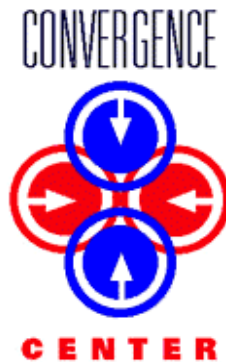


Success by Default:
**A New Profile of Domain Name Trademark
Disputes under ICANN's UDRP**



A study prepared by
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Success by Default

Policy Recommendations in Brief:

1. Require Complainants to post a \$1,000 bond in addition to the costs of filing a complaint. The refundable bond would discourage merit-less claims and help legitimate Respondents to participate in the proceeding rather than defaulting. If the Complainant wins the case the money is refunded; if the complaint fails, the money is given to the Respondent to defray the costs of a defense. If the Respondent defaults, the bond is refunded and the procedure should be truncated so that Complainants' arbitration costs can be further reduced.
2. To promote and preserve freedom of expression on the Internet, clarify standards for a finding of "confusing similarity" to a trademark. Domain names that signal criticism, parody or commentary upon products and companies (e.g., <icannwatch.org>) should not be classified as "confusing" unless they are used in ways that actively promote fraud, deception or confusion. Precedents that stretch notions of confusing similarity to include *any* incorporation of a trademark in a domain name should be repudiated and the policy modified to prevent such findings.
3. Expand the list of bad faith factors to formally include such things as the "passive holding" doctrine and identity concealment, but make the list exhaustive and limited to the specified factors. The current approach, which allows any panelist to invent a bad faith finding "without limitation," gives panelists too much discretion and fosters inconsistent decisions.

Factual Findings in Brief:

1. Domain name speculation and the large number of abusive registrations were the product of a temporary boom in <.com> registrations that peaked in the first quarter of 2000. The number of disputes – and the significance of holding any particular domain name – will decline as this boom recedes in time, new TLDs are added, and the guessability of names declines. There is also strong evidence that the UDRP has had a deterrent effect. But as long as DNS and the Web survive there will always been a need for domain name dispute resolution.
2. The UDRP has been an effective remedy for cybersquatting primarily because it makes it economically inefficient for abusive registrants to defend their names. Known cybersquatters default (i.e., fail to defend the name) 70 – 100% of the time. Unfortunately, many seemingly good faith registrants default, too. The degree to which Respondents are able to defend themselves is the single most significant factor in determining the outcome of UDRP cases.
3. Eighteen percent (18%) of UDRP claims are based upon unregistered trademarks. The UDRP has protected personal names as strongly as registered marks.

4. Domain name disputes usually involved unaffiliated parties. But 11 percent of the cases involve Competitors, 4% involve Licensees or Resellers, 4% involve Employees or Business Associates, and 3% involve Critics/Commentators. There are significant and interesting variations in the default and win rate for each of these categories.
5. Of the top 20 cases UDRP panelists cite as precedents most often, *all* were won by Complainants and all but 4 were Respondent defaults.

**Success by Default:
Domain Name Trademark Disputes under ICANN's UDRP**

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The Uniform Domain Name Dispute Resolution Policy (UDRP) is an international system of arbitration to resolve conflicts over rights to domain names. The policy was defined and promulgated by the Internet Corporation for Assigned Names and Numbers (ICANN) in October 1999; the first case was heard in December 1999. Since then, more than 6,000 cases involving over 10,000 domain name registrations have been initiated. For registrants in the <.com>, <.net>, <.org>, <.biz>, <.us>¹ and <.info> top-level domains (hereafter, the gTLDs), who make up nearly 70 percent of all domain name holders worldwide and well over 95 percent of all Internet users in the United States, there is no escape from the UDRP. The US Government and ICANN required *all* domain name registration businesses to impose that particular dispute resolution method on anyone who registers a domain name in a gTLD as a condition of entry into the business.

The UDRP was born in controversy.² Advocates claimed that trademark holders were suffering a “death by a thousand small cuts” from thousands of abusive domain name registrations which could not be efficiently challenged under national laws. Critics claimed that it was a step toward a globalized trademark law that expanded property rights to names and threatened the ability of ordinary Internet users to use words to communicate. This study uncovers evidence that both sides were in fact correct.

Abusive registration was a surprisingly large-scale phenomenon that required rebalancing the transaction costs of protecting names from bad faith uses of DNS. The UDRP has been effective primarily because most abusive registrants simply find it too expensive to respond, and default. Implementation of the UDRP, however, has in fact created new and more expansive rights to names. Many legitimate registrants also default, and the large number of defaults and its extraordinary impact on the outcome of cases needs greater attention. As a system of arbitration the UDRP is dominated by the intellectual property bar and has not been as sensitive to the values of free expression and diversity as it should be.

¹ The dispute resolution policy for <.us> is administered directly by the United States Department of Commerce and not by ICANN; nevertheless, the substance and procedures are almost exactly the same, and were drawn up based on experience with the UDRP.

