DOMAIN NAME DISPUTE RESOLUTION: DEVELOPMENT AND PHILOSOPHY

by

Mark V. B. Partridge
Pattishall, McAuliffe, Newbury,
Hilliard & Geraldson
311 S. Wacker Drive
Suite 5000
Chicago, Illinois 60606
312-554-7922
mpartridge@pattishall.com

I. INTRODUCTION

Domain name disputes began to reach the courts in 1994. As the importance of the Internet as a commercial medium grew, the number of trademark disputes involving domain name grew accordingly. Unfortunately, the existing rules proved inadequate. This paper covers the background and philosophy leading to two developments to address the problem. The ICANN Uniform Dispute Resolution Policy (ICANN UDRP) seeks to resolve such disputes in a quick, cost-effective manner. The Anti-Cybersquatting Consumer Protection Act (ACPA) provides relief under federal law against bad faith registration of domain names.

II. THE DOMAIN NAME SYSTEM

There are two basic types of top level domains: generic and country code. Generic top level domains, or gTLDs, include .com (commercial), .edu (education), .org (organization), .net (network), .gov (government), .int (international), and .mil (military).

In addition to the generic TLD=s the domain name system hierarchy design included 249 country code TLDs (ccTLDs). The ccTLDs, include such top level domains as .uk (United Kingdom), .it (Italy) and .fr (France). It was the original intent of the system that ccTLDs would be used for local entities. While that has been the case in the majority of ccTLDs, there is a growing trend to operate ccTLDs as open systems which will accept registration from users in any location.

Over 200 ccTLDs accept registrations. In most cases, registration requires a local presence in the particular country. Over 80 ccTLDs, however, accept registrations without regard to location, and thus function in a manner similar to gTLDs. Some of these ccTLDs now promote themselves as alternatives to the A.com@ gTLD. For example, the Cocos Islands operates its national domain A.cc@ as a gTLD.

Recent information on the number of registrations in the gTLDs and ccTLDs is available on the Internet at http://www.domainstats.com. See Appendix. At the end of January 25, 2001, the total number of domain names registered worldwide was 35,158,339, nearly a ten fold

increase in two years. As of February 18, 2002, the total number of registrations had declined to 31,825,703, as registrants began to allow unused domain names to lapse.

III. DOMAIN NAME DISPUTES

As the commercial importance of the Internet increased, domain names and trademarks have come into conflict, a situation exacerbated by the fact that each domain name must be unique. Unlike the physical world, where identical trademarks can co-exist for different classes of products (*e.g.,* UNITED for airlines, moving vans, and a soccer team), on the Internet there can only be one Aunited.com.@

Some people believe the conflict between trademarks and domain names is also increased by the practice of registering domain names on a first come, first served basis, without an examination process or review.

The nature of the system leads to conflicts between legitimate users of the same name. For example, who should be entitled to the domain name ritz.com: Ritz Hotels, Nabisco RITZ crackers or RITZ cameras? The domain name nissan.com was originally held by Uzi Nissan, the operator of a computer business. Mr. Nissan had a legitimate reason for selecting the name, but his use nevertheless prevented the car manufacturer from using its famous mark as its own domain name.

The system also encourages persons without a legitimate interest in a domain name to register the names and marks of others for profit, either by selling the domain name to someone with a legitimate interest or by using the name to direct traffic to a site and increase advertising revenue.

There have been a wide variety of disputes involving domain names. Some of the disputes mirror problems encountered in the physical world. Others are situations unique to the Internet. The various types of disputes include:

Tarnishment. These cases involve the use of a trademark as the domain name for a site with content that damages the reputation of the trademark owner. For example, Hasbro Inc. v. Internet Entertainment Group Ltd., 40 U.S.P.Q.2d 1479 (W.D. Wash. 1996)(preliminary injunction granted against use of candyland.com domain name for sexually explicit web site); Toys AR@ Us Inc. v. Akkaoui, 40 U.S.P.Q.2d 1836 (N.D. Ca. 1996)(preliminary injunction granted against use of adultsrus.com to sell sexual devices and clothing over the Internet).

