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## ARTICLES

### ICANN'S "UNIFORM DISPUTE RESOLUTION POLICY"—CAUSES AND (PARTIAL) CURES\*

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## INTRODUCTION

Trademark law is organized around a set of objectives and assumptions that map badly onto the Internet. Trademark law is predominantly ordered around sectoral, geographic, and national principles. In contrast, the Internet is defiantly ignorant of national borders.<sup>1</sup> This tension has spawned a number of legislative and quasi-public responses designed in some cases to attempt to harmonize the two regimes, but more often to bring the Internet into conformity with trademark law. Of these, probably the most ambitious—and surely one of the most flawed and unfair—is the Uniform Dispute Resolution Policy<sup>2</sup> (“UDRP”) adopted by the Internet Corporation for Assigned Names and Numbers<sup>3</sup> (“ICANN”) to provide a mandatory arbitration-like process to regulate disputes over domain name registrations by alleged “cybersquatters,”<sup>4</sup> that is, people who register domain names in order to resell them at a profit to an owner of a corresponding trademark.

The UDRP is worth examining in detail because it is being touted as a model for e-commerce dispute settlement by industry spokespersons and policy entrepreneurs<sup>5</sup> and soon

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<sup>1</sup> See, e.g., A. Michael Froomkin, *The Internet as a Source of Regulatory Arbitrage*, in BORDERS IN CYBERSPACE 129 (Brian Kahin & Charles Nesson eds., 1997), available at <http://www.law.miami.edu/~froomkin/articles/arbitr.htm>.

<sup>2</sup> Internet Corporation for Assigned Names and Numbers, Uniform Domain Name Dispute Resolution Policy, available at <http://www.icann.org/udrp-udrp-policy-24oct99.htm> (Oct. 24, 1999) [hereinafter UDRP].

<sup>3</sup> Arguably, ICANN itself could be said to be a by-product of this collision. For discussions of ICANN see A. Michael Froomkin, *Wrong Turn in Cyberspace: Using ICANN to Route around the APA and the Constitution*, 50 DUKE L.J. 17 (2000) (critiquing formation and use of ICANN as a means to avoid public rulemaking), available at <http://www.law.miami.edu/~froomkin/articles/icann.htm>; Jonathan Weinberg, *ICANN and the Problem of Legitimacy*, 50 DUKE L.J. 187 (2000), available at <http://www.law.duke.edu/shell/cite.pl?50+Duke+L.+J.+187>.

<sup>4</sup> Articles discussing related issues include Froomkin, *supra* note 3; A. Michael Froomkin, *Semi-Private International Rulemaking: Lessons Learned from the WIPO Domain Name Process*, in REGULATING THE GLOBAL INFORMATION SOCIETY 211 (Christopher T. Marsden ed., 2000) (critiquing procedures used by World Intellectual Property Organization to contribute to private lawmaking), available at <http://www.law.miami.edu/~froomkin/articles/tprc99.pdf>.

<sup>5</sup> See, e.g., Juliana Guenwald, *Intellectual Property Organization Stumped*, INTERACTIVE WEEK, Feb. 1, 2001, at <http://www.zdnet.com/intweek/stories/news/0,4164,2681274,00.html> (noting speech by WIPO Assistant Director General Francis Gurry praising UDRP as model); Brian Krebs, *Regulators Would Do Well to Mimic*

may be required by treaty. The U.S. Department of Commerce recently lauded the UDRP as “an efficient, inexpensive procedure for the resolution of disputes.”<sup>6</sup> Other governments also have endorsed the UDRP in principle,<sup>7</sup> and at least twenty-one apply the UDRP to registrations in their domestic country-code top-level domains.<sup>8</sup> Many academic commentators also have praised the UDRP,<sup>9</sup> although some have been more

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*ICANN—White House*, at <http://www.newsbytes.com/news/00/148011.html> (Apr. 25, 2000) (summarizing a speech by Department of Commerce General Counsel Andrew Pincus arguing that “[t]he federal government could put an end to its numerous Internet regulatory headaches if it approached industry with the same type of cooperation shown . . . under the aegis of ICANN”); Masanobu Katoh, *ICANN—A Model for International Organizations in the 21st Century*, at [http://www.mkatoh.net/speech/icann\\_katoh072000-e.ppt](http://www.mkatoh.net/speech/icann_katoh072000-e.ppt) (July 2000) (archiving PowerPoint slides from a speech made by ICANN board member-elect arguing that ICANN could be a model for global rulemaking in the twenty-first century).

<sup>6</sup> U.S. Dep’t of Commerce, National Telecommunications and Information Administration Annual Report 2000, available at <http://www.ntia.doc.gov/ntia-home/annualrpt/2001/2000annrpt.htm> (last visited Nov. 28, 2001).

<sup>7</sup> See WIPO, *ccTLD Best Practices for the Prevention and Resolution of Intellectual Property Disputes*, at <http://ecommerce.wipo.int/domains/cctlds/best-practices/bestpractices.html> (Version 1: June 20, 2001) (endorsing UDRP as “an excellent reference model and a valuable starting basis” for design of online dispute resolution).

<sup>8</sup> See UDRPlaw.net, *ccTLDs and International Domain Name Dispute Resolution*, at <http://www.udrplaw.net/cctldDisputes.htm> (last visited Nov. 28, 2001).

<sup>9</sup> Most of this work is either frankly results-oriented, focuses on an idealized version of the UDRP, or limits itself to the substance of the rules rather than confronting the UDRP’s serious procedural failures. Examples include Shamnad Basheer, *Establishing Rights/Legitimate Interests in a Domain Name: Cyber Squatters Get Creative*, 7 *COMPUTER AND TELECOMM. L. REV.* 1 (2001); Leah Phillips Falzone, *Playing the Hollywood Name Game in Cybercourt: The Battle over Domain Names in the Age of Celebrity-Squatting*, 21 *LOYOLA L.A. ENT. L. REV.* 289 (2001) (praising UDRP as tool for celebrities to wrest “their” names from cybersquatters); Patrick L. Jones, *Protecting Your ‘SportsEvent.com’: Athletic Organizations and the Uniform Domain Name Dispute Resolution Policy*, 5 *W.VA. J. L. & TECH.* 2.1 (2001), available at <http://www.wvu.edu/~wvjolt/Arch/Jones/Jones.htm>; Jason M. Osborn, *Effective and Complementary Solutions to Domain Name Disputes: ICANN’s Uniform Domain Name Dispute Resolution Policy and the Federal Anticybersquatting Consumer Protection Act of 1999*, 76 *NOTRE DAME L. REV.* 209 (2000); John G. White, *ICANN’s Uniform Domain Name Dispute Resolution Policy In Action*, 16 *BERKELEY TECH. L.J.* 229 (2001); Yun Zhao, *A Dispute Resolution Mechanism for Cybersquatting*, 3 *J. WORLD INTELL. PROP.* 849 (2000); Donna L. Howard, Comment, *Trademarks and Service Marks and Internet Domain Names: Giving ICANN Deference*, 33 *ARIZ. ST. L.J.* 637, 664 (2001) (“[M]ost of ICANN’s [sic] decisions so far have been slam-dunks . . . ICANN’s dispute resolution policy . . . is working and the public is satisfied.”).

critical.<sup>10</sup> Most worryingly, the latest draft of the intellectual property section of the draft Free Trade Area of the Americas (“FTAA”) agreement includes a proposal that signatory states mandate the UDRP for the resolution of domain-name disputes.<sup>11</sup>

<sup>10</sup> See Elizabeth G. Thornburg, *Going Private: Technology, Due Process, and Internet Dispute Resolution*, 34 U.C. DAVIS L. REV. 151 (2000); Ian L. Stewart, *The Best Laid Plans: How Unrestrained Arbitration Decisions Have Corrupted the Uniform Domain Name Dispute Resolution Policy*, 53 FED. COMM. L.J. 509 (2001). A more mixed view appears in Laurence R. Helfer & Graeme B. Dinwoodie, *Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy*, 43 WM. & MARY L. REV. 141 (2001), where after noting some of the UDRP’s flaws the authors optimistically suggest that once they are cured, and especially once a more legitimate process is found to enact it, the UDRP should serve as a model for future adjudicatory processes.

<sup>11</sup> See FTAA—Free Trade Area of the Americas, Draft Agreement, at [http://www.ftaa-alca.org/ftaadraft/eng/ngip\\_e.doc](http://www.ftaa-alca.org/ftaadraft/eng/ngip_e.doc) (July 3, 2001). The relevant text, bracketed to indicate it is still subject to negotiation, is:

Article XX. [Domain names on the Internet

1. Parties shall participate in the Government Advisory Committee (GAC) of the Internet Corporation for Assigned Names and Numbers (ICANN) to promote appropriate country code Top Level Domain (ccTLD) administration and delegation practices and appropriate contractual relationships for the administration of the ccTLDs in the Hemisphere.

2. Parties shall have their domestic Network Information Centers (NICs) participate in the ICANN Uniform Dispute Resolution Procedure (UDRP) to address the problem of cyber-piracy of trademarks.]

Article XX. [Cancellation and transfer of domain name

In the event that a well known distinctive sign has been inappropriately registered in the country of the Party, as part of a domain name or electronic mail address of an unauthorized third party, on request by the owner or legitimate rightholder of that sign, the competent authority shall consider the matter and, where appropriate, shall order cancellation or amendment of the registration of such domain name or electronic mail address, in accordance with the respective national law, provided that use thereof would be liable to have one of the following effects:

1. Risk confusion or association with the owner or legitimate rightholder of the sign, or with his or her establishments, activities, products or services;

2. Cause unfair economic or commercial injury to the owner or lawful rightholder of the sign, arising from a dilution of its distinctive force or commercial or publicity value;

The UDRP was controversial even before its birth. On the one hand, trademark owners originally objected that it was too weak and narrow, and would not serve to adequately protect their rights; opponents objected that the courts already adequately protected legitimate trademark interests, and UDRP gave trademark holders de facto rights in excess of those provided by law. With about 4,300 decisions rendered between December 1999 and February 2002, covering more than 7,500 domain names, plus almost 400 additional cases pending,<sup>12</sup> it is time to apply some hindsight to this debate. Analysis of the original World Intellectual Property Organization ("WIPO") proposals and of the UDRP's procedures is particularly timely now as WIPO is releasing a second round of potentially sweeping recommendations for further restrictions on domain name registrations<sup>13</sup> and

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3. Make unfair use of the prestige of the sign, or of the good name of its owner or lawful rightholder.

The action of cancellation or amendment shall prescribe, for a period of five (5) years from the date on which the disputed domain name or electronic mail address was registered, or from the date on which electronic media, whichever period expires later, except where the registration was made in bad faith, in which case the action shall not be prescribed. This action shall not affect any other action that might be available with respect to injuries and damages under common law.]

*Id.*

<sup>12</sup> See <http://www.icann.org/udrp/proceedings-stat.htm> (last visited Feb. 14, 2002).

<sup>13</sup> WIPO described the objectives of the second round process as seeking to combat the

- I. the bad faith, abusive, misleading or unfair use of personal names,
- II. International Nonproprietary Names (INNs) for Pharmaceutical Substances, recommended by the World Health Organization in order to protect patient safety worldwide
- III. names of international intergovernmental organizations (such as the United Nations or WIPO itself)
- IV. geographical indications, indications of source or geographical terms
- V. tradenames

See generally WIPO, *Second WIPO Internet Domain Process*, at <http://wipo2.wipo.int/process2/> (last visited Mar. 27, 2002). The last category in particular is rather broad.

Subsequent to the submission of this Article for publication, WIPO published the final report of its second-round process. See WIPO, *The Recognition of Rights and the Use of Names in the Internet Domain Name System*, at <http://wipo2.wipo.int/process2/report/html/report.html> (Sept. 3, 2001). WIPO recommended that the UDRP or a similar mechanism be adopted to protect INNs, names of international intergovernmental organizations, but not personal names, geographic indications, or

ICANN's review of the UDRP is under way.<sup>14</sup>

The UDRP derives its force from ICANN's de facto control of a critical Internet resource.<sup>15</sup> Anyone who wishes to have a domain name visible to the Internet at large must acquire it from a registrar who has the right to inscribe names in an ICANN-approved domain name registry. ICANN determines which registries are authoritative. This power to make and break registries allows ICANN to require registries (and also registrars) to promise to subject all registrants to a mandatory third-party beneficiary clause in which every registrant agrees to submit to ICANN's UDRP upon the request of aggrieved third parties who believe they have a superior claim to the registrant's domain name. In so doing, the UDRP has, to some extent, privatized and internationalized trademark law, although it co-exists with national law. In the United States, for example, abusive registration of domain names is regulated by the Anti-Cybersquatting Consumer Protection Act<sup>16</sup> ("ACPA"), enacted almost simultaneously with ICANN's adoption of the UDRP.

Part I of this Article introduces the political and technical background that produced the UDRP and discusses the main precursor to the UDRP, the WIPO Report entitled *The Management of Internet Names and Addresses: Intellectual Property Issues*<sup>17</sup> which proposed a new global domain name regulatory regime optimized for trademark protection. Part II sets out the main features of the UDRP and ICANN's accompanying rules of procedure and compares them to

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trade names on the grounds that international consensus law on these three subjects was not insufficiently uniform at present, making a single global rule impracticable unless the law develops further. *Id.*

<sup>14</sup> ICANN originally announced the review would take place in 2000, see <http://www.icann.org/minutes/minutes-06jun00.htm> (June 6, 2000) (referring to review "later this year") but inexplicably delayed it. Currently, the domain name supporting organization ("DNSO"), a subsidiary body of ICANN, has established a study "task force" of which I am a member. See ICANNWatch, *Names Council Selects UDRP Task Force Members*, at <http://www.icannwatch.org/article.php?sid=317> (last visited Mar. 27, 2002). As of mid-February 2002, the Task Force had yet to make or formulate draft recommendations or even discuss them.

<sup>15</sup> See generally Froomkin, *supra* note 3.

<sup>16</sup> Pub. L. No. 106-43 §§ 3(a)(2), 5, 113 Stat. 218, 220 (1999).

<sup>17</sup> World Intellectual Property Organization, *The Management of Internet Names and Addresses: Intellectual Property Issues—Final Report of the WIPO Internet Domain Name Process*, at <http://wipo2.wipo.int/process1/report/finalreport.html> (last visited Mar. 18, 2002) [hereinafter WIPO Final Report].



WIPO's proposals.<sup>18</sup> Part III offers a number of practical suggestions for reform of the procedural aspects of the UDRP.

## I. PRE-HISTORY OF THE UDRP

While trademark law's assumptions about the local and sectoral use of trademarks work badly on the Internet because content in one location can be viewed anywhere, those assumptions work especially badly with the Internet addressing system known as the Domain Name System ("DNS"). Trademarks and service marks<sup>19</sup> are intended to be a user-friendly shorthand for an expected level of product attributes, including quality. Trademark law seeks to protect consumers from fraud, counterfeiting, and confusion, and to protect the goodwill that businesses build up in their trademarks. If someone passes off inferior goods by affixing a competitor's trademark, or something that looks confusingly similar to it, both consumer expectations and supplier goodwill suffer.

Traditionally, however, a trademark does not give a trademark holder exclusive rights over every possible commercial use of a trademarked word or term, especially if the word or term is not coined or famous; even the holders of the strongest marks must accept that others will use them for legitimate non-commercial purposes. Indeed, trademark law allows multiple, concurrent, uses of the same word or name by different people in the same business in different places, or by substantially different businesses in the same place, so long as they are not in competition and there is no danger of significant consumer confusion. Reflecting its origins in the domestic law of multiple nations, trademark law has been organized predominantly on sectoral, geographic, and national principles. With the exception of a small class of "famous" names (e.g., "Coca-Cola") where the assumption is that consumers in the region where the mark is famous would

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<sup>18</sup> ICANN, *Rules for Uniform Domain Name Dispute Resolution Policy*, at <http://www.icann.org/udrp/udrp-rules-24oct99.htm> (Oct. 24, 1999) [hereinafter UDRP Rules].

<sup>19</sup> For the purposes of this Article I will use "trademark" to mean "trade or service mark" unless otherwise specified. There are some differences, but none that affect a discussion at this level of generality.

reasonably associate the name with any type of goods on which it might appear, the guiding principle behind much of trademark law is that it best achieves its purposes by limiting the reservation of rights in a name<sup>20</sup> to the type of goods and location where those goods are sold. “Joe’s Pizza” can get a trademark in the town where it sells pizza, but not in the whole state or the whole country, and different Joe’s Pizzas can dot the landscape so long as they do not serve overlapping territories. If one Joe’s Pizza becomes a national business, it cannot undermine the pre-existing rights of the Joe’s Pizzas already extant, but it can more or less prevent them from expanding their markets. Similarly, Apple Computer coexists internationally with Apple Records because those businesses offer different classes of goods and services.

With the exception of some treaty-based registration systems that allow multiple registration in a unified process, trademarks are issued by national governments, one country at a time, and for one or only a few categories of goods or services at a time. Thus, a firm can trademark the word “United” for air transport, but this will not extend to moving vans unless the firm is in that business also. Trademark registrations generally require use to remain effective. While they are in effect, they give the holder important rights against others who would unfairly capitalize on the mark’s goodwill by confusing consumers. Equally important, trademarks protect consumers against sellers who might seek to pass off their goods as produced by the mark holder. As a general matter, however, in the United States at least, trademark infringement requires commercial use by the infringer. Absent commercial use, some type of unfair competition, or a very small number of other specialized offenses (e.g., “tarnishment” of a mark by associating it with obscenity), trademark law does not make the use of the mark an offense. Thus, for example, in the United States as in most other countries, there are many permitted commercial and non-commercial uses of a basic dictionary word such as “united,” including parody, criticism, names of pets, and references in literature, despite the existence of a plethora of trademarks including the word.

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<sup>20</sup> Or symbol or other identifier, but as there is no way to express these directly in a domain name we can ignore them for present purposes.

Unless the mark falls into the small category of “famous” marks, it is generally permissible to make commercial use of a name trademarked by another so long as it is not likely to cause customer confusion.<sup>21</sup> Even if a mark is famous, some types of commercial use remain available, including accurate comparative advertising, news reporting, news commentary, and other “nominative fair uses” where the trademarked term is the only way to identify the thing being discussed.<sup>22</sup>

In contrast to trademark law's ability to tolerate multiple users of the same mark, the Internet enforces a greater degree of uniqueness. Every resource attached to the Internet must have a unique Internet Protocol (“IP”) number. Without an identifying number no one can find the resource, and without a unique number correspondents would have no way of controlling which identified resource received a communication. IP numbers are a thirty-two bit number consisting of four octets (sets of eight binary digits) that specify a network address and a host ID on a TCP/IP network.<sup>23</sup> These “dotted quads”—four numbers separated by three periods—are hard to remember and hard to type, so the Internet also relies on optional but ubiquitous human-friendly names to help people identify the resources with which they wish to communicate.<sup>24</sup> These are domain names.<sup>25</sup>

Domain names are the alphanumeric text strings to the right of an “@” symbol in an e-mail address, or immediately following the two slashes in a World Wide Web address. Thanks to a massively distributed hierarchical system for

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<sup>21</sup> For a recent reaffirmation of this principle, see *Playboy Enters., v. Welles*, 279 F.3d 796 (9th Cir. 2002).

<sup>22</sup> See *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992).

<sup>23</sup> The text describes IPv4 which is the most commonly used standard. IPv6 will expand the IP numbers to a dotted sextet, thus easing the current shortage of IP numbers. See generally STEVE KING ET AL., *THE CASE FOR IPv6 at 4* (1999), available at <http://www.ietf.org/internet-drafts/draft-ietf-iab-case-for-ipv6-05.txt> (touting IPv6's “enhanced features, such as a larger address space and improved packet formats”); *IPv6: Networking for the 21<sup>st</sup> Century*, available at <http://www.ipv6.org> (last visited Mar. 18, 2002).

<sup>24</sup> See P. Mockapetris, Internet Engineering Task Force, Request for Comments (“RFC”) 1034, *Domain Names—Concepts and Facilities* 29, at <http://www.ietf.org/rfc/rfc1034.txt> (Nov. 1987).

<sup>25</sup> The next few paragraphs are drawn from previously published articles by myself.

resolving domain names to IP numbers, the DNS Internet software can rapidly and invisibly convert a domain name to its IP number.<sup>26</sup> Thus, for example, a properly designed Internet browser presented with a domain name in a uniform resource locator (“URL”) such as <http://www.law.miami.edu> will contact a DNS server, request the corresponding IP number, <http://129.171.187.10>, and then direct a request to that resource.<sup>27</sup> Domain naming conventions treat a domain name as having three parts: in the address [www.miami.edu](http://www.miami.edu), for example, “edu,” the rightmost part, is the top-level domain (“TLD”), while “miami” is the second-level domain (“SLD”), and any other parts are lumped together as third or higher-level domains. Domain names are just conventions, and the names of the current TLDs are, from a technical point of view, purely arbitrary.

Users cannot claim a TLD of their own.<sup>28</sup> For a fee, however, a user can acquire exclusive rights<sup>29</sup> to a SLD in any

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<sup>26</sup> See generally ELLEN RONY & PETER RONY, *THE DOMAIN NAME HANDBOOK* 26, 31-32 (1998).

<sup>27</sup> See Neil Randall, *How DNS Servers Work*, PC MAG., Sept. 24, 1996, at 217; Neil Randall, *What Happens When You Click*, PC MAG., Oct. 22, 1996, at 245.

<sup>28</sup> At least, not in the legacy root; almost anything is possible in the independent roots but these are ignored by the large majority of Internet users, and are inaccessible to the growing number of users who cannot choose their DNS provider because it is set by an upstream service provider.

<sup>29</sup> The precise nature of the right one acquires by entering into a domain registration contract with a registrar or registry is a subject of both debate and strong-arm tactics. Registries have an interest in minimizing the rights that accrue to their customers, and in particular in ensuring that whatever the nature of the right it does not sound in “property”; their preferred characterization of the relationship is that a registrant enters into a service contract. For a particularly striking example of this see Bret Fausett’s markup of the changes in Great Domain’s terms of service after their acquisition by Verio, <http://www.lextext.com/GDUser.pdf> (last visited Mar. 18, 2002).

In *Network Solutions, Inc. v. Umbro Int’l, Inc.*, 529 S.E.2d 80 (Va. 2000), the Supreme Court of Virginia held that a registrant’s interest in a domain name was merely contractual and hence could not be garnished. See *id.* at 80. On the other hand, Congress recently passed the ACPA, §§ 3(a)(2), 5, which authorizes in rem actions against domain names. Since in rem proceedings are traditionally used to attach property, this argues that domain names are property. The *Umbro* court, however, was completely unpersuaded by this reasoning, see 529 S.E.2d at 86 n.12, as it was by Network Solutions, Inc.’s concession at trial that domain names are a form of intangible personal property. See *id.* at 86. If that is correct, then ACPA creates a statutory in rem proceeding for non-property, which is novel and might in some cases have due process/minimum contacts problems. See, e.g., Veronica M. Sanchez, *Taking a Byte out of Minimum Contacts: a Reasonable Exercise of Personal Jurisdiction in Cyberspace Trademark Disputes*, 46 UCLA L. REV. 1671 (1999).

TLD that will accept her registration. The registrant may then create as many third or higher-level domains as she wishes under that SLD. The number and names of TLDs are set by the maintainer of the authoritative "root" file from which, by convention (not law), all other participants in the DNS copy their data.<sup>30</sup> Although there is no technical obstacle to creating new TLDs, there have been numerous political obstacles to new TLDs, not least the concerns of trademark holders that new TLDs would dilute their brands, provide new opportunities for customer confusion, or subject the holders to ransom demands from cybersquatters.

Internet czar Jon Postel fixed the original list of top-level domains in 1984.<sup>31</sup> Although new country codes were and are added routinely,<sup>32</sup> there was a long-standing freeze on the creation of new generic TLDs ("gTLDs") that ended only in late 2001.<sup>33</sup> Thus, during the 1990s, registrants focused heavily on the three gTLDs then open to them, and especially on .com. Today, the DNS system used by the vast majority of Internet users<sup>34</sup> is made up of 244 two-letter country code TLDs

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<sup>30</sup> A root file is the data file containing the addresses of the machines that carry the authoritative registries for each TLD. See Froomkin, *supra* note 3, at 43-44. To be more precise, the root file is copied to the "A" root server. The B-L root servers copy their data from "A"; everyone else copies from one of the root servers or from someone who has a cached downstream copy of the original data. There can be many intermediaries in the chain.

<sup>31</sup> J. Postel & J. Reynolds, Internet Engineering Task Force, RFC 920, *Domain Requirements*, at <http://www.ietf.org/rfc/rfc0920.txt> (Oct. 1984).

<sup>32</sup> For example, the U.S. Department of Commerce created ps for Palestine upon a recommendation from the so-called Internet Assigned Numbers Authority ("IANA"), a subsidiary of ICANN, in 2000. See *IANA Report on Request for Delegation of the ps Top-Level Domain*, at <http://www.icann.org/general/ps-report-22mar00.htm> (Mar. 22, 2000).

<sup>33</sup> In a long, expensive, and convoluted process, ICANN chose a list, sometimes called the not-so-magnificent seven, of new gTLDs it would recommend be added to the root: .aero, .biz, .coop, .info, .museum, .name, and .pro. For the go-live dates, starting with .info on Sept. 23, 2001, see Netcraft, *Netcraft Web Server Survey*, (Feb. 2002), <http://www.netcraft.com/survey/>. Of these seven new TLDs, ICANN intended .biz, .info, and .name, "to be relatively large, unsponsored TLDs" and generally open to most or all registrants, but intended .aero, .coop, and .museum to be smaller, "sponsored," TLDs with much more restrictive registration criteria. If and when it goes live, .pro will be a type of "unsponsored" TLD. See ICANN, *New TLD program*, <http://www.icann.org/tlds/> (last visited Mar. 12, 2002).

<sup>34</sup> In addition to the "legacy root" TLDs discussed in this Article, there are a large number of "alternate" TLDs that are not acknowledged by the majority of domain name servers. See RONY & RONY, *supra* note 26, at 513-72 (describing the "Alterweb"). There is no technical bar to their existence, and anyone who knows how to tell his

("ccTLDs"), fourteen three-letter gTLDs, and one four-letter TLD (.arpa).<sup>35</sup> Domains registered in ccTLDs and gTLDs are equally accessible from any computer on the Internet.

Until last year, there were only three gTLDs open to anyone who could afford to pay for a registration: .com, .org and .net. Other gTLDs in existence since 1984 impose additional criteria for registration: .mil (U.S. military),<sup>36</sup> .gov (U.S. government),<sup>37</sup> .int (international organizations), .edu (institutions of higher education, mostly U.S.-based), and .arpa.<sup>38</sup> In November 2000, following a complex and convoluted process, ICANN approved in principle the creation of seven new gTLDs.<sup>39</sup> Before each of these new TLDs could become active, the ICANN-approved registry had to negotiate a contract with ICANN and then receive the approval of the U.S. Department of Commerce, which currently has the final say on whether a new gTLD is created.<sup>40</sup> As of mid-February 2002, six of the seven new TLDs had run this year-long gauntlet and

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software to use an alternate domain name server can access both the "legacy root" and whatever alternate TLDs are supported by that name server. Thus, for example, choosing to get domain name services from 205.189.73.102 and 24.226.37.241 makes it possible to resolve <http://lighting.faq>, where a legacy DNS would only return an error message.

<sup>35</sup> A list of the ccTLDs, gTLDs, and their registries (NICs) appears at World Internetworking Alliance, *TLD Registries*, at [http://www.wia.org/database/DNS\\_registries.htm](http://www.wia.org/database/DNS_registries.htm) (Aug. 19, 2000).

<sup>36</sup> Delegation of the .mil domain is under the authority of the DDN NIC. See D. Engbretson & R. Plzak, Internet Engineering Task Force, RFC 1956, *Registration in the MIL Domain 1*, at <http://www.isi.edu/in-notes/rfc1956.txt> (June 1996).

<sup>37</sup> Delegation of the .gov TLD is under the authority of the U.S. Federal Networking Council ("FNC"). See FNC, Internet Engineering Task Force, RFC 1816, *U.S. Government Internet Domain Names 1*, at <http://www.isi.edu/in-notes/rfc1816.txt> (Aug. 1995).