² For more detailed discussions of the history and definition of the UDRP, see the following papers: Michael Froomkin, “Semi-private international rulemaking: Lessons learned from the WIPO domain name process,” book chapter in Christopher T. Marsden (ed), *Regulating the Global Information Society* 211 (Routledge 2000) <http://www.law.miami.edu/~froomkin/articles/tprc99.pdf>; Michael Froomkin, “ICANN’s Uniform Dispute Resolution Policy, Causes and (Partial) Cures,” *Brooklyn Law Review*, 67, 3, 608-648 (2002); Laurence R. Helfer and Graeme Dinwoodie, “Designing Non-national Systems: The case of the Uniform Domain Name Dispute Resolution Policy,” 43 *William and Mary Law Review* 141 (2001).

The UDRP enables anyone in the world with a trademark (or some other recognized right to a name) to challenge a domain name registration, whereupon an arbitration panel will hear arguments from both sides. The complaining party must prove that the domain name is identical or confusingly similar to a name in which they have rights, that the defendant (known as the *respondent*) has no rights or legitimate interest in the name, and that the name was registered and is being used in bad faith. The arbitrator(s) will make a decision either to transfer ownership of the name to the challenger, cancel the registration, or dismiss the claim and leave it with the original registrant.

The decisions have the effect of law because all retail domain name registration businesses, known as *registrars*, are required by their contracts with ICANN to transfer the name if the panel so decides. The procedure was meant to be a faster, less expensive alternative to court litigation. Because it is based on contracts of adhesion with a centralized registry, the UDRP provides a *global* set of rules to avoid the jurisdictional problems that would arise if national courts were used.

This report makes use of a comprehensive database to aid in the review and reform of the UDRP. By permitting better classification and analysis of the results, the Syracuse UDRP database makes it possible to develop a richer and more precise picture of domain name disputes and the impact of the UDRP. This is just a start. A great deal more could be, and will be, done with the data available. The data is open source and any individual or organization is free to use it. The database on which the report is based can be downloaded from the Convergence Center, at <http://dcc.syr.edu/markle/mhome.htm> .

We begin this report with an analysis of the broad context of domain name trademark disputes. The second section examines the characteristics of Complainants and Respondents under the UDRP, and then looks at classifications of cases based on the relationship between the contending parties and the type of trademark right asserted. The third section hones in on the issue of defaults; that is, defendants in UDRP cases who do not file any defense. The report uses statistical and interpretive methods to add to our knowledge of defaulting and its implications for UDRP reform. The fourth section looks at the use of citations and precedent in UDRP cases, showing that a precedent-based system of globalized trademark law is in fact emerging. The last section focuses specifically on the disturbing implications some UDRP precedents have for freedom of expression in cyberspace.

1. Domain Names, Cybersquatting, and Internet Navigation

The database contains the registration date of disputed domain names in a majority of the cases.³ By linking this data to other known statistics, such as the number of gTLD domain names registered, the number of domain name disputes filed under the UDRP, and the date the cases were filed, the database yields some insights into the underlying forces that determine the volume and significance of domain name disputes.

The conclusion we draw: the DNS land rush is over. The economic gains that can be achieved through systematic cyber-squatting or name speculation are diminishing, as fewer users rely on guessing domain names to navigate. The value of holding any given domain name is being reduced as the Internet grows, its users mature, search engines and portals improve, new top-level domains are added, and country code top-level domains (TLDs) grow relative to generic TLDs.

This report contends that (paradoxically) these changes make reforming the substance and procedure of the UDRP *more* important than before. In the future, UDRP cases are less likely to deal with obvious forms of abusive registration and more likely to deal with complex, conflicting rights claims among more well-established users. The policy must be revised and improved accordingly.

The Speculative Boom.

Domain names are disputed because people believe they are valuable. But what gives them value? Six years ago, domain names under the <.com> TLD were perceived to be extremely valuable because they functioned as *guessable, global keywords*. A significant number of users found the web sites they wanted by taking an organization or brand name they remembered, attaching <.com> to it, and typing it into their browser URL window.

Domain names were not designed to perform this function. They acquired this unanticipated role through the chance conjunction of the following circumstances:

- The rise of the World Wide Web and its use of domain names as the top level of a web site's URL
- The complete dominance of domain name registrations worldwide by one top-level domain, namely the <.com> gTLD
- The relatively small number of registered domains
- The browser manufacturers' decision to automatically append<.com> to any word typed into a Web browser's URL bar; and
- The absence of effective and reliable search engines and directories

³ Information about the registration date was available for only about 65 percent of the contested domain names. In some cases, our data entry process was quick enough to collect the Whois record of the disputed domain before it was transferred or changed. In other cases, the recorded decision contains a record of the registration date. In about a third of the cases, however, neither data source was available.

The result of this unique conjunction of events was a tremendous concentration of domain name registrations in the <.com> top-level domain. It may seem unbelievable now, but in December of 1996, 88.6% of all domain name registrations in the United States were under <.com>.⁴ Because the US dominated the Internet at that time, that meant that more than 75% of all domain name registrations *worldwide* were under one TLD. Also, the number of registered domain names at this time was much smaller than it is now. In July 1996 there were only about half a million (500,000) names registered in *all* TLDs globally, and the number was still under a million by January of 1997. Under these fairly primitive conditions, the strategy of recalling an organization's or product's name, attaching <.com> to it, and typing it into one's browser was a relatively viable strategy for locating a web site.

These circumstances gave gTLD domain names a special economic value. A land rush ensued as first come, first-served registration methods in the gTLDs enabled anyone to appropriate that value. It started in 1996, gradually gathered momentum, exploded in the last quarter of 1999 and the first quarter of the year 2000, and ended in the Fall of 2000. (Table 1 shows the change in the absolute number of domain name registrations from 1996 to 2001.)