Infringement. Traditional disputes between a trademark and a domain name where there is a likelihood of confusion. For example, Comp Examiner Agency v. Juris Inc., 1996 WL 376600 (C.D. Ca. 1996)(preliminary injunction against juris.com domain name for legal software based on prior use of JURIS mark for law office management software).

Cyberjesters. Early disputes involving the registration of another=s name or mark as a domain name. See Joshua Quitner, *Billions Registered: Right Now. There Are No Rules to Keep You From Owning a Bitchin=Corporate Name as Your Own Internet Address. Wired,* Oct. 1994 (describing journalists acquisition of the domain name Amcdonalds.com@).

Cybersquatters. Persons who seek to profit from the registration of the names and marks of others. For example, Intermatic Inc. v. Toeppen, 947 F. Supp. 1227 (N. D. Ill. 1996)(Dennis Toeppen registers and offers for sale the domain name intermatic.com); Panavision Int=l L.P. v. Toeppen, 945 F. Supp. 1296 (C.D. Ca. 1996)(Toeppen enjoined from use of panavision.com).

Originally, Network Solutions, Inc. ("NSI") was the sole registrar for the .com, .org, and .net gTLDs. The types of problems involving domain names have led to law suits against the registrants and also against NSI. Trademark owners have challenged NSI=s granting of a domain name as contributory infringement. NSI has also received law suits from domain name holders faced with challenges from trademark owners.

NSI reacted to the growing number of disputes by adopting a dispute resolution policy that is easy to administer, but does not fully protect the legitimate interests of either domain name holders or trademark owners.

The NSI Policy, which went through several revisions, permitted the owner of a trademark registration to challenge an identical domain name. If the domain name holder could not show a prior registration, NSI would place the domain name on hold until the matter was resolved by settlement or court order.

Some members of the trademark and Internet communities believed the NSI policy was fatally flawed. For a thorough summary of the defects see the NSI Flawed Domain Name Policy Information page at http://www.patents.com/nsi.htm.

Trademark owners objected to the NSI policy because (a) NSI did not recognize claims based on common law rights; (b) NSI did not recognize claims based on similar but not identical rights; and (c) because expensive litigation might be required to obtain a transfer of the domain name if the registrant did not cooperate.

Domain name holders objected to the NSI policy because NSI honored claims based on a trademark registration without regard to the nature of the goods or services involved, permitting overreaching by trademark owners.

The NSI policy led to general dissatisfaction and a new class of disputes, known as Areverse domain name hijacking,@ in which domain name holders objected to the use of the NSI policy by a trademark owner to challenge the use of a domain name for unrelated goods or services. Examples include: Interstellar Starship Services, Ltd. v. Epix, Inc., 983 F.Supp. 1331 (D.Ore. 1997); Giacalone v. Network Solutions, Inc., (N.D. Ca. 1996).

The perceived problems with the NSI dispute policy led to various reform efforts involving proposed technical and legal solutions.

IV. INTERNATIONAL PROPOSALS FOR DOMAIN NAME SYSTEM REFORM

A. IAHC Proposals

The International Ad Hoc Committee (IHAC) was founded in 1996 to address concerns arising from the NSI policies.

The IAHC proposals included the introduction of new gTLDs and the creation of a dispute resolution procedure involving the use of Administrative Challenge Panels. The IAHC proposals did not effect the administration of the .com domain. The IAHC was dissolved on May 1, 1997, and the progress of its proposals was arrested by policy statements of the Clinton Administration calling for a new corporation to administer the existing gTLDs and for more study on dispute resolution.

