

The UDRP: THE GLOBALIZATION OF TRADEMARK RIGHTS

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A foolish consistency is the hobgoblin of little minds – *Emerson*

Introduction

This article is a study of the conflict between different perspectives on the problem of trademarks as domain names on the Internet. From this conflict new rights of trademark owners and a system for protecting those rights have been created, namely, the “Uniform Domain Name Dispute Resolution Policy” (the “UDRP”) that was adopted on October 24, 1999 by the Internet Corporation for Assigned Names and Numbers (“ICANN”).¹ The principles behind the UDRP were originally conceived as a means to establish a balance between the engineering approach to domain names and the legal approach. From an engineering standpoint, domain names are a simple mnemonic system for making unique addresses on the Internet easier to use. From a legal standpoint, domain names have the potential to be a vehicle for the abuse of traditional rights of trademark owners. This article argues that some current proposals to modify the UDRP will upset the balance that was embodied in the UDRP.

The UDRP creates a new substantive standard for determining whether the rights of a trademark owner have been violated. Under the UDRP, a violation occurs when a domain name that is the same or closely similar to the mark in question has been registered and used in “bad faith.” The UDRP applies this standard globally, irrespective of any other rights of the trademark owner or the domain name registrant under the laws of their respective national or local jurisdictions. Further, the UDRP establishes a global jurisdiction for the process of determination whether the new substantive standard has been violated. The UDRP thus creates a new formulation of the concept of the “rights of a trademark owner” and then sets out to adjudicate these rights formally, but without the intervention of traditional governmental or judicial bodies.

The UDRP is not, however, a new scheme of law in the sense that law is created by legislative or treaty-making bodies. The UDRP is based on a contract among the parties responsible for registering domain names – the registrars, registries and ICANN. Decisions by UDRP panels are enforceable under this contract, but have none of the legal standing that is accorded to decisions of national courts.

The UDRP is a hybrid mediation/arbitration scheme that is operated primarily by private entities. It is a non-governmental and non-judicial procedure

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¹ Internet Corporation for Assigned Names and Numbers, Uniform Domain Name Dispute Resolution Policy (October 24, 1999) (the “UDRP”) available at: <<http://www.icann.org/udrp/udrp.htm>>.

that provides quick and inexpensive resolution of disputes between trademark owners and domain name registrants. UDRP proceedings are conducted primarily by e-mail without the burdens of traditional litigation procedure, such as discovery. There are multiple providers of neutral panels who are available to resolve disputes. In its brief existence, the UDRP has proven to be dramatically effective in resolving domain name conflicts involving trademarks. Although criticized, the UDRP is arguably the most successful aspect of ICANN's efforts in the technical administration of the Internet.

Many criticisms have been leveled against the UDRP. Most of these relate to inconsistencies in panelists' application of the "bad faith" standard. Most commentators appear to believe that the growing body of UDRP panel decisions constitutes "precedent," as that term is understood in the jurisprudence of the United States of America. The critics of the UDRP urge a variety of changes in procedure or changes in the structure of the UDRP. Some changes are intended to alter the trend of determinations of bad faith; others are intended to foster or enforce the principle of following precedent. In particular, it has been suggested that an appellate process be added to the existing procedures.² While these suggestions are well-intentioned, they will not improve the UDRP. This is not to say that the UDRP is perfect. Some proposals for fine-tuning the rules may be worthy of support.

From the beginning of the Internet, there has been an uneasy relationship between domain names and trademarks. The domain name system was developed at a time (before the World Wide Web) when commercial traffic on the Internet was strongly disfavored. The technical protocol governing domain names (RFC 1591) stated: "The registration of a domain name does not have any Trademark status. It is up to the requestor to be sure he is not violating anyone else's Trademark."³ A later version of this had a slightly more sophisticated approach: "Domain names are intended to be an addressing mechanism and are not intended to reflect any trademark, copyright or other intellectual property rights."⁴ The engineers who set the technical

2 See, e.g., JO SAXE LEVY, "Precedent and Other Problems with ICANN's UDRP Procedure,"

1 World Commerce & IP Report 6-9 (Issue 5, 2001); M. SCOTT DONAHEY, "The UDRP: Fundamentally Fair, but Far from Perfect," 6 BNA Electronic Commerce and Law Report 937-8 (2001); "Lawyers Call for Right to Appeal Decisions in ICANN Dispute Resolution Cases," 5 BNA Electronic Commerce and Law Report 1122 (2000); MICHAEL FROMKIN, "ICANN's 'Uniform Dispute Resolution Policy' - Causes and (Partial) Cures," (hereinafter "Froomkin Causes"), 67 Brooklyn Law Review 605 (2002), also available at: <<http://www.law.miami.edu/~froomkin/articles/udrp.pdf>>.

3 In this article, reference is occasionally made to the technical protocols of the Internet known as "RFCs." RFC 1591, one of the protocols concerning domain names, is available at: <<http://www.cis.ohio-state.edu/cgi-bin/rfc/rfc1591.html>>.

4 From a draft RFC issued in August, 1995, entitled "New Registries and the Delegation of International Top Level Domains" (the "Draft RFC"), Draft-postel-iana-itld-admin-02.txt, Sec. 1.7, p. 3, available at: <<http://www.newdom.com/archive/draft-postel-iana-itld-admin-02.txt>>.

protocols were profoundly convinced that the domain name system was entirely separate from and unrelated to the trademark system.