Table 1: Growth increments of domain name registrations, 1997 - 2002

| Year | Net Number of New GTLD Domain Name Registrations |
|------|--|
| 1997 | 1,464,000 |
| 1998 | 1,745,000 |
| 1999 | 5,970,600 |
| 2000 | 17,472,000 |
| 2001 | 3,200,000 |
| 2002 | -3,000,000 |

Source: InterNIC, Network Solutions, Snapnames

The land rush mentality of that period gave rise to a self-reinforcing cycle of speculative, defensive, and abusive domain name registrations in the global TLDs. Registrations were highly concentrated in <.com>, but some users and trademark holders sought to protect and extend the exclusivity of a <.com> name by registering the same string in the other two gTLDs. In the earliest stages of the boom, cybersquatters discovered that many trademark holders had not registered the names of their brands, or had overlooked certain variations of it, or had not registered the names in every TLD. They registered the available names in order to divert traffic or to sell the names to trademark holders for profit. Typosquatters discovered that slight variations on popular names could deliver a significant number of user eyeballs to advertisers or paid click-through arrangements. An entire industry of domain name speculators and brokerages arose. Hundreds of thousands of names were registered, warehoused, and advertised for sale via Whois records,

⁴ InterNIC statistics.

brokerage web sites, or auction sites. Some speculators carefully confined themselves to generic terms, others deliberately tested the boundaries of trademark protection, and a few openly trafficked in trademarked names. In this climate, domain names were attributed miraculous powers.

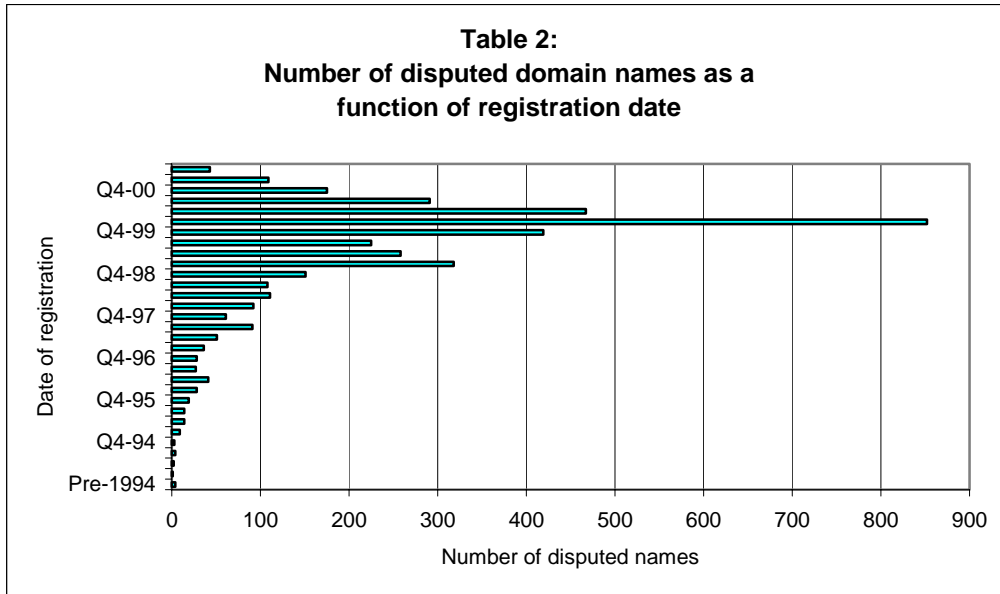
Major trademark holders inadvertently added fuel to the fire. They engaged in multiple defensive registrations, reinforcing demand for domain names, and sometimes asserted sweeping rights over unadorned character strings regardless of whether they caused confusion. A few engaged in reverse domain name hijacking to gain control of desirable names. Trademark lobby lined up solidly against any attempt to create new top-level domains to provide competitive alternatives to <.com>. The artificial scarcity caused by that strategy prolonged “navigation by guessability” and only enhanced the value of names under .com, further fueling incentives for name speculation. Everyone assumed that any new TLD would behave just like <.com>, with millions of users typing in guessed names. But in fact, the value of <.com> names rested almost entirely on its unique dominance of the market, which made second-level names function like keywords.

In late 1999 the US Commerce Department, acting through ICANN, opened up the <.com>, <.net> and <.org> domains to registrar competition. As of November 1999, any company that paid an accreditation fee and adopted approved software could market and sell domain names under <.com>, <.net> and <.org>. This form of regulated competition lowered prices and stimulated avid marketing of domain names. There ensued an explosion in the number of registrations. Between January and July 2000, 8 million new <.com>, <.net>, and <.org> names were registered. A large percentage of them, as we shall see when we track disputed names, were multiple, speculative registrations, and many of them were abusive (although the number of abusive registrations was still small relative to the total number of registrations).⁵ The UDRP was introduced virtually at the peak of this speculative cycle. The first case was decided in December 1999 and UDRP began to be used regularly in the first quarter of 2000.