<sup>38</sup> The arpa domain is used for all reverse IP lookups and is about to be expanded to include other infrastructure functions. See, e.g., P. Faltstrom, Internet Engineering Task Force, *E.164 Number and DNS draft-ietf-enum-e164-dns-03*, at <http://www.ietf.org/internet-drafts/draft-ietf-enum-e164-dns-03.txt> (Aug. 18, 2000) (proposing a method of using the DNS for storage of telephone numbers, relying on domain e164.arpa) (on file with author).

<sup>39</sup> For ICANN's description of the process see ICANN, *New TLD Program*, at <http://www.icann.org/tlds/> (last visited Mar. 27, 2002). For a more realistic view see JONATHAN WEINBERG, *ICANN AS REGULATOR* (forthcoming 2002).

<sup>40</sup> The Department of Commerce reserved this right in Cooperative Agreement No. NCR-9218742, Amendment 11, <http://www.ntia.doc.gov/ntiahome/domainname/-proposals/docnsi100698.htm> (Oct. 6, 1998).

were active,<sup>41</sup> although they had not registered huge numbers of names.<sup>42</sup>

The 244 ccTLDs are almost all derived from the International Organization for Standardization's ISO Standard 3166.<sup>43</sup> The ccTLDs sometimes have rules that make registration difficult or even next to impossible<sup>44</sup> or semantically unattractive; as a result, the gTLDs, especially .com, have the lion's share of the registrations. However, an increasing number of ccTLDs, such as .tv or .to, began acting as gTLDs and accepted registrations from anywhere, albeit at a price.

Domain names, or at least short ones,<sup>45</sup> are easy to use. But under the current system they must be unique, or DNS servers as currently designed will not know which IP address to return when confronted with a domain name.<sup>46</sup> As businesses stampeded onto the Internet in the late 1990s, they

<sup>41</sup> See <http://www.icann.org/tlds/> (last visited Apr. 17, 2002).

<sup>42</sup> Both .info and .name claim over 500,000 active names, see .info, *500,000 .INFO Registrations in Less Than 90 Days*, at [http://www.nic.info/news/press\\_releases/pr\\_articles/2001-10-23-01](http://www.nic.info/news/press_releases/pr_articles/2001-10-23-01) (Oct. 23, 2001); NeuLevel, *.Biz Exceeds a Half Million Registrations in First Month*, at [http://www.nic.biz/press/press\\_release/pr\\_archive\\_2000\\_2001/2001.12.13.html](http://www.nic.biz/press/press_release/pr_archive_2000_2001/2001.12.13.html) (Dec. 13, 2001), but these numbers pale in comparison to the millions of registrations in .com.

<sup>43</sup> See ISO 3166-1:1997, Codes for the Representation of Names of Countries and Their Subdivisions—Part I: Country Codes, Deutsches Institut für Normung, at [http://www.din.de/gremien/nas/nabd/iso3166ma/codlstp1/en\\_listpl.html](http://www.din.de/gremien/nas/nabd/iso3166ma/codlstp1/en_listpl.html) (last modified June 12, 2001). The ISO, a private standards body, has created these codes for computer information systems processing purposes. It is not a treaty organization. See International Organization for Standardization, *Frequently Asked Questions*, at <http://www.iso.ch/info/faq.htm> (last modified Nov. 29, 1999).

Not every ccTLD is necessarily controlled by the government that has sovereignty over the territory associated with that country code, however. This is likely to be an area of increasing controversy, as (some) governments argue that the ccTLD associated with "their" two-letter ISO 3166 country code is somehow an appurtenance of sovereignty. See Berkman Center for Internet and Society, *Communiqué of the Government Advisory Committee*, at <http://cyber.law.harvard.edu/icann/santiago/archive/GAC-Comminuque-mtg3.html> (last modified Aug. 24, 1999) (asserting that "delegation of a ccTLD Registry is subject to the ultimate authority of the relevant public authority or government").

<sup>44</sup> Many ccTLDs have far more restrictive rules, including limits on the number of registrations per person or firm, the type of domain name available, and on its relationship to nationally protected intellectual property.

<sup>45</sup> *But see* <http://llanfairpwllgwyngyllgogerychwyrndrobwlllantysiliogogoch.com>, the domain name incorporating the name of the Welsh village, which is *not* easy to type.

<sup>46</sup> See Brian Carpenter, *IAB Technical Comment on the Unique DNS Root*, available at <http://www.iab.org/selected-iab-documents.html> (May 2000).

quickly came to view domain names as an important identifier, or even as a brand name. Once domain names were thought of as a brand, it quickly led businesses to the conclusion that trademarks might or should imply rights to corresponding domain names. Of course it is possible for multiple different parties to register the same second-level domain in different TLDs. Law.com, law.org, law.net, and law.tm all point to very different web sites. But especially before ccTLDs sensed a market opportunity and began accepting foreign registrations, the number of TLDs open to businesses in Europe and North America was small. And even as the number of options grew slightly, businesses were convinced that one piece of Internet real estate—.com—was the prime place to be.

Unfortunately for these businesses, registration of SLDs in the three existing gTLDs (.com, .org, and .net) and in the ccTLDs which emulate them, is on a first-come, first-served basis. No questions are asked about the proposed use, or about possible trademark conflicts. Registrants are asked only to identify themselves, give administrative and technical contacts,<sup>47</sup> and list two name servers prepared to resolve the domain name. Today, both ccTLDs and gTLDs require payment at the time of registration, but until July, 1999, the dominant gTLD registrar waited thirty days before sending a bill and then gave additional time to pay, thus creating a long float.<sup>48</sup> As there was no limit to the number of names a person could register, name speculators quickly understood that they could register names and seek buyers for them without risking any capital.<sup>49</sup> While some speculators sought common words with multiple possible uses, a few others—who became known as cybersquatters—registered thousands of names that corresponded to the trademarks of companies that had not yet found the Internet and then sought to resell (or, some would say, ransom) the name to those companies.

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<sup>47</sup> All three can be the same person at the same address.

<sup>48</sup> See Todd Spangler, *NSI Adopts Prepayment Model*, ZDNET INTER@CTIVE WEEK ONLINE (July 22, 1999) (noting the change from the thirty-day policy to payment in advance), at <http://www.zdnet.com/intweek/stories/news/0,4164,2298737,00.htm>.

<sup>49</sup> For a survey of the law and equities of name speculation, see generally Jessica Litman, *The DNS Wars: Trademarks and the Internet Domain Name System*, 4 J. SMALL & EMERGING BUS. L. 149 (2000).



Because the Lanham Act requires commercial use before a court will find trademark infringement,<sup>50</sup> it seemed arguable that mere registration without use was legal, and that the brokers/cybersquatters had found a costless way to profit.<sup>51</sup> Even persons who were engaged in organized large-scale cybersquatting, which became clear trademark infringement after *Panavision Int'l v. Toeppen*,<sup>52</sup> could reasonably expect that the settlement value of their essentially meritless defenses to a claim of trademark infringement might run into thousands of dollars, since even a simple federal trademark action would cost that much or more in lawyers' fees and management time.

At the other extreme, some trademark holders suggested that ownership of a trademark in a word should confer a preemptive right on a corresponding domain name in .com, or perhaps in all TLDs with open registration. The absurdity of this position is demonstrated by the fact that given the sectoral and geographic nature of trademark law, it is common to find multiple holders of rights in the same word in the same place, not to mention the same country or planet. Attempting to shoehorn all the different firms called "acme" into one TLD, or even three, ensures that conflicts will arise between multiple owners of a trademark in the same string of characters. As Mr. Justice Neuberger stated, the owners may be

sectorally separate (same country, but different use or different category of goods and services), e.g., United Airlines and United Parcel Service may both want united.com; or

geographically separate (same business, but different countries or regions within a country), e.g., Joe's Pizza in the two college towns of your choice; or

both sectorally and geographically separate, e.g., Prince Tennis rackets and Prince consultants.<sup>53</sup>

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<sup>50</sup> 15 U.S.C. § 1114(1) (2001).

<sup>51</sup> See Litman, *supra* note 49, at 154-55.

<sup>52</sup> 141 F.3d 1316 (9th Cir. 1998) (holding that pattern of offering domain names for sale to mark holders was "use in commerce" of the mark sufficient to violate Lanham Act).

<sup>53</sup> *Prince plc v. Prince Sports Group, Inc.* [1998] F.S.R. 21 (Ch. Div.).

Not every string conflict, however, necessarily involves a claim of misuse of a domain and not all warehousing is necessarily a misuse. For example, firms sometimes acquire domains with the same name as a trademark they have registered even though they do not intend to use the domain. This warehousing prevents someone else from using the same name and potentially causing customer confusion.<sup>54</sup> Similarly, firms and others sometime acquire domains for future use. A firm may register a domain name before trademarking a term as part of the often-secret process of preparing a new product or campaign. These practices gave rise to the concern that without new gTLDs, large amounts of the namespace might become unavailable to new and even established users with new projects, a concern that later proved justified.

A. *The White Paper*

Faced with a first-come first-served domain name registration system in which those who were first wanted money from the latecomers, trademark owners and others naturally felt aggrieved, even extorted. Their distress blocked the addition of new TLDs, which they thought would aggravate their problems (although in fact it would have solved the shortage problem<sup>55</sup> at the price of aggravating the potential confusion and dilution problems), and got the attention of the White House and the Commerce Department's inter-agency task force charged with imposing some order on the increasing controversy over domain name policy.

In the White Paper that emerged from the convoluted U.S. government policy process—formally known as the U.S. Department of Commerce's *Statement of Policy on Management*

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<sup>54</sup> It is interesting to note, however, that trademark law has a strong policy against the warehousing of names. If a name is not in actual use, or about to be used in a very short period, the trademark law offers no protection. See *La Société Anonyme des Pafums Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1274 (2d Cir. 1974) (holding that token, sporadic, or nominal use of a name intended only for trademark maintenance is insufficient to establish or maintain trademark rights).

<sup>55</sup> It might also have solved the cybersquatting problem, if foreseeable supply increased to the point where speculation seemed pointless.

of *Internet Names and Addresses*<sup>56</sup>—the government took something of a middle-of-the-road position. It agreed that trademark owners were being victimized by so-called cyber-pirates who registered domain names to sell them to the corresponding trademark holder. But rather than proposing direct action, the White Paper called on WIPO to conduct a study and make recommendations for what would become ICANN. WIPO, it said, should:

[I]nitiate a balanced and transparent process, which includes the participation of trademark holders and members of the Internet community who are not trademark holders, to (1) develop recommendations for a uniform approach to resolving trademark/domain name disputes involving cyberpiracy (as opposed to conflicts between trademark holders with legitimate competing rights), (2) recommend a process for protecting famous trademarks in the generic top level domains, and (3) evaluate the effects, based on studies conducted by independent organizations, such as the National Research Council of the National Academy of Sciences, of adding new gTLDs and related dispute resolution procedures on trademark and intellectual property holders. These findings and recommendations could be submitted to the board of the new corporation<sup>57</sup> for its consideration in conjunction with its development of registry and registrar policy and the creation and introduction of new gTLDs.”<sup>58</sup>

Thus, while certainly feeling the pain of the trademark owners, the White Paper also acknowledged the existence of countervailing legitimate rights. Notably, the White Paper's recommendations distinguished between, on the one hand, domain name disputes between two trademark holders which would not be covered by the proposed recommendations and, on the other hand, domain name disputes between a trademark holder and someone without a trademark, which would be the new system's sole focus.<sup>59</sup> This distinction was incorporated

<sup>56</sup> Management of Internet Names and Addresses, 63 FED. REG. 31,741 (June 10, 1998), available at [http://www.ntia.doc.gov/ntiahome/domainname/6\\_5\\_98dns.htm](http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm) [hereinafter White Paper].

<sup>57</sup> The Department of Commerce later recognized ICANN as this “new corporation.”

<sup>58</sup> White Paper, *supra* note 56, at 31,747.

<sup>59</sup> A similar distinction pre-dated the White Paper. NSI's draconian dispute policy “froze” (rendered inoperative) any domain name that was challenged by the holder of an identical trademark, regardless of the defenses that the registrant might offer—unless the registrant could produce a trademark of his own. This caused some

into WIPO's proposals and the UDRP itself. Perhaps because it punted the key question for later action, or perhaps because it was exquisitely ambiguous at key points, the White Paper came closer to being a consensus document than any other previous or subsequent policy pronouncement during the domain name wars.

### B. *The WIPO Process*

The publication of the White Paper created an opportunity for WIPO to launch its Domain Name Process.<sup>60</sup> Rather than limit itself to the fairly modest project defined in the White Paper, however, WIPO chose to conduct its study on its own, more ambitious, terms. WIPO is an organ of the United Nations with specific duties defined by a series of treaties. Signatory nations send delegates to WIPO, and meet occasionally in plenary to make decisions. Being responsible to all its member states rather than just the United States, the WIPO staff felt empowered to define its own terms of reference, and proposed to make recommendations concerning: (1) dispute prevention; (2) dispute resolution; (3) a process to protect famous and well-known marks in the gTLDs; and (4) the effects on intellectual property rights of new gTLDs.<sup>61</sup> Pleading the need for speed, and noting the wholly advisory nature of a report which would have to be sent to ICANN for any action, WIPO did not rely on a plenary to adopt its policy proposals. Indeed, WIPO limited the direct involvement of member states to the occasional status report and to opening its public

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enterprising registrants to rush off and acquire Tunisian trademarks, which were apparently the quickest and cheapest in the world. NSI eventually stopped accepting Tunisian trademarks. See Sally M. Abel, *Trademark Issues in Cyberspace: the Brave New Frontier*, at [http://www.fenwick.com/pub/ip\\_pubs/Trademark%20in%20Cyberspace%2098/Trademark%20issues.htm](http://www.fenwick.com/pub/ip_pubs/Trademark%20in%20Cyberspace%2098/Trademark%20issues.htm) (July 21, 1998).

<sup>60</sup> On the flawed mechanics of the WIPO process, see generally Froomkin, *supra* note 4.

<sup>61</sup> WIPO Request for Comments on Issues Addressed in the WIPO Internet Domain Name Process, RFC 2, at ¶ 12, at <http://wipo2.wipo.int/process1/rfc/2/-index.html>. The staff at WIPO were clearly eager to attack the domain name problem, indeed some suggested that WIPO had lobbied to be asked to undertake the study. In part this was, no doubt, because they saw it as an important issue. But there were other bureaucratic agendas operating at the same time, involving the relationship between the WIPO Secretariate and its member states, and regarding the status of the newly-launched but under utilized WIPO arbitration center.

consultation sessions to government speakers. WIPO's staff met with intellectual property stakeholders and a few others to acquire information and advice, and then basically drafted proposals on their own.

As part of its consultations leading up to the development of its recommendations,<sup>62</sup> WIPO sought testimony about the extent of the domain name/trademark conflicts. Although this consultation exercise consumed a great deal of time and money,<sup>63</sup> the factual record produced by it was sparse. This was partly due to the relatively short time allowed. Nevertheless, it remains the case that neither WIPO nor any of the persons who testified before it sought to conduct or commission independent quantitative research on the extent of domain name "piracy." Although WIPO requested data from existing registration authorities, the testimony gathered by WIPO remained basically anecdotal.<sup>64</sup>

The evidence submitted to WIPO or available from other sources suggested that domain name disputes involved only a tiny fraction of the number of domains registered in the open gTLDs (.com, .org., and .net). One measure of the problem was the number of times that trademark holders had invoked the NSI dispute policy.<sup>65</sup> Data provided by NSI, the monopoly

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<sup>62</sup> The records of WIPO's consultations are archived at <http://wipo2.wipo.int/-process1/consultations/index.html> (last visited Apr. 22, 2002).

<sup>63</sup> See Froomkin, *supra* note 4.

<sup>64</sup> See WIPO, RFC 3, Interim Report of the WIPO Internet Domain Name Process, ¶¶ 254-60, at <http://wipo2.wipo.int/process1/rfc/3/index.html> (Dec. 23, 1998) (providing a summary of some of the testimony) [hereinafter WIPO RFC 3]. WIPO relied heavily on a report produced by Marques, a trademark association. See WIPO Final Report, *supra* note 17, ¶ 313. This study suggested that the domain name problem was substantial, but it had a very small sample size, and there was some reason to doubt whether the companies surveyed were representative or likely to be particular targets.

<sup>65</sup> In order to minimize its exposure to suit, NSI crafted a dispute policy that strongly favored complaining trademark holders over its clients, the registrants. In brief, NSI would turn off ("freeze") a registrant's domain name upon request by a holder of a trademark in the same character string whose registration date preceded the domain name's registration unless the registrant also had a valid trademark in that character string. On the NSI dispute policies, see generally Carl Oppedahl, *Remedies in Domain Name Lawsuits: How is a Domain Name Like a Cow?*, 15 J. MARSHALL J. COMPUTER & INFO. L. 437 (1997) (critiquing the NSI dispute policy). The policy is obsolete, having been replaced by the UDRP, and is no longer on the NSI web site. It is, however, reproduced at a web site maintained by the Communications Media Center at New York Law School, <http://www.cmcnyls.edu/Misc/NSIDNRP3.HTM> (last visited Mar. 27, 2002).

registry, suggested that there were fewer than 1,000 complaints per year, and that the number of complaints had decreased by ten percent from 1997 to 1998, although the number of registrations had doubled to almost two million in the same period.<sup>66</sup> This measure suggested a dispute rate of under .045%; this number, however, both over- and understated the problem. It overstated the problem in that not every invocation of the NSI dispute procedure was necessarily meritorious. Conversely, it understated the problem in at least two ways. First, many disputes might never be reported to NSI, although complainants certainly had full incentive to avail themselves of it, given that the policy presumed that the registrant was guilty and froze the name unless the registrant could produce a trademark. Second, and potentially more serious, trademark holders argued that because NSI's policy only applied to domain names that were identical to trademarks, it failed to account for the large number of registrations of domain names that were confusingly similar to trademarks.

Indeed, the suggestion that the number of domain name disputes might have reached a plateau, or even peaked, was belied by some of the anecdotal evidence presented to WIPO. For example, witnesses testified that "typosquatters"—who were immune from the NSI policy since their registrations were not identical to a trademarked term—were counting on common misspellings to attract web traffic.<sup>67</sup> A representative

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<sup>66</sup> According to Mr. Chuck Gomes of NSI on the IFWP mailing list,

During the slightly more than 5 months between the end of July 1995 and the end of the year, we invoked the [NSI Dispute] Policy 166 times. During 1996 we invoked the Policy 745 times. During 1997 we invoked the Policy 905 times. During 1998 we invoked the Policy 838 times.

Chuck Gomes, message dated Feb. 1, 1999 to IFWP Discussion List, list@ifwp.org, Subject: [ifwp] NSI Domain Name Dispute Stats., *reprinted in* Comments of Carl Oppedahl in Response to the WIPO Interim Report dated December 23, 1998 (WIPO RFC 3), note 4, at [http://wipo2.wipo.int/dns\\_attachments/rfc3/attach9211911-40.html](http://wipo2.wipo.int/dns_attachments/rfc3/attach9211911-40.html) (Mar. 11, 1999).

<sup>67</sup> Motives for registering these "oops" names and creating web sites appeared to vary and included:

- I. Using the domains to host web sites that parody or criticize the individual (often a politician) or company;
- II. Taking advantage of the accidental traffic for relatively harmless commercial gain, e.g., to show the user an advertisement before redirecting the user to the site the user was probably looking for.

of AT&T, which had registered att.com, stated that they were getting complaints every week from customers offended by attt.com, a porn site.<sup>68</sup> There seemed no obvious way to derive a ratio that might be used to correct the .045% conflict rate suggested by the NSI dispute baseline. At one of the hearings, Sarah Deutsch, the senior intellectual property counsel at Bell Atlantic, and one of the most forceful and effective advocates for the case that trademark owners were being systematically victimized, stated that during a single year her office identified 784 domain names that it considered infringed one of Bell Atlantic's trademarks, but that only ten of these cases could be resolved through NSI's dispute resolution policy.<sup>69</sup> Using that approximately 80:1 ratio to inflate the NSI data suggested that of the 1.9 million new domain name registrations in 1999, about 67,000<sup>70</sup> allegedly infringed a trademark. While not in any way a trivial number, it was still only about 3.5% of all registrations. In any case, this estimate almost certainly overstated the size of the problem, since those who were most affected by the cybersquatters had the most incentive to participate in the WIPO process. Indeed, Bell Atlantic took a very aggressive (even unreasonable) view of what constituted a similarity to one of its marks.

Whether the actual magnitude of the overall "cyber-piracy" problem was .045% or 3.5% of new registrations, or more likely somewhere in between, and whether the problem was growing or shrinking in absolute terms, it clearly existed. There seemed to be no reason why people engaged in clear trademark infringement should enjoy a windfall of the settlement value of basically worthless defenses (although, of course, opinions varied as to how broadly this set of worthless defenses should be defined). It also seemed clear that an

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III. Taking advantage of the traffic for commercial gain that would arguably tarnish the reputation of the company, usually pornography;

IV. Taking advantage of poor typists who were seeking a competitor's web site.

<sup>68</sup> In this case, however, the problem was solved well before the final WIPO report: the registration of attt.com was somehow transferred to AT&T, and the pornography vanished.

<sup>69</sup> WIPO, Second D.C. Consultation Transcript, at <http://wipo2.wipo.int/process/eng/dc2-transcript-toc.html> (last visited Mar. 27, 2002).

<sup>70</sup> The number is the 838 disputes reported by NSI in the most recent period, see *supra* note 66, inflated by the 80:1 ratio and rounded to two significant digits.

important fraction of the problem could be traced to a relatively small number of people. These “cyber-pirates” appeared to be engaged in systematic registration of domain names identical to trademarked terms. Trademark holders agreed that these cases represented a considerable percentage, albeit not all, of the problems they believed that they faced.<sup>71</sup> The remainder was what might be termed amateur domain name speculation, in which individuals not engaged in the wholesale registration of domains containing trademarked character strings registered one or more domains that later excited the interest of trademark holders. In both cases the speculation was made easy by registration rules that did not require pre-payment.

Underlying the “cyber-pirate” question was the legal issue of whether registration of a domain name that is identical to a trademarked term was in and of itself a trademark violation. Generally speaking, in the United States at least, one does not violate a trademark right without commercial use (and, absent a finding that the mark is famous, likelihood of confusion). Therefore, unless registration is itself a commercial use, mere registration without use of a domain name cannot violate a trademark right. This is particularly clear in the case of trademarks of common words and in terms trademarked by more than one party. However, by the time of the WIPO process two courts, one in the United States and one in the United Kingdom, had held that a person who routinely registered others’ trademarks for potential resale was making commercial use of those trademarks and hence was an infringer.<sup>72</sup> Thus, although there was inevitably little directly relevant decisional law, what little there was tended to support the proposition that registering a domain name for the purpose of resale amounted to trademark infringement.<sup>73</sup> Furthermore, the laws of other countries, although lacking actual decisions relating to domain names, did not necessarily require

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<sup>71</sup> WIPO also heard testimony that some firms were warehousing domain names corresponding to their trademarks in order to prevent their competitors from registering.

<sup>72</sup> *Toeppen*, 141 F.3d at 1325-26; *British Telecomm. plc v. One in a Million Ltd.*, (C.A.) [1999] E.T.M.R. 61. (England).

<sup>73</sup> *Toeppen*, 141 F.3d 1316; *One in a Million Ltd.*, (C.A.) [1999] E.T.M.R. 61



commercial use as a prerequisite to finding a trademark violation.

The overwhelming majority of the reported cases that had actually gone to trial in the United States and elsewhere resulted in victory for a trademark holder over a non-trademark holder. Indeed, so far as one could tell, every organized cybersquatter who had been taken to court had lost.<sup>74</sup> Trademark owners, however, did not take great comfort from these facts. Instead, they argued that these victories simply proved the justice of their cause, and demonstrated why new means had to be found to prevent cybersquatters from holding them ransom for the settlement value of meritless defenses. Trials can be expensive, and trademark holders testified that they frequently found it cheaper or more expedient to offer out-of-court settlement to registrants of a domain names that they believed was theirs by right.<sup>75</sup>

Notwithstanding the size of the individual settlements, firms managing large numbers of brands argued that the cumulative costs imposed an unfair burden and amounted to a windfall to the undeserving. Worse, aggrieved trademark holders in countries with dysfunctional court systems stated that their national court systems were so slow as to make the wait for meaningful relief against improper domain name registrations an eternity in Internet time, or even in ordinary time.<sup>76</sup> Other trademark holders complained of the difficulty of locating cybersquatters who falsified their contact information at the time of registration, or who were located in jurisdictions where the law was uncertain, the courts unreliable, or service was difficult.<sup>77</sup>

Conversely, there was also evidence of attempted "reverse domain name hijacking" ("RDNH"). In these cases, trademark holders improperly threatened to sue the holders of domains that used the same string as their trademark even though the registrant was acting legally. A few of these cases involved commercial, but most involved non-commercial, uses

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<sup>74</sup> *Toeppen*, 141 F.3d 1316; *One in a Million Ltd.*, (C.A.) [1999] E.T.M.R. 61; *Toys "R" Us, Inc. v. Abir*, 45 U.S.P.Q.2d 1944 (S.D.N.Y. 1997); *Green Prods. Co. v. Independence Corn By-Prods. Co.*, 992 F. Supp. 1070 (N.D. Iowa 1997).

<sup>75</sup> See, e.g., WIPO Final Report, *supra* note 17, ¶ 314.

<sup>76</sup> See, e.g., *id.* ¶ 148.

<sup>77</sup> *Id.* ¶¶ 59, 82, 148.

of the domain name; the key elements in making the would-be plaintiff drop the claim seem to have been bad publicity for the mark holder, combined with limited likelihood of success in the U.S. courts. Indeed, an appreciable but also unquantifiable fraction of the cases alleged by trademark holders to be infringements or amateur speculator cases in fact appeared to be cases where the registrant had at least a colorable, and perhaps a very legitimate, claim to the domain name. In some cases this arose from a competing trademark, and in other cases it arose from some other legitimate commercial or non-commercial purpose, use, or competing intellectual property right or name. The leading example of a non-trademark right was surely the "pokey" case in which the Prima Toy Company, owners of the Gumby and Pokey trademarks, threatened a twelve-year-old boy because of his personal web site at pokey.org. The web site had nothing to do with the toys, and had been registered by the boy's father because "pokey" was his son's nickname.<sup>78</sup> Other notorious examples included epix.com,<sup>79</sup> cds.com,<sup>80</sup> ajax.com,<sup>81</sup> dci.com,<sup>82</sup> ty.com,<sup>83</sup> roadrunner.com,<sup>84</sup> and veronica.org.<sup>85</sup>

The trademark lawyers' excessive zeal in policing their clients' marks was almost inevitable given the trademark owners' understandable fear that they must aggressively assert their rights to their marks in every medium or risk the diminution of their rights.<sup>86</sup> Even making allowances for a

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<sup>78</sup> On pokey see *The Domain Name Handbook*, at <http://www.domainhandbook.com/dd2.html#pokey> (last visited Apr. 22, 2002) and the links collected there.

<sup>79</sup> *Interstellar Starship Servs., Ltd. v. Epix Inc.*, 184 F.3d 1107 (9th Cir. 1999).

<sup>80</sup> *CD Solutions, Inc. v. Tooker*, 15 F. Supp. 2d 986 (D.Or. 1998).

<sup>81</sup> See <http://www.ajax.org>, *The Colgate-Palmolive Story*, at <http://www.ajax.org/colpal/> (on file with author).

<sup>82</sup> *Data Concepts, Inc. v. Digital Consulting, Inc.*, 150 F.3d 620 (6th Cir. 1998).

<sup>83</sup> *Giocalone v. Network Solutions, Inc.*, 1996 WL 887734 (N.D. Cal., June 14, 1996).

<sup>84</sup> *Roadrunner Computer Sys., Inc. v. Network Solutions, Inc.*, Civil Action No. 96-413 (E.D. Va. complaint filed Mar. 26, 1996), available at <http://www.patents.com/nsicpt.sht>, dismissed (June 21, 1996).

<sup>85</sup> See Beth Lipton Krigel, CNET News, *Archie Comics Fights Parent for Domain* (Jan. 15, 1999), at <http://news.com/2100-1023-220240.html?tag=mainstry>.