There is now a considerable history of the conflict between the expectations of the engineers who developed the domain name system, and the expectations of the users who totally ignored the sensible admonition that domain names are an addressing mechanism and *not* a directory system.⁵ The net result is that the engineers were forced to come to grips with the unquestioned existence of trademark problems arising from their system, and the lawyers were forced to come to grips with the need for an efficient addressing system on the Internet.

Internet Dispute Resolution History

There were a few law suits involving trademarks and domain names after the World Wide Web came into widespread use.⁶ At least partially in response to these suits, in July, 1995, Network Solutions, Inc., ("NSI") (which then held the monopoly on registration of second level domain names in the .com, .net and .org top level domains⁷), created a formal, non-judicial procedure for resolving disputes between trademark owners and domain name registrants. The policy was much criticized, and the change of its name from "Domain Name Dispute Resolution Policy" to "Domain Name Dispute Policy" gives the flavor of the controversy it created.⁸ NSI, for unknown reasons, decided that it would simply withdraw the ability to use a registration of a second level domain name if NSI received a request from any other party holding a trademark identical to the domain name. The policy and its results were the subject of a number of lawsuits.⁹ Many of the cases involved legitimate users of names that coincidentally were identical to registered trademarks. The NSI policy made no reference whatever to traditional concepts of trademark infringement. The policy simply assumed that the owner of the trademark registration took precedence. This in effect created a new concept of "in gross" rights that could be asserted by anyone who happened

5 Most Internet users, and especially those in the United States, find that the system functions quite well as a directory because, more often than not, the desired web site will appear if one types in a well-known trademark, preceded by www. and followed by .com.

6 See, e.g., *ActMedia, Inc. v. Active Media Int'l Inc.*, No. 96C3448, 1996 WL 466 527 (N.D. Ill., July 17, 1996) and *Panavision Int'l L.P. v. Toeppen*, 945 F. Supp. 1296 (C.D. Cal. 1996).

7 The original NSI policy is available at: <<http://www.jmls.edu/cyber/docs/dnpol.txt>>.

8 The first revision of the NSI policy, with the new name, is available at: <<http://www.jmls.edu/cyber/docs/dnpol1.html>>.

9 See, e.g., *Roadrunner Computer Systems, Inc. v. Network Solutions, Inc.*, No. 96-413-A (E.D. Va. filed March 26, 1996); *Data Concepts Inc. v. Digital Consulting Inc. and Network Solutions, Inc.*, 150 F.3d 620 (6th Cir. 1998); *Giacalone v. Network Solutions, Inc.*, No. C-96 20434 RPA/PVT, 1996 U.S. Dist. LEXIS 20807 (N.D. Cal. June 14, 1996); *Network Solutions, Inc. v. Clue Computing, Inc.*, 946 F. Supp. 858 (D. Colo. 1996); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999).

to have a trademark registration. Despite its obvious unfairness, the courts were reluctant to upset NSI's policy, probably in part because there were no precedents for the kind of disputes that arose from the explosive growth of the World Wide Web.

The NSI policy is now part of the ancient history of the Internet. On January 3, 2000, it was superseded by the UDRP. The UDRP has an interesting history that bears on its status today as the only globally available, non-judicial means of resolving conflicts between trademark owners and domain name registrants in the generic top level domains.

When the first trademark-domain name disputes surfaced in 1994, the Internet Assigned Numbers Authority ("IANA"), under the leadership of Dr. Jonathan Postel, had *de facto* control of the technical administration of the Internet.¹⁰ Dr. Postel had recognized that the availability to the public of only three generic top level domains, .com, .net and .org, created an artificial shortage of choices for domain name registrants. In August, 1995, he circulated a proposal in the form of a draft RFC recommending the creation of 150 new top level domains.¹¹ This proposal was not universally welcomed, especially by trademark owners who saw it as increasing the opportunities for cybersquatters to register trademarks that did not belong to them.

In September, 1996, Dr. Postel and the Internet Society ("ISOC") created the International Ad Hoc Committee ("IAHC") to make recommendations for an orderly transition to an expanded generic top level domain name system, with due regard for legal considerations, including the interests of trademark owners. The IAHC was formed with the cooperation of the International Telecommunications Union (ITU), the International Trademark Association (INTA), the United States Federal Networking Council, and the World Intellectual Property Organization (WIPO), as well as IANA and the Internet Architecture Board.¹² The IAHC published a report¹³ in February, 1997, which proposed the creation of seven new generic top level domains initially

10 This article will not deal with questions of the legal authority of IANA, or lack thereof. Dr. Postel was Director of the Information Sciences Institute of the University of Southern California which operated IANA pursuant to contracts with various agencies of the United States government. Descriptions of the arrangement are available at: <<http://www.isoc.org/isoc/media/releases/iana.shtml>> and <<http://www.ietf.org/rfc/rfc1700.txt>>.

11 Draft RFC, *supra* note 4.

12 The author was appointed to the IAHC by ISOC, and served as Chair of the successor organization to IAHC, the Policy Oversight Committee. The IAHC initially had eleven members, eight from the Internet engineering community, and three lawyers with extensive background in trademark law. Sally Abel, Esq., a partner at Fenwick & West, LLP, Albert Tramposch, Esq., then Director-Advisor at WIPO, and the author were the three trademark lawyers who led the drafting effort for the proposal for an administrative domain name challenge panel.