Domain Name Disputes and the Boom

If we examine when the names challenged under the UDRP were registered, we find a significant concentration of challenged names in the first quarter of 2000. Table 2 shows the number of disputed domain names as a function of their registration date. The 1st quarter of 2000 stands out as a huge peak. That period was too early for the UDRP to have a significant deterrent effect on cybersquatters, yet immediately followed ICANN’s introduction of registrar competition which stimulated the marketing and consumption of gTLD domains. The number of disputed names drops off precipitously in the second and third quarters of 2000. (Data for the 4th Quarter of 2000 and the 1st Quarter of 2001 are not representative due to the lag time for filing disputes.)

⁵ See the original “Rough Justice” report, showing that only one quarter of one percent of all registrations produce a dispute. “Rough Justice: A Statistical Assessment of ICANN’s Uniform Dispute Resolution Policy,” The Information Society 17: 151-163 (2001).



The effects of the boom on domain name disputes also shows up clearly in trends in the average number of domain names per case. Most UDRP cases involve only one domain name; in others, a single individual registers three, tens or even hundreds of domain names targeted at a single business.⁶ If we average groups of cases in a specific period of time, we obtain a statistic that can be used to track trends, with a higher number of multiple-registration cases being taken as a proxy for a larger amount of name speculators.

In the first three months of the UDRP (January 2000 – end March, 2000), the mean number of domain names per case was 1.4 over 400 cases. Over the next two four-month periods, the average rose to 1.78 and reached a peak of 2.02 domain names per case by the period between August and the end of November 2000. This jump in the average number of domain names per case reflected the glut of large-scale name speculators who registered names in the peak period of the boom; i.e., the first quarter of 2000. Since, then, the mean has declined steadily. The average over the December 2000 to July 2001 period, involving about 1500 cases, was about 1.6 domain names per case. The most recent (pending) cases listed by ICANN show that the average has declined even further since then, to 1.35 names per case.⁷

Similar results are obtained if we track the number of days between the date a domain name was registered and the commencement date of the UDRP proceeding challenging it. As the glut of speculative registrations was being digested by the UDRP system in the middle of year 2000, the average time between the date of registration and the date of commencement was a little over one year (380 – 390 days). As the speculative boom

⁶ The most famous example is the Telia case, WIPO D2000-0599, in which Alex and Birgitta Ewaldsson registered 243 variations of the company's names and the names of its products. The same couple registered 122 names related to the Dell Computer company.

⁷ "Summary of Status of Proceedings," ICANN web site, <http://www.icann.org/udrp/proceedings-stat.htm>. The average cited involves 700 pending cases.

receded in time, the number of days between the registration date of a disputed name and the proceeding commencement date has progressively increased. It now stands at about 510 days. In other words, on average, a domain name in a UDRP proceeding was registered almost a year and a half before it was challenged.

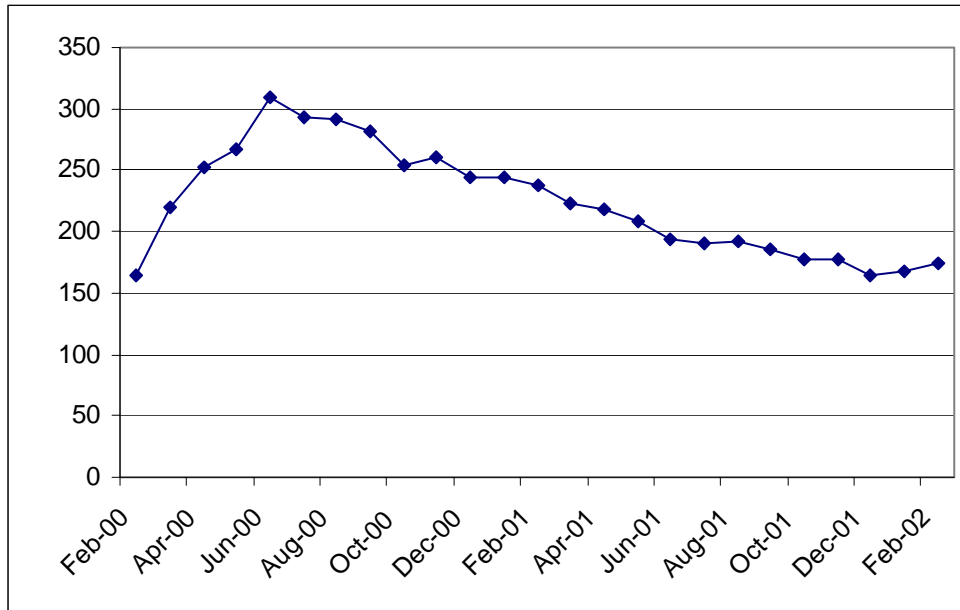
The Bubble Pops

It is apparent from a variety of data sources that the DNS land rush is over and that this is affecting the volume of domain name disputes. Beginning in November 2001, the number of domain name registrations in the legacy gTLDs <.com>, <.net> and <.org> began to decline.⁸ By April 2002, the last month for which data is available, the decline totaled about 3 million registrations. While the gTLDs were losing numbers, the largest country code TLDs were growing steadily. One third of all registered domain names are now in country code TLDs.

