

Briefing Paper

Emerging Patterns in Arbitration under the Uniform Domain-Name Dispute-Resolution Policy

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Introduction

The Uniform Domain-Name Dispute-Resolution Policy ("UDRP") provides a mechanism for the resolution of disputes between domain name owners and trademark holders claiming that the domain name infringes on their trademark. Designed to provide a relatively quick, efficient, low cost alternative to initiating infringement or dilution litigation, the UDRP allows a trademark holder to challenge any domain name deemed confusingly similar or identical to their mark.¹ Before the UDRP went into affect, most trademark-based domain name disputes were resolved by agreement, court action, or arbitration.² Disputes over allegations of abusive registration can now be resolved under the UDRP when the trademark owner files a complaint with an approved dispute resolution service provider.³

Implemented by the Internet Corporation for Assigned Names and Numbers ("ICANN") on January 3, 2000, the UDRP appears to be a success based on the results it has produced in the last 19 months.⁴ To date only 7.5 percent of the 4,320 administrative proceedings initiated under the UDRP are still pending, with approximately 81 percent of all proceedings disposed of by a decision, and just under 11 percent disposed of without a

¹ See Sally M. Abel, *eVolution or Revolution? Trademark Law on the Internet* (visited Sep. 15, 2001), available at <http://www.fenwick.com/pub/ip_pubs/Trademarks_&_Internet/Trademark_&_Internet.htm>.

² See J. Kevin Grey, *UDRP - The First Nine Months* (visited Sep. 15, 2001) available at <<http://www.jgsolutions.com/material/articles/esign.pdf>>.

³ See *id.*

⁴ See ICANN, *Timeline for the Formulation and Implementation of the Uniform Domain-Name Dispute-Resolution Policy* (visited Aug. 28, 2001), available at <<http://www.icann.org/udrp/udrp-schedule.htm>>.

decision (settled or dismissed).⁵ These proceedings have led to the resolution of disputes involving 7,532 domain names.⁶ Roughly 64 percent of all decided cases resulted in at least one domain name being transferred to the complainant (the owner of the trademark).⁷ The domain name holder (the respondent) prevailed in less than 16 percent of the decided cases.⁸

In spite of its apparent success, the UDRP has been the subject of significant criticism on a variety of issues. The first goal of this Note is to examine these criticisms, focusing on the institutions and procedures of the UDRP to determine whether this criticism is warranted based on decisions the UDRP has produced. A second goal is to examine the interaction of the UDRP with established legal institutions. This will be accomplished by discussing the impact of international variations in trademark law on the operation of the UDRP as well as the stance American courts have taken on the UDRP's role in the American legal system. The final goal of this Note is to discuss the future of the UDRP: examining potential problems for the policy and whether the UDRP will be able to resolve these and other issues as they arise.

The Policy

The UDRP requires that most trademark-based domain name disputes be resolved by agreement, court proceedings, or arbitration before a registrar cancels, suspends, or transfers a domain name.⁹ This policy is followed by all registrars in the .biz, .com, .info,

⁵ See ICANN, *Statistical Summary of Proceedings Under Uniform Domain Name Dispute Resolution Policy* (visited Aug. 30, 2001) available at <<http://www.icann.org/udrp/proceedings-stat.html>>.

⁶ See *id.*

⁷ See *id.*

⁸ See *id.*

⁹ See ICANN, *Uniform Domain-Name Dispute-Resolution Policy, General Information* (visited Aug. 28, 2001), available at <<http://www.icann.org/udrp/>>.

.name, .net, and .org top-level domains.¹⁰ The UDRP provides for the initiation of expedited administrative proceedings for disputes purportedly arising from "abusive registrations" of domain names when the owner of a trademark right files a complaint with a dispute resolution services provider approved by ICANN.¹¹ There are currently four ICANN-approved dispute resolution services providers: eResolution ("eRes"); The National Arbitration Foundation ("NAF"); CPR Institute for Dispute Resolution ("CPR"); and the World Intellectual Property Organization ("WIPO").¹²