13 Final Report of the International Ad Hoc Committee: Recommendations for Administration and Management of gTLDs, February 4, 1997 ("IAHC Final Report"), available at: <<http://www.iahc.org/draft-iahc-recommend-00.html>>.

and more later. The report also proposed the establishment of a non-governmental administrative structure consisting of a not-for-profit corporation to act as the registry for new domains. The registry would be supported financially by for-profit, competitive registrars that would register the second level names.¹⁴ Most significantly for the resolution of trademark-domain name disputes, there would be a contract among the registries and registrars governing their respective rights and obligations in the operation of the system.

The IAHC, with its membership mixture of engineers and lawyers, approached the trademark problem with two novel concepts. First, IAHC proposed a voluntary 60-day "publication period" for domain name registrants. If a registrant took advantage of this procedure, it would not thereby obtain formal protection against subsequent attack by a trademark owner, but it was argued that the use of the procedure could be considered an indication that the registration was not made in bad faith. This proposal was popular among trademark owners, but no one else, and was not pursued. Second, IAHC proposed the creation of Administrative Domain Name Challenge Panels to be composed of international experts in the field of intellectual property, with procedures to be administered by the World Intellectual Property Organization (WIPO). Challenges to the registration of domain names would be heard on-line. This proposal is the origin of what is now the UDRP.

The concept of an "administrative domain name challenge panel", having jurisdiction over applications for registration of second level domains, arose from the perception that a new approach to international legal disputes was required. The engineering members of the IAHC made a number of suggestions that were sound from an engineering standpoint, but failed to deal with trademark legal realities. The members of the IAHC jointly came to the realization that trademarks are not amenable to engineering taxonomies since identical trademarks can co-exist for different products and in different geographic areas, while domain names are inherently global.

The IAHC also recognized that there are no generally applicable legal principles that could provide a uniform basis for resolving international trademark-domain name disputes, since trademarks are generally regarded as territorial, that is, a mark has separate existence in each sovereign territory where it is registered or otherwise legally recognized. Also, there is no international judicial system with jurisdiction over all the likely parties to any such disputes. It is now commonplace in trademark-domain name disputes that the parties reside in widely dispersed geographic locations. For example, it is not uncommon that the registrant of a second level domain is located in one country, while the registrar for the domain (the entity that

14 The IAHC considered but rejected a proposal that there be a *mandatory* waiting period between the date of application for a domain name registration and the effective date of registration. Later, the IAHC proposed, but did not adopt, a voluntary waiting period.

deals with the registrant and accepts the order for registration) is in a second country, and the registry (the entity that maintains the data base of second level names in the particular top level domain) is in a third country. To make matters worse, the owner of a trademark aggrieved by registration of the domain name may be in yet a fourth country. It may not be possible to find a single national court capable of asserting jurisdiction over all the parties. The IAHC proposal was intended to address this problem, as well as providing a more economical and expeditious dispute resolution procedure.

In early 1997, the IAHC Final Report became the basis for the "Generic Top Level Domain Memorandum of Understanding" (the "gTLD-MoU"), which was ultimately signed by more than 200 parties, including major Internet and telecommunications enterprises.¹⁵ The gTLD-MoU immediately became the subject of global controversy, and was never implemented. However, the concept of a dispute resolution procedure that is (a) based on a contract among the parties, (b) global, (c) non-governmental and non-judicial, (d) inexpensive and (e) expeditious was well received.

The concept of binding the registries, registrars and domain name registrants to a global contract for dispute resolution was not the only innovation of the IAHC with respect to trademark-domain name disputes. The IAHC also understood that its dispute resolution policy must include a substantive standard for determining what behavior of a domain name registrant could be considered a violation of the "rights" of a trademark owner. Of course, in articulating the policy, IAHC created the rights in question. In the IAHC Final Report, the standard proposed was that "second level domain names which are identical or closely similar to names which are, for the purposes of the Internet, internationally known, and for which demonstrable intellectual property rights exist, should only be held by, or with the authorization of, the owners of such demonstrable intellectual property rights."¹⁶ The new standard was applicable only to "internationally known" marks, and, for such marks, the owners of "demonstrable intellectual property rights" could prevent others from using the marks as domain names.

The IAHC proposal for an administrative domain name challenge panel process went through three drafts, and the third became the starting point for a WIPO process begun after execution of the gTLD-MoU in May, 1997. At about the same time, the United States government concluded, for a variety of reasons, that it would not support the gTLD-MoU and initiated the process leading to the creation of ICANN. This process culminated in the so-called "White Paper,"¹⁷ issued by the U.S. Department of Commerce

15 Generic Top Level Domain Memorandum of Understanding, February 28, 1997 ("gTLD-MoU"), available at: <<http://www.gtld-mou.org/gTLD-MoU.html>>.

16 IAHC Final Report, *supra* note 13.

17 Management of Internet Domain Names and Addresses (the "White Paper"), 63 Fed.Reg. 31741 (1998), available at: <http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm>.

in June, 1998. In that document, the Department called for the creation of a "new corporation" (which became ICANN)¹⁸ and further concluded that something had to be done about trademark-domain name disputes:

The U.S. Government will seek international support to call upon the World Intellectual Property Organization (WIPO) to initiate 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 cyberspiracy (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 for its consideration in conjunction with its development of registry and registrar policy and the creation and introduction of new gTLDs.¹⁹

WIPO responded by holding a series of consultative meetings in 1998 and 1999 with leading experts on trademark law and other interested parties in several cities around the world. After preliminary skirmishes over a number of issues involving the scope of protection for trademarks, including, in particular, proposals for the protection of famous marks, WIPO produced what is now the UDRP.²⁰ WIPO's Executive Summary of its Final Report on the UDRP states:

In the Interim Report [December 23, 1998], it was recommended that domain name applicants should be required to submit to the procedure in respect of any intellectual property dispute arising out of a domain name registration. The Final Report recommends that the scope of the administrative procedure be limited to cases of bad faith, abusive registration of domain names that violate trademark rights ("cybersquatting," in popular terminology).²¹

After some further proceedings,²² the UDRP was then adopted by ICANN and made effective on October 24, 1999.²³

The consultative process of WIPO resulted in an entirely new articulation of the rights of a trademark owner on the Internet. The gTLD-MoU had offered protection only to "internationally known" trademarks. This failed to take

18 *Id.* at 31749.