More information about the IAHC and the resulting Generic Top Level Domain Name Memorandum of Understanding, or gTLD-MoU, is available at http://www.iahc.org and at http://www.gtld-mou.org

B. The Clinton Administration Proposals

On July 7, 1997, the Department of Commerce published a request for public comment seeking views of the public on the registration and administration of the domain names. See http://www.ntia.doc.gov/ntiahome/domainname/dn5notic.htm

On February 20, 1998, the National Telecommunications and Information Administration (NTIA) of the Department of Commerce published a proposed rule regarding the domain name registration system. Known as the AGreen Paper,@ the statement sought comment on the privatization of the domain name system.

On June 5, 1998, the Commerce Department issued the Management of Internet Names and Addresses (or "White Paper"), a Statement of Policy on the privatization of Internet Domain Name System.

The White Paper called for the formation of a new corporation to administer the gTLD domains and asks WIPO to convene an international process and submit recommendations to the new corporation.

C. ICANN

In October, 1998, The Internet Corporation for the Assigned Names and Numbers (ICANN) submitted a proposal to NTIA to administer the gTLD domains. ICANN was established by the Internet Assigned Names Association (IANA) through a process seeking to develop a consensus within the Internet community for private administration of the domain name system. Although other organizations also submitted proposals, it appears that the ICANN proposal has the broadest support. More information on ICANN is available at http://www.icann.org.

On November 25, 1998, the Department of Commerce signed a Memorandum of Understanding with ICANN. See http://www.ntia.doc.gov/ntiahome/domainname/domainhome.htm. The proposed By Laws, Interim Board and Articles of Incorporation can be found at http://www.ntia.doc.gov/ntiahome/domainname/proposals/icann/icann.htm

D. The WIPO Process

As a result of the request set forth in the White Paper, the World Intellectual Property Organization (WIPO) convened an international process to gather worldwide views on domain name disputes and has assembled a diverse Panel of Experts to advise WIPO during the process.

The final report on the WIPO Internet Domain Name Process entitled "Management of Internet Names and Addresses: Intellectual Property Issues" was published on April 30, 1999. The efforts of WIPO focused on four main areas: dispute prevention; dispute resolution; protection of famous and well-known marks; and the effect of introducing new gTLDs.

The WIPO recommendations covered five basic points:

(a) The rights and obligations between the domain name holder and registration authority should be controlled by a written contract.

(b) Domain name holders should be required to provide accurate and reliable contract information so that other parties can contact them in the event of a dispute.

(c) The domain name contract should require domain name holders to submit to an administrative dispute resolution process.

(d) There should be pre-emptive exclusions for famous and well-known marks.

(e) New gTLDs should be introduced cautiously, and only if the new domains are clearly differentiated and subject to meaningful dispute resolution procedures.

E. WIPO Dispute Policy Recommendations

WIPO recommended that the dispute policy focus on abusive domain name registrations. Final Report, 170. The definition of abusive registration recommended by WIPO was as follows (Final Report, 171):

The registration of a domain name shall be considered to be abusive when all of the following conditions are met:

(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.

For the purposes of paragraph (1)(iii), the following, in particular, shall be evidence of the registration and use of a domain name in bad faith:

(i) an offer to sell, rent or otherwise transfer the domain of the owner of the trade or service mark, for valuable consideration; or

(ii) 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

(iii) 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

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

A key feature of the WIPO philosophy was the premise that the Policy did not apply to ordinary infringement disputes, as explained below (Final Report, 172):

> "The cumulative conditions of the first paragraph of the definition make it clear that the 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. And, good faith disputes between competing right holders or other competing legitimate interests over whether two names were misleadingly similar would not fall within the scope of the procedure."

F. ICANN UDRP

May 27,1999, the ICANN Board adopted a resolution referring the recommendations of chapter 3 of the WIPO final report to the ICANN Domain Name Supporting Organization (DNSO). On August 20, 1999, a group of Registrars submitted a model Policy to ICANN, based largely on the WIPO recommendations. On October 24, 1999, the ICANN Board approves the Policy to become effective starting December 1, 1999.

The first proceeding under the ICANN UDRP commenced on December 23, 1999.

