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Domain Name Arbitrations

Despite the considerable maturity of Internet commerce, the number of cybersquatting claims resolved by mandatory arbitration has risen appreciably: In 2006, there were almost 4,000 arbitration demands to transfer allegedly abusive domain names, a year-on-year increase of more than 20%. Even though federal and foreign courts give no deference to domain-name arbitration decisions, court challenges appealing these awards have been rare—and successful challenges rarer still.

Acquiescence to arbitration under the Uniform Domain Name Dispute Resolution Policy (UDRP) is a condition of registering a domain name ending in .com, .net, .org and more than 50 country-code top-level domains. Trademark owners perceived the opportunistic registration of domain names mimicking their marks and extortionate resale demands—so-called “cybersquatting”—as a potential threat to leveraging their marks as entry points into the electronic global marketplace. In response, in October 1999, the Internet Corp. for Assigned Names and Numbers (ICANN), the entity responsible for the Internet’s system of unique identifiers, devised the UDRP to ensure the orderly transfer of infringing domain names to trademark owners.

New strategies to monetize domain names have expanded the UDRP’s reach beyond traditional cybersquatting. UDRP cases now address domain names that have never been

By Robert Barnes



used, that misspell trademarks, that mimic celebrities’ names, that criticize companies and that promote product resales. See www.wipo.int/amc/en/domains/search/overview.

Even though U.S. and foreign courts give no deference to UDRP arbitrations, appeals have been rare, and successful ones rarer still.

Occasionally, UDRP awards diverge from the mainstream, or place significant economic

interests at risk. That is perhaps not surprising from an expedited process that typically involves a single arbitrator adjudicating domain-name ownership on submitted papers without a hearing, and with no obligation to follow precedent or apply any recognized regime of national trademark laws. One federal court has disparaged the UDRP process as “adjudication lite.” *Barcelona.com Inc. v. Excelentísimo Ayuntamiento de Barcelona*, 330 F.3d 617, 624 (4th Cir. 2003).

UDRP’s arbitration process provides fairly basic relief

In nine terse paragraphs, the UDRP provides for mandatory arbitration of a claim that the registered domain name is confusingly similar to a trademark or name in which the complainant has rights; the registrant has no legitimate interest or rights in the domain name; and the registrant is using it in bad faith. If the arbitrator finds all three elements proved, the domain name is cancelled or, more often, transferred to the complainant. See www.icann.org/dndr/udrp/policy.htm. No damages may be awarded. Under the UDRP’s rules, a complaint, supporting papers and a modest filing fee is submitted electronically to one of three ICANN-authorized administrators. See www.icann.org/dndr/udrp/uniform-rules.htm. The registrant has 20 days to respond electronically. The administrator appoints one or three arbitrators from its approved lists. There is no hearing. The arbitration panel must render a written decision within 14 days.

The UDRP has no appeal provision. Instead, UDRP Policy ¶ 4(k) passes any

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“appellate” review to national courts. The arbitrator’s decision becomes effective in 10 days unless challenged in court. Even so, as the burgeoning arbitration caseloads attest, the UDRP has proved to be an effective, popular and robust process whose results are rarely challenged. Indeed, since the UDRP’s inception, worldwide, only 32 transfer orders have been stayed under ¶ 4(k) because of a lawsuit. See www.wipo.int/amc/en/domains/challenged. Three-quarters (24) of those orders were stayed because of U.S. litigation. After de novo court review, most—but not all—stayed transfers later went forward.

In November 1999, the Anticybersquatting Consumer Protection Act (ACPA) amended the Lanham Act to prohibit registering or trafficking in an infringing domain name with bad-faith intent, and provided for damages claims against cybersquatters. Crucially, ACPA added 15 U.S.C. 1114(2)(D)(v) to § 32 of the Lanham Act, which permits an action challenging a domain-name transfer order made under a process such as the UDRP.

Federal court review of a UDRP award is de novo. Unanimously, U.S. courts have held that “a federal court’s interpretation of the ACPA supplants a WIPO panel’s interpretation of the UDRP.” *Sallen v. Corinthians Licenciamentos LTDA*, 273 F.3d 14, 28 (1st Cir. 2001). “UDRP proceedings are structured specifically to permit the domain-name registrant two bites at the apple.” *Storey v. Cello Holdings LLC*, 347 F.3d 370, 381 (2d Cir. 2003). Thus, after losing a UDRP decision, the registrant can commence a U.S. court action seeking an injunction preventing or reversing the domain name’s transfer. Typically, the federal defendant counterclaims for damages for cybersquatting and trademark infringement. The UDRP decision “is neither admissible nor entitled to any deference.” *Eurotech Inc. v. Cosmos European Travels A.G.*, 213 F. Supp. 2d 612, 617 n.10 (E.D. Va. 2002).