Despite the declines, however, there were still around 29 million registered gTLD domain names and over 40 million worldwide – a far cry from the days of “guessability,” when there were less than a million. Furthermore, ISPs such as American Online, which account for one third of the consumer Internet market in the US, developed their own, highly controlled keyword system. The search engine Google reliably delivers links to desired websites when users type in a few suggestive keywords. Moreover, the Internet is becoming less American and less dominated by the English language. These trends are fatally undermining reliance on domain name “guessability” as a popular navigation strategy. While these trends do not eliminate the need for domain name dispute resolution, they do dramatically undermine the economic basis for speculation and cybersquatting. Not surprisingly, the volume of UDRP cases has declined steadily since the summer of 2000, suggesting that the number of disputes was driven by the bulge in speculative registrations during the boom of years of 1999 and 2000.

⁸ Snapnames, State of the Domain report. April 2002. <http://www.snapnames.com>

Figure 3: Decline in the number of UDRP cases. (Moving 4-month average)



As this report progresses we will contend that the standards and principles designed to rectify the avalanche of cybersquatting that took place in 1999 and 2000 are far too crude to be appropriate for the long term.

2. Profile of Domain Name Disputes

Complainants

A total of 2,500 unique organizations or individuals initiated complaints. A large number of these complainants (2,111, or 84%) only used UDRP once. A small number used it repeatedly. The top 4% (98 corporations) used it 4 times or more; that small group, which is overwhelmingly American, accounts for 22% of the cases. (Table 4) Many domain name disputes focused on Internet, telecom and computer-related brands, but there was in addition an interest in sex (Victoria’s Secret), gambling (Monaco Casino) and money (financial or insurance businesses).

America Online, Victoria’s Secret, “Sandals” resorts, Bloomberg, and Alta Vista top the list of companies who filed the largest number of challenges. Telia (244), Yahoo (168), AOL (148), Dell (140) and Alta Vista (88) rank highest in terms of the number of domain names challenged.

Table 4. The Top 15 Complainants, December 1999 – July 2001

| Complainant Name | Cases filed | No. Domains |
|--|--------------------|--------------------|
| America Online, Inc. | 54 | 148 |
| Victoria's Secret | 31 | 48 |
| Gorstew Limited and Unique Vacations, Inc. ("Sandals") | 30 | 70 |
| Bloomberg LP | 27 | 45 |
| Alta Vista Company | 21 | 88 |
| Dollar Financial Group, Inc. | 20 | 27 |
| Société des Bains de Mer et du Cercle des Etrangers à Monaco | 19 | 72 |
| State Farm Mutual Automobile Insurance Co. | 19 | 29 |
| Hewlett-Packard Company | 18 | 22 |
| Yahoo! Inc. | 16 | 168 |
| General Electric Company | 15 | 51 |
| Telstra Corporation Limited | 14 | 30 |
| Caterpillar Inc. | 14 | 51 |
| Wal-Mart Stores, Inc. | 11 | 16 |
| Microsoft Corporation | 11 | 22 |

A few of the most prominent complainants, however, are there not because the widespread popularity of their brands made jumping on similar domain names profitable, but due to an economic struggle between original producers of goods and distributors or resellers of their products. It is a fight over disintermediation on the Internet, with distributors seeking to use names to promote their goods and the trademark holders fighting to stop them and reach customers directly. See the discussion of "licensee/reseller" cases in the next section and in the last section on freedom of expression.

The major complainants took their business to the World Intellectual Property Organization (WIPO) or the National Arbitration Forum (NAF) dispute resolution services. None of them patronized eResolutions (not surprising, given its higher respondent win rate) or CPR (which has higher fees). Yahoo, General Electric, Monaco casino, AT&T, CBS, and Microsoft confined their business to WIPO. Alta Vista started with NAF but switched to WIPO. Bloomberg, Hewlett Packard, Victoria's Secret, Dollar Financial Group, and State Farm delivered all their business to NAF. AOL and Caterpillar use both; the standard of selection these companies use to divide their business among the two is not clear. In terms of market share, NAF actually leads WIPO among the major corporate users of the policy, with a 53% share of the cases of the top 15 Complainants.

Respondents

Respondents who get involved in UDRP cases are less skewed in distribution and more numerous than Complainants. There were 3,330 distinct respondents, give or take 10 or 20 possible uses of different names for the same person/organization. All but 220 of them (94%) had only been involved in 1 dispute during the period covered by the database. The most commonly challenged individual was the notorious "mousetrapping"

typosquatter John Zuccarini.⁹ About 2,000 Respondents have been challenged only once *and* in the one case they were challenged only one domain name was involved.

Table 5. The Top 15 Respondents, December 1999 – July 2001

| Respondent Name | Cases | No. Domains |
|---|--------------|--------------------|
| John Zuccarini, Cupcake Patrol | 61 | 218 |
| CPIC Net or MIC; Hussain, Syed | 29 | 75 |
| Brian Evans, Entredomains or The Domain Name you Have Entered is for Sale | 16 | 20 |
| Private; Personal; Alex Vorot | 11 | 12 |
| Control Alt Delete or PDS, Lennartson, Tony | 10 | 10 |
| Brian Wick, American Distribution Systems or Default Data | 9 | 16 |
| Chad Folkening, eCorp | 8 | 10 |
| Saeid Yomtobian | 8 | 10 |
| Yun Ye, Noname.com | 7 | 8 |
| Stoney Brook Investments | 7 | 20 |
| Domain 4 Sale & Co. | 6 | 10 |
| European Travel Network | 6 | 10 |
| Old Barn Studios, Ltd. | 6 | 15 |
| OZ Domains/E O Domains/O.F.E.Z.; Fisher Zvieli a.k.a Eitan Zviely | 6 | 60 |
| Renteria, Jamie | 6 | 24 |

Respondents challenged under the UDRP are concentrated in the United States: 60% of them reside there. As might be expected, English-speaking countries are the point of origin for the vast majority of respondents: 73 percent.