<sup>86</sup> Without question, distinctiveness can be lost by failing to take action against infringers. If there are numerous products in the marketplace bearing the alleged mark, purchasers may learn to ignore the 'mark' as a source identification. When that occurs, the conduct of the former owner,

hair-trigger approach to the issuance of demand letters, some of these RDNH cases were remarkably clumsy PR, and, frankly, lacking in sense. Consumer advocates thus argued that any process that aimed to make bringing complaints against large-scale cybersquatters easier and less expensive also risked unleashing a flood of unmerited attempts to grab attractive names from unsophisticated and often unrepresented domain name registrants who held legitimate registrations.

### C. WIPO's Final Report

Against this background, and after a considerable and involved process of its own,<sup>87</sup> WIPO issued its Final Report on April 30, 1999—a somewhat scaled back document from the maximalist intellectual property agenda set out in its earlier Interim Report.<sup>88</sup>

WIPO stated that its design goal was to preserve “the right to litigate a domain name dispute.”<sup>89</sup> In addition to amassing and summarizing much of the available data on the contours of the cybersquatting problem, the Report contained a number of innovative suggestions which shaped the UDRP, ACPA (the US anti-cybersquatting legislation),<sup>90</sup> and indeed the entire domain name debate to this day. WIPO's most notable proposals, some of which echoed the White Paper, were:

- Leveraging ICANN's control over the DNS to impose contractual mandatory dispute resolution clauses on all registrants in the open gTLDs;

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by failing to police its mark, can be said to have caused the mark to lose its significance as a mark.  
*Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755 (C.C.P.A. 1982).

<sup>87</sup> For a critique of the procedural aspects of WIPO's first domain name process, see Froomkin, *supra* note 4.

<sup>88</sup> Compare WIPO, RFC 3, *supra* note 64. I would like to think that my publication of a critical and dissenting report, A. Michael Froomkin, *A Critique of WIPO's RFC 3 available at*, <http://www.law.miami.edu/~amf/critique.pdf> (Mar. 14, 1999), may have had something to do with this outcome.

<sup>89</sup> WIPO Final Report, *supra* note 17, ¶ 148.

<sup>90</sup> ACPA, 15 U.S.C. §1114(2)(D) (2001).

- Limiting the scope of the proposed dispute-resolution process to disputes between a trademark holder and a non-trademark holder;
- Substantive rules to be followed in the dispute resolutions;
- A set of somewhat confused procedures to administer those dispute resolution processes;
- Proposing special pre-emptive protections for famous and well-known trademarks; and
- Basically ignoring the RDNH problem.

ICANN adopted each of these features of the WIPO proposal verbatim or with modifications, except for preemptive protection for famous and well-known marks, which ICANN rejected.<sup>91</sup> Each accepted proposal is discussed below.

### 1. Leveraging the DNS

Undoubtedly, the most important suggestion in WIPO's Final Report was that ICANN leverage its control over the DNS to impose a contract of adhesion that created a world-wide third-party beneficiary right allowing aggrieved parties to invoke an arbitration-like procedure.<sup>92</sup> ICANN's control over the DNS allows it to impose contractual terms on all domain name registrants because so long as the U.S. Department of Commerce delegates to ICANN the control over the "root file," ICANN has the power to determine which domain name registries are considered authoritative.

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<sup>91</sup> ICANN subsequently adopted peculiar "sunrise" provisions that gave all trademark holders preemptive registration rights in the .biz and .info TLDs, although there is no such cognate right at law. It also created a new, utterly undefined, parallel arbitration system called the CEDRP for some of the smaller, limited-registration, new gTLDs. See A. Michael Froomkin, *Another View of the .museum Contract*, ICANNWatch, at <http://www.icannwatch.org/article.php?sid=355>. (last visited Mar. 18, 2002).

<sup>92</sup> See WIPO Final Report, *supra* note 17, ¶¶ 120-23, 158-62.

People who register Internet domain names do so in hopes that anyone in the worldwide network will be able to reach them. They may wish their websites to be visible around the world, or they may want to get e-mail or engage in two-way chats. Whatever the application, a domain name that cannot be resolved into an IP number by the vast majority of users is of very limited value on the Internet. Similarly, registrars selling domain name registrations understand that only domain names that “work” in the sense of being part of the global network carry much value. The ability to list a registration in a registry that is part of the “legacy” root is thus of paramount importance to a registrar. Furthermore, every registry knows that its database of domain-name-to-IP-mappings is of limited value if no one can find it. Registries thus need to be listed in the legacy root or they (and all the domains they list) become effectively invisible.

Only a listing in the legacy root currently provides visibility for a TLD and the domains listed in it. Control of the root creates powerful leverage, and WIPO's proposal, subsequently adopted by ICANN, took advantage of this technical reality to impose contractual conditions on registrants. What WIPO did not remark on was that the same technical features which ensured compliance with this contract of adhesion also undercut the legal justification for it: The standard policy argument in favor of enforcing adhesive contracts is that consumers have a choice in the marketplace and can always switch suppliers; if it happens that all the suppliers use the same term, this is considered to be evidence that the term is efficient or, at least, that there is insufficient consumer demand for an alternate term.<sup>93</sup> These justifications for enforcement do not fit well when the party offering the adhesive contract, the registrar, is doing so because of an adhesive contract it signed with the registry. If the justification for enforcing adhesive contracts turns on the fundamentally competitive nature of the market and the idea of sovereign consumers choosing among alternatives, then it makes little sense to apply it to a system in which ICANN requires that *all* suppliers (gTLD registries/registrars) force the *identical* terms

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<sup>93</sup> Some courts in the United States consider online contracts of adhesion to be as enforceable as printed ones. See, e.g., *Hill v. Gateway 2000, Inc.*, 105 F.3d 1147 (7th Cir. 1997).

on *all* their customers. In this circumstance, unlike the ordinary contract of adhesion, one simply cannot sustain the legal fiction that the terms are or will be bargained-for (since the registrar cannot bargain on this issue, being contractually required to use the arbitration clause), nor can one argue that suppliers are even potentially subject to competition.

## 2. Scope

WIPO suggested limiting the proposed dispute-resolution process to disputes between a trademark holder and a registrant. WIPO had at one point explored a more encompassing proposal that would have included both non-trademark claims and even disputes between competing trademarks, but representatives of domain name holders objected as did many of the rights holders involved in the process.<sup>94</sup> Non-trademark holders were suspicious of the entire process and sought to make it as narrow as possible. Interestingly, many trademark holders also lacked sufficient faith in it to risk being on the defending end of the “administrative procedure,” preferring to ensure that they would only be complainants.

Similarly, both groups found common cause in their desire to make the dispute-resolution procedure non-binding. A substantial fraction of the trademark owners who testified, including representatives of some of the larger firms, stated that they were unwilling to waive their right to go to court in order to take advantage of the dispute resolution procedure, since they were certain they would win in court, even if at a price. Representatives of domain registrants participating in the WIPO process were both fewer in number and heterogeneous but they tended to have doubts about the fundamental fairness of the rules, the ability of WIPO to act as an honest broker, and the potential for selection bias by dispute resolution service providers who might tend to stack their arbitral panels with corporate and trademark lawyers untrained in and perhaps unsympathetic to the niceties of civil liberties law. As we will see, however, even though the dispute resolution was formally equally non-binding on both

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<sup>94</sup> See WIPO Final Report, *supra* note 17, ¶¶ 159-60, 165.

complainants and defendants, as a practical matter plaintiff trademark owners were far more likely than a domain name registrant to benefit from a second bite at the apple.

Because they doubted the fundamental fairness of the process and the panels, registrants and their partisans were particularly anxious to limit the remedies available under the proposed procedure to transfer the domain name from registrant to complainant. Some trademark holders suggested that the arbitrators should have the power to award money damages, or at least attorneys' fees, but WIPO ultimately did not adopt this suggestion for two reasons. The primary reason was that WIPO concluded that the sums likely to be awarded in most cases would be small, and that it would be difficult to collect them especially if the registrant had provided false contact details.<sup>95</sup> A secondary reason may have been that if arbitrators were empowered to seek money damages then equity would require that they be entitled to levy charges against abusive filers, and the trademark bar would resist that. WIPO did, however, propose that while the complainant should have to pay the arbitrator's fees at the commencement of the process, the arbitrator could award fees and costs (other than attorneys' fees) to the victor.<sup>96</sup> This represented a substantial change from the more ambitious fee-shifting proposal in WIPO's interim report, which would have used the English Rule on attorney's fees,<sup>97</sup> but still presented a potential source of intimidation to registrants. Even if the arbitration costs were relatively modest, the prospect of having to pay \$1,000 or more might make some unwilling to take the risk required to protect a \$70 to \$100 investment.

An important consequence of limiting the scope of the proceeding to trade and service marks was that it excluded several types of cases. In the face of opposition to the trial balloon in the Interim Report, WIPO consciously, if reluctantly, excluded claims based on personal names, place names,

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<sup>95</sup> WIPO Final Report, *supra* note 17, ¶ 226.

<sup>96</sup> WIPO Final Report, *supra* note 17, ¶ 226.

<sup>97</sup> See WIPO RFC 3, *supra* note 64, at ¶ 157 (referring to costs without specifying whether lawyer's fees are included among them).

International Nonproprietary Names (“INNs”) for Pharmaceutical Substances,<sup>98</sup> and names of international intergovernmental organizations. Personal names were excluded because national laws differed substantially as to the extent names and other rights of personality<sup>99</sup> are protected. WIPO was unable to craft a proposal consistent with its promise to remain consistent with national law.<sup>100</sup> A similar problem blocked protection of INNs and place names, to the great disgust of French wine makers whose appellations were protected under French law, and who sought similar protection for the corresponding domain names.<sup>101</sup> In a subsequent report, however, WIPO did recommend the protection of INNs and country names.<sup>102</sup>

### 3. “Administrative” Process

WIPO proposed an entirely online dispute resolution procedure.<sup>103</sup> The process aimed for high speed and low costs, and was to be the first business to consumer (“B2C”) online trans-national arbitration—or rather, near-arbitration. Briefing and decisions would take place online, without any face-to-face meetings of the parties or even the arbitrators.

The desire for speed and for minimum cost similarly militated against building an appeals process into the dispute resolution process. Here again, although opinions in both

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<sup>98</sup> INNs are a naming system by which generic names for pharmaceutical substances are agreed and protected at an international level. While an inventor or patent-holder can acquire rights to a trade name for a substance, no one is allowed to establish intellectual property rights over the generic name. *See generally* WIPO, *supra* note 13, at ¶¶ 87-93.

<sup>99</sup> The “right of personality” is a controversial doctrine—not accepted by all states in the United States—by which some systems give persons, including politicians, actors, and other famous people, special rights over the use of their names. In some other countries the right includes elements of privacy, reputation, protection against defamation, and even “a right of informational self-determination,” i.e., a right exclusively to determine whether and to what extent others might be permitted to portray one’s life story in general, or certain events from one’s life. *See, e.g.*, Edward J. Eberle, *Human Dignity, Privacy, And Personality In German And American Constitutional Law*, 1997 UTAH L. REV. 963 (describing broad reach of these concepts in German law).

<sup>100</sup> *See* WIPO Final Report, *supra* note 17, ¶ 166.

<sup>101</sup> *Id.* ¶ 167, n.134.

<sup>102</sup> *See* WIPO, *supra* note 13.

<sup>103</sup> *See* WIPO Final Report, *supra* note 17, ¶¶ 215-20.



camps differed, the two sides generally found common cause. Trademark interests feared that adding an appeals process would provide opportunities for unscrupulous cybersquatters to create additional expense and delay. Some of the more suspicious registrants imagined that any appeals body could be stacked against them; many argued that the interests of individual registrants, who would tend to be less wealthy than trademark owners, were best served by minimal and least expensive procedures, especially if there was any danger that they might be assessed for costs.

One perhaps unintended—or perhaps intended<sup>104</sup>—consequence of WIPO's proposal, was that although it was formally non-binding, some dispute resolution decisions might escape judicial review—especially those where the registrant lost. The process was formally “administrative” rather than a true arbitration. As a result it was unlikely to be subject to laws regarding the public duties of arbitrators, or to appeals under arbitration statutes such as the U.K. Arbitration Act.<sup>105</sup> Indeed, it was unclear whether in the United States, and perhaps in most other legal systems, a losing registrant would have a cause of action that a court could be persuaded to hear.

#### 4. Substantive rules

Many observers had criticized WIPO's Interim Report for failing to define cybersquatting, and for proposing to give WIPO the ongoing power to make new substantive rules that the dispute resolution service providers would be required to apply. In contrast, the Final Report sought to provide a definition of cybersquatting, and gave more than lip service to the overriding principle that the dispute resolution procedure should, as much as possible, seek to apply the appropriate national law.

WIPO offered three clauses which together defined a domain name registration as “abusive”:

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<sup>104</sup> I say perhaps intended because I personally warned of this problem on numerous occasions, but WIPO staff shrugged it off.

<sup>105</sup> See UK Arbitration Act 1996 at § 6(1) (limiting application to “an agreement to submit to arbitration present or future disputes”).

- (i) the domain name is identical or misleadingly similar to a trade or service mark in which the complainant has rights; **and**
- (ii) the holder of the domain name has no rights or legitimate interests in respect of the domain name; **and**
- (iii) the domain name has been registered and is used in bad faith.<sup>106</sup>

Each of these three clauses raised interesting issues.

a. *Similarity*

The first clause ensured that only trade and service mark holders could bring complaints. It did not explicitly state that owners of common law marks should be able to bring actions under the proposed policy, but this was understood by participants in the drafting to be the intention.<sup>107</sup> This remained unchanged in the UDRP.

The first clause also broadened coverage from the NSI dispute policy's requirement that a domain name be "identical" to a mark, replacing it with a looser standard that included "misleadingly similar." This was not a bright line test. More fundamentally, the use of the "misleadingly similar" standard seemed likely to create rights for mark holders that they would not have had under U.S. trademark law. Indeed, the entire idea of trying to figure out whether a domain name registration was a per se violation of a trademark right seemed founded on a misconception. A domain name is not a trademark nor is it a good or a source identifier of a good. It is an address. Therefore, what determines whether the registrant of a domain name is infringing the rights of any mark holder, whether or not the mark is famous, is *how the domain name is being used*.<sup>108</sup> The issue therefore should not be whether the domain is the same as, close to, or even very close to a trademarked term, but

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<sup>106</sup> WIPO Final Report, *supra* note 17, ¶ 171(1) (emphasis added).

<sup>107</sup> The WIPO proposal used the phrase "trade or service mark in which the complainant has rights"; since one of the ways in which a person acquires rights to a trademark in the United States and in other common law countries is by use without registration, it followed naturally that so-called common law marks were covered. As an international body, WIPO was in any case sensitive to claims that it might be favoring rights acquired in one legal system as opposed to another.

<sup>108</sup> See, e.g., *Toeppen*, 141 F.3d at 1325-26 (noting requirement of *commercial* use for ordinary infringement claim); *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 877-78 (9th Cir. 1999) (noting relevance of use to dilution claim).

rather whether the name plus the uses for that name cause confusion or even dilute the mark.<sup>109</sup> The word “shall” is not misleadingly similar to “shell,” but it might be infringing if used on a gas station. But that argument did not prevail before WIPO, or indeed before ICANN.

As those of us on WIPO's advisory Panel of Experts understood it at the time, the “misleadingly similar” test would have included many if not all “typosquatters” as well as sites that used a zero instead of an “o.” Thus, for example, the then-notorious Microsoft parody site, *micros0ft.com*, would have been “misleadingly similar” to the software company's trademark, but nevertheless would have been permitted under the UDRP unless the software company could have shown that “the domain name has been registered and is used in bad faith.” And, as we understood, Microsoft could not have made that showing because non-commercial parody is not a “bad faith” use but is in fact quite legal (at least in the United States).<sup>110</sup>

Some submissions to WIPO had proposed that every domain name which included a sub-string identical to a

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<sup>109</sup> Infringement can be based upon confusion that creates initial customer interest, even though no actual sale is finally completed as a result of the confusion. 3 THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:6 (1996). In regards to domain names, so-called “initial interest confusion” is said to happen when a user who was in search of one site is drawn to another site, because the domain name is either the same or substantially similar to a trademark. The user quickly, perhaps immediately, discovers that the site accessed is not the one intended, but may decide to use the site accessed anyway. See generally Bryce J. Maynard, Note, *The Initial Interest Confusion Doctrine and Trademark Infringement on the Internet*, 57 WASH. & LEE L. REV. 1303 (2000). For a court that accepts the theory to find that “initial interest confusion” caused a dilution of a trademark, however, would require more than a domain name that resembled a trademark. Courts typically require that the site be put to a commercial use, offering the same or similar products or services as the trademark owner, or that the site will likely confuse the user into the belief that it is affiliated with the trademark holder. See *TCPIP Holding Co., Inc. v. Haar Communications, Inc.*, 244 F.3d 88 (2d Cir. 2001) (enjoining use of some allegedly infringing domain names but allowing defendant to continue to use others); *Trans Union LLC v. Credit Research, Inc.*, 142 F. Supp. 2d 1029 (N.D. Ill. 2001) (motion for preliminary injunction between companies that offer similar services court granted for “transunioncredit” domain name and denied for credit “creditbureautransunion”).

<sup>110</sup> See, e.g., *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 886 F.2d 490 (2d Cir. 1989); *Mattel v. MCA*, 28 F. Supp. 2d 1120 (C.D. Cal. 1998); cf. *Hustler Magazine v. Falwell*, 485 U.S. 46 (1988) (stating that First Amendment considerations should generally outweigh consideration of tort of intentional infliction of emotional distress); but see *People for Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001).

trademark should be subject to challenge for cause. However, it was clear to all participants that this was a non-starter, since short names appeared in vastly different longer names. It also seemed to be the clear understanding at the time that criticism websites, such as *companysucks.com*, could not possibly be “misleadingly similar” to a mark in “company” and that such sites would be outside the policy,<sup>111</sup> although a criticism website’s use of intellectual property on a web page would remain subject to the ordinary constraints of trademark, copyright, unfair competition, and trade dress protections.

b. “*Rights or Legitimate Interests*”

The second clause in WIPO’s definition of an “abusive registration” was superficially simple. In stating that a complainant could prevail only if a registrant had “no rights or legitimate interests in respect of the domain name” it seemed to me that the policy was importing a large number of traditional concepts in a way that outside observers sometimes seemed to miss. I believe that these few words imported traditional choice of law principles to the dispute resolution procedure. In so doing, they also imported laws protecting fair use and free expression when these were part of the applicable law. The consequence of this would be that people in countries with strong protection for freedom of expression would have greater protection in the WIPO alternative dispute resolution (“ADR”) than would people from, for example, North Korea. Although the same case might have different outcomes depending on the residence of the parties, this would be consistent with WIPO’s expressed goal of reflecting rather than overriding existing law.

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<sup>111</sup> This seemingly obvious point is lost a surprising number of arbitrators today. See *infra* notes 172-76 and accompanying text. Contrary to the understanding of participants in the WIPO process, who assumed that non-commercial “sucks” sites would be protected, some arbitrators have come up with creative grounds under which *all* sucks sites are presumptively in violation of the UDRP. The *Vivendi Universal* case is a leading example of this twist: there the majority opined that because not all “members of the public in general and ‘Internauts’ in particular” speak English, a non-native speaker might mistakenly believe that *vivendiuniversalsucks.com* was connected to Vivendi Universal. *Vivendi Universal v. Sallen and GO247.COM, INC.*, Case No. D2001-1121, (WIPO Dec. 7, 2001), <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-1121.html>.

The choice of law issue had been very controversial in the wake of WIPO's Interim Report. The Interim Report's guiding principles had, in my view at least, sought to allow dispute resolution panels far too much leeway to make up whatever law they thought should apply to a given situation.<sup>112</sup>

There was no sign of the "guiding principles" in WIPO's Final Report. The Final Report sounded something of a welcome retreat on this issue:

In applying the definition of abusive registration . . . in the administrative procedure, the panel of decision-makers appointed in the procedure shall, to the extent necessary, make reference to the law or rules of law that it determines to be applicable in view of the circumstances of the case. Thus, for example, if the parties to the procedure were resident in one country, the domain name was registered through a registrar in that country and the evidence of the bad faith registration and use of the domain name related to activity in the same country, it would be appropriate for the decision-maker to refer to the law of the country concerned in applying the definition.<sup>113</sup>

Although not as transparent as it might have been, this was a fairly clear invitation to the arbitrators to use traditional choice of law principles—without which, I thought, the policy would invite massive forum shopping.

Unfortunately, and in what was something of a pattern,<sup>114</sup> WIPO's Final Report was clearer in its main text than in the operative part, Annex IV, which contained the actual text of WIPO's proposed policy. It may not have been a coincidence that the members of the WIPO staff who drafted the Final Report and Annexes chose to share the draft report text with the advisory Panel of Experts of which I was a member, but never showed us the Annexes before finalizing them. Thus, Annex IV, the proposed policy document, phrased

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<sup>112</sup> The Interim Report set out fairly arbitrary "guiding principles," drafted by WIPO, which would have applied to all cases regardless of the nationality of the parties, and would have trumped national law. See WIPO RFC 3, *supra* note 64, ¶¶ 199-200.

WIPO also proposed that these "principles" should be "subject to regular review and appropriate adjustment over time, on the basis of experience gained in the administrative dispute-resolution system," with the clear implication that WIPO itself would do the "adjustment." *Id.* at ¶ 200.

<sup>113</sup> WIPO Final Report, *supra* note 17, ¶ 176.

<sup>114</sup> See Froomkin, *supra* note 4.

the choice of law term much less clearly by stating: “To the extent that the Panel makes reference to any applicable law to reach a determination, it shall apply the law or rules of law that it determines to be appropriate in light of all the relevant circumstances.”<sup>115</sup> This language risked inviting the arbitrators to make their own determination as to what law would be best, rather than attempting to replicate what a court of competent jurisdiction would do. And, indeed, some arbitrators have held that the exercise of First Amendment rights cannot be asserted to show an absence of bad faith.<sup>116</sup>

The choice of law issue is especially important because choice of law in effect determines what constitutes “rights and legitimate interests”<sup>117</sup>—the defenses to a claim of “abusive registration.” Rights and legitimate interests are creatures of law and custom. Solicitude for the rights of free expression of citizens differs considerably around the globe, and choice of law thus was likely to be significant in a multi-jurisdictional case. The legal interests one may have in a name differ from country to country.<sup>118</sup> Which law and which customs apply may be a complex question if a party from South Korea registers a domain with a registrar in Japan that deposits the data in a registry located in the United States, only to have a Brazilian claim that the registration infringes a trademark. Many had argued, with some justification, that the WIPO’s Interim Report failed to protect fundamental free-speech interests including parody and criticism of famous persons and corporations. So long as it was understood that these expressive activities were “rights and legitimate interests” in a registration—and the choice of law provision of the Final Report text, if not necessarily the Annex, seemed to make that

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<sup>115</sup> WIPO Final Report, *supra* note 17, at Annex IV, 4.

<sup>116</sup> See, e.g., *Kelson Physician Partners, Inc. v. Mason*, No. CPR003, <http://www.cpradr.org/ICANNDecisionCPR003-000905.htm> (July 24, 2000) (“deciding a First Amendment Constitutional issue is outside the scope of this arbitration”); *Home Props. v. SMS Online*, FA0009000095639 (NAF Nov. 2, 2000), <http://www.arbforum.com/domains/decisions/95639.htm> (“Deciding a First Amendment Constitutional issue is outside the scope of this proceeding”). *The Regents of the Univ. of New Mexico vs. Am. Info. Servs.*, FA0002000094306 (NAF Apr. 26, 2000), <http://www.arbforum.com/domains/decisions/94306.htm> (“First and Eleventh Amendment Constitutional issues are not within the scope of this arbitration.”).

<sup>117</sup> The test set out in WIPO Final Report, *supra* note 17, ¶ 171(1)(ii).

<sup>118</sup> Countries differ, for example, in the latitude given to startup companies and the nature of interests one can have in ones’ own name.

clear—then the Final Report appeared to me to be a substantial improvement over its predecessor. However, although the UDRP uses similar language, the subtlety of the choice of law issue has either been lost on some arbitrators, or they have chosen to avert their eyes from it. Perhaps the arbitrators have concluded that “UDRP law” should, after all, be some free-standing body of rules deracinated from any legislature and made up largely by trademark lawyers.

Indeed, a number of arbitrators clearly believe that the “rights and legitimate interests” language invokes some free-standing *sui generis* UDRP-specific set of considerations. The arguments that tend to be deployed in support of this view are, I believe, misguided.

First, some argue that the point of the UDRP is to differ from local law. As noted above, this was indeed WIPO’s goal in its Interim Report, but was abandoned by the Final Report. The UDRP does differ from local law in that it covers only a subset of the matters that would constitute trademark infringement, but this underscores the importance of fully representing the local ideas of a defendant’s rights and privileges in the process.

A more persuasive argument rests on administrative necessity. It is claimed with some justification that panelists cannot be experts on the laws of all the jurisdictions relevant to cases they may hear. Short submissions, some of which will be *pro se*, cannot possibly hope to tell panelists all they would need to know. As a result, panelists—whether they want to or not—must rely on a fairly uniform understanding of free speech and other rights. While it has the force of practicality, I do not agree with this argument. There is a substantial difference of opinion around the world as to where to strike the balance between trademark rights on the one hand, and fair use and free speech on the other. Nations vary enormously, for example, as to whether they allow a competitor’s marks to be used in comparative advertising. If German law forbids this use, there seems no reason why the UDRP should necessarily be closed to a German mark-holder proceeding against a German defendant just because the United States allows the use of such marks in comparative advertising.

Even if the argument for administrative necessity is fundamentally practical, it can also be defeated by the practical observation that, were arbitrators left to create their own idea of a common default set of defendant “rights and legitimate interests,” current practice suggests that they would end up with something considerably more constrained than what current United States law allows. Nor could this problem be solved by inviting UDRP re-drafters to produce an authoritative list of defendants’ rights. The drafters have no authority to do this. Plus, as the drafting project will be international, it will at best result in a compromise that gives some parties more defenses than their legislators chose, and gives other parties less. Neither result could be justified, given the summary nature of the UDRP, especially not the failure to recognize legitimate rights.

c. *Bad Faith*

Probably the most critical issue was the definition of “bad faith” in the third clause of the definition constituting an abusive domain name registration. WIPO stated that “the following, in particular, shall be evidence of the registration and use of a domain name in bad faith”:

- (a) an offer to sell, rent or otherwise transfer the domain name to the owner of the trade or service mark, or to a competitor of the owner of the trade or service mark, for valuable consideration; **or**
- (b) an attempt to attract, for financial gain, Internet users to the domain name holder’s website or other on-line location, by creating confusion with the trade or service mark of the complainant; **or**
- (c) the registration of the domain name in order to prevent the owner of the trade or service mark from reflecting the mark in a corresponding domain name, provided that a pattern of such conduct has been established on the part of the domain name holder; **or**
- (d) the registration of the domain name in order to disrupt the business of a competitor.<sup>119</sup>

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<sup>119</sup> WIPO Final Report, *supra* note 17, ¶ 171(2) (emphasis added).



However, the Final Report also cautioned that,

[T]he behavior of innocent or good faith domain name registrants is not to be considered abusive. For example, a small business that had registered a domain name could show, through business plans, correspondence, reports, or other forms of evidence, that it had a bona fide intention to use the name in good faith. Domain name registrations that are justified by legitimate free speech rights or by legitimate non-commercial considerations would likewise not be considered to be abusive.<sup>120</sup>

Following the pattern in which the operative part of the Final Report was more pro-mark-owning complainant than the Report itself, this caution—which appeared in ¶ 172 of the Final Report immediately following the definition of cybersquatting—was omitted from Annex IV, leaving some doubt as to how seriously WIPO intended to encourage arbitrators to find for defendants.

WIPO's four categories of bad faith registration were non-exclusive, which invited arbitrators to expand the list. Each of the four responded to a category of grievance expressed by mark holders, yet each also raised questions of its own.

#### (i) Offers to Sell

The first category, “an offer to sell, rent or otherwise transfer the domain name to the owner of the trade or service mark, or to a competitor of the owner of the trade or service mark, for valuable consideration,” appeared to be the most straightforward, as it simply reflected the *Toeppen*<sup>121</sup> and *One In A Million*<sup>122</sup> facts. In both cases, the offer to sell the domain name to the trademark holder constituted commercial use. Even here, however, there were ambiguities. The greatest ambiguity was that not all offers to sell domain names for which the intellectual property rights are legitimately disputed are evidence of bad faith on the part of the registrant. For example, it is hard to see how it could be bad faith to respond

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<sup>120</sup> *Id.* ¶ 172.