During the first year of operation, 2741 proceedings were commenced under the ICANN UDRP; and 1905 decisions were issued (1534 in favor of Complainant). As of February 14, 2002, 4313 proceedings had been resolved by decision (3432 resulting in transfer to the Complainant).

A number of ccTLD registrars have also adopted the Policy, including: .AC (Ascencion Island); .AG (Antigua & Barbuda); .AS (American Samoa); .BS (Bahamas); .BZ (Belize); .CC (Cocos Islands); .CY (Cyprus); .EC (Ecuador); .FJ (Fiji); .GT (Guatemala); .LA (Lao); .MX (Mexico); .NA (Namibia); .NU (Niue); .PA (Panama); .PH (Philippines); .PN (Pitcairn Island); .RO (Romania); .SH (St. Helena); .TT (Trinidad and Tobago); .TV (Tuvalu); .VE (Venezuela); .WS (Western Samoa).

The ICANN UDRP procedures were also adopted for the new gTLDs introduced in 2001: .info and .biz.

By most accounts, the ICANN UDRP has proven to be a cost-effective and efficient method of addressing domain name disputes, producing more equitable results than the prior NSI policy. Nevertheless, the Policy continues to face criticism, in part because the decisions have predominantly favored trademark owners over domain name registrants. See, e.g., Helfer and Dinwoodie, "Designing No-National Systems: The Case of the Uniform Domain Name Dispute Resolution Policy," William and Mary Law Review, vol. 43, no. 1 (October 2001).

G. ANTI-CYBERSQUATTING CONSUMER PROTECTION ACT

Concerns about the limitations of the Lanham Act to cybersquatting problems led to the enactment in November, 1999 of the Anticybersquatting Consumer Protection Act. 15 U.S.C. 1125(It created a cause of action against anyone who, with bad faith intent to profit from the mark, registers, traffics in, or uses a domain name that is identical or confusingly similar to a distinctive trademark, or is identical or confusingly similar to or dilutive of a famous mark.

The statute contains a non-exhaustive list of factors that a court may consider in determining whether there is bad faith, including:

(1) any trademark or other intellectual property rights the alleged violator has in the domain name;

(2) whether the domain name is a legal name of the alleged violator or a name commonly used to identify them;

(3) the alleged violator's prior use of the domain name in connection with a bona fide offering of goods or services;

(4) the alleged violator's intent to create likely confusion and divert customers from the mark owner either for commercial gain or to tarnish or disparage the mark;

(5) any offer by the alleged violator to sell or transfer the domain name rights either to the trademark owner or a third party;

(6) the alleged violator's use of false or misleading contact information when applying for registration;

(7) the alleged violator's registration or acquisition of multiple domain names that the registrant knows are identical or confusingly similar to the distinctive marks of others or dilutive of others' famous marks; and

(8) the alleged violator's legitimate non-commercial or fair use of the domain name in a site accessible under the domain name.

The statute allows a court to order the forfeiture or cancellation of the domain name or the transfer of the name to the trademark owner. In addition to the traditional monetary remedies available under the Lanham Act, this amendment also provides for elective statutory damages ranging from $1000 to $100,000 per domain name. The Act applies even to domain names registered before its passage, but the complainant cannot recover damages for pre-Act activities.

V. CONCLUSION

The Internet poses great challenges and opportunities. It is a considerable challenge to adapt our existing, territorial laws of intellectual property to a global communication and commercial medium that has no boundaries. We need to find a balance between the protection of intellectual property rights, which is necessary if the Internet will reach its full potential as a virtual marketplace, and universal access, which is necessary if the Internet is to reach its full potential as a communications medium. That challenge creates the opportunity to develop international systems for resolving disputes in a way that encourages growth of the Internet. The challenge can best be met through the thoughtful application of traditional trademark principles developed by the courts through the years as they seek to accommodate the competing interests of property protection, competition and free speech. The ICANN UDRP is a positive, cost-effective mechanism for revolving domain name disputes.