Under the UDRP domain name owners are required to submit to mandatory administrative proceedings if a third party claims that (1) the domain name is confusingly similar or identical to a trademark or service mark owned by the third party claimant; (2) the owner has no rights or legitimate interests in the domain name; and (3) the domain name was registered and is being used in bad faith.¹³ The complainant is required to prove that each of these elements is present in the administrative proceeding.¹⁴ Bad faith registration and use of the domain name can be demonstrated by showing that the owner (1) registered or acquired the domain name with the intent to sell, rent, or otherwise transfer the domain name to the complainant at a cost in excess of documented out-of-pocket costs attributable to the domain name; (2) registered the domain name to prevent the owner of the trademark or service mark from using the mark in a corresponding domain name; (3) registered the domain to disrupt the business of a competitor; or (4) used the domain name to intentionally attract users to their site by creating a high

¹⁰ *See id.*

¹¹ *See id.*

¹² *See* ICANN, *Approved Providers for Uniform Dispute Resolution Policy* (visited Aug. 28, 2001) available at <<http://www.icann.org/udrp/approved-providers.htm>>.

¹³ *See* ICANN, *Uniform Domain Name Dispute Resolution Policy*, Paragraph 4(a) (visited Sep. 2, 2001) available at <[http:// http://www.icann.org/udrp/udrp-policy-24oct99.htm](http://http://www.icann.org/udrp/udrp-policy-24oct99.htm)>.

¹⁴ *See id.*

probability of confusion with the complainant's mark regarding the source, sponsorship, affiliation or endorsement of a site, product, or service.¹⁵ These circumstances in particular are considered demonstrative of registration and use in bad faith, but potential evidence is not limited to these circumstances.¹⁶

Accused domain name owners can demonstrate their rights and legitimate interests in their domain by providing evidence of (1) use or demonstrable preparations for use of the domain or a name corresponding to the domain name in connection with a legitimate offering of goods and services before the domain owner was notified of the dispute; (2) common knowledge of the owner being known under the domain name, even absent trademark or service rights; or (3) a legitimate noncommercial or fair use of the domain name with no intent for commercial gain to misleadingly divert consumers or tarnish the complainant's trademark or service mark.¹⁷

The dispute resolution service provider is usually selected by the complainant, who also typically pays the service provider's fees.¹⁸ The only remedies available to the complainant are the cancellation or transfer of the domain name registration.¹⁹ Either party is free to submit the dispute to a court before or after the hearing.²⁰ If a domain name is ordered to be transferred or canceled, the owner is given 10 days to file suit.²¹

Comments and Criticisms on the UDRP

While parties have used the UDRP to resolve 4,320 domain name disputes to date, it has also been the subject of significant criticism on a variety of issues. Some

¹⁵ *See id.* Paragraph 4(b).

¹⁶ *See id.*

¹⁷ *See id.* Paragraph 4(c).

¹⁸ *See id.* Paragraph 4(d), (g).

¹⁹ *See id.* Paragraph 4(i).

²⁰ *See id.* Paragraph 4(k).

²¹ *See id.*

critics argue that the current UDRP does not do enough to protect the rights of trademark holders.²² One example of this line of criticism is the claim that the UDRP must do more to protect country names.²³ South Africa has been one of the most vocal advocates on this front, seeking amendments from WIPO which it hopes will be added to a revised policy.²⁴ A similar issue was raised in *City of Salinas v. Brian Baughn*, a NAF proceeding in which the city of Salinas, California was unsuccessful in seeking the transfer of the domain names <cityofsalinas.com>, <cityofsalinas.net>, and <cityofsalinas.org>. The NAF panel found that the unregistered mark City of Salinas did not perform the function of a trademark, as it was merely descriptive of a geographical location and did not act as a "unique source identifier" that would qualify for trademark protection.²⁵

WIPO addressed the protection of "Geographical Indications, Indications of Source and other Geographical Terms" in "The Interim Report of the Second WIPO Internet Domain Name Process," suggesting possible modifications to the UDRP to increase protection for these types of domain names.²⁶ While this report suggests a number of avenues for protecting geographical terms and locations, increased protection for these kinds of domain names would appear to require extensive modification of the UDRP and thus appears unlikely to be forthcoming in the near future.²⁷

At the opposite end of the spectrum, a number of critics argue that the UDRP is biased in favor of trademark holders, who are typically the complainants in domain name

²² See Michael Geist, *Fair.Com?: An Examination of the Allegations of Systematic Unfairness in the ICANN UDRP*, Page 2 (visited Sep. 2, 2001) available at <<http://aix1.uottawa.ca/~geist/geistudrp.pdf>>.

²³ See *id.* Page 3.