<sup>121</sup> *Toeppen*, 141 F.3d at 1325.

<sup>122</sup> *British Telecomm. plc v. One in a Million Ltd* [1999] F.S.R. 1, (Court of Appeal, England) (July 23, 1998), available at <http://www.nic.uk/news/legal/oiam-appeal-judgement.html>.

to a solicitation of a bid unless one was in the business of registering masses of domain names and waiting for bids. Or, if the parties are enmeshed in a dispute, an offer to sell may be a legitimate part of a search for settlement. Indeed, in some legal systems “without prejudice” offers in the context of a dispute are protected from disclosure to a tribunal by rule of court.<sup>123</sup> The ambiguity regarding offers to sell persisted into the UDRP and caused problems: Some arbitrators appear to believe that “without prejudice” letters—which are inadmissible evidence in England—“should” be admitted in UDRP proceedings.<sup>124</sup> If the parties are strangers, it would be perverse to have a rule that would allow a wily mark holder to entrap a naive registrant by asking whether the domain was for sale. The seemingly absolute wording of WIPO’s first category, echoed in the UDRP, nonetheless appears to create just such a trap for the unwary.

(ii) Commercial Confusion

WIPO’s second category targeted “an attempt to attract, for financial gain, Internet users to the domain name holder’s website or other online location, by creating confusion with the trade or service mark of the complainant” as an indicia of bad faith. Since this closely tracked the test in the Lanham Act and other similar statutes in Paris Convention states,<sup>125</sup> and it required commercial activity, in one sense it was the least controversial category.

<sup>123</sup> *E.g.*, FED. R. EVID. 408; UK, Civil Procedure (White Book), c.36.19 (1999).

<sup>124</sup> *See, e.g.*, Spirit Airlines Inc v. Spirit Airlines Pty Ltd, Case No. D2001-0748, (WIPO July 25, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0748-.html>.

<sup>125</sup> Lanham Act § 32, codified at 15 U.S.C. § 1114(1)(a) (providing remedies for use of registered mark in commerce, without consent of the registrant, when “the use is likely to cause confusion”); *see also* Paris Convention for the Protection of Industrial Property Article 6bis, July 14, 1967, 21 U.S.T. 1583, 823 U.N.T.S. 305 (requiring signatory states “to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion” of a well-known mark).

## (iii) Repeat Players

WIPO's third category took aim at "the registration of the domain name in order to prevent the owner of the trade or service mark from reflecting the mark in a corresponding domain name, provided that a pattern of such conduct has been established on the part of the domain name holder." Here again, WIPO was reacting to the *Toeppen* facts, and the worries of mark holders. Mark holders had argued that the wiliest cybersquatters would react to WIPO's first category, offers to sell, by adopting a studied passivity and simply waiting for the mark holders to make an offer. This third category was primarily aimed at heading off that eventuality.

## (iv) Unfair Competition

WIPO's fourth category was not strictly concerned with a trademark violation, but was instead directed at a rarified form of unfair competition. Any firm that registered a competitor's name as a domain and set up a website that sought to capture the competitor's customers would fall under the second and perhaps the third of WIPO's categories. Why, then, should there be an additional clause to prevent "[t]he registration of the domain name in order to disrupt the business of a competitor"? Some mark holders feared that a firm which was first in its industry to understand the Internet's importance might warehouse its competitors' names to deny them the use of their mark as a domain. Since the name was being warehoused, rather than used, there would be no use, much less commercial confusion. And since there was no chance that the name would be offered for sale, the first WIPO category would not apply either. This fourth category closed that loophole. One might have questioned the inclusion of a non-trademark issue in a process ostensibly designed to protect trademark rights. Since, however, this sort of sly, even malicious, warehousing appeared to be a form of unfair competition that was likely to be prohibited worldwide, I though there was no harm in including this category—and the people who thought it necessary wanted it badly.<sup>126</sup>

<sup>126</sup> At the time we referred to this as the kaplan.com problem, being under the

## 5. Meta questions

The WIPO proposal left several major issues either unanswered or answered implicitly. One such issue was who carried the burden of proof. Although complainants usually have the burden of proof, and in the absence of anything to the contrary, it seems plausible to assume that WIPO intended this to be the case,<sup>127</sup> one might nevertheless have wished that WIPO had spelled it out.

A related and more difficult question was whether the complainant would be required to affirmatively allege each of the three elements of an abusive registration, and in particular whether the complainant would have to affirmatively allege and prove that the registrant had no legitimate rights or interests in the name at issue. It is easy to allege a negative, but hard to prove it. In the U.S. system one might deal with this situation by having the allegation shift the burden of production to the respondent while leaving the ultimate burden of persuasion on the complainant. This type of procedural differentiation is, however, not universally practiced, and seemed ill-suited for a transnational procedure. The uncertainty as to this issue persists into the UDRP, and has resulted in inconsistent practice between cases.

An even more difficult question was whether the complainant would meet his burden of proof of bad faith by simply making allegations in a complaint or, if not, what sort of supporting evidence would or should be required. It was unclear how little would suffice to meet the complainant's burden in a default judgment, and how much would be enough to overcome the registrant's bare denial in a contested matter. Similarly, it was unclear what type of evidence might suffice to rebut an allegation. Again, the UDRP suffers from similar

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impression that the Princeton Review had warehoused the kaplan.com domain. In fact, it appears that Princeton Review actually made use of it to advertise itself and to disparage Kaplan Education Centers. See RONY & RONY, *supra* note 26, § 8.1 (discussing dispute between Kaplan Educational Center, Ltd. and Princeton Review Management Corp).

<sup>127</sup> Indeed, given that WIPO's proposal for a special right for famous marks suggested that the owner of a mark that WIPO certified as globally famous would be entitled to an "evidentiary presumption" that places a "burden of justifying the registration" on the registrant, WIPO Final Report, *supra* note 17, ¶ 291, no other conclusion seemed possible regarding the ordinary case.

uncertainties and this has led to inconsistent results in practice. WIPO also made no attempt to address how an arbitrator assesses credibility in an entirely online proceeding where each side only gets to submit one short pleading; the UDRP is equally agnostic.

## 6. The RDNH Problem

WIPO's Interim Report had set out proposals that would have invited a flood of reverse domain name hijacking. Chief among these was a cost-shifting proposal that could potentially subject a registrant to fees many times the value of the original registration. The Final Report retained a considerably limited version of the cost-shifting, thus reducing but not eliminating the danger that parties with legitimate registrations, especially unsophisticated and unrepresented parties, could be intimidated into surrendering them for fear of losing. As WIPO's prime concern was the protection of trademarks, not protection against trademark abuse, it made no recommendations to address this problem.

## 7. Deeply Flawed Procedures

Many of the ideas and proposals in the Final Report grew out of the Interim Report. One set of wholly new proposals, however, which had never been submitted for public comment or even discussed with WIPO's own advisory panel, surfaced at the last moment in what became Annex V.<sup>128</sup> This document set out proposed procedures for the dispute resolution process. These procedures were, quite simply, unjust. Regrettably, as we shall see, some of these unjust features were included in the UDRP.

WIPO's proposed procedures imposed several unfair time limits on registrants and invited various forms of abuse. Under WIPO's proposal, the date of commencement of a proceeding would be the date that complaint is received by the *Dispute Resolution Service Provider*, not the date that the registrant has actual (or even constructive) notice of the

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<sup>128</sup> WIPO Final Report, *supra* note 17, at Annex V.

complaint. The respondent's ten days to reply would thus begin to run before he was even notified of the action.<sup>129</sup> This method of computing time violated established notions of due process, and was contrary to civil practice throughout the civilized world.

Admittedly, there were genuine and difficult issues regarding what constitutes sufficient notice in an online proceeding. Given the different ways in which e-mail could be used, WIPO nonetheless proposed the most unfair and easily-abused rule available: e-mailed notice by the Dispute Resolution Service Provider to the registrant. Time starts to run when this notice is e-mailed, not when it is read: "a notice or other communication shall be deemed to have been received on the day it is delivered or, in the case of telecommunications or Internet modalities, transmitted."<sup>130</sup> Nothing in the rules required that the complainant make any effort to contact the registrant prior to filing the request for arbitration. Registrants might have no reason at all to expect to be subject to an arbitration, and would not be on notice that they should check their e-mail.

Thus, under WIPO's procedures, anyone who failed to check his e-mail for ten days could lose by default. The ten-day period to reply was in any event ridiculously short. A complainant would have as much time as he wishes to prepare a complaint, but in the ten days allotted to the registrant, the registrant would not only have to receive the notice, but prepare his entire defense. For a person who may be an unrepresented consumer, with no familiarity with the relevant arbitral or legal rules, this is not a very long time. And yet, in that period WIPO expected him to:

- (1) Decide whether to seek representation;
- (2) Write and submit his sole statement in his defense;<sup>131</sup>
- (3) Collect and submit any relevant documents and a schedule of such documents;<sup>132</sup> and

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<sup>129</sup> *Id.* at Annex V, § 8.

<sup>130</sup> *Id.* at Annex V, art. 3(c).

<sup>131</sup> *Id.* at Annex V, art. 8.

<sup>132</sup> *Id.* at Annex V, art. 8.

- (4) Have the defense, and possibly the documents translated into the language of the ADR procedure, which will ordinarily be the language of the registration agreement.<sup>133</sup>

Ten days (minus the time it takes to get actual notice!) is simply inadequate, especially in the absence of any warning that the ADR is imminent. Unfortunately, ICANN's version of the procedures adopted to accompany the UDRP did only a little to ameliorate this serious problem.

## II. ICANN's UDRP

After WIPO forwarded its Final Report to ICANN, that body began its own complex process to consider whether to adopt it.<sup>134</sup> ICANN did not incorporate WIPO's proposals regarding preferential WIPO-administered treatment of a new special class of globally famous names into the UDRP,<sup>135</sup> but ICANN adopted the bulk of WIPO's other proposals, albeit with some amendments.<sup>136</sup> ICANN adopted in principle its UDRP and the accompanying UDRP Rules, in August 26, 1999, but wrangles over details of the implementing language delayed the final documents until October 24, 1999.

ICANN had already relied on its de facto control over which registries are in the root to demand that the monopoly registry, and all registrars, sign contracts with it. ICANN's agreement with NSI requires that registry to only accept registrations from registrars who have accepted ICANN's standard form Registrar Agreement.<sup>137</sup> This ensures that any

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<sup>133</sup> WIPO Final Report, *supra* note 17, at Annex V, Art 22.

<sup>134</sup> As the White Paper instructed ICANN to do something about cyber-squatting, see *supra* text accompanying note 58, it seemed a somewhat forgone conclusion that ICANN would in fact "do something" about the issue. And so it proved.

<sup>135</sup> ICANN later did incorporate a broadened "sunrise" protection for trademark owners in the roll-out of new gTLDs. See *supra* note 91.

<sup>136</sup> In fact, at the instigation of its Vice President and General Counsel, Louis Touton, ICANN threw out the work product of its internal deliberative committee, Working Group A, and substituted a draft written in secret by a lawyer hired by a group of registrars. See A. Michael Froomkin & Mark Lemley, *ICANN and Anti-Trust*, available at <http://personal.law.miami.edu/~froomkin/articles/-icann-antitrust.pdf> (forthcoming 2002).

<sup>137</sup> See ICANN, *ICANN-NSI Registry Agreement*, available at

registrar who hopes to sell registrations in the legacy root will comply with ICANN's requirement that registrars impose the UDRP on their customers.<sup>138</sup>

An analysis of the key substantive parts of the UDRP follows in Part II.A. There were reasons to doubt whether ICANN had complied with its own rules in enacting the UDRP,<sup>139</sup> but on the whole the substantive product seemed to be an improvement over WIPO's proposals—if only because of the rejection of WIPO's proposals regarding globally famous trademarks. Unfortunately, as discussed in Part II.B, the procedures accompanying the UDRP were seriously flawed in design. Some of these flaws, notably the lack of parity as to the parties' ability to get a court to hear their dispute if the UDRP goes against them, had originated in WIPO's last-minute proposals,<sup>140</sup> while others were introduced in the UDRP itself.

One important additional source of difficulty for the

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<http://www.icann.org/nsi/nsi-registry-agreement-04nov99.htm> (Nov. 4, 1999). ICANN has also imposed similar requirements on the registries for the seven new TLDs it recently approved.

<sup>138</sup> ICANN, *Registrar Accreditation Agreement*, available at <http://www.icann.org/nsi/icann-raa-04nov99.htm> § II.K (last visited Dec. 5, 2001).

<sup>139</sup> See A. Michael Froomkin, *A Catalog of Critical Process Failures; Progress on Substance; More Work Needed*, available at <http://www.law.miami.edu/~amf/icann-udp.htm> (Oct. 13, 1999). In order to be validly adopted, the UDRP would have had to be discussed by a working group composed of representatives of each of ICANN's seven domain name supporting organization ("DNSO") constituencies. In fact, the working group lacked this representation and, contrary to a policy that anyone could join a working group, the chair—a Canadian trademark lawyer—excluded certain opponents of WIPO's policies (including me) from voting membership. In order to further dilute opposition in a group dominated by trademark lawyers, he divided the group into subcommittees, and prohibited people from serving on more than one. By excluding and marginalizing opponents, and doing most of the drafting himself at the last moment, the chair was able to claim a rough consensus for his work.

The next step in the ICANN process required the DNSO Names Council to assess whether there was a consensus in favor of the Working Group's proposal. It did no such thing, perhaps because this risked finding an answer it would not like. Instead, the Names Council forwarded the Working Group report to the ICANN Board for action, appending its own substantive comments.

Faced with screams of outrage by non-trademark groups, the ICANN Board accepted the UDRP in principle, but instructed its staff to consider drafting changes to key elements. The staff, in the person of counsel Louis Touton, convened a "small drafting committee" of U.S.-trained lawyers to advise it, composed of representatives of the warring factions. I was eventually added to this group. When the group was unable to agree, rather than reporting a lack of community consensus, Mr. Touton simply decided matters on his own.

<sup>140</sup> See *supra* text following note 128 (discussing last-minute addition of Annexes containing procedural provisions of WIPO's proposals).



UDRP stems from ICANN's decision to allow the complainant to choose among ADR service providers accredited by ICANN. While this policy potentially has the healthy effect of promoting price competition, there is suggestive if not conclusive evidence that it may have promoted pernicious non-price competition also. Dispute providers have an incentive to encourage complainants to vote with their checkbooks, by competing to appear the most "plaintiff friendly" provider.<sup>141</sup>

#### A. *Criteria for Transfer*

The critical substantive part of the UDRP is the definition of grounds for the transfer of a domain name from a registrant to a complainant. Although based on WIPO's proposals, the UDRP contained a substantial number of substantive changes. Changes to the grounds for a transfer generally benefitted mark holders, the potential complainants. The specification of affirmative defenses had mixed results. Conversely, the removal of WIPO's fee-shifting proposal, and especially the attempt to address the problem of asymmetrical access to judicial review, worked to help registrants.

##### 1. Definition of Offense

According to the UDRP, to secure a name transfer a complainant must prove each of these three elements:<sup>142</sup>

- (i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
- (ii) you have no rights or legitimate interests in respect of the domain name; and
- (iii) your domain name has been registered and is being used in bad faith.<sup>143</sup>

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<sup>141</sup> See Michael Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP*, <http://aix1.uottawa.ca/~geist/geistudrp.pdf> (Aug. 2001); Milton Mueller, *Rough Justice: A statistical assessment of ICANN's Uniform Dispute Resolution Policy*, <http://dcc.syr.edu/roughjustice.htm> (last visited Mar. 18, 2002).

<sup>142</sup> UDRP, *supra* note 2, § 4(a).

<sup>143</sup> *Id.*

So far, this language precisely tracked WIPO's proposal, except that ICANN spelled out the burden of proof which had only been implied in WIPO's proposal. ICANN also substituted the slightly broader, but more Lanham-Act-like word "confusingly" for "misleadingly" in sub-section (i).<sup>144</sup>

Thus, like WIPO, ICANN limited the class of potential UDRP complainants to trademark and service mark holders. Despite this explicit limitation, however, a number of UDRP decisions have found that the policy protects famous people's personal names, on the theory that they are common law trademarks or some sort of source identifiers.<sup>145</sup> Other UDRP decisions have found that the policy protects geographic identifiers,<sup>146</sup> a category excluded under the WIPO proposal.<sup>147</sup>

Following WIPO, ICANN limited its definition of cybersquatting to a small subset of trademark infringement. Rather than attempt to craft ADR for all domain name-based trademark infringement actions, ICANN limited the new remedy to the clearest cases where the registrant obviously had no "rights or legitimate interests" in the term at issue. In so doing, like WIPO before it, ICANN imported traditional choice of law principles, and thus whatever rights of free expression might apply under that selected law. Unfortunately, this point proved somewhat subtle for certain arbitrators, who

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<sup>144</sup> The Lanham Act includes the word "confusion" rather than "mislead" although it certainly prohibits deception. 15 U.S.C. § 1114 (1994) prohibits "use in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive." *Id.*

<sup>145</sup> See, e.g., *Roberts v. Boyd*, No. D2000-0210 (WIPO May 29, 2000), <http://arbiter.wipo.int/domains/decisions/html/d2000-0210.html>; *Sade v. Quantum Computer Servs. Inc.*, No. D2000-0794 (WIPO Sept. 26, 2000) <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0794.html>; *Madonna v. Parisi and "Madonna.com,"* No. D2000-0847 (WIPO Oct. 12, 2000), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0847.html>; but see *Sting v. Urvan*, No. D2000-0596 (WIPO July 20, 2000), <http://arbiter.wipo.int/domains/decisions/html/d2000-0596.html> (finding that "Sting" is a common word and that entertainer was not entitled to name transfer).

<sup>146</sup> See *Excelentísimo Ayuntamiento de Barcelona v. Barcelona.com Inc.*, No. D2000-0505 (WIPO Aug. 4, 2000), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0505.html>. But see *Kur- und Verkehrsverein St. Moritz v. StMoritz.com*, No. D2000-0617 (WIPO Aug. 17, 2000), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0617.html> (finding that *stmoritz.com* should not be transferred).

<sup>147</sup> WIPO returned to the issue of geographic identifiers in its second domain name process precisely because the issue was excluded from the first round. See *supra* note 13.

either did not consider the choice of law issue, or felt more comfortable applying sub-sets of the law<sup>148</sup> or just making it up.<sup>149</sup>

In leaving WIPO's language in this section basically unchanged, ICANN resisted a forceful call by the International Trademark Association ("INTA"), among others, to change the "and" in sub-section (iii) ("your domain name has been registered *and* is being used in bad faith") to an "or." Both sides of this debate had some valid points. Trademark partisans argued that it would be difficult to prove the motive for a registration after the fact. Furthermore, since trademark violations turn on use, it should suffice to show bad-faith use to establish a violation; a hypothetical pure-hearted registrant gone bad should not escape the policy. In addition, trademark partisans worried that wily cybersquatters would register domains in bad faith, fully intending to ransom to mark holders, but would not actually use them to forestall any finding of bad-faith use or might hatch complex schemes in which one person registers a name but leases or transfers to another who actually uses it.

Registrant partisans countered that current trademark law, at least in the United States, was quite clear that mere registration of a domain, without some kind of commercial use, did not constitute trademark infringement. Although courts had held that offering a domain for sale was commercial use, it could not follow that a plaintiff's psychic conclusion that warehousing was in bad faith could substitute for actual conduct. They also argued that, large-scale cybersquatters excepted, the only way to tell that a registration was in bad faith was to look at subsequent conduct, i.e., use, and that the two therefore should not be separated. Furthermore, as noted below, ICANN has greatly broadened the evidence that would suffice to find an intent to profit by selling to the complainant. The small drafting committee empaneled by ICANN deadlocked on this issue, and ICANN Counsel Louis Touton

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<sup>148</sup> See *supra* note 111 (citing arbitral decisions).

<sup>149</sup> The barcelona.com decision, No. D2000-0505, is particularly outrageous, as the Spanish arbitrator ordered the transfer not because the registrant lacked rights to the name—he was operating a travel business that offered tours to Barcelona—but because the arbitrator found that the city had "better rights or more legitimate interests as in this case." One can only wonder what dispute policy the arbitrator was reading, if any.

single-handedly decided it in favor of “and.” In practice, however, this distinction appears to have been completely lost on numerous arbitrators, who have read “and” as if it meant “or.”<sup>150</sup>

Like WIPO before it, ICANN also spelled out a non-exclusive list of “circumstances, in particular but without limitation, [which] if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith.”<sup>151</sup> Three of the four clauses of ICANN’s policy diverged materially from WIPO’s text, and more often than not in ways that benefitted potential complainants.

Only ICANN’s second category of bad faith, § 4(b)(ii), relating to *Toeppen*-style mass cybersquatters hewed precisely to WIPO’s recommendations.<sup>152</sup>

Evidence of bad faith  
ICANN UDRP § 4(b)(ii)

[Y]ou have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct;

Evidence of bad faith  
WIPO ¶ 171(2)(c)

[T]he registration of the domain name in order to prevent the owner of the trade or service mark from reflecting the mark in a corresponding domain name, provided that a pattern of such conduct has been established on the part of the domain name holder;

<sup>150</sup> See, e.g., *Hewlett-Packard Co. v. Burgar*, No. FA 0002000093564 (NAF April 10, 2000), <http://www.arbforum.com/domains/decisions/93564.htm>.

<sup>151</sup> UDRP, *supra* note 2, § 4(b).

<sup>152</sup> Compare UDRP, *supra* note 2, § 4(b)(ii) with WIPO Final Report, *supra* note 17, § 171(2)(c).

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Compared to WIPO's earlier proposal, ICANN's classic cybersquatting definition, § 4(b)(i), had one big change that favored mark holders, and a small change that favored registrants. The big change greatly expanded the arbitrators' ability to rely on circumstantial evidence to find intent to resell a domain name to a trademark holder. Where WIPO had required an actual concrete offer to "sell, rent or otherwise transfer" a domain name, ICANN required only a finding of "circumstances indicating" acquisition of the domain name "primarily for the purpose" of such a transaction.<sup>153</sup>

Evidence of bad faith  
ICANN UDRP § 4(b)(i)

[C]ircumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name;

Evidence of bad faith  
WIPO ¶ 171(2)(a)

[A]n offer to sell, rent or otherwise transfer the domain name to the owner of the trade or service mark, or to a competitor of the owner of the trade or service mark, for valuable consideration;

<sup>153</sup> Compare UDRP, *supra* note 2, § 4(b)(i) with WIPO Final Report, *supra* note 17, § 171(2)(a).

On the other hand, albeit of lesser import, where WIPO considered the registrant's request for any "valuable consideration" to be the mark of a cybersquatter, in § 4(b)(i) ICANN accepted the argument that requests for actual expenses, such as the cost of the registration, cost of stationary incorporating the domain name, and other costs associated with changing a name, did not make a registrant a cybersquatter so long as the costs were reasonable and documented.<sup>154</sup> Trademark partisans complained that this could easily be abused, but experience suggests that this sort of abuse is rare.

Like it had done with the basic cybersquatting clause, ICANN's version of the unfair competition clause, § 4(b)(iii), also loosened the evidentiary requirement. Where WIPO required a finding that the domain had been registered "in order" to disrupt a competitor, ICANN accepted the argument that mixed motives should not save an otherwise unfairly competitive domain name registration. It relaxed the "in order" language to require only a finding that the domain name was registered "primarily for the purpose of disrupting a competitor."<sup>155</sup>

Evidence of bad faith  
ICANN UDRP § 4(b)(iii)

[Y]ou have registered the domain name primarily for the purpose of disrupting the business of a competitor; or

Evidence of bad faith  
WIPO ¶ 171(2)(d)

the registration of the domain name in order to disrupt the business of a competitor.

<sup>154</sup> *Id.*

<sup>155</sup> Compare UDRP, *supra* note 2, § 4(b)(iii) with WIPO Final Report, *supra* note 17, § 171(2)(d).

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As its tortured syntax suggests, bearing all the earmarks of a committee wrangle, § 4(b)(iv) was very controversial. WIPO's cognate text sounded like a fairly standard trademark prohibition against using a mark in domain name in a way that caused commercial confusion. In their arguments to ICANN, however, trademark representatives protested vehemently that the proposed standard was underinclusive and too difficult to meet. ICANN accepted their arguments.<sup>156</sup>

Evidence of bad faith  
ICANN UDRP § 4(b)(iv)

[B]y using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.

Evidence of bad faith  
WIPO ¶ 171(2)(b)

[A]n attempt to attract, for financial gain, Internet users to the domain name holder's website or other on-line location, by creating confusion with the trade or service mark of the complainant;

<sup>156</sup> Compare UDRP, *supra* note 2, § 4(b)(iv) with WIPO Final Report, *supra* note 17, § 171(2)(b).

Among the most significant changes were the loosening of the standard from “creating confusion” to the more Lanham-Act-like “creating a likelihood of confusion,” and the change from a requirement of attempted “financial gain” by the registrant to attempted “commercial gain”—the idea being that some “financial” gains might be non-commercial (e.g., a church asking for donations). Most confusingly, ICANN substituted WIPO’s straightforward statement that it prohibited confusion with a trade or service mark, with a prohibition on a likelihood of confusion with marks “as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.”<sup>157</sup> As one might expect given its convoluted nature, this paragraph has spawned inconsistent and idiosyncratic decisions.<sup>158</sup>

## 2. Affirmative Defenses

Unlike WIPO, ICANN specified three non-exclusive affirmative defenses which would demonstrate the registrant’s rights or legitimate interests to the domain name.<sup>159</sup> Some objected to specifying defenses in the policy on the grounds that it would just give cybersquatters an instructional guide, but this objection was not pressed hard, and it did not carry the day. UDRP § 4(c) stated that:

Any of the following circumstances, in particular but without limitation, if found by the Panel to be proved based on its evaluation of all evidence presented, shall demonstrate your rights or legitimate interests to the domain name for purposes of Paragraph 4(a)(ii):

- (i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or
- (ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or

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<sup>157</sup> UDRP, *supra* note 2, § 4(b)(iv).

<sup>158</sup> For a survey see Amy Bender, *Bad Faith*, ch. 3.2.4., at <http://web.law.harvard.edu/udrp/opinion/btext.html#3.2.4> (last modified Jan. 2002).

<sup>159</sup> UDRP, *supra* note 2, § 4(c).



(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.<sup>160</sup>

The first affirmative defense protects persons who could demonstrate their “use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services” at a time prior to any notice to them of the dispute.<sup>161</sup> Trademark partisans objected to including “demonstrable preparations to use” on the grounds that this would be too easy to fake. The counterargument was that such fakery was fraud and punishable as such. The second counterargument was that the rule was needed to reflect the reality of e-commerce in which the domain name was often a critical and early part of a startup’s business plan. As such, the name might be registered legitimately some months before the firm started active trading, during a period in which everything about the firm was intentionally secret.

The second affirmative defense was sometimes called the “pokey” clause after the notorious attempted hijack of the pokey.org website.<sup>162</sup> This defense protects those who “(as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights.”<sup>163</sup> While having a personal name or nickname does not entitle one to trade under it if that would create confusion with another’s pre-existing trademark in that name, it seemed likely that such cases would be rare, and would be more correctly characterized as garden variety trademark infringement rather than cybersquatting. In any event, any policy that could have been characterized as a threat to children’s websites would have been a public relations disaster.

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<sup>160</sup> *Id.*

<sup>161</sup> *Id.* § 4(c)(i).

<sup>162</sup> See RONY & RONY, *supra* note 26.

<sup>163</sup> UDRP, *supra* note 2, § 4(c)(ii).