ACPA provides an opportunity to correct a legal or factual mistake by the UDRP arbitrator. For example, in *Barcelona*, the arbitrator ordered barcelona.com transferred to the Barcelona city council, even though, under both Spanish and U.S. law, a descriptive geographical term merits no trademark protection. The 4th U.S. Circuit Court of Appeals applied the substantive law, reversed the arbitrator’s award and

enforced the domain-name registrant’s ownership rights. In the same vein, in *Retail Services Inc. v. Freebies Publishing*, 364 F.3d 535 (4th Cir. 2004), the 4th Circuit found “freebie” to be an unprotectible generic term and reversed the UDRP arbitrator’s transfer of freebies.com. Similarly, in *Nike Inc. v. Circle Group Internet Inc.*, 318 F. Supp. 2d 688, 695 (N.D. Ill. 2004), the arbitral award was premised on a factual error that led the arbitrator to deny Nike the justdoit.com domain name. The district court ordered a transfer.

While a few UDRP appeals correct arbitrators’ mistakes, most § 32(D)(2)(v) actions are little more than delaying maneuvers by the cybersquatter. These latter cases are invariably disposed of on summary judgment. Thus, in *Victoria’s Cybersecret Ltd. v. V Secret Catalogue Inc.*, 161 F. Supp. 2d 1339 (E.D. Pa. 2001), the district court rejected on summary judgment a challenge to a UDRP decision transferring victoriassxysecret.com and three other domain names to the owner of the “Victoria’s Secret” mark.

In another straightforward case, the district court refused, as had the arbitrator, to allow the owner of the “Strick” trademark to strip strick.com from a individual nicknamed “Strick.” *Strick Corp. v. Strickland*, 162 F. Supp. 2d 372, 374 & n.5 (E.D. Pa. 2001). *Harrison v. Microfinancial Inc.*, 2005 WL 435255, at *6 (D. Mass. 2005), reaffirmed the transfer of leasecomm.org to the long-standing owner of the Leasecomm mark.

Trying to shoehorn transnational conduct into national law can produce troubling outcomes. Particularly bothersome for trademark owners is *Maruti.com v. Maruti Udyog Ltd.*, 447 F. Supp. 2d 494 (D. Md. 2006). The owner of an Indian trademark to automobiles sold only in India won a UDRP transfer decision. The losing registrant sued in federal court, and the mark owner counterclaimed. The district court dismissed the counterclaim because the trademark had never been used in commerce in the United States, leaving open whether an undisputed cybersquatter could retain the domain name. *Id.* at 499-502 & n.33.

And when a Korean entity lost a UDRP decision and sought relief from a Korean court, NBC Universal used ACPA’s in rem provision to circumvent any adverse ruling from the foreign court. *NBC Universal Inc. v. nbcuniversal.com*, 378 F. Supp. 2d 715, 717 (E.D. Va. 2005).

Similar outcomes in the courts of other countries

As with the U.S. experience, appeals of UDRP decisions in European courts have also mostly replicated the arbitral outcome. For example, the Danish Supreme Court endorsed the transfer of the domain names borsen.dk and boersen.dk to the Danish newspaper *Dagbladet Børsen*. *Digital Marketing Support v. Dagbladet Børsen*, reported at http://domaine.blogspot.com/2005_10_01_archive.html. Similarly, the Austrian Supreme Court confirmed the transfer of delikomat.com to the owner of the trademark for the popular coffee-vending machines. See www.internet4jurists.at/entscheidungen/ogh4_42_04m.htm. At least one foreign court has rejected a UDRP decision. Robert Maggi’s company registered the domain name maggi.com, and the arbitrator upheld that ownership against the owner of the Maggi soups’ trademark. A Swiss cantonal court overturned that decision and found Nestle’s trademark rights overrode Mr. Maggi’s personal name right. The Swiss Supreme Court affirmed. *Urteil vom 21 January 2005 in der Sache Rome Maggi gegen Societe des Produits Nestle S.A.*, 4C. 376/2004.

Perhaps counterintuitively, recent dramatic increases in UDRP arbitral activity have not produced any corresponding increase in civil suits seeking to delay or overturn UDRP decisions. Most arbitrations probably involve indefensible registrations, and, for commercial cybersquatters, an appeal to a national court is an expensive distraction. However, not all UDRP cases involve overt infringements, and aggrieved parties will want to challenge adverse decisions in close cases.

Moreover, although cybersquatting for blackmail is now relatively unusual, the business of domain-name exploitation continues to thrive. New strategies have brought in new players seeking quick profits from “parking” on pay-per-click portals. Auto-registration of expiring domain names, “tasting period” registrations and proliferating cut-price registrars offer new opportunities. These developments may mean even more UDRP arbitrations, further raising the prospect of more questionable decisions and more “appeals” to national courts.