Relationships between the parties.

Five categories were used to sort cases according to the type of relationship that existed between the contending parties. We sorted cases into the following relationship categories:

- Competitor¹⁰
- Employee or business associate¹¹
- Licensee or reseller¹²

⁹ Zuccarini was a typosquatter who had registered over 1,000 domain names and used them to capture traffic. Users who entered a Zuccarini domain were subjected to a practice known as “mousetrapping,” whereby a window with an advertisement pops onto the screen, and the user’s attempt to close that window generates the popping up of 10 or more additional windows.

¹⁰ To be classified as a *Competitor*, the parties had to be offering similar goods and services and operate in overlapping markets.

¹¹ *Employee or Business Associate* meant that the Respondent works for the company or did so in the recent past, or was involved in some kind of a business relationship with the Complainant, such as a partnership or subcontractor. This category captured domain name disputes of business partners squabbling over control of a jointly-acquired domain, employees who registered a name on behalf of their organization but used their own name as administrative and billing contact, ISPs who registered a name for a client and then retained control, terminated employees who registered names of their employer out of spite, and the like.

- Critic or Commentary¹³
- Unaffiliated¹⁴

Table 6 below shows what proportion of cases fell into each category. It also shows that different default rates and complaint dismissal rates are associated with each category.

Table 6: Relationship Between Parties as Related to Defaults and Decision

| <i>Relationship between parties</i> | <i>Pct of total</i> | <i>Defaults</i> | <i>Complaint Dismissed (all cases)</i> | <i>Complaint Dismissed (non-default cases only)</i> |
|-------------------------------------|---------------------|-----------------|--|---|
| Unaffiliated | 78% | 56% | 18% | 35% |
| Competitors | 11% | 44% | 23% | 39% |
| Employee/Business Associate | 4% | 41% | 16% | 27% |
| Licensee or Reseller | 4% | 36% | 27% | 39% |
| Critic or Commentary | 3% | 7% | 33% | 36% |

Domain name disputes are dominated by relations between unaffiliated parties.¹⁵ These cases tend to have high default rates. However, once the defaults are taken out the Respondents' win rate is similar across all but one of the categories. Complainants are most likely to win when the respondent is an Employee/Business Associate. Respondents in the Critic or Commentator category are far less likely to default – only 8 percent do.

¹² The *Licensee or Reseller* category was one of the most interesting from a legal point of view. It dealt with cases in which the respondent was a distributor of the complainant's products or services, either authorized or unauthorized, and claimed a legitimate right to use a domain name incorporating a trademark on that basis. This category included sellers of second-hand or used equipment, travel agents, retailers, and the like.

¹³ The *Critic or Commentary* category dealt with cases in which Respondent advanced a claim that the domain name was being used to make a statement or that the web site to which the name resolved consisted of commentary upon a trademarked good, service, or company name. This class of cases involved nominative references to a trademark, mostly noncommercial but in some cases for commercial purposes as well. The category includes gripe sites, fan sites, or sites in which Respondent wanted to post critical or independent information about a company. (Mere registration of a <trademark>sucks domain, however, was not sufficient to qualify for this category; in some of these "sucks" cases the Respondent made no claim that it was making a protest or comment but simply registered the name to provoke a sale.)

¹⁴ *Unaffiliated* was the category for all cases that did not fit into any of the others. As such, the category includes both extremes of the domain name trademark dispute spectrum: hard-core cybersquatters who registered hundreds of names purely for their potential resale or traffic diversion value, and organizations or individuals who unknowingly registered a name coveted by a trademark owner (perhaps in a foreign country), as well as a number of shades of grey in between: name speculators registering what they think are generic terms but which are also trademarked somewhere, vanity email service providers, advertising-driven traffic capturers who register expired names, businesses with similar names, etc.

¹⁵ In a few cases the categories overlapped or the boundaries were not clear. For example, a former employee of an organization might set up a gripe site; or a reseller of products might also be seen as a competitor. In those instances the case was classified based on which feature was most important to the legal and policy principles used to resolve the dispute.

The lower than normal default rate for the “Licensee or Reseller” and the dramatically lower rate for “Critic and Commentary” categories is important. They indicate areas where there seems to be a real clash of expectations regarding who has a right to use a name. Cases classified as “Critic or Commentary” are obviously relevant to an appreciation of how the UDRP is affecting freedom of expression. Apparently, most registrants of “gripe site” or commentary domain names sincerely believe that they have a right to the name and are prepared to defend it. However, when controlling for defaults their win rate is actually lower than cases in which the parties are Resellers or Competitors, and hardly distinguishable from when they are Unaffiliated. The substantive issues this raises will be discussed in more detail in the last section of the report.

The low dismissal rate for the “Employee or Business Associate” category is not surprising, given that employees and business associates cannot claim that they were unaware of a trademark when registering the name. The commercial nature of the relationship makes them more likely to run afoul of the bad faith provisions regarding disruption of business or blocking registration (4bii).