²⁴ See *id.* Page 3.

²⁵ See *City of Salinas v. Brian Baughn*, NAF Case No. FA0104000097076 (2001) (Diaz, Presiding Panelist) available at <<http://www.arbforum.com/domains/decisions/97076.htm>>.

²⁶ See *The Interim Report of the Second WIPO Internet Domain Name Process, The Possible Modification of the UDRP*, (visited Sep. 2, 2001) available at <<http://wipo2.wipo.int/process2/rfc/rfc3/report.html#v>>.

²⁷ See *id.*

disputes.²⁸ While cases such as *Gordon Sumner, p/k/a Sting v Michael Urvan*, in which the domain name owner defeated a complaint by the famous musician Sting by showing that he had used "Sting" as his nickname on the internet for 8 years have received significant attention, respondents have, as a whole had limited success in UDRP proceedings.²⁹ Currently domain name holders are victorious in less than 16 percent of all decided cases.³⁰

One argument made by these critics is that allowing the complainants to pick the dispute resolution service creates a competitive environment in which complainants pick the arbitration service that appears most likely to rule in their favor.³¹ The two service providers who most often rule in favor of complainants (WIPO and NAF) handle significantly more of these disputes than eResolution, which generally produces the least favorable outcomes for complainants.³² Fifty-two percent of all domain name disputes are resolved by WIPO while NAF handles 34 percent, with eResolution handling only seven percent of the case load and relative newcomer CPR only one percent.³³ While there are some price differences between service providers, the cost of a complaint for a single panelist case over a single domain ranges from US\$950 (NAF) to US\$1500 (WIPO), thus it seems unlikely that cost is a major influence as the most expensive provider hears the

²⁸ See Michael Geist, *Fair.Com?: An Examination of the Allegations of Systematic Unfairness in the ICANN UDRP*, Page 3 (visited Sep. 2, 2001) available at <<http://aix1.uottawa.ca/~geist/geistudrp.pdf>>. See also Justin Kelly, *ICANN Board Member Calls for End to Domain Dispute Policy* (viewed on Sep. 2, 2001) available at <[http://www.adrworld.com/opendocument.asp?Doc=RLAb9bVdD0&code=](http://www.adrworld.com/opendocument.asp?Doc=RLAb9bVdD0&code=TvqDOdFE)

[TvqDOdFE](http://www.adrworld.com/opendocument.asp?Doc=RLAb9bVdD0&code=TvqDOdFE)>.

²⁹ See *Gordon Sumner, p/k/a Sting v Michael Urvan*, D2000-0596 (WIPO, July 20, 2000) available at <<http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0596.html>>.

³⁰ See ICANN, *Statistical Summary of Proceedings Under Uniform Domain Name Dispute Resolution Policy* (visited Aug. 30, 2001) available at <<http://www.icann.org/udrp/proceedings-stat.html>>.

³¹ See *id.* Page 4.

³² See Michael Geist, *Fair.Com?: An Examination of the Allegations of Systematic Unfairness in the ICANN UDRP*, Page 3 (visited Sep. 2, 2001) available at <<http://aix1.uottawa.ca/~geist/geistudrp.pdf>>.

³³ See *id.* Page 7.

majority of the cases.³⁴ Complainants are successful in 82.2 percent of WIPO proceedings and in 82.9 percent of NAF proceedings, while achieving a successful outcome only 64 percent of the time with eResolution and only 59.1 percent of the time with CPR.³⁵

Based on the correlation between successful outcomes for complainants and selection of dispute resolution services, it seems probable that the likelihood of success plays a role in which provider is chosen.³⁶ This has raised serious concerns over potential bias on the part of providers and has prompted some commentators to allege that service providers deliberately assign the panelists they believe are most likely to rule in favor of complainants.³⁷

The UDRP vs. The Legal Establishment

While the UDRP has been used to resolve a significant number of domain name disputes, the abuse of domain name registration by so-called cybersquatters remains a significant problem.³⁸ One major obstacle for the UDRP is finding a way to overcome the differences in laws among countries. For example, one of the primary roadblocks for increased protection for the names of geographic locations is that countries would have to harmonize how they protect geographic location names before sweeping reforms could be made to protect these names.³⁹ Similar problems arise in seeking to protect the names

³⁴ See *id.* Page 3-4.

³⁵ See *id.* Page 7.