19 *Id.* at 31747.

20 An extended discussion of the WIPO proceedings may be found at Froomkin Causes, *supra* note 2.

21 Final Report of the First WIPO Internet Domain Name Process, April 30, 1999, ("WIPO Final Report"), Executive Summary, available at: <<http://wipo2.wipo.int/process1/report/index.html>>.

22 An account of these proceedings is available in Froomkin Causes, *supra* note 2.

23 A somewhat later effective date, January 3, 2000, was provided for Network Solutions, Inc. to allow a transition from its final Domain Name Dispute Policy.

account of (a) internationally known trademarks that may be used by different owners for different goods or services, or in different areas of the world; and (b) less well-known trademarks that become the victims of cybersquatters seeking to extort payment for their transfer. The UDRP, instead of focussing on a type or types of trademarks to be protected, applies to all trademarks (even unregistered marks) and approaches the problem from the standpoint of the motivation of the domain name registrant, *i.e.*, the test of "bad faith, abusive registration." The third draft of the IAHC proposal had included bad faith on the part of the domain name registrant as one of the tests for deciding whether a trademark owner would be entitled to relief, but the UDRP made this the central issue.

As implemented, the UDRP requires each applicant for domain name registration to agree that it will submit to UDRP procedures if a complaint is filed alleging that:

- (i) [the registrant's] domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
- (ii) [the registrant has] no rights or legitimate interests in respect of the domain name; and
- (iii) [the registrant's] domain name has been registered and is being used in bad faith.²⁴

It is important to note that all three elements must be present in a complaint. If a neutral panel finds that the domain name in question satisfies the three tests, it will be deleted from the registry or transferred to the complainant (depending on the allegations of the complaint).

The bad faith concept is fleshed out in another section of the UDRP. Section 4(b) provides that:

... the following circumstances, in particular but without limitation, if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith:

- (i) circumstances indicating that [the registrant has] registered or [the registrant has] 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 [the registrant's] documented out-of-pocket costs directly related to the domain name; or
- (ii) [the registrant has] 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 [the registrant has] engaged in a pattern of such conduct; or
- (iii) [the registrant has] registered the domain name primarily for the purpose of disrupting the business of a competitor; or
- (iv) by using the domain name, [the registrant has] intentionally attempted to attract, for commercial gain, Internet users to [the registrant's] web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to

24 UDRP, *supra* note 1, Sec. 4(a).

the source, sponsorship, affiliation, or endorsement of [the registrant's] web site or location or of a product or service on [the registrant's] web site or location.²⁵

The UDRP also provides examples of defenses available to the domain name registrant. The accused registrant may establish its right to continued use of the domain name as follows (Section 4(c)):

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 [the registrant's] rights or legitimate interests to the domain name for purposes of Paragraph 4(a)(ii):

- (i) before any notice to [the registrant] of the dispute, [the registrant's] 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) [the registrant] (as an individual, business, or other organization) [has] been commonly known by the domain name, even if [the registrant has] acquired no trademark or service mark rights; or
- (iii) [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.²⁶

Proposals have been made to revise the language of the three Sections (4(a), (b) and (c)) quoted above. The new operator of the .us domain has adopted the UDRP for the resolution of trademark-domain name disputes with two modifications. It has revised Subsection 4(a)(iii) to read "[the registrant's] domain name has been registered *or* is being used in bad faith" (emphasis added), and it has deleted the phrase "provided that [the registrant has] engaged in a pattern of such conduct" from Subsection 4(b)(ii). Both of these changes are intended to refine the concept of abusive registration, where either a domain name registrant has registered a name but is not using it and otherwise meets the test of bad faith registration, or has only registered one name and otherwise meets the tests of bad faith registration.²⁷

The concept of "bad faith" of a party accused of violating rights of a trademark owner is not entirely unknown in trademark law, at least in the United States, but, until late 1999, the term did not appear in the U.S. federal trademark statute (the Lanham Act). Bad faith is not normally a central issue in trademark infringement proceedings.²⁸

²⁵ *Id.*, Sec. 4(b).

²⁶ *Id.*, Sec. 4(c).

²⁷ usTLD Dispute Resolution Policy, Secs. 4(a)(iii) and 4(b)(ii), available at: <<http://www.neustar.us/policies>>.

²⁸ The question of "bad faith" has been considered by United States courts in dealing with issues related to damages. See, e.g., *Sands, Taylor & Wood Company v. The Quaker Oats Company*, 978 F.2d 947 at 961 (7th Cir. 1992) and *International Star Class Yacht Racing Assoc. v. Tommy Hilfiger USA, Inc.*, 80 F.3d 749 at 753 (2d Cir. 1996). The question also arises in what has become a standard multi-factor balancing test to determine likelihood of confusion, the "Polaroid Test," from *Polaroid Corp. v. Polarad Electronics Corp.* 287 F.2d 492, 495 (2d Cir. 1961), *cert denied*, 368 U.S. 820 (1961).