One would not expect to find such a high win rate for respondents in the “Competitor” category. The prevention of confusion among competitors is supposed to be a *sine qua non* of trademark law. The explanation can be found from an examination of the individual cases wherein the complaints are dismissed. Most of the dismissals involve Complainants with unregistered marks or weak, quasi-generic marks.¹⁶ The domain name disputes are an extension of business competition, with firms attempting to gain control of the same generic terms. This category also includes conflicts over concurrent use of similar names across different jurisdictions.¹⁷ In these cases, even though the contesting parties might view themselves as competitors in the global marketplace of the Internet, the respondent might also have a trademark in a different jurisdiction.

Types of Rights Asserted

The first limb of the UDRP requires Complainants to show that the respondents have registered a domain name that is identical or confusingly similar to a name in which they have rights. The policy recognizes a variety of different types of “rights” to names. The database classified different types of claims along the following lines:¹⁸

- Registered trademark (at the time the proceeding commenced)

¹⁶ See NAF 94653, *Rockport Boat Line vs. Gananoque Boat Line* regarding the domain name <rockportboatline.com>; WIPO D2000-0562, involving the domain name <lookhear.com>. eRes AF-0284 <lowestfare.com> NAF 94428 <newyorkpress.com>. All involve company names, generic marks or pending applications.

¹⁷ WIPO D2000-0230 <euro200.com> NAF 96116 <iciparis.com> and NAF 95752 <iciparis.org> involve Complainant’s and respondents claiming trademark rights based on different jurisdictions. In all of these cases Complainants lost.

¹⁸ There was also another category, making up a very small minority of cases (0.3%): Complainant lacks right in cited mark; i.e., the party initiating the proceeding asserted ownership of a mark but the panel discovered that the Complainant was not the actual owner of the mark in question. In these cases the complaint was always dismissed.

- Common law mark¹⁹
- Pending application (pending at the time of the dispute)
- Company name – no registered mark
- Personal name (if a personal name was trademarked, then the case record classified it as a registered trademark).²⁰
- Hijacked or lapsed domain name (used only when Complainant had no registered mark)
- Similar domain name (used only when Complainant had no registered mark)

Table 7: Frequency of Different Types of Rights to Names Asserted

| <i>Type of Claim</i> | <i>Percentage of cases</i> | <i>Complaint Dismissal pct (all cases)</i> | <i>Complaint Dismissal pct (defaults eliminated)</i> |
|---------------------------------------|----------------------------|--|--|
| Registered trademark | 81.7% | 15% | 29% |
| Pending application | 5.8% | 33% | 46% |
| Common law mark claimed | 4.8% | 31% | 47% |
| Company name or trade name | 3.9% | 28% | 37% |
| Personal name | 1.9% | 16% | 21% |
| City, country or place name | 0.7% | 81% | 85% |
| Hijacked or Lapsed domain name | 0.5% | 37% | 50% |
| Similar domain names | 0.5% | 64% | 75% |

A large majority of claims (81.7%) are based on registered trademarks. *Pending application* is the second most common category, with about 6 percent of the claims being made on that basis. *Common law* claims are involved only 5 percent of the time. Claims based on personal names, though highly publicized, represent only about 2 percent of the total number of proceedings. Geographic indicator cases are even rarer, with less than one percent.

Our database captured the registration date of the trademarks invoked in the proceeding, when possible.²¹ Reviewing this data, one could not help but be impressed by the recency of many of the trademark registrations. Of course, many long-established marks, such as Guinness, Coca-Cola, and Chanel were involved in disputes. But thirty-seven percent of the trademarks invoked were registered in 1995 or later.

¹⁹ We recognized that the categories Pending Application, Company Name, and Personal Name all could be considered subsets of Common Law claims. A complainant with a pending application or a well known personal name might also claim a common law mark in a domain name dispute. However, we thought it more informative to separate out these distinct types of claims to an unregistered trademark. Thus, if a complainant claimed that its widely used corporate name should be protected as a mark we classified it as a company name claim, not as a common law claim.

²⁰ However, there was a separate check-off box for “rights of personality” which also captures these cases.

²¹ US trademarks were easy to look up, but many non-US trademarks do not have online databases, or even if they do, our staff lacked the language ability to look them up. Many UDRP decisions do not provide either the registration number or the date of the trademark invoked.

Approximately 11% of the registered trademarks were registered after the respondent registered the domain name. In some of these cases, however, the name was used by the trademark holder for many years before actual registration of the mark. Nevertheless, there are scores of cases in which complainants succeeded in taking away domain names registered before the trademarks were registered and used.²²

The data send a very clear message about what kind of rights the UDRP is and is not recognizing. Cases involving geographic indicators have been overwhelmingly unsuccessful under the UDRP, with a few notable exceptions.²³ Common law claims, pending applications, trade names, and other types of unregistered marks are not protected as strongly as registered marks by the UDRP, but, with the exception of lapsed domain names or similar domain names, claimants under these rubrics are more often successful than not.