³⁶ See *id.* Page 7

³⁷ See *id.* Page 7.

³⁸ See Steven Bonisteel, *WIPO Sees No Quick Fix for Domain-Name Grab* (visited Sep. 4, 2001) available at <<http://www.newsbytes.com/news/01/169710.html>>.

³⁹ See *id.*

of famous individuals, political figures, and groups of people as the international legal framework is far less developed for this area than it is for the protection of trademarks.⁴⁰

Domain name disputes remain a relatively novel concept for the court systems of most countries. In fact, most countries have yet to have a domain name dispute heard in their courts.⁴¹ Despite the international characteristics of the Internet, courts in most countries have not had any difficulty asserting jurisdiction over domain name disputes, even when the domains are held by non-residents outside the country.⁴² Enforcing these decisions however, has proven more difficult.⁴³ With 80 percent of the world's domain names registered in the United States, which is also home to the majority of the world's cybersquatters, most foreign court decisions on domain name disputes have proven to be unenforceable.⁴⁴ These factors have combined to make obtaining the resolution of domain disputes an expensive proposition for foreign mark owners.⁴⁵

Along similar lines, the role of the UDRP in resolving domain name disputes brought in American courts came to the forefront in *Weber-Stephen Products Co. v. Armitage Hardware and Building Supply, Inc.*, as the U.S. District Court for the Northern District of Illinois became the first U.S. court to consider the legal affect of UDRP decisions in American courts.⁴⁶ The plaintiff, the manufacturer of Weber Grills, initiated a UDRP proceeding against Armitage regarding several domain names and then filed a

⁴⁰ *See id.*

⁴¹ Diane Cabell, Esq., *Foreign Domain Name Disputes 2000* (visited Sep. 14, 2001) available at <<http://www.mama-tech.com/foreign.html>>.

⁴² *See id.*

⁴³ *See id.*

⁴⁴ *See id.*

⁴⁵ *See id.*

⁴⁶ *See* Sally M. Abel, *eVolution or Revolution? Trademark Law on the Internet* (visited Sep. 15, 2001), available at <http://www.fenwick.com/pub/ip_pubs/Trademarks_&_Internet/Trademark_&_Internet.htm>. *See also Weber-Stephen Products Co. v. Armitage Hardware and Building Supply, Inc.*, 2000 U.S. Dist. LEXIS 6335; 54 U.S.P.Q.2D (BNA) 1766 (N.D. Ill. 2000).

lawsuit claiming cyberpiracy and trademark infringement the next day.⁴⁷ The court ultimately stayed the case pending the outcome of the UDRP proceeding, finding that it would not be bound by a UDRP panel decision.⁴⁸ The court based its opinion on the ICANN policy and language in an e-mail to the domain name holder from WIPO stating that UDRP panel decisions are not binding on courts, although a court may give the decision whatever weight it deems appropriate.⁴⁹ Although the court held that neither the UDRP nor its governing rules dictate what weight courts should give a panel's decision, the court declined to determine the exact standard by which it might ultimately review the result of a UDRP proceeding, and what, if any, deference a panel decision would be entitled to.⁵⁰

Challenges and Changes: Key Issues for the Future of the UDRP

As the new .info and .biz top level domains prepare to go on-line reform and modification of the UDRP has become the focus of much debate. Internet domain registrars will be using a modified version of the UDRP to settle disputes over these new domains.⁵¹ NueLevel, the administrator of the .biz domain and Afilias, administrator of the .info domain are currently processing applications for these new domains.⁵² While administrators have modified the UDRP in search of the best method for resolving disputes over these domains, controversy has arisen over how the .biz domains will be

⁴⁷ See Sally M. Abel, *eVolution or Revolution? Trademark Law on the Internet* (visited Sep. 15, 2001), available at <http://www.fenwick.com/pub/ip_pubs/Trademarks_&_Internet/Trademark_&_Internet.htm>.

⁴⁸ See *id.*

⁴⁹ See *id.*

⁵⁰ See *id.*

⁵¹ See Justin Kelly, *Domain Registrars to Use 'Modified' UDRP For New Extensions* (visited Sep. 2, 2001) available at <<http://www.adrworld.com/opendocument.asp?Doc=ppgpKKB9Mi&code=Tvq DOdFE>>.