In 1999, the bad faith test took on even greater importance when the United States Congress reacted to the problem of cybersquatters by passing the Anticybersquatting Consumer Protection Act (the "ACPA"), in December, 1999, amending the Lanham Act.²⁹ The ACPA applies the bad faith test to cybersquatting in a manner generally similar to that of the UDRP.

Defining the rights of a trademark owner by determining an issue of bad faith on the part of the party alleged to infringe those rights represents a fundamental change from traditional concepts of trademark law, whether viewed from a national or international perspective. For this reason, if for no other, the UDRP can fairly be characterized as an important development in the definition of the rights of trademark owners.

ICANN and the UDRP

Given the significance of a new substantive standard for determining the rights of trademark owners, the question of ICANN's role in this quasi-legislative process is intriguing. This dramatic development in modern trademark jurisprudence has come not from legislative bodies or the courts of any nation or from the United Nations, but rather from non-governmental entities, first the IAHC and then ICANN. The Articles of Incorporation of ICANN (which is incorporated as a "nonprofit public benefit corporation" under the laws of the state of California) provide:

... In furtherance of [its corporate] purposes, and in recognition of the fact that the Internet is an international network of networks, owned by no single nation, individual or organization, the Corporation shall, except as limited by Article 5 hereof, pursue the charitable and public purposes of lessening the burdens of government and promoting the global public interest in the operational stability of the Internet by (i) coordinating the assignment of Internet technical parameters as needed to maintain universal connectivity on the Internet; (ii) performing and overseeing functions related to the coordination of the Internet Protocol ("IP") address space; (iii) performing and overseeing functions related to the coordination of the Internet domain name system ("DNS"), including the development of policies for determining the circumstances under which new top-level domains are added to the DNS root system; (iv) overseeing operation of the authoritative Internet DNS root server system; and (v) engaging in any other related lawful activity in furtherance of items (i) through (iv).

... The Corporation shall operate for the benefit of the Internet community as a whole, carrying out its activities in conformity with relevant principles of international law and applicable international conventions and local law and, to the extent appropriate and consistent with these Articles and its Bylaws,

29 Anti-Cybersquatting Consumer Protection Act, Lanham Act, Sec. 43(d), 15 U.S.C., Sec. 1125(d) (the "ACPA"). Section (d)(1)(A) of the ACPA provides that the owner of a trademark may bring an action against a domain name registrant who has a "bad faith intent to profit" from the use of the mark in a domain name. It should also be noted that in the United States (and in other nations), courts have also fashioned remedies based on traditional trademark legal principles for the new types of trademark-domain name conflicts.

through open and transparent processes that enable competition and open entry in Internet-related markets. To this effect, the Corporation shall cooperate as appropriate with relevant international organizations.³⁰

There is nothing in the language quoted above (or elsewhere in ICANN's Articles of Incorporation) that explicitly authorizes ICANN to make judgments regarding the rights of trademark owners *vis-à-vis* domain name registrants. It could be argued that the phrase "performing and overseeing functions related to the coordination of the Internet domain name system" subsumes the power to adjudicate or provide for adjudication of trademark-domain name disputes, but it would certainly have been possible, on the other hand, for ICANN to relegate these questions to national courts or to whatever international treaty organization might be willing to tackle the problem.³¹ In any event, ICANN took the same approach as the IAHC and proceeded to create a new concept of the rights of a trademark owner.

After ICANN became the "new corporation" referred to in the White Paper,³² it signed a Memorandum of Understanding with the Department of Commerce,³³ which includes a provision requiring ICANN to address the trademark problem with respect to possible *new* (i.e., other than .com, .net and .org) generic TLDs, as follows:

30 Articles of Incorporation of Internet Corporation for Assigned Names and Numbers (As Revised November 21, 1998), Arts. 3 and 4, available at: <<http://www.icann.org/general/articles.htm>>.

31 The entire question of the scope of ICANN's authority has been the subject of intense and sometimes bitter debate. See, e.g., People For Internet Responsibility (PFIR), available at: <<http://www.pfir.org>, and ICANN Watch, available at: <<http://www.icannwatch.com>>. ICANN views its powers as limited, but also views the powers of the U.S. Department of Commerce over the domain name system as essentially unlimited. In a declaration filed in a lawsuit in November, 2000, the General Counsel of ICANN stated: "The Department of Commerce continues today to have authority over the technical management of the domain name system. ICANN cannot, and has no legal authority to, implement new top level domain names; that authority currently resides in the Department of Commerce..." Also, "no foreign government owns its ccTLD or can order ICANN or the Department of Commerce to take any actions with respect to a ccTLD." Declaration of Louis Touton [ICANN's General Counsel], November 11, 2000, United States District Court, Eastern District Of Missouri, Eastern Division, *Economic Solutions, Inc. v. Internet Corporation for Assigned Names and Numbers*, No. 4:00CV1785-DJS.

The Department of Commerce stated its intention to "privatize" the administration of the Internet in the White Paper, and established ICANN for this purpose. Since then, however, the Department of Commerce has made it clear that it has no intention of giving up its control of the domain name system. The Assistant Secretary of Commerce, U.S. Department of Commerce, Nancy J. Victory, was quoted in December, 2001 as saying, "Regarding the A Root server, the Department of Commerce has no plans to transfer policy control..." available at: <<http://www.lextext.com/icann/december2001.html#12172001c>>.

32 White Paper, *supra* note 17 at 31-741.

33 Memorandum of Understanding Between the U.S. Department of Commerce and Internet Corporation for Assigned Names and Numbers, available at: <<http://www.icann.org/general/icann-mou-25nov98.htm>>.