The final affirmative defense category is a weird mix of incompatible concepts. It states that a domain name is being used legitimately if the registrant is “making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.”<sup>164</sup> Under U.S. trademark law at the time the UDRP was being debated, commercial use was a clear prerequisite to a claim of federal trademark infringement. Both the Lanham Act and the Anti-Dilution Act require commercial use by the defendant for a court to find for the plaintiff.<sup>165</sup> Thus, in the United States, absent very strange facts alleging actionable non-commercial tarnishment not protected by the First Amendment, a category that may well be limited to linking a mark to obscenity,<sup>166</sup> a purely non-commercial use was pretty much an iron-clad defense against a claim of trademark infringement.<sup>167</sup> ICANN’s

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<sup>164</sup> *Id.*

<sup>165</sup> Lanham Act § 32, codified at 15 U.S.C. § 1114(a)(1) (protecting registered mark against “use in commerce” of “any reproduction, counterfeit, copy, or colorable imitation . . . in connection with the sale, offering for sale, distribution, or advertising of any goods or services or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive”); *see also id.* § 1114(1)(b) (prohibiting application of copies of registered mark to advertisements and packaging “intended to be used in commerce”); Federal Trademark Dilution Act of 1995, codified at 15 U.S.C. § 1125(c)(4) (stating that “noncommercial use” of a famous mark “shall not be actionable under this section”); *cf.* *Friedman v. Rogers*, 440 U.S. 1, 11 (1979) (stating that Lanham Act protections extend to “strictly business” matters and involve “a form of commercial speech and nothing more”).

<sup>166</sup> *Hasbro, Inc. v. Internet Entm’t Group, Ltd.* 40 U.S.P.Q.2d 1479, 1479 (W.D. Wash. 1996) is suggestive, although the case involved commercial use. More on point is *Archdiocese of St. Louis v. Internet Entm’t Group*, 34 F. Supp. 2d 1145 (E.D. Mo. 1999) (granting preliminary injunction against the use of *papalvisit1999.com* and *papalvisit.com*), although the decision seems plainly erroneous on First Amendment grounds.

<sup>167</sup> Arguably the passage of ACPA, which echos some of the language of the UDRP, may have created another avenue by which non-commercial tarnishment could be actionable. For an argument that ACPA, 15 U.S.C.A. § 1125(d)(1)(B)(i)(IV), might have this effect, see Jason M. Osborn, *Effective and Complementary Solutions to Domain Name Disputes: Icann’s Uniform Domain Name Dispute Resolution Policy and the Federal Anticybersquatting Consumer Protection Act of 1999*, 76 NOTRE DAME L. REV. 209, 251 (2000).

I think this argument is wrong for First Amendment reasons. *Cf.* 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:105 (4th ed. 2000) (noting that “tarnishment caused merely by editorial or artistic parody which satirizes plaintiff’s product or its image is not actionable under an anti-dilution statute because of the free speech protections of the First Amendment” and that otherwise “a corporation could shield itself from criticism by forbidding the use of its name in

third defense, however, fails to reflect this. Having noted the non-commercial use defense as applying to any “legitimate noncommercial or fair use of the domain name, without intent for commercial gain,” at the eleventh hour—well after most of the public comment period had passed—ICANN added the limiting clause, “to misleadingly divert consumers or to tarnish the trademark or service mark at issue.”

As a drafting matter, it seems odd to have a potentially major ground for transferring non-commercial domain name registration appear as a purported affirmative defense. Substantively, this importation of the tarnishment concept as a limit on non-commercial uses of domain names seems wholly inappropriate, because it undermines a substantial part of the free-speech value of the non-commercial and fair use defenses. In particular, this language easily could be used to deny protection to legitimate criticism sites. A site designed to attack a company’s labor practices or its environmental record (“MegaCo kills the earth”) might be considered to have the requisite intent to tarnish a mark. This would go far beyond U.S. law in protecting trademark holders. The picture is even more disturbing if one considers the various meanings of tarnishment in other legal systems. At various times and places, even gentle criticism of corporations such as comparative price and quality advertisement have been held to be tarnishment.<sup>168</sup>

As many observers noted at the time, the natural effect of this language blunts the protection of free speech that noncommercial users are entitled to. ICANN was sufficiently concerned about the appearance of restricting free speech that its Second Staff Report included a footnote stating:

In view of the comments, one detail of the policy’s language should be emphasized. Several commentators indicated that the concept of “tarnishment” in paragraph 4(c)(iii) might be misunderstood by those not familiar with United States law or might otherwise be

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commentaries critical of its conduct.”); *Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp. 2d 1120, 1156 (C.D. Cal. 1998); *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161, 1165 (C.D. Cal. 1998); Oscar S. Cisneros, *Bally Total Fitness Holding Corp. v. Faber*, 15 BERKELEY TECH. L.J. 229 (2000).

<sup>168</sup> See Mathias Strasser, *The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine Into Context*, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 375 (2000).

applied inappropriately to noncommercial uses of parody names and the like. Staff is not convinced this is the case, but in any event wishes to point out that “tarnishment” in paragraph 4(c)(iii) is limited to acts done with intent to commercially gain. Staff intends to take steps to publicize this point.<sup>169</sup>

In the two years since that statement was penned, however, the only visible publicity has been the posting of the Second Staff Report on ICANN’s web site. And indeed—although this clause is not inevitably cited as the reason—a surprisingly large number of UDRP decisions have found that non-commercial so-called “sucks” sites violate the UDRP and have ordered domain name transfers.<sup>170</sup> Arbitrators under the UDRP have been willing to find names such as *directlinesucks*, *dixonssucks*, *freeservesucks*, *guinness-beer-really-really-sucks*, *guinness-really-really-sucks.com*,<sup>171</sup> *natwestsucks*, *standard-charteredsucks*,<sup>172</sup> and *walmartcanadasucks* are “identical or confusingly similar” to a trademarked term without the “sucks.” For example, the arbitrator in the *standardcharteredsucks.com* case concluded that it “is by no means necessarily” the case that the name “would be recognized as an address plainly dissociated from ‘Standard Chartered.’”<sup>173</sup> Although the arbitrator allowed that “[s]ome will treat the additional ‘sucks’ as a pejorative exclamation and therefore dissociate it after all from the Complainant” he seemed to think that some people were not clever enough to make this distinction and would be “confused.”<sup>174</sup> However, under standard trademark principles it is very unlikely that a court would find that consumers would believe the company

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<sup>169</sup> ICANN, *Second Staff Report on Implementation Documents for the Uniform Dispute Resolution Policy*, n.2, at <http://www.icann.org/udrp/udrp-second-staff-report-24oct99.htm> (Oct. 25, 1999).

<sup>170</sup> Not all, however. See, e.g., *Lockheed Martin Corp. v. Parisi*, No. 2000-1015 (WIPO Jan. 26, 2000), <http://www.arbiter.wipo.int/domains/decisions/html/2000/d2000-1015.htm>. (“Both common sense and a reading of the plain language of the Policy support the view that a domain name combining a trademark with the word ‘sucks’ or other language clearly indicating that the domain name is not affiliated with the trademark owner cannot be considered confusingly similar to the trademark.”).

<sup>171</sup> *Diageo plc v. Zuccarini*, No. D2000-0996, (WIPO Oct. 22, 2000), <http://www.arbiter.wipo.int/domains/-decisions/html/d2000-0996.html>.

<sup>172</sup> *Standard Chartered PLC v. Purge I.T.*, No. D2000-0681 (WIPO Aug. 13, 2000), <http://www.arbiter.wipo.int/domains/decisions/html/2000/d2000-06-81.html>.

<sup>173</sup> *Id.* § 5.

<sup>174</sup> *Id.*

being mocked would sponsor a site describing it in these pejorative terms. Such a finding would require extensive survey evidence, and even then First Amendment principles would likely allow the use for criticism by a non-competing party.

### 3. Costs

ICANN made a very significant decision about the assessment of costs that benefitted registrants, and reduced somewhat the danger of reverse domain name hijacking. The WIPO proposal had contemplated having the complainant pay fees to the dispute resolution provider to initiate the process, but would have allowed the arbitrator to require a losing registrant to pay arbitral fees and costs. To the trademark bar this was a just strategy aimed at lowering settlement values and creating incentives for cybersquatters to throw in the towel, but to advocates of registrants' rights it was a recipe for intimidating individual registrants. At the time, the administrative costs of the proceedings were estimated to be between \$1000 and \$3000.<sup>175</sup> While this is not a large number for a big corporation, and is manageable for many small businesses in the developed world, it could be prohibitive for others and for individuals—especially those located in less wealthy countries. Add in the cost of a lawyer, and the difficulty of finding competent counsel on very short notice, and the prospect becomes daunting for small and even medium-

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<sup>175</sup> This was not in fact a bad guess as things turned out, although it ignores the issue of attorney's fees. Actual costs vary among the providers and also depend on whether the ADR uses a one-person or three-person panel. Costs run between \$750 and \$4500 for one disputed domain name. See CPR Institute for Dispute Resolution ("CPR"), *CPR Supplemental Rules to ICANN's Rules for Uniform Domain Name Dispute Resolution Policy*, § 12, at [http://www.cpradr.org/ICANN\\_RulesAndFees.htm](http://www.cpradr.org/ICANN_RulesAndFees.htm) (last modified Sept. 15, 2000) (noting that the fee for one panelist is \$2000 and the fee for three panelists is \$4500); eResolution Consortium, *Schedule of Fees*, § 1, at <http://www.eresolution.ca/services/dnd/schedule.htm> (Oct. 2, 2000) (noting that the fee for one panelist is \$750 and the fee for three panelists is \$2200); National Arbitration Forum Dispute Resolution for Domain Names, *Schedule of Fees*, at <http://www.arbforum.com/domains/domain-fees.html> (Dec. 23, 1999) (noting that the fee for one panelist is \$750 and the fee for three panelists is \$2250); World Intellectual Property Organization, *Schedule of Fees Under the ICANN Policy*, at <http://arbitrator.wipo.int/domains/fees/index.html> (Aug. 15, 2000) (noting that the fee for one panelist is \$1500 and that the fee for three panelists is \$3000).

sized enterprises. Given that a domain name could be registered for under \$100, the prospect of having to risk thirty or more times the value of one's investment to protect it was likely to have an intimidating effect in many cases. While trademark representatives grumbled about the loss of fee-shifting, some admitted that collecting those fees would be nearly impossible in most cases, given that the cost of enforcement would have exceeded the amount that could be recovered—even if one could find the defendant.

#### 4. Reverse Domain Name Hijacking (“RDNH”)

The UDRP continues WIPO's tradition of providing no meaningful punishment for RDNH. UDRP § 15(e) does, however, provide for the potential slap on the wrist in an adverse decision:

If after considering the submissions the Panel finds that the complaint was brought in bad faith, for example in an attempt at Reverse Domain Name Hijacking or was brought primarily to harass the domain-name holder, the Panel shall declare in its decision that the complaint was brought in bad faith and constitutes an abuse of the administrative proceeding.<sup>176</sup>

Although the failure to find a more forceful solution to RDNH is not a small problem, most of the direct remedies might be worse than the disease. The UDRP does not give the arbitrators authority to levy fines against registrants or complainants. If the policy were amended to allow fines for RDNH, it is likely that fines against losing registrants would be the next step. Other than fines, there appears to be no sanction which could be applied against reverse domain name hijackers except perhaps excluding them from any further access to the UDRP. ICANN did not consider the exclusion option because implementing it contractually might be difficult. By far the best solution would be to ensure that arbitrators do not make zany decisions ignoring the plain words of the UDRP. The more zany decisions there are, the more mark holders will be tempted to “have a go” at the quick and inexpensive UDRP.

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<sup>176</sup> UDRP Rules, *supra* note 18, § 15(e).

Section 15(e) of the UDRP has no deterrence value. Its irrelevance is best demonstrated by noting that despite the many odd complaints filed under the UDRP, the first case actually to find RDNH was not decided until June 19, 2000,<sup>177</sup> about six months into the life of the UDRP. By the time the UDRP was a year old, there were only two UDRP cases finding RDNH.<sup>178</sup> By February 2002, there were at most a handful of RDNH decisions.<sup>179</sup> Of course the absence of RDNH findings is not itself proof that there is a problem with policy, as this fact is also consistent with the hypothesis that the overwhelming majority of claims filed are either meritorious or at least arguable. However, when one combines the many debatable or

<sup>177</sup> See *Qtrade Canada, Inc. v. Bank of Hydro*, No. AF-0169 (eResolution June 19, 2000), available at <http://www.eresolution.ca/services/dnd/decisions/0169.htm>.

<sup>178</sup> In addition to the *Qtrade* case, there was *K2r Produkte AG v. Trigano*, No. D2000-0622 (WIPO Aug. 23, 2000), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0622.html>, in which only two of the three panelists were willing to find RDNH despite fairly clear facts.

<sup>179</sup> There is no authoritative list of UDRP decisions finding RDNH. A fairly complete list is as follows:

*Torres, S.A. v. The Torres Group*, No. D2001-1200 (WIPO Dec. 19, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-1200.html>; *Société des Produits Nestlé S.A. v. Pro Fiducia Treuhand AG*, No. D2001-0916 (WIPO Oct. 12, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0916.html>; *Aspen Grove, Inc. v. Aspen Grove*, No. D2001-0798 (WIPO Oct. 5, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0798.html>; *Maine Bait Co. v. Brooks a/k/a Maine Bait*, No. FA0107000098246 (NAF Aug. 28, 2001), <http://www.arbforum.com/domains/decisions/98246.htm>; *G. A. Modefine, S.A. v. A.R. Mani*, No. D2001-0537 (WIPO July 20, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0537.html>; *Koninklijke KPN N.V. v. Telepathy Inc.*, No. D2001-0217 (WIPO May 7, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0217.html>; *ODE and ODE—Optimum Digital Enter. v. Internship Ltd.*, No. D2001-0074 (WIPO May 1, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0074.html>; *ONU s.r.l. v. Online Sales, LLC*, No. AF-0672 (eResolution Feb. 16, 2001), <http://www.disputes.org/eresolution/decisions/0672.htm>; *Goldline Int'l, Inc. v. Gold Line*, No. D2000-1151 (WIPO Jan. 4, 2001), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1151.html>; *Deutsche Welle v. DiamondWare Ltd.*, No. D2000-1202 (WIPO Jan. 2, 2001), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1202.html>; *Foresight Corp. v. Servos*, No. AF-0473 (eResolution Dec. 15, 2000), <http://www.disputes.org/eresolution/decisions/0473.htm>; *Foresight Corp. v. Servos*, No. AF-0473 (eResolution Dec. 15, 2000), <http://www.disputes.org/eresolution/decisions/0473.htm>; *Safari Casino A.G. v. Global Interactive Ltd.*, No. AF-0288 (eResolution Oct. 4, 2000), <http://www.disputes.org/eresolution/decisions/0288.htm>; *Smart Design LLC v. Hughes*, No. D2000-0993 (WIPO Oct. 18, 2000), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0993.html>; *K2r Produkte AG v. Trigano*, No. D2000-0622 (WIPO Aug. 23, 2000), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0622.html>; *Qtrade Canada Inc. v. Bank of Hydro*, No. AF-0169 (eResolution June 19, 2000), <http://www.disputes.org/eresolution/decisions/0169.htm>.

frankly abusive decisions against respondents, indeed the cases where one would expect a RDNH finding yet there is none, and the absence of any RDNH decisions that are even arguably wrong, one begins to see a tilt in a particular direction.

*Deutsche Welle v. DiamondWare*,<sup>180</sup> one of the first cases to find RDNH, exemplifies the lengths to which complainants have to go before a panel will find them guilty of abusing the process. Indeed, in the *DiamondWare* matter, despite the obviously abusive nature of the complaint based on trademarks more recent than the domain name registration, only two of the three arbitrators were willing to say the complaint was brought in bad faith.<sup>181</sup> The complainant was a German television and radio network, the respondent a software development company based in the United States which had traded under the acronym "DW" since as early as 1994. The respondent registered dw.com in 1994. Deutsche Welle had German trademarks dating to the 1980s, but none in the United States with priority before 1995. When Deutsche Welle sent a demand letter<sup>182</sup> to DiamondWare in July 2000, it responded (on dw.com letterhead), as follows:

Thank you for your interest in our domain name, dw.com. We are not currently offering this property for sale on the open market, however it has recently been attracting enquiries. Therefore, we would consider an offer above \$3,750,000 (three million, seven hundred fifty thousand US Dollars) from an accredited buyer.<sup>183</sup>

Deutsche Welle responded by bringing a proceeding under the UDRP. According to the judgment, this was the entire argument it presented:

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<sup>180</sup> No. D 2000-1202, (WIPO Jan. 2, 2001), <http://arbiter.wipo.int/domains/-decisions/html/2000/d2000-1202.html>.

<sup>181</sup> *Id.*

<sup>182</sup> The letter said:

It has come to our attention that you are in possession of the domain www.dw.com. As shown in the enclosed certification Deutsche Welle has a registered trade mark concerning "dw."

Therefore you shall transfer this domain name over to us. Nevertheless we would be very grateful for your co-operation in resolving this matter and find an amicable solution.

I look forward to hearing from you soon.

*Id.*

<sup>183</sup> *Id.*



The complainant is operating a public television and radio program worldwide under the denomination "DW." The trade marks of the complainant cover goods and services directly related to media, data transfer, and internet services. Furthermore, it has become very common that broadcasting channels offer internet services under their program (which is "DW" in this case).

The respondent has been approached by fax of July 13, 2000 by the complainant. The respondent has answered by fax of August 10, 2000 and was offering the domain "DW" for the offer of U.S. \$ 3,750,000. The fact that the respondent is offering the domain for sale shows that the respondent has no personal or other legitimate interest in holding the domain, which is obvious taking into consideration the amount of money they are asking. Furthermore, from the letter of the respondent one can see that the respondent acquired the domain and holds the domain primarily for the purpose of selling it.<sup>184</sup>

The two arbitrators in the majority held that the complaint was abusive because the complainant knew that the dw.com registration pre-dated its U.S. trademarks (which were, in any case not for the letters "dw," an acronym of the complainant, but rather for the letters plus a graphic design element), and since it also knew or should have known (from even a cursory examination of the dw.com website) that the respondents were and had been operating a bona-fide business from it.<sup>185</sup> Indeed, the complainant had completely failed to allege, much less offer any evidence, that the domain was registered "primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant" or to explain why, if this was the case, DiamondWare waited six years to make its request for payment, and then only in response to a demand letter.<sup>186</sup>

For the two arbitrators in the majority, this conduct demonstrated an abuse of the UDRP. Even the dissenter on the RDNH finding agreed that "the Complaint was misconceived and should not have been filed" because the complainant had failed to make even "a minimal effort to establish plausible grounds for bringing the Complaint under the Policy."

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<sup>184</sup> *Id.*

<sup>185</sup> *Deutsche Welle v. DiamondWare, Ltd.*, No. D2000-1202, (WIPO Jan. 2, 2001), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1202.html>.

<sup>186</sup> *Id.*

Nevertheless, the dissenter was unwilling to join the RDNH<sup>187</sup> finding because, upon receipt of Deutsche Welle's demand letter, DiamondWare had failed to explain it was a bona fide user of the domain name and failed to explain "the basis for the price it was quoting for the Domain Name."<sup>188</sup> Despite Deutsche Welle's apparent failure to do minimal investigation of DiamondWare's web site or history, this dissenter stated that the respondent's failures to educate the party threatening it would make it "unduly harsh to characterize the Complaint as reverse domain name hijacking."<sup>189</sup> Where the UDRP imposes a duty to educate people who negligently send you threatening letters was never explained.

Perhaps DiamondWare was lucky. In *NetLearning, Inc. v. Parisi*<sup>190</sup> a different panel faced a complaint bought by a trademark holder whose first use of its trademark was more than a year *after* the respondent first registered the contested domain name. The majority of the *NetLearning* panel rejected the suggestion that because there was no way that a registration made before the trademark right existed could ever be in bad faith under UDRP § 4(a)(iii), the complaint must therefore be abusive. In fact, it went one better and transferred the domain name to the complainant.<sup>191</sup>

## B. *Procedural Problems*

Except for the small matter of attorneys' fees, the UDRP is certainly quick and relatively cheap when compared to litigation in a U.S. court.<sup>192</sup> The proceeding can cost under \$1,500 for one panelist, depending on the complainant's choice

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<sup>187</sup> *Id.*

<sup>188</sup> *Id.* (referring to the views of arbitrator Torsten Bettinger).

<sup>189</sup> *Id.*

<sup>190</sup> No. FA0008000095471 (NAF Oct. 16, 2000), <http://www.arbforum.com/-domains/decisions/95471.htm>.

<sup>191</sup> *Id.* The panel majority's decision seemed to turn on two facts: that Parisi used the domain to display pornography, and that the parties had discussed selling the domain name for several thousand dollars. The respondent then took the matter to court, producing a reported decision holding that the court would hear the case de novo and that Federal Arbitration Act does not apply to UDRP matters, *Parisi v. Netlearning, Inc.*, 139 F. Supp. 2d 745 (E.D. Va. 2001), but, so far at least, no decision on the merits.

<sup>192</sup> For a summary of the costs see *supra* note 175.

of dispute resolution provider. The arbitration runs on a very fast track, with each side entering only exhibits and one short pleading. Save in the most exceptional case (which has yet to occur<sup>193</sup>), there is neither a live hearing nor online argument. Proceedings normally take forty-five days or less from complaint to conclusion. If the respondent loses, he has ten more days to file a challenge in a competent court, or the domain name is transferred to the complainant.<sup>194</sup> It is no surprise, therefore that so many cases have been filed under the policy since it began. Of the cases that have proceeded to a decision, more than seventy-five percent have been decided for the complainant.<sup>195</sup>

The UDRP's advantages to complainants come, however, at the price of a substantial reduction in registrants' legal rights. Many of the worst effects on registrants' rights are artifacts of the UDRP rules rather than the policy itself. Four of the most unfair aspects of the UDRP rules are: (1) the selection and composition of the arbitral panel; (2) the failure to provide a registrant with adequate time to reply to a complaint—or even to ensure that the respondent has actual notice; (3) a very crabbed and limited opportunity for complainants who lose a UDRP action to get their cases into court; and (4) the absence of any meaningful check on the providers' creation of supplemental rules that effectively tilt the playing field.

### 1. Selection and Composition of the Tribunal

Rather than both sides having equal input into who will decide the case, the complainant chooses the arbitral tribunal from a small list of approved providers maintained by ICANN. Unlike standard arbitration clauses where the provider is

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<sup>193</sup> In *Columbine JDS Systems, Inc. v. Jin Lu* (adserve.com), No. AF-0137 (eResolution Apr. 28, 2000), <http://www.disputes.org/eresolution/decisions/0137.htm>, the arbitrator said that he would have "preferred" more evidence from the respondent. In *Ebuilder, Inc. v. Building Online* (ebuilder.com), No. CPR008, <http://www.cpr-adr.org/ICANNDecisionCPR008-001205.htm> (Dec. 5, 2000), the Panel said that the relationship between the Complainant and the TM owner was not clear. Neither panel apparently thought to invoke this procedure.

<sup>194</sup> UDRP, *supra* note 2, § 4(k).

<sup>195</sup> Mueller, *supra* note 141.

specified in the presumably bargained-for contract or negotiated by the parties at the time of the dispute, the respondent has no say in which provider will manage her case, and no peremptory challenges to arbitrators she may fear are biased. The respondent can, however, pick one member of a three-person panel at her own expense if the complainant opted for a single panelist and the respondent decides three are needed.<sup>196</sup> Overall, the system gives dispute resolution providers an economic incentive to compete by being complainant-friendly.<sup>197</sup>

Different strategies were proposed for deciding how a given case would be assigned to a dispute services provider. The discussions took place at a time when it was unclear how many providers there might be, how they would be accredited and by whom, and how, if at all, they would be monitored. WIPO would have been happy to be the sole dispute-services provider,<sup>198</sup> but not everyone was comfortable with this idea. WIPO's defined mission of encouraging the protection of intellectual property, and the views put forward in its Interim Report and Final Report, created some doubts about its neutral status. Having multiple providers might also encourage price competition, while a monopoly provider could either charge what it liked, or would require some form of price control by an ICANN dedicated to promoting competition.

Proposals for assigning cases included the suggestion that the registrant would pick the dispute-services provider either at the time of registration or at the time of dispute, or that plaintiff would pick one at the time of complaint, or that

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<sup>196</sup> UDRP Rules, *supra* note 18, §§ 6(c), 6(e).

<sup>197</sup> See Mueller, *supra* note 141.

<sup>198</sup> By February 2002, WIPO had captured the lion's share of the market, with National Arbitration Forum ("NAF") in a distant second place, and the other providers having only negligible shares. Cumulative data up through mid-February 2002 showed this breakdown for a total of 4388 cases:

WIPO: 2565 cases (58.46 % of total caseload)

NAF: 1548 cases (35.28 % of total caseload)

ERES: 244 cases ( 5.56 % of total caseload)

CPR: 31 cases ( 0.70 % of total caseload)

E-mail from Michael Geist to Michael Froomkin, (Feb. 19, 2002) (on file with author). This cumulative data, however, does not show how WIPO's share grew over time. Ethan Katsh has assembled data showing that on February 2000, WIPO's share of the total caseload was about 43%; by February 2001 it was almost 60%, with NAF having almost all the remaining cases. E-mail from Ethan Katsh to Michael Froomkin, (Sept. 12, 2001) (on file with author).

registrars would pick, or that the service-provider would be randomly selected. Once the trademark bar had conceded on the issue of who would pay for the process (plaintiff, unless plaintiff wanted one arbitrator and respondent wanted three, in which case the cost was split), it insisted that allowing the defendant to pick, even at the time of registration, was unfair. The trademark bar also argued that if anyone other than the complainant were allowed to select the provider, it might encourage the existence of an arbitration service provider biased toward registrants. If that happened, all registrants would select it, and even registrars might be forced for competitive reasons to elect this service to arbitrate domains they administered. ICANN therefore allowed the complainant to select the provider, but made no effort to put in place any mechanism to monitor the system for pro-complainant bias, a prospect that seemed at least as likely as pro-registrant bias. In exchange for paying the piper a pittance, the trademark bar got to call the tune. It turned out to be a good bargain for their clients.

This was a serious error, and urgently needs repair. There were other options available, but they were discarded. The registrar could choose the provider, or a provider could be selected at random. Random choice was in some ways fairest, but it had the real disadvantage of introducing no incentive for dispute services providers to keep down their prices, which seemed risky.<sup>199</sup>

Whatever procedure replaces the current one, ICANN should have no role in the selection of arbitration providers. The selection and vetting of arbitrators is in no conceivable form a technical issue relating to either names, numbers, or the functioning of the Internet and is thus outside ICANN's proper jurisdiction. There is nothing in the structural composition of ICANN, nor in the composition of the current or any imaginable future ICANN Board, which suggests any special competence in this area. If, despite this, ICANN takes on as it has the function of accrediting dispute services providers, it must put in place mechanisms to ensure that the providers are competent, and must monitor them for partiality.

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<sup>199</sup> As a later participant in the creation of a dispute services provider, I still stand by that conclusion. We would have been happy to charge more—and would still be in business.

Without some monitoring, one gets the system we have today—which is a recipe for forum shopping.

Second, any system that replaces the current one must allow arbitrators to be selected from lists that do not only include trademark lawyers, but people with other backgrounds, including civil liberties lawyers. As registrations and trademarks are both global, the system must also take account of national and linguistic differences of the participants.<sup>200</sup>

## 2. Issues of Notice and Computation of Time

Adopting one of the worst features of WIPO's proposal, the UDRP does not require actual notice to respondents, only attempted notice for a relatively short period of time. The mere *sending* of the complaint to postal-mail, fax, and email addresses found via whois,<sup>201</sup> and by email to postmaster@ plus any email address shown or e-mail links on www.domainname suffices to start the twenty day clock for the respondent's only chance to reply.<sup>202</sup> The decision to forgo requiring actual notice in absolutely all cases is understandable, given the efforts that the sleaziest registrants go to hide their contact details in shady registrations. The short deadlines, on the other hand,

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<sup>200</sup> Issues of composition of panels from the lists maintained by individual arbitration service providers are discussed *infra* at Part III.F.

<sup>201</sup> Whois is a program that queries one or more registry or registrar databases to see if a second-level domain name has been registered. If the name has been registered the program returns information about the registrant, typically including name, address, email and telephone number. See RONY & RONY, *supra* note 26, § 6.3.2.

