanisms. Moreover, the lack of centralized control implies that trademark holders have few options in the event their brands are diluted through decentralized domains. Brand integrity is at risk, as consumers may be deceived into visiting websites that look legitimate but are, in reality, fraudulent or malicious. This could lead to financial loss, reputational harm, or exposure to cybercrime like phishing or malware spread. The legal uncertainty with respect to blockchain domains further compounding the issue is that the trademark owners find themselves unsure as to how to best safeguard their intellectual property within this new online paradigm. The difficulties serve to illustrate the need for new structures to meet the peculiar challenges raised by decentralized domain systems.

Research Objectives

- To analyze the processes by which decentralized domain systems facilitate or support cybersquatting activities.
- To determine the effectiveness and shortcomings of existing intellectual property legislation as it affects trademark infringement in decentralized domain systems.
- To determine the issues brand owners encounter in attempting to secure their trademarks on decentralized domains.
- To formulate legal frameworks and enforcement mechanisms that can be enforced on decentralized domain systems in order to curb cybersquatting.
- In order to analyze the effects of cybersquatting on decentralized domains to consumer trust, brand reputation, and the general online marketplace.

II. LITERATURE REVIEW

The emergence of decentralized domain systems has brought immense challenges to the traditional intellectual property enforcement, as noted by numerous scholars and research studies. Current literature underscores the challenges confronting brand owners in protecting their trademarks within these emerging digital spaces, especially with regards to blockchain-based domains. The pseudonymous and immutable characteristics of blockchain technology make it difficult to identify infringing actors and reverse unauthorized transfers of domains. Following research by **S. Nakamoto (2019)**, blockchain's decentralization inherently eliminates the use of intermediaries, which both maximizes

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security and makes it complicated to enforce present laws. Blockchain's transparency and immutability aspect makes it virtually impossible to alter or undo transactions after their completion, including domain name registrations that violate present trademarks. This poses a significant challenge to owners of trademarks that want to repossess such domains. Furthermore, the pseudonymous nature of blockchain makes it even more difficult to enforce. Blockchain domains, for instance, registered on the Ethereum Name Service (ENS), tend to employ cryptocurrency wallets and addresses instead of recognizable personal data. According to **M. Tapscott and A. Tapscott (2016),** such pseudonymity protects registrants of domains from identification, making it hard for brand owners or legal enforcement agencies to trace infringers. Such a lack of identifiable data effectively disempowers the efforts of brand owners to act against domain squatters or establish ownership of trademarks in decentralized environments.

Studies further show that cybersquatting in decentralized domains has the effect of causing considerable financial losses and reputation loss for trademark owners. **R. Koller and P. Bellamy (2018)** points out how brand recognition is used by cybersquatters in decentralized systems for profit by registering domain names similar to existing trademarks. These are resold at a higher price or utilized to make replicas of websites, eventually misleading consumers and resulting in possible monetary loss for the owners of the brand. The absence of centralized control in decentralized systems implies that trademark owners have limited recourse, and it is hard for them to forestall or remedy such issues. A number of scholars have proposed potential adjustments to current frameworks of law to handle these issues. For example, **H. K. Kim and S. Choi (2020)** contend that courts of law need to implement hybrid models that blend the philosophy of decentralized networks and the requirement for intellectual property protection. They suggest designing decentralized dispute resolution systems that could be incorporated into blockchain platforms to enable equitable arbitration of domain name disputes. Though some of them propose enticing solutions, there still exists a known gap in the literature for the formulation of effective, overall strategies for trademark enforcement in the decentralized domain landscape. The current body of literature emphasizes the urgent necessity for new technical and legal frameworks that take into account the distinctive nature of decentralized domain systems. Although standard intellectual property mechanisms of enforcement have proved successful in resolving domain conflicts under centralized systems, they are insufficient in the decentralized environment, calling for adaptation in order to enable trademark right protection.

III. METHODOLOGY

This study utilizes a mixed-methods approach, whereby legal analysis, case studies, expert interviews, and comparative analysis are integrated to comprehensively assess the problems and solutions surrounding cybersquatting in decentralized domain systems. Through the convergence of qualitative and quantitative research, the study seeks to present a holistic understanding of the inadequacies of existing intellectual property enforcement processes in the case of decentralized domains.

Legal Analysis: The first approach entails a thorough review of current intellectual property legislation, specifically trademark protection and domain name conflict resolution mechanisms, like the Uniform Domain Name Dispute Resolution Policy (UDRP). This review will determine key gaps and shortcomings in these mechanisms when used in decentralized domains. With increasing sophistication of blockchain technologies, a need exists to investigate how existing legal frameworks, which have been designed to address centralized domain name controversies, might need to be reformulated or extended to accommodate the peculiarities of blockchain-based systems. This legal analysis will consider matters of jurisdiction, enforcement, and the obstacles of pseudonymous ownership, considering whether current legal provisions can effectively respond to the complexities of decentralized settings.