[ICANN agrees to] [c]ollaborate on the design, development and testing of a plan for creating a process that will consider the possible expansion of the number of gTLDs. The designed process should consider and take into account the following:

... d. Recommendations regarding trademark/domain name policies set forth in the Statement of Policy; recommendations made by the World Intellectual Property Organization (WIPO) concerning: (i) the development of a uniform approach to resolving trademark/domain name disputes involving cyber-piracy; (ii) a process for protecting famous trademarks in the generic top level domains; (iii) the effects of adding new gTLDs and related dispute resolution procedures on trademark and intellectual property holders; and recommendations made by other independent organizations concerning trademark/domain name issues.³⁴

ICANN took the ball and ran with it. On August 26, 1999, the Board of Directors approved the UDRP in principle, and it was implemented on October 24, 1999 in its present form. ICANN did not limit its application to the possible new generic TLDs, but made it effective as to all registrations, whenever registered, including those in the then existing .com, .net and .org domains.

Regardless of the questions of ICANN's legal authority to create new substantive rights of trademark owners, it was able to establish the UDRP by building on the concepts it inherited from the gTLD-MoU, namely, a procedure that is (a) based on a contract among the parties, (b) global, (c) non-governmental and non-judicial, (d) inexpensive and (e) expeditious.

The legal theory behind the UDRP, taken from the gTLD-MoU, is that the registrars can, and are required to, agree with ICANN and among themselves to establish a private dispute resolution procedure. ICANN enters into an accreditation agreement with each of the registrars throughout the world that are authorized to deal with the public and register second level domains in the top level domains.³⁵ By the terms of the ICANN-registrar agreement, each registrar "shall have in place a policy and procedure for resolution of disputes concerning SLD names ... [and] Registrar shall adhere to the policy or procedure" adopted by ICANN, namely, the UDRP.³⁶

The UDRP specifically provides that it is not intended to supersede or replace traditional formal legal structures for dispute resolution.³⁷ Because the UDRP is a private, non-governmental and non-judicial procedure, any of its decisions can be superseded by the judgment of any court having jurisdiction

34 *Id.* at Sec. V(C)(9) and Sec. V(C)(9)(d).

35 Registrar Accreditation Agreement, available at: <<http://www.icann.org/nsi/icann-raa-04nov99.htm>>.

36 *Id.*, Sec. II, K.

37 UDRP, *supra* note 1. Section 4(k) provides, in part: "The mandatory administrative proceeding requirements set forth in Paragraph 4 shall not prevent either you or the complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded."

over the matter in conflict.³⁸ In practice, this means that the losing party in a UDRP matter has a “second bite at the apple,” assuming that (a) funds for litigation, and (b) a court with jurisdiction, are available. This is not an appeal process; a court may, but need not, take account of a UDRP decision or the reasoning behind the decision.³⁹ Relatively few parties to UDRP proceedings have gone on to litigate their disputes in the courts.⁴⁰

The UDRP has proven to be an effective means of dealing with the most widespread source of trademark-domain name conflicts, the cybersquatter. It has been criticized as over-solicitous of the rights of trademark owners.⁴¹ Also, forum shopping, a practice well known in the law, has arisen from the perceptions of disputants that some providers of UDRP arbitration/mediation services are more favorable to one view or another.⁴²

Despite criticism, the UDRP continues to be a highly popular process and has been invoked to resolve over 3,000 disputes since its adoption.⁴³

38 As discussed below, UDRP proceedings are not arbitrations, and it would probably be difficult, if not impossible, to fashion a globally valid contract to arbitrate trademark-domain name disputes. While domain name registrants and registrars could be bound by contract to arbitrate, there would be no way to bind aggrieved trademark owners.

In the United States, the ability of the losing party in a UDRP proceeding to seek court review was put in question by a district court ruling in December, 2000, but this lower court decision was reversed by the Court of Appeals for the First Circuit in *Sallen d/b/a J.D.S. Enterprises v. Corinthians Licenciamentos LTDA*, 60 USPQ2d 1941 (1st Cir. 2001).

39 See, e.g., *Weber-Stephen Products Co. v. Armitage Hardware and Building Supply Inc.*, 54 USPQ2d 1766 (N.Dist. IL 2000), where Judge Aspen stated: “We conclude that this Court is not bound by the outcome of the ICANN administrative proceedings.” He had denied a motion to stay UDRP proceedings on the grounds that, regardless of the UDRP outcome, both parties had “adequate avenues of recourse should they be unhappy with the administrative panel’s imminent decision...” (54 USPQ2D at 1768).

See also *Parisi v. Netlearning Inc.*, 139 F. Supp. 2d 745 (E.D. Va. 2001) in which it was held that a UDRP decision is entitled to no deference in a U.S. federal court, and the parties must litigate *de novo*.

40 There are a handful of reported cases in the United States while WIPO reports over 3,000 UDRP complaints filed in 2000 and 2001. WIPO Continues Efforts to Curb Cybersquatting, Press Release, World Intellectual Property Organization, (February 26, 2002) available at: <<http://www.wipo.org/pressroom/en/index/html>>.

41 See, e.g., Froomkin Causes, *supra*, note 2; MICHAEL GEIST, “Fair.com? An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP,” available at: <<http://aix1.uottawa.ca/~geist/geistudrp.pdf>>; and MICHAEL GEIST, “Fundamentally Fair.com? An update on Bias Allegations and the ICANN UDRP,” available at: <<http://aix1.uottawa.ca/~geist/fairupdate.pdf>>.