⁵² See *id.*

distributed.⁵³ A lawsuit has been filed alleging that NueLevel's methods for determining who gets a domain name when several applicants seek the same name constitutes an illegal lottery.⁵⁴ Under the NueLevel policy, if several applicants seek the same name a winner is randomly chosen at the end of the interim period in which applicants are allowed to pay a fee to reserve the rights to a name.⁵⁵ Applicants can submit multiple entries to increase their chances of winning, but they are not informed of their chances for success.⁵⁶ The challengers of this policy claim that this method represents an illegal lottery because "applicants who are not awarded the addresses they apply for will not get their money back."⁵⁷

The controversy over the .biz procedures highlights problems with one alternative to the current UDRP, but this is far from the only alternative to the policy's present incarnation. ICANN itself is looking at possible modifications aimed at improving the UDRP's ability to arbitrate disputes over domain names that infringe on personal names, trade names, or geographical locations.⁵⁸ Calls for change to existing policies and procedures have not been limited to the UDRP, with members of the Internet community pushing for more influence over ICANN and a greater voice for their concerns in ICANN decisions.⁵⁹

A final key issue for the future of the UDRP will be how the policy and those who apply and administer it adapt to new issues as they arise with new advances in

⁵³ See The Economic Times, *New .biz Internet Domain Faces Legal Challenge* (viewed Sep. 2, 2001) available at <<http://www.economictimes.com/today/27tech22.htm>>.

⁵⁴ See *id.*

⁵⁵ See *id.*

⁵⁶ See *id.*

⁵⁷ See *id.*

⁵⁸ See Tony Kreindler, *WIPO Launches Talks to Expand Domain Name Dispute Policy* (viewed on Sep. 3, 2001) available at <<http://www.adrworld.com/opendocument.asp?Doc=UZREIfSyuT&code=TvqDOdFE>>.

⁵⁹ See Associated Press, *ICANN May Limit Public Input* (viewed Sep. 12, 2001) available at <<http://investor.cnet.com/investor/news/newsitem/0-9900-1028-7119960-0.html?tag=ats>>.

technology. If the UDRP cannot be adapted to respond to new problems, then it will cease to be a viable long-term solution to resolving trademark-based domain name disputes. For example, the UDRP has had difficulty dealing with the relatively new concept of reverse domain name hijacking, which the policy defines as "using the Policy in bad faith to attempt to deprive a registered domain name holder of a domain name."⁶⁰ In *Glimcher University Mall v. GNO, Inc* the NAF panel refused to consider a respondent's charges of "reverse domain name hijacking" after the complaint had been withdrawn, holding that a "decision on reverse domain name hijacking is to be made in conjunction with a decision on the merits of a complaint."⁶¹ This decision seems to significantly limit when a respondent can make a reverse domain name hijacking claim and provides further evidence of the UDRP's inability to adapt to problems outside the lines of traditional cybersquatting.⁶²

Conclusion

While the goals and methods of the UDRP appear to be straightforward, a number of complex issues have come to light as the UDRP becomes entrenched as a force for resolving domain name disputes. As critics clamor for changes to current policies they perceive as inequitable, countries are grappling with the impact of UDRP panel decisions and policies on their court systems. While these events unfold domain name disputes continue to take on new characteristics and become more complex, all but requiring

⁶⁰ See ADRWorld.Com, *ICANN Panel Refuses to Consider Claims After Withdrawal* (viewed on Sept 3, 2001) available at <<http://www.adrworld.com/opendocument.asp?Doc=eM1J0j5RIY&code=TvqDOdFE>> (discussing *Glimcher University Mall v. GNO, Inc*, 2001, NAF No. FA0107000098010 in which the NAF dealt with the issue of reverse domain name hijacking for the first time).

⁶¹ See *Glimcher University Mall v. GNO, Inc*, 2001, NAF No. FA0107000098010 available at <<http://www.adrworld.com/opendocument.asp?Doc=ciG8w3zUqp&code=MgDBAiFo>>.

⁶² See ADRWorld.Com, *ICANN Panel Refuses to Consider Claims After Withdrawal* (viewed on Sept 3, 2001) available at <<http://www.adrworld.com/opendocument.asp?Doc=eM1J0j5RIY&code=TvqDOdFE>>.

modifications to the current policy if the UDRP is to remain a functional system for dispute resolution. This note examines each of these issues, discussing the merits and problems of the current system and identifying key issues the UDRP must deal with to remain viable for the future.