<sup>202</sup> We begin with UDRP Rules § 4(c) which states, "The date of commencement of the administrative proceeding shall be the date on which the complaint is forwarded by the Provider to the Respondent," UDRP Rules, *supra* note 18, § 4(c), and Rule 2(f) which states that "All time periods calculated under these Rules shall begin to run on the earliest date that the communication is deemed to have been made in accordance with Paragraph 2(e)." *Id.* § 2(e). The key parts of Rule 2(e) state that "Except as otherwise provided in these Rules . . . all communications provided for under these Rules shall be deemed to have been made . . . if via the Internet, on the date that the communication was transmitted, provided that the date of transmission is verifiable." *Id.* Note that this refers only to transmittal, not receipt. Rule 2(a) does not appear to be a rule "otherwise" providing in terms of rule 2(e) because it does not speak of computation of time (this may be a drafting error?). It speaks only of a duty to achieve actual notice . . . eventually. Thus, if email to a defendant bounces, time starts to run anyway while the Provider continues to attempt to achieve actual notice by some other means. Similarly if an email is sent but not read (e.g., if the recipient is on vacation or in the hospital), time starts to run anyway.

are completely unfair, even if ICANN's twenty days is up from the ten days in the WIPO proposal.<sup>203</sup> Respondents who happen to take a three-week vacation, or find themselves in intensive care without e-mail, can lose their chance to explain why they should keep their domain name without ever knowing it was endangered.

Merely initiating communications via email is not adequate notice.<sup>204</sup> Running a procedure of this sort without actual notice or a method reasonably calculated to achieve notice prior to the commencement of the proceedings must be contrary to the public policy of all civilized nations. It risks producing results that are, or at least should be, unenforceable in the courts of all civilized nations.

The time problem is especially acute for consumers and small or medium enterprises ("SMEs") that do not have an Internet-savvy intellectual property lawyer on retainer, or indeed any lawyer at all. Although not as rare as they once were, lawyers who understand the issues in a domain name case are still something of an exception, and are not found in every community. The response period needs to be long enough for parties to find a lawyer they are comfortable with, and for that person to get up to speed on the issues and to organize and write the response. While twenty days (minus time to actually get the notice) is plenty of time for a large corporation with lawyers on call to do all this, it is not very long for smaller organizations and ordinary individuals who have the misfortune to register a name that someone else covets.

The current rules for computing time also suffer from two technical defects, both of which contribute to the overall atmosphere of unfairness. Contrary to expectations, it has become routine for complainants to attach a large number of paper exhibits to their complaints. Although the actual complaint itself is an electronic document, the exhibits frequently are not digitized (and in the case of products exhibiting a trademark exhibit are often not digitizable!). Since the twenty-day clock for the registrants' time to respond begins when the first email is sent, but the paper exhibits sometimes

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<sup>203</sup> See *supra* text accompanying note 129-33.

<sup>204</sup> For a discussion of the issues, see generally Rachel Cantor, Comment, *Internet Service of Process: A Constitutionally Adequate Alternative?*, 66 U. CHI. L. REV. 943 (1999).

contain crucial parts of the case, the registrant is not informed of the case which he must answer until some time later. In the developed world, parties are rarely more than two days away from the dispute services provider by express mail, but there is no requirement that the documents be sent by express mail, and some providers choose not to express mail documents to respondents as a matter of policy. In the less developed world, even express packages can take much longer to arrive, and ordinary mail is unreliable.<sup>205</sup> Even what constitutes “receipt” is problematic as some courier services may use file signatures for unattended deliveries.

A second problem is more egregious. Until shortly after the web publication of an early draft of this paper,<sup>206</sup> one of the competing providers—the National Arbitration Forum (“NAF”)—used its supplemental rules to offer parties a chance to file an extra brief five days after the ordinary close of pleadings for \$150.<sup>207</sup> Since the ordinary close of pleadings is the registrant’s response, this opportunity was primarily of value to complainants. Furthermore, the right is not cumulative: filing such a paper did not trigger another five day window for the other side. Not only did this rule tend to favor one side, but it invites sandbagging—leaving a key point for the unanswerable supplemental filing.<sup>208</sup> The opportunity for abuse is especially large since the supplemental pleading,

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<sup>205</sup> John Berryhill informs me that the African registrant in the *lycalovers.com* case, *E.I. du Pont de Nemours and Co. v. ITC*, FA0012000096219 (NAF Feb. 20, 2001), <http://www.arbforum.com/domains/decisions/96219.htm>, received the complaint on the day his response was due. I have also heard from a source I trust of a NAF case in which the complaint and exhibits were stopped by customs for the entire twenty-day response period.

<sup>206</sup> The NAF changed the rule on October 15, 2001. Compare <http://www.arbforum.com/domains/udrp/rules020101.asp> (last visited Mar. 13, 2002) with <http://www.arbforum.com/domains/udrp/rules101501.asp> (last visited Mar. 13, 2002).

<sup>207</sup> See National Arbitration Forum Dispute Resolution for Domain Names, *Supplemental Rules*, Rule 7, available at <http://www.arbforum.com/domains/domain-rules.html> (Oct. 24, 1999) (“A party may submit additional written statements and documents to The Forum and the opposing party(s) not later than five (5) calendar days after the date the Response is submitted or the last date the Response was due to be submitted to the Forum, whichever occurs first.”). Although couched in neutral terms allowing either party to avail itself of the supplemental brief, it is obvious that a provision allowing either party to file a supplemental brief five days after the defendant’s response is designed to favor plaintiffs.

<sup>208</sup> I am indebted to John Berryhill for this suggestion, which he tells me is not hypothetical.



unlike the complaint and the response, has no length limit. This sandbagging opportunity looks suspiciously like a dispute services provider's attempt to be as plaintiff-friendly as possible. Indeed, one commentator described the "sandbag" rule, and a number of other NAF supplemental rules, as "extremely biased toward Complainants."<sup>209</sup>

NAF's decision to revise the sandbag rule removes one problem but creates another. The new rule allows the non-filing party five more days from the date on which a supplemental filing was made to make its own responsive supplemental filing. As Jonathan Weinberg noted:

[F]ive days isn't much time to receive and respond to anything in a UDRP proceeding. The new rule also opens the door to an endless stream of replies and sur-replies, since each new filing opens another five-day window. At the same time, NAF has eliminated the blatant "last shot" for complainants, potentially side-stepping the question of whether supplemental filings are permitted under the UDRP in the first place.<sup>210</sup>

As some complainants are using their "supplemental" filing to make their case in chief, the net effect of this rule undercuts the respondent's right of reply. Faced with a supplemental complaint, the complainant must not only rush to reply, but she must pay \$250 for the privilege.<sup>211</sup>

The sandbag rule saga reveals a more general problem: in the absence of supervision, providers are able to use their supplemental rules to seek a competitive advantage in ways that undermine the UDRP. ICANN, which purportedly supervises the dispute services providers, allowed the sandbag rule to take effect, and took no action to repeal it or to remove NAF's accreditation. Since both the original sandbag rule and

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<sup>209</sup> Stacey H. King, *The "Law That it Deems Applicable": ICANN, Dispute Resolution, and the Problem of Cybersquatting*, 22 HASTINGS COMM. & ENT. L.J. 453, 498 (2000). In addition to the rule noted in the text, Ms. King identified the NAF's draconian policy on extensions of time, its requirement that a respondent's requests for an extension be accompanied by a \$100 fee, and its rule allowing complainants to convert a three-member panel to a (cheaper) one-member panel if the respondent does not file a reply. *Id.* at 498-500.

<sup>210</sup> Jonathan Weinberg, *NAF to End the Last Shot Rule*, at <http://www.icannwatch.org/article.php?sid=409> (Oct. 11, 2001).

<sup>211</sup> See NAF Supplemental Rules § 7, at <http://www.arb-forum.com/domains/-UDRP/rules.asp> (last visited Mar. 13, 2002).

its revision are fairly clear violations of the UDRP,<sup>212</sup> ICANN's failure to react suggests that ICANN is not willing or able to police the dispute services providers.

### 3. Asymmetric Access to Courts to "Review" UDRP

The UDRP attempted to ameliorate a fundamental imbalance in WIPO's proposal regarding the parties' access to courts after the dispute resolution provider rendered a decision. Like WIPO's plan, the UDRP is meant to be non-binding in that either party can seek a judicial determination of their rights at any time before, during, or after the ADR. Under the WIPO proposal, the consequences of the ADR procedure were very severe, and completely asymmetrical: losing a WIPO ADR would not affect the rights of a complainant mark holder in any significant way and there was no reason to believe that the losing registrant would be able to find a court willing to hear his claim that he should keep the domain. ICANN ameliorated this by creating a small—very small—window for losing registrants to get to court. Despite this, the fundamental asymmetry remains.

An example will make this clear. Imagine that Alice, a complainant, has a trademark in "companyname," but Bob has registered "companyname.com" which Alice believes is rightfully hers. If Alice wished to avoid the WIPO ADR, she can bring the action in any court that has jurisdiction over the registrant. Suppose that Alice, the complainant, lives in New York, and Bob, the registrant, lives in Prague. If Alice can persuade a New York court to assert jurisdiction over Bob because he is using the domain in an infringing manner with effects in New York, then she can bring suit where she lives. On the other hand, if Bob has merely registered the domain but made no internationally infringing use of it, Alice probably must go to Prague to bring the action.<sup>213</sup> The WIPO ADR

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<sup>212</sup> The UDRP defines the allowed pleadings as a "complaint" and a "response." The UDRP leaves it to the arbitral panel's discretion whether to allow additional filings in exceptional cases. Indeed, one NAF panel refused to accept a supplemental paid filing for this reason.

<sup>213</sup> For the first part of this example, we ignore ACPA, which includes the possibility of an in rem remedy in the U.S. courts, as it did not exist when WIPO made its proposal.

offered Alice a potentially attractive means of avoiding the expense and uncertainty of hiring foreign counsel and risking the vagaries of a foreign legal system.

Suppose, however, that Alice lost before WIPO's proposed tribunal, and she wishes to bring suit anyway. At this point, since the ADR is non-binding, she has the same options she had before the WIPO ADR, minus whatever damage caused by the persuasive power of the arbitral decision. She has as long as she wants to file her complaint, subject only to considerations of laches and statutes of limitations, and the fear that Bob might establish some secondary trademark rights of his own over time.

Now suppose, on the other hand, that the WIPO-ADR rules that Bob, the registrant, should surrender his domain name. Bob wishes to challenge this outcome, perhaps because he believes that under Czech law he has a valid right to the name that the arbitrators failed to recognize. Under the WIPO policy the decision goes into effect within seven days,<sup>214</sup> so Bob has a week to find a court with jurisdiction over Alice to hear his request for an injunction.

Without the WIPO ADR Bob probably would have defended the action in a court in Prague, giving him the benefits traditionally accorded defendants, particularly defendants who are ordinary individuals and small businesses: a convenient venue, familiar law, local language, local counsel, and local choice of law principles. Instead, unless Alice has sufficient contacts with Prague for the court there to assert jurisdiction over her, Bob must now shoulder the burden of being the plaintiff in a New York court, with potentially unfamiliar and more expensive procedures, a different local language, and foreign counsel. The New York court may use different choice of law and different substantive principles than the Czech court. And, Bob will now be the plaintiff instead of the defendant and must shoulder the burden of proof. Indeed, if Bob seeks injunctive relief to prevent the WIPO ADR decision from going into effect immediately, Bob will have to shoulder a heavy burden of proof indeed. Without an injunction, however, Bob was probably doomed.

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<sup>214</sup> WIPO Final Report, *supra* note 17, ¶ 216.

Recall that WIPO stated that its design goal was that “the right to litigate a domain name dispute should be preserved.”<sup>215</sup> It also stated that

the availability of the administrative procedure should not preclude resort to court litigation by a party. In particular, a party should be free to initiate litigation by filing a claim in a competent national court instead of initiating the administrative procedure, if this is the preferred course of action, and should be able to seek a de novo review of a dispute that has been the subject of the administrative procedure.<sup>216</sup>

The question remains: What exactly was Bob supposed to tell the court if he loses the WIPO ADR? If Bob failed to secure an injunction, the “administrative” decision goes into effect in seven days; the domain name is transferred and remains in effect until countermanded by a competent court. That order would never come however, because at the moment the domain name is transferred, Bob loses his cause of action.<sup>217</sup> One might think that Bob could seek a declaration that the ADR was mistaken, on the grounds that he would then would get his domain name back. Unfortunately for Bob, this comes too close to a wager on a court decision. While one can get a court to adjudicate a bet that turns on some question external to the court, especially if a debt is disputed, one cannot manufacture subject matter jurisdiction for a court to adjudicate a legal question by placing a bet on what it will decide.

U.S. law does not provide for general review of alternate dispute resolution procedures. Certainly, the Federal Arbitration Act does not provide a means of review, since that act limits the court’s review to arbitrations, and only those arbitrations:

- (1) Where the award was procured by corruption, fraud, or undue means.
- (2) Where there was evident partiality or corruption in the arbitrators, or either of them.

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<sup>215</sup> *Id.* ¶ 148.

<sup>216</sup> *Id.* ¶ 150(iii).

<sup>217</sup> I believe this to be true in most legal systems, but I have illustrated the point with U.S. law, which is the only system I know at all well. As a very large fraction of all domain name registrations are by U.S. persons and firms, U.S. law obviously matters in this context.

(3) Where the arbitrators were guilty of misconduct in refusing to postpone the hearing, upon sufficient cause shown, or in refusing to hear evidence pertinent and material to the controversy; or of any other misbehavior by which the rights of any party have been prejudiced.

(4) Where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made.<sup>218</sup>

Even if the WIPO ADR were an “arbitration” under U.S. law, one hopes that none of these four factors, which are aimed at cases where the arbitration is tainted by fraud, incompetence, or the like, would ordinarily apply. (Other nations provide procedures for more searching review of “arbitration,”<sup>219</sup> but this “administrative” procedure would be unlikely to qualify—in part because it is not binding, in part because of the limited nature of the right being adjudicated).

Indeed, if the proceeding is not an “arbitration” then Bob has a problem. U.S. courts do not ordinarily review “administrative” decisions of private parties (as opposed to government agencies), unless there is some claim of tort, breach of contract, or violation of some other legal right. Having lost the domain name, Bob must now frame a cause of action that will get a court’s attention, and in a context where he no longer has the domain name because he agreed to a contractual “administrative” procedure in which he promised not to sue the arbitrator, the registrar, or the registry. If he can do so, the courts will consider his claim *de novo*, without deferring to the UDRP decision.<sup>220</sup>

Suppose Bob thinks the arbitrators improperly ignored a legal basis for his claim of right to the name, or incorrectly decided that Bob was a liar. Several potential claims are probably hopeless. For instance, Bob might wish to frame some

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<sup>218</sup> 9 U.S.C. § 10 (1990).

<sup>219</sup> See, e.g., Arbitration Act, 1996, c.23 (Eng.).

<sup>220</sup> See, e.g., *Strick Corp. v. Strickland*, 162 F. Supp. 2d 372, 374 n.5 (E.D. Pa. 2001), available at <http://www.strick.com/aug27.pdf>; *Parisi*, 139 F. Supp. 2d at 752; see also *Weber-Stephen Products Co. v. Armitage Hardware and Bldg. Supply, Inc.*, 54 U.S.P.Q.2d 1766 (N.D. Ill. May 03, 2000) (denying stay of UDRP proceeding; holding court not bound by UDRP decision but declining to decide “what weight should be given to a panel’s decision”); *Broadbridge Media, L.L.C. v. HperCd.com*, 106 F. Supp. 2d 505 (S.D.N.Y. 2000). See generally <http://www.udrplaw.net/UDRPappeals.htm> (last modified Mar. 27, 2001) (listing UDRP cases challenged in court).

sort of claim of “tortious interference with contractual relations” against Alice, based on his contract with his registrar, but that seems a poor bet when he specifically agreed to the ADR procedure in his contract. Indeed, there is no contract between Bob and Alice for the court to adjudicate, and Bob has no claim against Alice under his contract with the registry. If Bob is a non-commercial user and there is no claim of bad faith or fraud on the part of the arbitrator, then Bob will not be able to claim a violation of his right of free expression because the damage was caused by a private party, not the government.<sup>221</sup> While Bob might try that argument, it is untested waters—and likely therefore to be a high-cost, high-risk strategy. He has little actual damages, and it is in any case unclear who has been negligent or behaved tortiously. In addition, there is no statutory right at issue.

Without a trademark of his own, Bob is unlikely to have a claim against Alice under Alice’s subsequent contract with her registry. Of course, if Bob has a trademark identical to his domain name, and the arbitrators just ignored it for some strange reason, he can claim that Alice is violating his trademark. But the strength of that claim will turn in substantial part on how Alice is using the mark, not on what Bob was doing, which would have been the subject of the case but for the WIPO ADR. It is easy to imagine a case where the two parties are not in fact infringing each other, and a court applying national law would have found for Bob if he were the defendant. But as Alice is no more guilty of trademark infringement under the relevant national law than is Bob, she will win the court case and keep the domain Bob would have had but for the WIPO ADR.

A slightly less hopeless argument for Bob would be “tortious interference with a prospective business advantage” against Alice. The *Restatement Second of Torts* instructs that,

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<sup>221</sup> Bob might try to argue that ICANN and/or the arbitrators are state actors. See generally Froomkin, *supra* note 3. He would find comfort in *Sullivan v. Barnett*, 526 U.S. 40 (1999), where the Chief Justice suggested that the decision of a heavily regulated arbitration procedure, “like that of any judicial official, may properly be considered state action.” *Id.* at 54. As ICANN, acting in conformity with the policy set out in the White Paper, has written both the substantive rules applied in the UDRP, and the bulk of the procedural rules that arbitration providers must observe, see UDRP Rules, *supra* note 18, it follows that if ICANN is a state actor then arguably dispute providers are state actors also.

One who intentionally and improperly interferes with another's prospective contractual relation (except a contract to marry) is subject to liability to the other for the pecuniary harm resulting from loss of the benefits of the relation, whether the interference consists of (a) inducing or otherwise causing a third person not to enter into or continue the prospective relation or (b) preventing the other from acquiring or continuing the prospective relation.<sup>222</sup>

However, U.S. courts have frequently imposed more stringent limiting conditions on this tort than the *Restatement* formulation might suggest. For example, in order to prevail on a claim of tortious interference with prospective economic advantage, a plaintiff must show "the defendant's interference with business relations existing between the plaintiff and a third party, *either* with the sole purpose of harming the plaintiff or by means that are dishonest, unfair, or in any other way improper."<sup>223</sup> Similarly,

In order to state a claim for tortious interference with prospective economic advantage, a plaintiff must show (1) business relations with a third party; (2) defendants' interference with those business relations; (3) defendants acted with the sole purpose of harming the plaintiff or used dishonest, unfair, or improper means; and (4) injury to the relationship.<sup>224</sup>

This will usually be difficult to prove, or even to allege in good faith: most people in Alice's position will be able to argue convincingly that harm to Bob was not the sole purpose of the ADR in that Alice sincerely wanted the domain name for herself. Furthermore, assuming that it was the arbitrators who erred, and there was no fraud by Alice, Bob cannot in good faith claim that she used "dishonest, unfair, or improper means" to win the proceeding.

If the above analysis is correct, then under WIPO's plan for many--perhaps most or all--registrants who lost an ADR, their dispossession would have been the whole of the law. On the other hand, challengers who lost an ADR would have lost nothing more than their costs and some bragging rights, as they would have retained their previous right to litigate.

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<sup>222</sup> RESTATEMENT (SECOND) OF TORTS § 766B (1979).

<sup>223</sup> PPX Enter. v. Audiofidelity Enters., 818 F.2d 266, 269 (2d Cir. 1987).

<sup>224</sup> Purgess v. Sharrock, 33 F.3d 134, 141 (2d Cir. 1994).

ICANN attempted to ameliorate this by introducing two new ideas in the UDRP. First, ICANN required that the complainant, Alice in our example, waive a defense of lack of personal jurisdiction in a “mutual jurisdiction”—Alice’s choice of either the location of the registrar, or the place where the registrant, Bob, said he was located when he filled out his application for the domain name.<sup>225</sup> If Bob loses, the domain name transfer is stayed for ten business days. In that two-week period if Bob files a complaint in the “mutual jurisdiction,” or any other court of competent jurisdiction, then the transfer is halted<sup>226</sup> without any need for Bob to seek an injunction.

By allowing Bob to halt the transfer in this manner, ICANN attempted to ensure that Bob would retain a sufficient connection to the domain name to motivate a declaratory judgment action, thus making it possible for Bob to challenge an adverse decision so long as he could mobilize his lawyer to file a complaint within ten business days of the decision. The ten working-day filing period may be longer than WIPO’s seven-day proposal, but it is not long at all. Exactly how onerous it is depends where the parties are located. The United States and many European jurisdictions have relatively liberal rules of pleading. In the United States, for example, an initial complaint (in federal court at least) can be very skimpy, even mildly inaccurate in places, and can be amended once as of right with no or minimal consequences to the plaintiff. A rule that says, rush to the courthouse, file in a hurry, and amend at leisure is not unjust in such a regime. Pleading rules were not always so liberal, however; the filing of an inaccurate complaint (and any complaint that needed amendment potentially was “inaccurate”!) was once considered fraud on the court. Similar pleading rules persist in some legal systems, and the ICANN rule will be particularly onerous for parties residing in, or registered with a non-U.S. registrar, in those jurisdictions. In systems where pleadings cannot be amended, but must instead be withdrawn and re-filed, the UDRP policy will treat the withdrawal of the original complaint as grounds

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<sup>225</sup> See UDRP Rules, *supra* note 18, § 1 (defining “mutual jurisdiction”). Given that NSI was the monopoly registrar for most of the Internet’s recent history, this meant that in practice a complainant could choose the Eastern District of Virginia. However, NSI’s market share is now down considerably, which adds some variety.

<sup>226</sup> UDRP, *supra* note 2, § 4k.



for enforcement of the arbitrator's decision, even if the complaint were re-filed the same day. Worse, from the losing registrant's viewpoint, some legal systems do not even allow the withdrawal of a complaint without prejudice.<sup>227</sup>

Even in the United States the ability of a losing registrant to mount a meaningful court challenge has been subject to doubt. A recent ruling by a Massachusetts district court, subsequently reversed by the First Circuit, well illustrates the problem. Jay D. Sallen, a U.S. citizen, registered *corinthians.com*; the Brazilian soccer team *Corinthiao* (Portugese for "Corinthians") subsequently initiated and won a claim for the domain name under the UDRP.<sup>228</sup> Within the ten-day period after losing the UDRP decision, Sallen sought a declaratory judgment that his registration of the domain name did not violate the ACPA.<sup>229</sup> Sallen relied on an ACPA provision contemplating just such an action:

A domain name registrant whose domain name has been suspended, disabled, or transferred under [the UDRP] may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.<sup>230</sup>

At this point, *Corinthiao* applied procedural jujitsu by appearing before the court and disclaiming any intention of bringing an ACPA claim against Sallen. This promise not to bring a future trademark claim was made secure in the

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<sup>227</sup> Not every jurisdiction has liberal pleading rules. See, e.g., JORGE A. VARGAS, *MEXICAN LAW: A TREATISE FOR LEGAL PRACTITIONERS AND INTERNATIONAL INVESTORS* § 20.2 (1998) (stating that in Mexico, "Once drafted, a complaint cannot be refiled"). The UDRP puts all nationals of such countries to an unreasonable choice: they must either give up their home forum by registering with a foreign registrar, or do a great deal of advance legal work before they even know the result of the arbitration if they want to have a meaningful chance of appeal. (Note that the same does not apply to a losing challenger, who can wait as long as he likes before trying for a second bite at the legal apple, subject only to laches or the statute of limitations.) This matter requires a degree of study it simply has not received.

<sup>228</sup> *Corinthians Licenciamentos LTDA v. Sallen, Sallen Enters., and J. D. Sallen Enters.*, No. D2000-0461, (WIPO July 17, 2000) <http://arbiter.wipo.int/domains/-decisions/html/2000/-d2000-0461.html>.

<sup>229</sup> *J.D.S. Enters. v. Corinthians Licenciamentos LTDA*, No. 00-CV-11555, 2000 U.S. Dist. Lexis 19976 (D. Mass. Dec. 19, 2000).

<sup>230</sup> ACPA, 15 U.S.C. § 1114 (2)(D)(v) (West 2001).

knowledge that if the federal case were dismissed the domain name transfer would take effect *and Sallen, the original registrant, would therefore no longer have a cause of action.*<sup>231</sup> As a result of the transfer, there would be no possible ACPA claim. Judge Young agreed that this concession disposed of the case:

Based on the representations made by Defendant, Corinthians Licenciamentos ("CL") that it "has no intent to sue Plaintiff under the ACPA for his past activities in connection with corinthians.com" the Motion to Dismiss is GRANTED. . . . Jurisdiction under 28 U.S.C. § 2201 is proper only if there exists an actual controversy between the parties. . . . Absent the threat of suit there is no controversy and jurisdiction is lacking. CL's representation is bolstered by the fact that a suit under the ACPA provides no additional relief. Because the disputed domain name was registered prior to the enactment of the ACPA, damages are unavailable.<sup>232</sup>

In one sense, Judge Young's conclusion was quite understandable. By making this tactical concession, the victorious mark holder transformed the post-UDRP judicial proceedings into something with a procedural posture akin to the one that seemed to make judicial review of a WIPO ADR a nullity in cases where the registrant lost. The court's conclusion follows all too naturally, although one wonders if the court could not, for example, have denied the motion to dismiss and instead treated the concession as reason to grant the declaration on summary judgment since there was no fact in dispute.

Fortunately for the UDRP, the First Circuit took a broader view of the matter, holding that the ACPA language quoted above<sup>233</sup> creates a cause of action for a party who loses an action under the UDRP.<sup>234</sup> In this view, the ACPA supplies the claim, and thus both the subject matter jurisdiction and the standing that Judge Young had found to be absent. This result is surely correct, as simply dismissing the complaint would undermine the fundamentally equitable object of the

<sup>231</sup> See *supra* text accompanying notes 213-20.

<sup>232</sup> *J.D.S. Enters. v. Corinthians Licenciamentos LTDA*, No. 00-CV-11555 (D. Mass. filed Aug. 3, 2000) (internal citations omitted), *reversed sub nom*, *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14 (1st Cir. 2001).

<sup>233</sup> 15 U.S.C. § 1114 (2)(D)(v).

<sup>234</sup> *Sallen*, 273 F.3d at 24-29.

declaratory judgment statute,<sup>235</sup> the purpose of the ACPA right of action, and would require the court to turn a needlessly blind eye to the realities of the relationship between the parties. Indeed, until an ACPA suit seeking to prevent a UDRP decision from going into effect is dismissed and the mark holder gains possession of the domain name, there remains a genuine *contractual* dispute between the parties as to who has the right to have the registry list them as the holder of the domain name.<sup>236</sup>

Even if other circuits follow the First Circuit's lead, the United States is not the only jurisdiction whose laws need to be taken into account. Since the UDRP is not an "arbitration" but merely an "administrative proceeding," losing parties whose right to sue inures in non-U.S. legal systems will not, in general, be able to bring cases under laws providing for the appeal of an arbitration award. The problem of framing an appropriate cause of action may thus be replicated world wide. It may be that there are simple answers to this problem in the major legal systems of the world, but as far as I know no one has yet come forward to say what they are.

As if that were not enough, the *Corinthians.com* case exposed yet another weakness in the UDRP framework. Although the registrant took a timely appeal of the district court's decision, the registrar transferred the domain name upon receipt of Judge Young's decision. Arguably, that act destroyed the registrant's standing to pursue the appeal; had a business relied on the domain name it would undoubtedly have damaged it. The First Circuit dealt with this issue in a cursory footnote, stating,

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<sup>235</sup> The Declaratory Judgment Act, 28 U.S.C. § 2201(a) states, "[i]n a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. . . ."

<sup>236</sup> A further issue, perhaps, is whether even if the court conducts de novo legal review, findings of fact by the UDRP panel should be given preclusive effect. Given the absence of any serious testing of the factual submissions, I think there is no reason why facts found by the arbitration could have preclusive effect consistent with due process.

After the district court dismissed Sallen's suit, however, the domain name was transferred to CL, possibly wrongfully in light of the pendency of this appeal. If the complaint were reinstated, the logic of Sallen's position is that Sallen would seek leave to amend his complaint to request an injunction returning the domain name.<sup>237</sup>

While this does not amount to a reasoned decision that leave should be granted, or even that standing exists so long as there is a claim for the injunction, it is a pretty strong hint. Even so, this aspect of the *corinthians.com* experience suggests that making provisions for timely appeals is one of the many things that could usefully be fixed in the UDRP.