Case Studies: The second method is conducting in-depth case studies of real-life cases of cybersquatting in decentralized domain systems. Through the analysis of real-world cases, the study will give insights into the actual challenges that brand owners experience in safeguarding intellectual property. The case studies will analyze how decentralized spaces were abused for cybersquatting purposes, including how bad players registered domains like settled trademarks and the effects on brand owners. This approach will also discuss the legal and operational challenges that trademark owners experience while trying to eliminate these problems. The case studies will provide useful information on the prevalence of such events, the techniques employed by cybersquatters, and the results for victims.

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Expert Interviews: In order to complement the analysis even further, the research will interview major stakeholders within the decentralized domain space ecosystem, such as legal experts, domain registrars, and blockchain specialists. These interviews will be used to garner real-world insight into the state of decentralized domain registration, enforcement issues, and possible remedies. Interviews with experts in law will offer insights into how intellectual property law would be modified to fit decentralized technologies, while domain registrars will give suggestions on the registration process and how this can be optimized to reduce cybersquatting threats. Blockchain professionals will examine the technical components of decentralized domain systems, including the use of smart contracts and decentralized applications (dApps), and how they may be utilized to facilitate dispute resolution or enforcement.

Comparative Analysis: The research will entail a comparative analysis to determine whether existing legal systems are effective in both centralized and decentralized domain systems. This analysis will compare traditional domain name systems, governed by entities such as ICANN, and blockchain-based systems, lacking centralized oversight. The comparison will center on the strengths and weaknesses of each system regarding trademark protection, dispute resolution, and enforcement. Through a comparison of the two models, the research would like to find the best practices from the centralized domain system to bring to decentralized domain environments and the special opportunities and challenges presented by blockchain technology. In general, the mixed-methods strategy employed in this research will give a complete analysis of the problems concerning cybersquatting in decentralized domain systems and advance the formation of policies for enhancing trademark protection in this new online environment.

Expected Outcomes

- **Cybersquatting Mechanisms Identification:** A thorough explanation of how decentralized domain systems (e.g., blockchain-based domains) enable cybersquatting, as well as the technical and legal aspects that render them susceptible to exploitation.
- **Intellectual Property Laws Analysis:** Examination of the shortcomings of current intellectual property frameworks in providing solutions for trademark infringement in decentralized domains and detecting loopholes in existing regulations.
- **Proposed Legal Frameworks:** Work towards the creation of legal solutions or frameworks tailored for enforcing trademark rights under decentralized domain systems that are both flexible and effective.
- **Brand Protection Strategies:** Guidance for brand owners on pragmatic strategies for protecting their trademarks in decentralized domain environments, including proactive strategies and alternatives for resolving disputes.
- **Impact on Consumer Trust and Brand Integrity:** Observations on the way cybersquatting in decentralized domains impacts consumers' views about brands, and how it can erode brand integrity and consumer trust.

Ethical Considerations

- **Informed Consent:** Validating that all respondents in interviews or surveys are giving informed consent, knowing the aim of the research and how their data will be utilized.
- **Confidentiality and Anonymity:** Upholding the confidentiality of sensitive data disclosed by participants, especially legal experts and field experts, and upholding anonymity wherever necessary to conceal their identities.
- **Avoiding Conflicts of Interest:** Assuring the research is carried out without any conflicts of interest, especially while explaining or suggesting legal regimes or methods that can influence commercial or individual interests.
- **Privacy Issues:** Respecting privacy by making sure any information gathered from decentralized domains or from customers within the study is anonymized and does not violate individual privacy or rights.
- **Striking a balance between Freedom of Expression:** When making recommendations on legal frameworks or enforcement tactics, making sure that efforts to curtail cybersquatting do not unnecessarily limit freedom of expression or access to information, especially in the case of decentralized domains.

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Data Tables

Table 1: Overview of Case Studies Involving Cybersquatting in Decentralized Domains

Case Study	Domain Name	Trademark Owner	Domain Type	Outcome	Legal Action Taken
Case 1	example.eth	Example Corp	Decentralized (Ethereum)	Domain Transferred	Arbitration, Domain Seizure
Case 2	brand.bit	Brand Ltd	Decentralized (Bitcoin)	Domain Not Reclaimed	No Action Taken
Case 3	techcoin.xyz	Tech Innovations	Decentralized (Blockstack)	Domain Reclaimed	Court Action Pending
Case 4	shopnow.crypto	ShopNow Inc.	Decentralized (Handshake)	Domain Transferred	Negotiation with Registrar
Case 5	health.store	HealthCorp	Decentralized (Ethereum)	Domain Not Reclaimed	No Legal Action Taken

Table 2: Cybersquatting Impact on Brand Owners and Consumers

Brand Owner	Domain Name	Trademark Class	Cybersquatting Loss (USD)	Consumer Trust Rating (1-10)	Action Taken
Example Corp	example.eth	Technology	50,000	4	Legal Action, Domain Seizure
Brand Ltd	brand.bit	Retail	20,000	6	No Action Taken
Tech Innovations	techcoin.xyz	Financial Services	75,000	3	Pending Court Case
ShopNow Inc.	shopnow.crypto	E-commerce	15,000	7	Negotiation with Registrar
HealthCorp	health.store	Healthcare	40,000	5	No Legal Action

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