42 *Id.*

43 Statistics on the number of cases handled by WIPO and their disposition are available at: <<http://arbiter.wipo.int/domains/statistics/results.html>>. An unofficial listing of cases handled by all dispute resolution providers is available at: <<http://udrplaw.net>>.

Arbitration/Mediation

In this article, the UDRP process for the determination of rights and resolution of disputes has been described as "arbitration/mediation." This term has been used because the procedural rules of the UDRP⁴⁴ share some characteristics of two popular "alternative dispute resolution" ("ADR") procedures, arbitration on the one hand and mediation on the other. In general, the distinction between the two is that arbitration results in a decision that is (a) binding on the parties and (b) normally cannot be appealed or relitigated. Mediation is a procedure for bringing two conflicting parties together in an attempt to clarify issues, determine what facts are controverted, and ultimately to find common ground for a compromise and resolution of the dispute. Mediation is normally a preliminary procedure that is not binding. When mediation is unsuccessful, the parties are free to take their dispute to court or to another ADR process such as arbitration. ADR procedures have become far more popular in recent years because of the perceived high costs of litigation, including both out of pocket costs for court fees, attorneys fees and the like, as well as the burdens of time spent on depositions, trials and appeals.

The UDRP is a hybrid because it is binding only with respect to the three parties bound to the procedure by contract, that is, the registry and registrar, both of which have contracts with ICANN, and the domain name registrant who has a contract with the registrar. Since the aggrieved trademark owner is not bound by these contracts, if there is a judgment by a court of competent jurisdiction, it will always override a UDRP decision.⁴⁵

UDRP procedures are clear in the specification of the bad faith standard for determining the parties' respective rights, but there may be other legal questions that arise in a given proceeding. The UDRP provides, in Section 15, that: "A Panel shall decide a complaint on the basis of the statements and documents submitted and in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable."⁴⁶

The panel is also required to "provide the reasons on which [the decision] is based."⁴⁷ The broad scope of "any rules and principles of law that it deems applicable" is entirely consistent with conventional arbitration procedures.⁴⁸

44 Rules for Uniform Domain Name Dispute Resolution Policy, available at: <<http://www.icann.org/udrp/udrp-rules-24oct99.htm>>.

45 UDRP, *supra* note 1; see *Parisi v. Netlearning, Inc.* 139 F. Supp. 2d 745 (E.D. Va. 2001), in which the court held that a UDRP proceeding was not an arbitration subject to the U.S. Federal Arbitration Act, 9 U.S.C., Secs. 1-14.

46 UDRP, *supra* note 1, Sec. 15.

47 *Id.*

48 Article 28, Sec. 1 of the International Arbitration Rules of the American Arbitration Association provides: "The tribunal shall apply the substantive law(s) or rules of law designated by the parties as applicable to the dispute. Failing such a designation by the parties, the tribunal shall apply such law(s) or rules of law as it determines to be appropriate." Available at: <http://www.adr.org/index2.1.jsp?JSPsid=13457&JSPsrc=upload\LIVESITE\Rules_Procedures\National_International\...\focusArea\international\AAA175-1000.htm>.

Losing parties to arbitration proceedings are, from time to time, so dissatisfied with their outcomes that they search for grounds for appeal. These efforts are nearly always unavailing. As early as 1855, the United States Supreme Court dealt with an attack on an arbitrator's decision:

Arbitrators are judges chosen by the parties to decide the matters submitted to them, finally and without appeal. As a mode of settling disputes it should receive every encouragement from courts of equity. If the award is within the submission, and contains the honest decision of the arbitrators, after a full and fair hearing of the parties, a court of equity will not set it aside for error either in law or fact. A contrary course would be a substitution of the judgment of the Chancellor in place of the judges chosen by the parties, and would make an award the commencement, not the end, of litigation [citation omitted].⁴⁹

A more recent decision of the Illinois Supreme Court put it succinctly: "A long line of precedent has established that an arbitrator's award will not be set aside because of errors in judgment or mistakes of law or fact" [citations omitted].⁵⁰

Aside from the lack of an appeals process, some critics of the UDRP have argued that its procedures are biased against domain name registrants because the complaining party chooses the provider of neutral panel services. The record of decisions in UDRP proceedings shows that panelists from certain providers have tended to favor trademark owners' claims more often than the claims of legitimate rights of domain name registrants. The argument is made that there should be a more neutral selection process. Another aspect of this argument is that the lists of neutrals available to be panelists are made up primarily of trademark lawyers, who are presumably biased in favor of protection of trademarks.

The terms of traditional agreements to arbitrate vary considerably on the subject of selection of neutral arbitrators. Negotiated agreements often provide that each party may select one arbitrator; the two thus selected will then select a third, and presumably, neutral member of the panel. However, many agreements to arbitrate (*e.g.*, shrink-wrap licenses) are not negotiated, and the selection of arbitrators is not in reality a selection of "judges chosen by the parties" (in the words of the U.S. Supreme Court).⁵¹ With respect to the UDRP, if the goal is that only Platonic philosopher kings shall be qualified to be neutral panelists, then the UDRP has failed to meet that goal. On the other hand, if the goal is to deal with cybersquatters, then the use of trademark lawyers as panelists has proven to be effective.

49 *Burchell v. Marsh*, 58 U.S. (17 How.) 344, 349, 15 L. Ed. 96, 99 (1855).