### III. FIXING THE UDRP'S PROCEDURAL SHORTCOMINGS

The UDRP's *procedural* shortcomings can be summarized under five headings: (1) issues of fairness; (2) issues of proof and evidence; (3) issues relating to the timetable; (4) ensuring the availability of equal access to court for subsequent proceedings; and (5) improving the auditability and transparency of the process. Notably absent from this list is the *substance* of the UDRP, including its definition of cybersquatting, the affirmative defenses, the murky choice of law clause, and the strange ways in which those definitions have been interpreted by some arbitrators. A comprehensive repair of the UDRP would address not only its procedural shortcomings, but also the problem of existing arbitral decisions that clearly flout the rules yet are continually cited as "precedent." No amount of substantive repair, however, is likely to be effective unless the UDRP's procedural problems are rectified.

#### A. *Basic Fairness*

Fairness requires fundamental reforms. First, the UDRP's built-in tendency to reward arbitration service providers for being "complainant friendly" must be redressed. The system must be, and must be seen to be, even-handed between both complainants and respondents. Second, would-be

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<sup>237</sup> *Sallen*, 273 F.3d at 16 n.1.

abusers of the system need a greater disincentive to bring frivolous claims. Otherwise there is almost no reason not to bring "try-on" cases, especially if arbitrators are perceived to be rendering unpredictable, even random, decisions.

### 1. Removing Potentially Biased Arbitrators

The UDRP lacks an effective mechanism to allow parties to challenge the appointment of an arbitrator whom they believe to be biased or to have a conflict of interest. Peremptory challenges might be one way to address this, but they might also become another occasion for delay and strategic behavior on both sides. Current procedures rely on arbitrators to disclose potential conflicts, but this is clearly insufficient since the truly biased person will tend to downplay the extent of conflicts. Therefore, there is a need to develop some means by which parties can raise for-cause challenges with the provider and some agreed criteria for what constitutes an impermissible conflict of interest. For example, if an arbitrator is a member of a firm, and the firm has taken a position on a disputed question of law in a pending arbitration or lawsuit for a client, should the arbitrator be allowed to decide a case raising a similar question? Or, if a partner previously has represented or sued one of the parties, should that count as a conflict of interest? What if the matter is current? Since there is no common practice on these issues, and national standards of what constitutes a potential conflict of interest vary, it is essential to craft written standards or, better yet, import them from an external, experienced body.

### 2. Removing Cases from Potentially Biased Providers

In a recent case in which I sat as a respondent-appointed arbitrator, the respondent alleged that the provider itself was biased in favor of the complainant because the complainant was a member of the body sponsoring the arbitration service provider and had a long-standing relationship with it. The arbitration service provider refused to recuse itself, and the respondent again raised the issue before the panel. The arbitrators agreed unanimously that whatever

the merits of this claim might be, and despite the theoretical possibility that a service provider might use its power to control the appointment of one or more of the arbitrators, the UDRP “does not give panels the authority to order recusal of a provider.”<sup>238</sup> I believe this decision was correct in that the current UDRP clearly does not give a panel that authority. But that does not mean that the possibility of provider bias, or even of the reasonable appearance of bias, is an issue that should be ignored.

The risk of a reasonable appearance of provider bias due to a preexisting relationship with a party is probably greatest with WIPO because it has a unique relationship with its members, and especially with member states. They are, quite simply, its masters. Under the circumstances, there is at least an appearance of impropriety, one fed by the obscurity of the WIPO arbitrator assignment policy and the existence of certain odd decisions.<sup>239</sup> Rules should be in place to avoid even the appearance of this sort of impropriety, and WIPO itself should not be asked to be the final judge in its own case.<sup>240</sup>

### 3. Leveling the Playing Field

No one can be expected to trust an arbitration provider whose long-term income depends on satisfying one side in disputes but not the other. The problem is not that complainants choose the forum, for that after all is no worse than ordinary forum shopping. Rather the problem is that the income of the arbitral institutions, and through them the arbitrators, is affected by plaintiffs’ lawyers’ views of the extent to which the dispute services provider tilts towards complainants. A judge’s pay remains the same however long the line at the courthouse; the same is in no way true of arbitrators and especially the arbitration service providers.

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<sup>238</sup> AFMA, Inc. v. Globemedia, No. D2001-0558 (WIPO Aug. 23, 2001), <http://arbiter.wipo.int/domains/decisions/html/2001/d2001-0558.html>.

<sup>239</sup> The leading example is the barcelona.com decision, see *supra* note 149, in which WIPO appointed a former high-ranking WIPO official to hear a matter involving his hometown.

<sup>240</sup> The issues with NAF are more systemic, and probably more serious. See *supra* text accompanying notes 207-12 (discussing NAF’s use of supplemental rules to become more complainant-friendly).

Fortunately, there are many simple and fair ways to reduce or even eliminate this source of real or apparent bias, although it is not as easy to find one that also creates some incentive for the arbitration service providers to compete on price. One easily implemented solution, which I nonetheless do not advocate, would be to assign all cases by lot. While simple to implement, this solution carries great disadvantages. For example, if one or more accredited providers is doing sub-standard work or charging unreasonably high prices, that provider would continue to get the same share of the randomly assigned cases. This seems unfair to everyone, albeit equally unfair to everyone.

Perhaps the best solution would be to ask the parties to agree to a provider, with the decision to be taken by lot if they cannot agree. Each party would be asked to list the providers it would be willing to accept, in order of priority. Since both parties would have equal say in the matter, the providers' incentive to please only one side would be greatly reduced. But even this solution has three problems. First, in order to prevent competition for the substantial number of default judgements, the choice of provider would be made by lot when the respondent failed to reply to the complaint. As noted above, lottery selection is far from ideal. Second, a priority list system would work better if there were more providers, but it works fairly badly in a system with only four providers. Suppose, for example, that it were the case that informed participants believed Providers A and B to be very biased for complainants and Providers C and D to be very biased for respondents. Informed complainants propose A, B, C, D; informed respondents propose D, C, B, A. The result is a stalemate, leading to random selection. Alternately, if parties are required to rank only the providers they approve of, A, B vs. C, D is also a stalemate. In such a world, in the short run at least, the system collapses to a pure lottery. A third problem is that since the providers currently handle the service of the complaint on the respondent, the respondent is not available to express an opinion as to who the provider should be until after the dispute service provider has already been chosen.

Alternately, the choice of a dispute services provider could be lodged in some third party. The ideal third party would be one that has a desire to respect the interests of both

parties, and the incentive and ability to stay informed about the relative capabilities, fees, and possible biases of the competing dispute providers. Such a paragon may not exist, but the registrars may be the closest thing to it. The registrar is well placed to promote price and service competition since it is the registrar's customers who will have to deal with the provider and who may be paying half the provider's fees. Registrars could either select a single provider who would be chosen for any disputes regarding domains they register, or they could present complainants with a list to select from.

Lodging the choice in the registry seems the best solution. It is not, however, without its critics. It might reasonably be objected that the registrars have an obvious interest in serving their customers, the registrants, but no particular incentive to consider the interests of potential complainants. Indeed, at the time the UDRP was being drafted, representatives of mark holders hypothesized that a rogue registry in some hypothetical unfriendly jurisdiction might join with a hypothetical rogue dispute provider and advertise itself as the pirate-friendly registry in order to attract business. In principle, this objection seems weak: given that ICANN has to accredit dispute providers, all it has to do is refuse to accredit a rogue provider, or remove its accreditation if it proves itself unworthy. Given current practice, however, the objection seems to have more force. ICANN has so far demonstrated a complete failure to monitor the activities of the dispute providers, and has taken no action when they write rules that are biased for plaintiffs. The most likely reason for that disinterest is that ICANN, which heavily represents trademark and other business interests, is not troubled by those rules, just as it was not troubled by the UDRP. The lobbies that dominate ICANN would be much quicker to demand action if the bias ran the other way, and were a rogue provider to materialize, one can reasonably expect that ICANN would be quick to take action against it.

#### 4. Finding a RDNH Prohibition with Teeth

The UDRP drafters were well aware that the document dismally failed to address the problem of frivolous claims brought to intimidate a legally untutored or resource-poor



registrant into surrendering a domain name, a tactic dubbed reverse domain name hijacking (“RDNH”). Representatives of mark holders considered the UDRP’s failure to do anything meaningful about RDNH to be a selling point; representatives of registrants were divided. Some said such a one-sided policy was too unfair, and that something should be done for victims of frivolous complaints. At the time, I argued that a slap on the wrist was preferable to awarding damages or costs for frivolous complaints because I wanted to preserve the principle that panels would only have the power to award a domain name. Since I suspected that the system would favor mark holders, if only because the bulk of arbitrators would be drawn from the trademark bar and would thus have a natural empathy for parties resembling their clients (which proved to be an accurate prognosis), I feared that any power to award costs would tend to fall most heavily on registrants. Furthermore, complainants almost always would be represented by counsel, while registrants might represent themselves because the short time limits would make it very difficult for them to locate Internet-competent attorneys. Moreover, since costs are always higher when you pay someone else, a fee-shifting rule would tend to favor the represented parties, i.e. the complainants. Most of all, however, I was worried that while the fees of \$1000 or so were trivial to large corporate complainants, even the threat of costs of this magnitude would intimidate many legitimate respondents who were unable or unwilling to risk thousands to defend a domain registered for under \$100.

The UDRP’s capriciousness has made RDNH even more attractive than I expected, and I now believe that something more must be done to reduce the incentive to bring frivolous claims. I still believe, however, that arbitrators should not have jurisdiction to award costs because the threat of costs would intimidate legitimate registrants. Furthermore, as the UDRP supposedly seeks to mirror existing rights for registrants rather than create new ones for complainants, imposing the “English rule” for costs on registrants from jurisdictions that use the “American rule” would violate that principle, at least as applied in the United States. The best solution I can envisage is to require some sort of surety bond from complainants, say \$5,000, to be awarded to the registrant only if the panel makes a finding of RDNH. Admittedly, a

disadvantage of this proposal is that it would impose a temporary capital cost on complainants and thus might make them less willing to file meritorious cases. The cost might fall particularly hard on complainants from less developed countries for whom \$5,000 might be a very large sum even for a small business. However, given that so many of the complainants are major corporations from Organization for Economic Cooperation and Development ("OECD") member nations who can part with \$5,000 during the pendency of the UDRP action, I do not think that this is currently a major concern.<sup>241</sup> Another alternative is to forgo having the money paid into a fund, and instead have the complainant agree to pay if the arbitrators require it. The difficulty here, of course, is that an unscrupulous complainant will not pay, and the sum may be too small for an effective transnational collection action.

An additional, but more easily solved, problem with § 15(e) as currently administered is that it allows complainants to bring abusive claims and yet escape the mild consequences of being branded with a finding of RDNH. Suppose Alice files an abusive complaint against Bob, in the hopes that he may surrender or default. Bob responds by paying for a three-member tribunal and making a RDNH claim under § 15(e). Upon receipt of the counter claim, Alice drops her case. If the withdrawal is without prejudice, Alice can do it again and subject Bob to more non-refundable arbitration fees. (NAF provides refunds to complainants who request three-member panels if the respondent defaults. However, if the respondent requests a three-member panel and the complainant drops the case there is no refund to the respondent.<sup>242</sup> The net effect of

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<sup>241</sup> Conceivably, at the cost of substantial administrative complexity, some sort of sliding scale could be worked out that took account of the assets of the complainant.

<sup>242</sup> NAF Supplemental Rule 16(c) provides that "Fees to be paid to the Forum as provided in these Supplemental Rules must be paid in U.S. Dollars and are non-refundable." However, Supplemental Rule 9 states:

(c) In cases where the Complainant requested a three-member Panel and no Response was submitted as required by Rule 5(a), the Complainant may be given the option of converting the three-member Panel to a single-member Panel:  
[ . . . ]

(iv) If a single-member Panel conducts the administrative hearing, the Complainant will be reimbursed \$1,000 of its hearing fee.

<http://www.arb-forum.com/domains/udrp/rules.asp> (last visited Mar. 27, 2002).

these two rules is to provide refunds to complainants for excess three-member panel fees but never to respondents. ) Even assuming the withdrawal is with prejudice,<sup>243</sup> it still denies Bob his chance to make the RDNH claim, or indeed to get some vindication for the sums billed by his lawyer.

A recent NAF arbitration panel, faced with this exact scenario in *Glimcher University Mall v. GNO*, held that it lacked jurisdiction to act on the RDNH claim after the complaint was withdrawn, because “[a] decision on reverse domain name hijacking is to be made in conjunction with a decision on the merits of a complaint.”<sup>244</sup> As the panel very forthrightly put it, “[t]he only remedies available under the Policy are for the benefit of a complainant.”<sup>245</sup> Proceeding on the basis of this rather one-sided, if perhaps accurate, assumption, the panel rejected the idea that a respondent’s request for a finding of RDNH is in the nature of a counterclaim since “the Rules place these issues before the panels in all cases.”<sup>246</sup> Oddly, the panel treated the RDNH finding as something a panel might do *sua sponte*, although the decision does not cite any examples of a panel doing so, and I know of none. Indeed, if the UDRP is “for the benefit of a complainant” *sua sponte* findings of RDNH are very unlikely.

One could be forgiven for thinking that UDRP Rule § 17(b) gives the panel all the authority it needs to make a RDNH finding even after a complainant attempts to withdraw a complaint. That rule states: “If, before the Panel’s decision is made, it becomes unnecessary or impossible to continue the administrative proceeding for any reason, the Panel shall terminate the administrative proceeding, unless a Party raises justifiable grounds for objection within a period of time to be determined by the Panel.”<sup>247</sup> Surely the respondent’s assertion that the claim was brought in bad faith “raises justifiable grounds for objection”? Indeed, it is hard to imagine what other “justifiable grounds for objection” a respondent might have.

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<sup>243</sup> *But see infra* text accompanying note 253.

<sup>244</sup> *Glimcher Univ. Mall v. GNO, Inc.*, No. FA0107000098010, (NAF Aug. 23, 2001), <http://www.arb-forum.com/domains/decisions/98010.htm>.

<sup>245</sup> *Id.*

<sup>246</sup> *Id.*

<sup>247</sup> UDRP Rules, *supra* note 18, § 17(b).

Unless the *Glimcher University Mall* decision can be dismissed as a fluke, the UDRP rules should be amended to close this loophole.

## B. *Proof and Decisions*

The drafters of the UDRP, myself included, did not think carefully enough about questions and mechanics of proof. This deficiency has become increasingly evident from practice under the UDRP. Furthermore, different views of what it means to carry a burden of proof in different legal systems have added an additional level of misunderstanding and confusion.

### 1. Allocating the Burden of Proof

The UDRP places on the complainant the entire burden of proof for the case in chief,<sup>248</sup> that is, the burden of showing that both the registration and use were in bad faith. Yet the UDRP fails to explain how a complainant meets this burden, what quantum of proof suffices to prove malicious intent, and to what extent respondents must carry the burden of proof, production, or persuasion to make out affirmative defenses.

#### a. *Meeting the burden*

A particularly contentious issue has been how a complainant meets the burden of showing that the respondent registered a name in bad faith.<sup>249</sup> In the paradigmatic cybersquatting case, where the name is offered for sale to the trademark owner, it is plausible to infer the bad intent from subsequent conduct. Some arbitrators, however, have succumbed to the temptation to cut corners and have found bad intent from mere registration without subsequent conduct, which unquestionably is not what the drafters of the UDRP

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<sup>248</sup> UDRP, *supra* note 2, § 4(a).

<sup>249</sup> See, e.g., Mitchell J. Matorin & Michael Boudett, *Domain Name Disputes: Cases Illustrate Limitations of ICANN Policy*, 45 BOSTON BAR J. 4 (2001) (complaining that burden is too great).

agreed upon, and runs counter to U.S. law, which holds clearly that mere registration, without more, is not cybersquatting.<sup>250</sup> Other arbitrators have found that the registration of some names is ipso facto proof of bad intent since there are some names that the arbitrator believed could never be registered in good faith by anyone other than the trademark holder—a view that is clearly incorrect as a matter of U.S. law, which frowns on rights in gross in any word.<sup>251</sup> It may be that the burden of proof needs to be clarified to explain that each element of the complaint must be proved separately, and to explain what qualifies as proof, although given the underdeveloped state of mind-reading technology, it would be reasonable to explicitly allow circumstantial evidence other than the nature of the name itself to prove intent at time of registration.

## 2. The Problem of Settlement Negotiations and Solicited Offers of Sale

Since the paradigmatic case of cybersquatting remains a domain offered for sale to a trademark holder, wily mark holders have developed new strategies for tricking domain name holders into actions that can then be cited as “evidence” of bad faith. The classic case is the solicited offer. The mark holder or her agent writes to the registrant, asking whether a domain is for sale, and how much it would cost. Registrant replies by saying “I’d sell for \$X.” This communication is then introduced as evidence of cybersquatting. A variant on this strategy is for mark holder to send a demand letter to

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<sup>250</sup> As the district court found, Toeppen traded on the value of Panavision’s marks. So long “as he held the Internet registrations, he curtailed Panavision’s exploitation of the value of its trademarks on the Internet, a value which Toeppen then used when he attempted to sell the Panavision.com domain name to Panavision.” *Toeppen*, 141 F.3d at 1325. And, “Toeppen made a commercial use of Panavision’s trademarks. It does not matter that he did not attach the marks to a product. Toeppen’s commercial use was his attempt to sell the trademarks themselves. Under the Federal Trademark Dilution Act and the California Anti-dilution statute, this was sufficient commercial use.” *Id.* at 1325-26. “Thus, while the mere reservation of a domain name per se does not constitute a commercial use sufficient to trigger the Lanham Act, the courts in the *Toeppen* case have stretched the law in order to reach the cybersquatter.” MCCARTHY, *supra* note 109, § 25:77; *see also* K.C.P.L., Inc. v. Nash, 49 U.S.P.Q.2d 1584 (S.D.N.Y. 1998).

<sup>251</sup> *See* David J. Franklyn, *Owning Words In Cyberspace: The Accidental Trademark Regime*, 2001 WIS. L. REV. 1251.

registrant in a case where there are genuine, perhaps complex, issues of concurrent use. The demand letter sparks settlement negotiations. mark holder, being unwilling to pay the possibly legitimate or possibly excessive price requested by registrant, chooses to invoke the UDRP and introduces the settlement correspondence as evidence.

At a minimum, the UDRP should be modified to include an evidentiary privilege for settlement negotiations after the receipt of a lawyer's demand letter. A party who seeks to introduce evidence of solicited offers that do not involve a demand letter (e.g., in response to a non-threatening email) should also be required to disclose any solicitation that triggered the offer in the same pleading. The rules should make clear that the full context of the correspondence is relevant to whether the offer to sell is a sign of bad faith. Barring all evidence of solicited offers although preferable, is probably politically infeasible, because mark holder representatives maintain they are concerned that the canniest cybersquatters will register names and then sit tight waiting for offers.

### 3. Special Rules Needed for Allegations of Common Law Marks

As a matter of principle, there is no reason to favor registered marks over common law marks when allowing mark holders to avail themselves of the UDRP. Both types of marks have similar rights and are equally harmed if subjected to cybersquatting. Experience has proved, however, that the light and quick procedures used in the UDRP are unsuited to determining whether a complainant has a common law mark in a term.<sup>252</sup> Without cross examination, expert testimony, and a greater inquiry into the facts than the current system allows, arbitrators have little choice but to shoot from the hip, and this increases the odds that they will miss. One simple solution would be to revise the UDRP to apply only to registered marks. Failing that, new procedures and rules of evidence (and

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<sup>252</sup> See, e.g., *Roberts v. Boyd*, No. D2000-0210; *Sade v. Quantum Computer Servs. Inc.*, No. D2000-0794; *Madonna v. Parisi and "Madonna.com."* No. D2000-0847; *Sting v. Urvan*, Case No. D2000-0596.

probably a new fee schedule to match them) need to be crafted to deal with the preliminary issue of whether the plaintiff has a common law mark at all.

Of course, the right to allege a common law mark should be limited to complainants trading in jurisdictions which recognize such marks. To give complainants from civil law jurisdictions that do not recognize common law marks a right to bring a UDRP case based on common law concepts would violate the basic precept that should always inform the UDRP. Its function is to mimic a subset of existing trademark law, not to create a new set of global trademark rights unsanctioned by the relevant legislatures.

#### 4. UDRP Decisions Should Be Final Within the System

At least one panel has invented, apparently out of whole cloth, the concept of a “dismissal without prejudice” under the UDRP in response to a respondent’s RDNH claim.<sup>253</sup> This idea, which finds no support in the UDRP itself, invites parties to keep on filing complaints until they either get it right, strike it lucky, find a compliant dispute services provider, or wear down their opponent. The UDRP is intended for truly clear cases of cybersquatting. If a party cannot make its case clearly enough or if the facts are complex, the matter belongs in court. It is bad enough that trademark owners get two bites at the apple—one in the UDRP and one in court. They do not need a whole barrel of bites before having to face a real judge. The rules should be amended to make it clear that complainants get only one try, before one provider.

#### 5. Avoidance of Joinder; Need for Joinder

The UDRP assumes that all proceedings will be one plaintiff against one defendant. Nevertheless, some providers have allowed cases to go forward against multiple defendants, notably in cases in which it was unclear which of the defendants had the domain name. Certainly if there is going to be joinder of this sort, the structure of the UDRP needs to be

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<sup>253</sup> See, e.g., *Kee Byrd Prods., Inc v. robinbyrd-men-for-men.com*, No. AF-0898 (eResolution Aug. 3, 2001), <http://www.disputes.org/eresolution/decisions/-0898.htm>.

reworked to provide for complex joinder questions. It would probably be better to avoid the effort, but only if a means could be found to make arbitration service providers follow the rules as they currently exist.

Worse, however, are the cases where two different complainants with arguable claims to a domain name bring actions before separate arbitration service providers, or even the same one, claiming the same domain name.<sup>254</sup> The UDRP needs a mechanism to recognize that such multiple claims exist, and to avoid giving a domain name to the first to reach the virtual courthouse either by consolidating the proceedings, or by aborting them all. Most multiple claimant cases are likely to be sufficiently complicated to be beyond the ability of as lightweight a process as the UDRP; those cases belong in court. This may be somewhat unfair to the claimants, especially if it results in a cybersquatter holding onto the name longer than he otherwise would, but the UDRP contains no principles that would allow an arbitrator to choose among two legitimate trademark holders, and the attempt to draft any such principles would be a nightmare.

#### 6. Complainants Should Take Their Two Bites In the Right Order

Whatever the merits of letting people unhappy with UDRP outcomes go to court, it is clearly undesirable to have parties dissatisfied with court decisions attempt to reverse them by filing a subsequent UDRP action. Astonishingly, this is what happened in the *Cello.com* case.<sup>255</sup> The holder of the “cello” trademark for high-end stereo equipment filed an action in federal district court against Storey, the holder of the *cello.com* domain name. After a published decision denying cross motions for summary judgment,<sup>256</sup> the parties reached a settlement and the district court dismissed the matter *with*

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<sup>254</sup> This alas is not a hypothetical case. The *ipx.com* domain name was the subject of simultaneous challenges from two different complainants, one of whom filed with WIPO, and the other with CPR. Compare WIPO D2002-0116 (*ipx.com* “Compliance Review Pending”) with CPR 0205 (*ipx.com* “Pending”).

<sup>255</sup> See *Storey v. Cello Holdings, L.L.C.*, 182 F. Supp. 2d 355 (S.D.N.Y. 2002).

<sup>256</sup> *Cello Holdings, L.L.C. v. Lawrence-Dahl Co.*, 89 F. Supp. 2d 464 (S.D.N.Y.2000).



*prejudice*. The trademark holder then invoked the UDRP and filed a complaint against Storey on the same facts. The (Canadian) arbitrator refused to recognize the U.S. federal court's dismissal "with prejudice" as *res judicata*.<sup>257</sup> He not only entertained the case, but *found for the complainant*, thus in effect reversing the district court.<sup>258</sup> Storey was forced to bring a new federal action, this time as plaintiff. Ultimately, however, the court not only found for Storey, but imposed Rule 11 sanctions against the trademark holder, finding that it "acted to harass Storey and to cause both unnecessary delay and needless increase in the cost of litigation." The district court judge stated, "Based on my familiarity with and supervision of the proceedings in this case as well as the first action, I have no doubt that Cello, with substantially greater resources than Storey, sought to wear Storey down."<sup>259</sup>

Allowing matters to go to the UDRP after they have gone to court almost ensures inconsistent outcomes of benefit to no one. The UDRP needs to be modified to make this impossible unless both sides explicitly consent.

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<sup>257</sup> The only possible defense for the arbitrator's conduct is that the trademark holder appears to have at least negligently and perhaps fraudulently mis-stated the procedural history of the case in its submissions. In the portion of the complaint form that asked for a description of "any other legal proceedings that have been commenced or terminated in connection with or relating to the contested domain name(s)," it stated:

This issue began with a Complaint filed 16 Oct. 1997 in the United States District Court for the Southern District of New York, 97 Civ. 7677. The case has dragged on for almost three years without resolution and with significant expense. Cello Holdings LLC voluntarily dismissed the case last month so as to avail itself of this dispute resolution policy which was not available at the time of the 1997 filing, thereby saving significant time and expense over the continued litigation.

*Storey*, 182 F. Supp. 2d at \_\_\_\_\_. This left out the key fact of the dismissal with prejudice.

<sup>258</sup> Cello Holdings v. Storey, Case No. Af-056, (e Resolution Dec. 21, 2000), <http://www.eresolution.com/services/dnd/decisions/0506.htm>.

<sup>259</sup> *Id.*

### C. *Time and Computation of Time*

#### 1. Notice and Attachments

As noted above, the UDRP not only fails to require actual notice, or even reasonable efforts calculated to achieve timely notice, but it unfairly starts the ridiculously short clock for a response when a complaint is sent, not when it is received.

The solution is simple. The period for responding should be at least tripled, and the clock should not start to run until the entire complaint has been received, or proof is made of efforts reasonably calculated to achieve actual notice of the entire complaint.<sup>260</sup> Furthermore, complainants should be penalized for using attachments to get around the word limits on complaints and doubly penalized for using paper attachments. A suitable penalty would be to extend the registrant's period to reply by five days for the first five pages of attachments—except for evidence of registration of the mark—and one day for each additional page, with double penalties for paper rather than digitized attachments.

Opponents to this solution might argue that, at least once there is actual notice, the current twenty-day period is sufficient for a response. After all, the *Federal Rules of Civil Procedure* offer a defendant in a civil case only twenty days to file a defense.<sup>261</sup> If this time period is good enough for the *Federal Rules*, it should be good enough for the UDRP. This argument is mistaken. First, as any practitioner knows, a substantive answer to a federal complaint is almost never made within the twenty days specified in the *Federal Rules*. In some courts, extensions of time are given liberally or agreed between the parties.<sup>262</sup> The UDRP does not allow this; indeed,

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<sup>260</sup> Since there is a genuine problem with false contact details provided for some infringing uses of domain names, itself circumstantial evidence of bad faith, it would be an over-reaction to require actual notice in all cases.

<sup>261</sup> See FED. R. CIV. PROC. 12(a).

<sup>262</sup> Indeed, there are incentives for the voluntary extension of time, among them the thought that time is a two-way street, and both sides may need extensions at one point or another in a long trial, and the desire not to give the judge the idea that one is deploying "scorched earth" litigation tactics.

it gives complainants every incentive to hope for a default. Second, as a practical matter, even without an extension of time, no federal court will grant a default judgment in twenty days.<sup>263</sup> Most importantly, the initial answer to a civil complaint in federal court ordinarily is more a matter of form than substance. A typical first reply will admit the most obvious facts not in dispute, and submit a general denial to everything else. A first reply is far from the last word, and ordinarily will be supplemented by various motions, amended pleadings, and the like. Indeed, the defendant's first reply frequently comes at a time when the party has yet to marshal the evidence and work out a theory of the case, much less plead it. In contrast, a respondent in a UDRP has to find counsel, gather evidence (some of which may be located in a foreign country and language if the validity of the complainant's trademark is uncertain), marshal his arguments, and file. The UDRP effectively gives a respondent only twenty days to do what would take several months in an ordinary federal lawsuit, even though the complainant has had as long to prepare as he wanted. Given this, even sixty days is quite a short period for the average respondent to mount a competent defense, and may be one factor that explains the current very high rate of respondent defaults.<sup>264</sup>

## 2. Removal of the NAF "Sandbag" Rule and Its ilk

The NAF "sandbag" rule<sup>265</sup> is one of the most pernicious examples of a provider's attempt to distinguish itself as plaintiff-friendly. A rule that allows a party to pay to put in a surprise pleading, perhaps with new factual allegations or even a new case in chief, is not a rule calculated to achieve justice. Allowing the other party to respond at additional cost is not much help. Either ICANN needs to decide that the rule violates the existing rules of procedure, or the rules of procedure need to be rewritten to ensure that if a party

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<sup>263</sup> Also, a default can be set aside for lack of notice. FED. R. CIV. PROC. 55(c), 60(b).