50 *Roubik v. Merrill Lynch, Pierce, Fenner & Smith*, 181 Ill.2d 373, 381 (1998), *cert. denied*, 525 U.S. 961 (1998).

51 See *supra* note 49.

Conclusion

Deciding what constitutes legitimate rights and what constitutes bad faith in relation to domain names is admittedly difficult. The UDRP refers to the "rights" of the trademark owner and the "rights or legitimate interests" of the domain name registrant without further definition or explanation of the terms.⁵² Even if it is assumed that the terms should be given meaning according to legal principles of the jurisdiction where the parties reside, there is always the possibility that the parties reside in different jurisdictions with different definitions of the rights in question. The UDRP is based not on legislation or a treaty, but rather on contract, and the UDRP takes the approach that a neutral panel is entitled to apply, in addition to the bad faith standard, "rules and principles of law that it deems applicable."⁵³

Bad faith, especially, is an elusive concept. Scholars in anthropology or social studies may have worthwhile ideas about the different meanings of the phrase in different cultures around the globe. An attempt to synthesize the concept, at least in the context of commercial usage of trademarks, might serve as helpful background to UDRP panelists. Even this effort would have limitations, however, since domain names are often considered to constitute a form of expression of ideas in addition to their commercial functions. The right to use an English language vulgar expression "[trademark or brand-name] sucks.com" is now frequently an issue in UDRP proceedings. The right to use such a domain name as a vehicle for criticism is considered by some to be an issue of freedom of expression (*i.e.*, exercise of a "legitimate right" of a domain name registrant), while others may regard it as a classic example of bad faith, abusive registration and therefore an infringement of trademark rights. Even though the concept of freedom of expression enjoys global recognition, there are countries that construe such freedom quite differently from the United States perspective as set forth in the First Amendment to the U.S. Constitution.⁵⁴ It must also be recognized that on the Internet, "the First Amendment is a local ordinance."⁵⁵ The UDRP must draw its neutral panels from many nations. Panelists cannot be compelled to accept a definition of bad faith based upon any single nation's legal tradition or jurisprudence. It is not necessarily a flaw in the UDRP process that some neutral panelists find bad faith in the registration of "[trademark]sucks.com"

⁵² UDRP, *supra* note 1, at Sec. 4(a).

⁵³ UDRP, *supra* note 1, at Sec. 15.

⁵⁴ Leaving aside truly repressive regimes such as North Korea and the like, there are also countries with a respectable tradition of encouraging freedom of expression, such as France, that still disagree with the United States view of the subject. The recent litigation, in France and the United States, involving a French group's attempt to bar Yahoo.com from accepting messages involving Nazi memorabilia illustrates this. In *Yahoo! Inc. v. La Ligue Contre le Racisme et l'Antisemitisme*, 169 F Supp 2d 1181 (N.D.CA 2001), it was held that enforcement in the United States of a French decree would violate the U.S. First Amendment.

⁵⁵ Interview with John Perry Barlow, originally appeared in Internet Underground, February 3rd, 1997, as "on the Net with ... John Perry Barlow," available at: <<http://www.fargonebooks.com/barlow.html>>.

or “f*k [trademark].com”, while other panelists uphold the right of the domain name holder to take a stand. Decisions under the UDRP can be reviewed *de novo* by courts, and this remains the protection for the public policy interests of every nation when UDRP panelists’ decisions are argued to be contrary to those interests.

Most criticism of the UDRP has focussed on the panelists’ perceived failure to follow precedent. One feature of the Internet that is both a blessing and a curse is the ability to post all UDRP panelists’ decisions on line instantaneously. The so-called precedent of each decision is available for review, discussion and news headlines with ample opportunity for authors of law review articles or legal newsletters to second guess the panelists’ analysis of the facts, the law and the social policy implications (or lack thereof). As a result, commentators, following well-traveled paths of legal procedure, have proposed various solutions to the alleged failure to follow precedent. One proposal is the creation of an appellate system which would be available to review any decision at the request of an aggrieved party.⁵⁶ A proposed alternative is the creation of an appellate system to review the decisions of the panelists and then select and publish certain decisions as having precedential value.⁵⁷

These proposals carry with them additional costs of time and money. The monetary expense would, of course, ultimately be borne by the disputants, and the present charges for UDRP proceedings would necessarily be increased. The time required for disposition of disputes would also be extended. Considering the history of the UDRP and the limits of its jurisdiction, the proposals for adding time and expense to UDRP proceedings, particularly the proposals for appellate procedures, are not well founded. The UDRP deserves to remain a simple and efficient tool for handling cases of “bad faith, abusive registration of domain names that violate trademark rights” (in the words of the WIPO Final report).⁵⁸ Given the availability of *de novo* legal proceedings for parties that want to spend the time and money, the use of a modified arbitration/mediation procedure continues to be a modest but significant step forward in dealing with controversies that are both (a) unprecedented in the history of law, and (b) global in scope.

Despite the difficulty of pinning down a meaning for the phrase “bad faith,” the UDRP has made an enormous contribution to a wide-spread problem of resolving trademark-domain name disputes on the Internet. The original goals of a contract based system that would be global, non-governmental and non-judicial, inexpensive and expeditious are being met. Imperfect though it may be, the UDRP does not need legalistic tampering in the form of appellate procedures. Pending the development of an engineering solution – an Internet addressing system that is truly independent of trademarks, the UDRP answers the needs of the global Internet community, including its engineering and legal components.

⁵⁶ See *supra* note 2.

⁵⁷ *Id.*

⁵⁸ WIPO Final Report, *supra* note 21, at Executive Summary.