<sup>264</sup> On UDRP default rates and their causes, see Michael Geist, *Fundamentally Fair.com? An Update on Bias Allegations and the ICANN UDRP*, at <http://www.udrpinfo.com/resc/fairupdt.pdf> (last visited Apr. 22, 2002).

<sup>265</sup> See *supra* notes 202-05 and accompanying text.

introduces a supplemental brief of any kind, the other party, automatically and without extra payment, shall have an equal right to respond. More generally, ICANN needs to set up some continuing procedure by which someone can quickly hear complaints that a provider's supplemental rules violate the UDRP. Who that someone should be is a vexing question, however, as there is no reason to believe that ICANN itself has the energy or competence to do this.

### 3. Helping Respondents Find an Arbitrator

Respondents who have the opportunity to appoint an arbitrator need a better means to locate persons whose schedules permit them to accept the appointment. Otherwise the chance to appoint a member of the panel will be wasted. Ideally this appointment would be centralized in some manner to avoid the danger that litigants would "pollute" the pool of possible arbitrators by making improper *ex parte* communications as part of their inquiries.

### 4. Special Rules for Default Judgments?

Although the cause behind the high rate of respondent defaults is unclear, it may be that in some cases the respondent defaults are truly cybersquatted domains with false contact details, or hopeless facts. Thus, the default rate is a sign that the UDRP is working well. On the other hand, the constrained time limits and UDRP's poor service provisions may be preventing registrants with meritorious cases from mounting an effective defense. If fixing the time and notice problems noted above causes the default rate to fall substantially, we will have a good indication as to what originally caused that high default rate.<sup>266</sup> In any case, without more data it may be premature to advocate any special rules for default judgments other than to amend the rules to reiterate the complainant's burden of establishing a case whether or not there is a reply. I thought this burden was

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<sup>266</sup> It will not be absolute proof, since it is always possible that the clearest cases were litigated first.

obvious from UDRP ¶ 4(a), but in practice, this has not been clear to all arbitrators.<sup>267</sup>

The suggestive fact regarding defaults is that the default rate for cases filed with arbitration service provider eResolution before its demise was between ten and twenty percent lower than cases filed with competing providers. eResolution was also the only provider that delivers all the complainant's documents, including attachments, online. Respondents were also allowed to file all responsive pleadings and documents online.<sup>268</sup> eResolution's online filing system may have been sufficiently faster or more user-friendly than the substantially paper-driven systems used by competitors, facts that may have contributed to the complainants' bar's decision to shun it. Perhaps the UDRP should be changed to require all providers to migrate to fully online systems.

#### D. *Court Review*

##### 1. Ensuring Even Unequal Access to Court

Ensuring that registrants would have some sort of access to a judge after losing an arbitration was a critical element of the original compromise that produced the UDRP. As described above, WIPO's draft did a poor job of this; one of the major advances of the ICANN draft was that because it required only a filed complaint in a court of competent jurisdiction rather than an actual emergency injunction, it seemed to do better. Better, but not well: The UDRP timetable allows the mark holder to take as long as he wishes to file a complaint, then puts the respondent on a short timetable to respond. If the markholder loses the arbitration, he again has as long as he wishes to file in court; if the registrant loses, he has only ten days to block the name transfer. Meanwhile, the

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<sup>267</sup> I have had personal correspondence with UDRP arbitrators who expressed greatly varying views on this issue.

<sup>268</sup> See M. Scott Donahey, *The UDRP-Fundamentally Fair But Far From Perfect*, (2001), [http://www.brownwelsh.com/Archive/Donahey\\_UDRP.pdf](http://www.brownwelsh.com/Archive/Donahey_UDRP.pdf) (last visited Apr. 22, 2002).

struggle in the *Corinthians.com* matter<sup>269</sup> illustrates a problem that may reappear in other circuits and especially in other nations that do not create a specific right of action similar to that found in §1114 (2)(D)(v) of the ACPA. If a national court in a jurisdiction with an active population of domain name registrants were to follow the district court in the *Corinthians.com* case and hold that registrants have no way to bring a case after losing, it would break the fundamental fairness of the UDRP beyond repair.

## 2. Technical Amendments

As the drafters of the UDRP worked entirely in a private-law paradigm, we failed to consider what might happen if a sovereign party brought a claim. In particular, we failed to consider whether the consent to jurisdiction in the UDRP suffices to effect a waiver of sovereign immunity. I think it does, but this issue needs clarification.<sup>270</sup>

Another problem is how to head off the following procedural double feint by a determined and unscrupulous complainant.<sup>271</sup> Suppose a mark holder files a UDRP complaint, including the required admission of jurisdiction at, say, the registrar's location.<sup>272</sup> The mark holder then files a Lanham Act claim in federal court in his favorite jurisdiction. If the respondent loses the UDRP and chooses to file a declaratory judgment action within the ten-day period to stop the domain name transfer, the mark holder can force a dismissal of this action by informing the court of the previously-filed suit. After the ten days have lapsed, the mark holder can also dismiss the original UDRP action. Since both dismissals were without prejudice, the registrant can refile his action, but doing so will be too late to prevent the domain name transfer. Indeed, even if the registrant ultimately secured a declaration that the name was lawfully registered, the declaration would be meaningless because it provides no cause

<sup>269</sup> See *supra* notes 224-25 and accompanying text.

<sup>270</sup> Cf. *Virtual Countries, Inc. v. South Africa*, 148 F. Supp. 2d 256 (S.D.N.Y. 2001).

<sup>271</sup> Again, I am indebted to John Berryhill for this hypothetical.

<sup>272</sup> See UDRP Rules, *supra* note 18, §§ 3(b)(xiii), 1 (defining "mutual jurisdiction").

for the return of the domain name now registered by the mark holder. (Since the original registrant lacks a trademark, there would also be no grounds for a UDRP action.) Section 18 of the UDRP rules currently provides that:

In the event of any legal proceedings initiated prior to or during an administrative proceeding in respect of a domain-name dispute that is the subject of the complaint, the Panel shall have the discretion to decide whether to suspend or terminate the administrative proceeding, or to proceed to a decision.<sup>273</sup>

Revising this provision to *require* that the UDRP be halted if there are legal proceedings initiated prior to the UDRP should head off the procedural double feint.

Another amendment must address the problem of timely appeals from a judgment in a court of first instance. To allow a registrar to transfer a domain away from a registrant who loses an initial decision but makes a timely appeal risks making the appeal moot. If a party is prepared to file an appeal, perhaps within some deadline of the initial decision, that too should toll the name transfer for the same reasons as the filing of the initial complaint.

#### E. *The Language of the Agreement*

Holger Paul Hestermeyer has identified a fundamental problem with the UDRP that had previously escaped commentators.<sup>274</sup> An official text of the UDRP exists only in English. Many countries, however, have consumer protection laws that require all consumer contracts concluded within the jurisdiction to be in the local language in order to be valid and enforceable. This condition is not satisfied by the UDRP's requirement that the proceedings be conducted in the language of the registration agreement.<sup>275</sup> While this may not affect domain name registrations conducted across national boundaries, there are an increasing number of registrars around the world, and today consumers registering domain

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<sup>273</sup> UDRP Rules, *supra* note 18, § 18.

<sup>274</sup> Holger P. Hestermeyer, *The Invalidity of ICANN's UDRP Under National Law*, 3 MINN. INTELL. PROP. REV. 1 (2002).

<sup>275</sup> UDRP Rules, *supra* note 18, § 11(a).

names often have a local option. The absence of authorized and accepted translations of the UDRP means that registrars must either refer to the official English text or translate the UDRP into their native language. If they refer to the English text, they may make the agreement unenforceable against consumers in Germany, France, and other countries with similar language-related consumer protection laws.<sup>276</sup> If, on the other hand, the registrars do their own translation, they run the risk of introducing material variations from the English text. Any material variations open the registrars to accusations of breach of contract when the arbitrators use the English text, which arbitrators are required to do, since the contract specified the materially different text in the local language. The issue of translation is far from trivial, since there are a lot of languages, and ICANN presumably lacks both the funds and the skill to do the translations. Meanwhile, the parties with the money and the skill, such as WIPO, may lack the trust of important segments of the affected communities given WIPO's mandate to further the protection of intellectual property.<sup>277</sup>

#### F. *Auditing for Quality and Fairness*

ICANN has created a "task force" to review the UDRP.<sup>278</sup> This review is likely to prove difficult because key data are not easily available. One thing the task force should do therefore is take steps to ensure that the necessary data will be available in the future. Indeed, basic steps need to be taken to enhance the ability of outsiders to audit the performance of the UDRP. Without more data it is hard to monitor either the dispute providers or the arbitrators.

For example, one would like to be able to say something systematic rather than anecdotal about the quality (or lack thereof) of the decisions of the competing arbitration service providers. The decisions themselves do bear varying indicia of quality: clear decisions that follow from premises appear better

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<sup>276</sup> See Hestermeyer, *supra* note 274.

<sup>277</sup> See *supra* text following note 198.

<sup>278</sup> See ICANNWatch.org, *Names Council Selects UDRP Task Force Members*, at <http://www.icannwatch.org/article.php?sid=317> (Aug. 27, 2001). I am the representative of the non-commercial domain name holders' constituency on this Task Force.



than those that ramble, or appear to have been cut and pasted from earlier irrelevant cases.<sup>279</sup> But overt indicia of quality are not sufficient to prove that the decisions are right, especially if there are reasons to fear bias. Unfortunately, the current UDRP makes it difficult to attempt to measure bias in any systematic way because decisions are published without the parties' submissions; unlike courts, in which briefs are ordinarily open public records, the parties' UDRP submissions are private. Indeed, there is not even a requirement that the dispute service providers keep archive copies, not to mention any provision for what happens when providers go out of business. Not only does this make independent judgments difficult, but it makes any review by ICANN unlikely to be

meaningful.<sup>280</sup> Complaints and replies should be published online along with decisions, subject to redaction of confidential business information. Providers should be required to archive all briefs and exhibits for several years, and to make them available to researchers and others who want to study them.

<sup>279</sup> See Kieren McCarthy, *The Register*, *WIPO Disgraces Itself Over CelineDion.com*, (Feb. 23, 2001), <http://www.theregister.co.uk/content/6/17161.html>.

<sup>280</sup> The recent UDRP study by The Max Planck Institute, <http://www.intellecprop.mpg.de/Online-Publikationen/2002/UDRP-study-final-02.pdf>, falls into this trap: the evaluators looked at the decisions but without seeing the parties contentions it is impossible to make an informed decision as to whether the outcome is fair or not. Consider, for example, *Out2.com, Inc. v Rustom Corp.*, No. FA0010000095896 (NAF Dec. 20, 2000), <http://www.arbforum.com/domains/decisions/-95896.htm>. The entire discussion of the merits of the respondent's case is as follows: "Moreover, even if Respondent's late-filed Response were considered, the Panel finds that Respondent failed to show in that Response that Complainant would not be entitled to the requested relief." And the discussion of the reasons for denying a late filing are almost as conclusory:

Although Respondent contacted the Forum, after the deadline for filing a response, and asserted lack of notice, Complainant replied with documents showing such notice. . . . The record permits inferences that appropriate effort was made to give notice to Respondent at the addresses provided by Respondent. Respondent is required to provide correct addresses to the Registrar and if Respondent failed to do so, that does not place a higher burden on those dealing with Respondent to find it where it really is rather than where Respondent notified those dealing with it that it was located

*Id.* I defy anyone reading the above to make an informed judgment as to whether the arbitrator was right or not. There is more exposition in the decision regarding what complainant alleged on the merits, but even then the opinion mostly refers to it being supported by "evidence on the record" without telling what the evidence might be. See *id.*

Bias can manifest itself in very subtle ways. Suppose an arbitral body has 100 arbitrators in its stable. If the provider believes that some of them have a good-faith leaning in a particular direction, the provider can influence results by giving them a disproportionate number of cases, be it more or less than the average. Even if none of the arbitrators are biased, a provider can still subtly manipulate outcomes. Suppose there is a controversial issue of law where courts themselves are divided. An example might be what rights franchisees have to use trademarks belonging to franchisors in the absence of any explicit agreement covering the Internet or domain names.<sup>281</sup> Suppose a case raising this issue comes before a tribunal and an arbitrator rules for the franchisor, considering this to be the better view of the law. UDRP decisions are not precedent; a subsequent panel has no duty to follow it. However, a competent arbitrator is very likely to take a consistent view of contested legal questions from case to case. If the provider continues to select this arbitrator for cases involving franchisor/franchisee controversies, perhaps on the grounds of “experience with such matters,” the result is to lock in one view of a contested legal issue in a way that favors one side.

There is no question that a small number of arbitrators have heard a disproportionate number of cases and that others have heard very few.<sup>282</sup> The UDRP should require that arbitration service providers use neutral, documented, and transparent criteria to select the arbitrator for any given case.

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<sup>281</sup> Cf. Gaylen L. Knack & Ann K. Bloodhart, *Do Franchisors Need To Rechart The Course To Internet Success?*, 20 WTR FRANCHISE L.J. 101 (2001).

<sup>282</sup> See Geist, *supra* note 141. Speaking as an UDRP arbitrator, I have to say that I find one part of NAF’s response to the Geist article to be specious at best. NAF argued that the reason a small number of arbitrators decided the overwhelming majority of its uncontested cases (almost invariable for the complainant) and that certain other arbitrators had never been selected (those who had some history that suggested they might not be as deferential to complainants), is that uncontested cases are duller, and those arbitrators were generously taking on the extra burden. See Reuters, *Domain Disputes Don’t Get Fair Hearing, Study Says*, Aug. 20, 2001, <http://www.siliconvalley.com/docs/news/tech/073106.htm> (quoting Edward Anderson, managing director of the NAF, as saying, “A lot of people don’t want to do default cases. Not everybody wants to do uninteresting stuff.”). This is largely nonsense: uncontested cases are almost always much less work than contested ones, if only because there’s half as much to read, but they pay no less. Furthermore, I have it on the authority of a NAF panelist who has never had an uncontested case that he was never asked if he was willing to shoulder this “burden.”

Indeed, subject to the necessary limitations imposed by the need to select arbitrators fluent in the language of the proceedings and familiar with the relevant law, arbitrators in the qualified pool should be selected randomly. WIPO, for example, has never selected Dr. Milton Mueller, one of its arbitrators who happens to be the author of a report suggesting pro-complainant bias in the UDRP,<sup>283</sup> as the panelist in a sole-arbitrator case.<sup>284</sup> It is hard to imagine why this might be other than a fear it would be bad for business. One sees no such preference applied against arbitrators whose background or track record suggests they are happy to find for complainants.<sup>285</sup>

Finally, much greater thought needs to be given to how arbitrators are selected in the first place—and what it takes to get an arbitrator removed from a provider's list. No amount of random selection will suffice if a provider's entire list is drawn from a like-minded community of trademark lawyers with large institutional clients.

## CONCLUSION

The UDRP had a strange genesis. ICANN, supposedly a technical coordination body for a key part of the Internet, and undoubtedly a body without much legal expertise, based the UDRP on recommendations by WIPO, but made a considerable number of changes of its own. While the substantive parts of the UDRP received considerable attention before WIPO and ICANN, and may reflect as much consensus as could be achieved given the very rapid timeframe ICANN imposed, the procedural parts received far less scrutiny at all stages of the UDRP's evolution, and are not of high quality.

The UDRP can be seen as the latest part of a general move to shift dispute resolution towards ADR and away from traditional adjudication.<sup>286</sup> Online arbitration is relatively new,

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<sup>283</sup> See Mueller, *supra* note 141.

<sup>284</sup> Personal communication from Dr. Milton Mueller, February 12, 2002.

<sup>285</sup> The decision records of arbitrators can be examined at [UDRPinfo.com](http://www.udrpinfo.com), <http://www.udrpinfo.com> (last visited Mar. 27, 2002).

<sup>286</sup> See, e.g., European Commission, Commission Recommendation of Apr. 4, 2001 on the principles for out-of-court bodies involved in the consensual resolution of consumer disputes, (2000/310/EC) L 109/56; Gillian K. Hadfield, *Privatizing*

and new processes inevitably experience teething pains; for online ADR, it appears that these pains have been severe. As a recent study by Consumers International of thirty online arbitration providers put it, “consumers at present cannot and should not trust that alternative dispute resolution systems available online can offer adequate redress.”<sup>287</sup> Indeed, more traditional ADR, without the online component, has attracted much blame<sup>288</sup> as well as praise.<sup>289</sup>

Even viewed in this most generous context, however, the procedural design of ICANN’s UDRP has a number of special features that resulted in an especially unjust set of outcomes. Key decisions were made by unrepresentative groups or persons who were not subject to any democratic control, and the rules went into effect because of ICANN’s monopoly over technical aspects of the Internet, not because any legislature approved them.<sup>290</sup> Perhaps because the drafters, both in WIPO and in ICANN, attempted to model the substantive parts of the UDRP on an emerging international

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*Commercial Law*, REGULATION 40 (Spring 2001) (“By privatizing . . . we could gain the benefits of decentralized innovation and cost-reduction in the design of legal rules . . . . Privatization holds out the promise of reducing the cost and increasing the effectiveness of commercial law.”); Mark Seidenfeld, *An Apology for Administrative Law in “The Contracting State,”* 28 FLA. ST. U. L. REV. 215 (2000); see also ICC Electronic Commerce Project, Task Force on Jurisdiction and Applicable law in Electronic commerce, *ICC draft discussion paper on jurisdiction and applicable law in electronic commerce* (Apr. 12, 2001) (advocating increased e-ADR for B2C disputes).

<sup>287</sup> Consumers International, *Disputes In Cyberspace* 5), at [http://www.consumersinternational.org/campaigns/electronic/adr\\_web.pdf](http://www.consumersinternational.org/campaigns/electronic/adr_web.pdf) (2000) (on file with author).

<sup>288</sup> See, e.g., Chris A. Carr & Michael R. Jencks, *The Privatization of Business and Commercial Dispute Resolution: A Misguided Policy Decision*, 88 KY. L.J. 183 (1999-2000) (arguing that development of common law is threatened if too many business disputes are removed from court system); Paul D. Carrington & Paul H. Haagen, *Contract and Jurisdiction*, 1996 SUP. CT. REV. 331; Ronald J. Krotoszynski, Jr., *The New Legal Process: Games People Play and the Quest for Legitimate Judicial Decision Making*, 77 WASH. U. L.Q. 993 (1999); Jean R. Sternlight, *Panacea or Corporate Tool? Debunking the Supreme Court’s Preference for Binding Arbitration*, 74 WASH. U. L.Q. 637 (1996); Johanna Harrington, Comment, *To Litigate or Arbitrate? No Matter—The Credit Card Industry is Deciding for You*, 2001 J. DISP. RESOL. 101 (“consumers lose their legal protections in the credit industry when arbitration policies are favored over consumer credit protection policies”).

<sup>289</sup> See, e.g., Steven J. Ware, *Default Rules from Mandatory Rules: Privatizing Law Through Arbitration*, 83 MINN. L. REV. 703 (1999).

<sup>290</sup> Alternately, one might view the UDRP experience as tending to support Prof. Drahozal’s observation that “[a]rbitration clauses are most problematic when market constraints on opportunistic behavior are least effective.” Christopher R. Drahozal, “Unfair” Arbitration Clauses, 2001 U. ILL. L. REV. 695, 771.

consensus against cybersquatting, and especially on an emerging U.S. consensus exemplified by the *Toeppen* decision and later by the ACPA, the greatest flaws emerged in the newest parts of the UDRP—the procedural provisions. That these parts also received the least attention and open debate only exacerbated the problem.

The UDRP's procedural component needs reform. These reforms, at a minimum should include the following:

A. *Basic Fairness Issues*

The UDRP must be changed to remove any incentive for arbitration providers to be “plaintiff-friendly,” and to equalize both sides’ influence on the selection of the arbitrators, specifically:

- Plausible claims of arbitration-provider bias need an appropriate forum.
- Parties need an enhanced means to get information about arbitrators’ possible conflicts of interest and to act on that information.
- Complainants should be required to post a small bond that would be forfeited in the event of a finding that the complaint was brought in bad faith and constitutes an abuse of the administrative proceeding.
- Consumers should have access to an authoritative copy of the UDRP in their national language.
- Providers’ methods of recruiting and assigning arbitrators should be open and auditable. Some thought should be given to the issues of panelist training, qualification, and selection, especially with an eye towards ensuring a broad pool of arbitrators, and removing opportunities for provider manipulation of panelist selection.
- Complaints and replies should be published online along with decisions in order to increase confidence in the justice of outcomes, subject to redaction of confidential business information which should be segregated in limited exhibits. Providers should be required to archive all briefs and exhibits for several years, and to make

them available after a reasonable time to researchers and others who want to study them, with some provision for redaction of the most sensitive personal and financial data.

B. *Practice and Procedure Under the UDRP*

Arbitrators should be instructed even more explicitly as to what constitutes meeting the complainant's burden of proof.

- The UDRP should specify that neither settlement negotiations nor solicited offers of sale constitute evidence of registrant bad faith.
- Either the UDRP should spell out in some detail what sort of evidence will be considered proof of the existence of a common law mark, or the UDRP should be limited to registered marks.
- UDRP decisions should be final within the system—any complaint that elicits a reply should not be subject to a “dismissal without prejudice” that invites complainants to try and try again.
- The UDRP should not allow parties even to attempt to undermine a final decision on the merits by a court of competent jurisdiction.
- The rules should require actual notice or greater efforts reasonably calculated to achieve actual notice, especially in countries with inferior postal systems.
- Given that many respondents are consumers or small businesses, the minimum time to respond to a complaint should be increased to sixty days to reflect the amount of time it takes to locate and brief counsel, collect facts, and write a brief to which no amendments are permitted.
- Complainants should be penalized for filing lengthy attachments and exhibits in an attempt to evade word limits, and for submitting most non-digitized material. Either behavior should entitle complainants to extra time on a graduated scale depending on the severity of the offense.

- Providers need to be prevented from writing supplemental rules that violate the UDRP or unfairly favor either party. Parties need a means to challenge supplemental rules, and ICANN or some other party needs to be ready to decide these challenges quickly.
- Procedures need to be created to help unrepresented parties represent themselves more effectively, and especially to help them select an arbitrator for three-member panels.
- More investigation is needed into the causes of the high rate of default judgments and the extent to which these cases are being decided fairly.

### C. *Ensuring Equal Access to Courts*

One of the critical parts of the compromise that produced the UDRP was an assurance that if, as has proved too often to be the case, the arbitrators rendered an irrational judgment then either party would have the option of taking the matter to a court for de novo consideration. One of the major advances of the UDRP over the WIPO draft was that it attempted to create conditions in which a losing registrant had a chance—however cramped and rushed that ten-day window might be—to take the matter to court. If, for reasons akin to those set out in the *Corinthians.com* decision,<sup>291</sup> U.S. courts (or those of another major jurisdiction) were to close off access to the courts for de novo “appeals” of UDRP decisions, then the fundamental “parity of review” that underwrites whatever legitimacy current system has would be eliminated. Were this to happen, the UDRP would have to be completely revised, or even eliminated.

In addition to the more fundamental structural problems, the time line of the current system is already biased towards mark holders, who have as long as they want to prepare their UDRP claim, and as long as they want to bring their claim in court, subject only to the weak constraint of possible laches. In contrast, in the current system registrants

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<sup>291</sup> See *supra* notes 202-05.

have twenty days to respond to a UDRP claim, and only ten days to challenge an adverse UDRP decision. Telling registrants that they have twenty days to respond to a UDRP claim, and if they lose that's it (but if they win the other side can go to court) is so unfair that even the UDRP could not countenance it.

Or, at least, so one might hope. The UDRP is as bad as it is because primary drafting authority was in the hands of groups dominated by trademark partisans who were very, perhaps overly, concerned about cybersquatting. The initial drafter, WIPO, exists to promote intellectual property rights. The subsequent ICANN process was, and remains, captured by a coalition of trademark interests and other businesses who believed that they needed to appease the trademark interests to achieve their goal of getting clearance to create additional top-level domains. The conditions that caused the UDRP are still present today in the ICANN domain name servicing organization and the ICANN Board, so substantial reform from within the ICANN process is far from obvious. It remains the case that if you put a committee of foxes in charge of a chicken coop, you tend to get a lot of happy foxes and dead chickens.

#### D. *Lessons From the UDRP*

The UDRP experience has a few things to teach us more generally about the promise and perils of privatized law making and about law's relation to the Internet. ICANN requires all registrants in gTLDs such as .com to agree to a mandatory online dispute resolution process. It is often said, with some justice, that "code is law."<sup>292</sup> In the case of ICANN's UDRP, however, the code itself did not determine any particular outcome. Rather than code being law here, the code (or rather the Internet standards and practices that made control of the root critical), simply provided an opportunity for private lawmaking. Thus, the code or standard was more properly characterized as constitutional, or more precisely, a source of power akin to H.L.A. Hart's second order rules.<sup>293</sup>

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<sup>292</sup> See LAWRENCE LESSIG, CODE AND OTHER LAWS OF CYBERSPACE (1999).

<sup>293</sup> H.L.A. HART, THE CONCEPT OF LAW (1961).



Indeed, because ICANN imposed its rules on domain name registrants by contract, in the case of the UDRP “law is law” rather than “code is law.” The critical issue is who makes that law—who drafts the UDRP and who administers it. The key effect of the DNS code here is that it allows the law that controls to be private law—contract terms imposed by ICANN, ostensibly a private corporation, albeit with the advice of an international body and a government. Were it not for the chokepoint, the single point of failure, created by the hierarchy underlying the DNS, then the law would have been public law, imposed either by statute or by an international agreement, which would have required a very different adoption process, and likely would have had a different outcome. Due process, for starters.

## NOTES, CREDITS, DISCLOSURES

The ICANN process is noteworthy for the ease with which people toss around accusations of personal bias. Lengthy disclosures are thus essential. Here are mine: I participated in both the first WIPO Domain Name Process and in many of the ICANN deliberations that created the UDRP, giving me personal experience of the origins of the UDRP but also risking a skewed and partisan perspective. I served as a member of the purely advisory Panel of Experts empaneled by WIPO to assist it with its report. I disagreed with substantial portions of that final report and said so in A. Michael Froomkin, *A Commentary on WIPO's The Management of Internet Names and Addresses: Intellectual Property Issues*, at <http://www.law.miami.edu/~amf/commentary.pdf> from which portions of this paper are derived. I was also a member of the so-called "small drafting committee" that advised ICANN on the UDRP, see *Second Staff Report on Implementation Documents for the Uniform Dispute Resolution Policy*, § 2.4, at <http://www.icann.org/udrp/udrp-second-staff-report-4oct99.htm> (Oct. 24, 1999), although I have my differences with it as well. See A. Michael Froomkin, *Comments on ICANN Uniform Dispute Policy: A Catalog of Critical Process Failures; Progress on Substance; More Work Needed*, at <http://www.law.miami.edu/~amf/icannudp.htm> (Oct. 13, 1999). I was also director of [disputes.org](http://disputes.org), which, in partnership with [eResolution.ca](http://eResolution.ca), was until its demise one of the dispute resolution providers accredited by ICANN. Between the original submission of this Article and its going to press, [eResolution](http://eResolution.ca) folded, cited shrinking market share due to the complainants' bar's preference for providers they though would enhance their chances of winning. See David Post, *eResolution out of UDRP business*, <http://www.icannwatch.org/article.php?sid=484> (Nov. 30, 2001).

Currently, I am a representative to ICANN's UDRP Review Task Force. I am also a co-founder of [ICANNWatch.org](http://ICANNWatch.org), a group founded to increase awareness of ICANN's activities. The views expressed in this Article are my own and should not be attributed to the Task Force or to [ICANNWatch.org](http://ICANNWatch.org), or indeed anyone who does not affirmatively associate himself or herself with them.