Most surprising is the strength of protection given to personal names under the UDRP. Personal names that are not registered as trademarks have been protected as strongly as registered marks, if not more strongly. Here, as in the geographic indicators cases, there are significant exceptions, most notably the Bruce Springsteen and Skip Kendall cases,²⁴ but overall the win rate for complainants in personal name cases is practically identical to registered marks, and when defaults are eliminated it is higher.

There are significant and interesting differences among the dispute resolution service providers in these categories. Claims brought to WIPO are based on registered trademarks 86 percent of the time. Cases brought to NAF involve registered trademarks 78 percent of the time, and complaints brought to eResolutions were based on registered marks only 63 percent of the time. WIPO got the lion's share of the personal name cases, whereas NAF and eRes received a relatively high proportion of claims based on pending applications (8% and 10% of their overall case load, respectively).

3. The Problem of Respondent defaults.

The most noteworthy statistical feature of the UDRP is the number of respondent defaults. A "default" occurs when a defendant in a domain name dispute fails to file any response to the complaint within the two week time limit. In other words, default cases are decided almost entirely on the basis of the Complainant's assertions, and without any input or participation from respondents or respondents' lawyers. In our database, 1,740

²² For one of the most egregious cases, see NAF 93666, which allowed "Faithnet, Inc." of San Antonio, Texas, to take away the generic domain name <faithnet.org> from the "Believers Fellowship of Lakeland, Florida." The domain name was registered 5/13/97. The mark was not registered until October 1997 and the USPTO date of first use is listed as June 1997. In this case, however, the respondent did not file a response. See the section on "The Problem of Respondent Defaults."

²³ WIPO D2000-0505, <Barcelona.com>. Despite being upheld in court, this decision seems to have been recognized as a mistake; since it was made nearly all geographic indicator claims have been denied, unless they involve statutory rights such as those found in the City Council of Glasgow or Government of Canada cases.

²⁴ *Bruce Springsteen v. Jeff Bugar*, WIPO D2000-1532 (January 25, 2001); *Jules Kendall vs. Donald Mayer*, WIPO D2000-0868 (October 26, 2000).

cases – 52 percent of the 3,362 decided cases – are defaults. The data of Professor Geist, which includes cases from July 2001 – February 2002 not included in our database, finds an overall default rate of 54%. This would indicate that the rate of default has been increasing over time.²⁵

Defaulting has a profound impact on the outcome of the dispute. In our study period, Complainants win 96% of the cases in which the Respondent defaults. Indeed, one of the dispute resolution service providers, the US-based National Arbitration Forum (NAF), regularly states in its decisions that a respondent’s failure to contest the allegations of the trademark holder “permits the inference that the complainant’s allegations are true” and that the respondent is admitting its bad faith.²⁶ Thus, in cases brought before NAF a default is virtually an automatic win for the Complainant – the challenger takes over the domain name 99% of the time.²⁷ When defendants in domain name disputes do file some kind of a defense, they are eight (8) times more likely to win (their win rate jumps from 4 percent to 33 percent). When they have the resources to pay an additional \$1500 to select one of three panelists, defendants win slightly over half of the cases. The simple fact is that Respondents’ participation in the procedure is the single most important factor affecting the result.

The predominance of defaults in the UDRP thus raises a vital question: Are respondents defaulting because they are admitting that the complainant’s allegations are true or that their registration was made in bad faith? Or do defaulting Respondents have a legitimate defense but simply lack the time and resources to mount a defense, given the relatively small value of a domain name? Our evidence suggests that the answer to *both* questions is “yes.” Many defaults are tacit admissions of an illegitimate domain name registration. On the other hand, many defaulting respondents do not seem to be bad faith registrants but rather victims of a process that experienced, trademark-holding complainants know how to use to grab poorly defended names.

Defaulting Cybersquatters

Our data show that the default rate for the most notorious and abusive registrants is usually over 60 percent, and for many of them it is a perfect 100 percent. (Table 8). For these respondents, defaulting is the most efficient response to a challenge, as the cost of a defense would exceed their investment in the contested names and have a very low chance of success. Most (not all)²⁸ of these cybersquatters are not using their domain names to generate revenue; they are simply parking them. The tendency of the UDRP

²⁵ See the website, <http://www.udrpinfo.com/>

²⁶ See *Gorstew Limited and Unique Vacations vs. Travel Concierge*, FA 94925 (July 13, 2000). The boilerplate from a NAF default decision runs like this: “The Respondent’s failure to dispute the allegations of the Complainant permits the inference that the Complainant’s allegations are true. Further, the Respondent’s failure to respond leads one to believe that the Respondent knows that its website is misleading and intentionally diverting business from the Complainant.”

²⁷ By way of contrast, the decisions of eResolutions, the now-defunct Canada-based UDRP provider, emphasized that Complainants still had to meet their burden of proof when respondents defaulted. In eResolutions cases, Respondents won cases that they did not even contest 22 percent of the time.

²⁸ Zuccarini used the names to divert traffic, and hence needed the names and contested some of the cases. However, it is noteworthy that he only once invested in a three-judge panel.

challenge to provoke defaults in such cases is a good thing, an improvement in the efficiency of delivering justice.

Table 8. Default Rate for Well-Known Cybersquatters

| Name | Times challenged under UDRP* | No. of defaults | Pct |
|------------------------------|------------------------------|-----------------|------|
| Brian Evans | 16 | 11 | 69% |
| John Zuccarini | 61 | 43 | 70% |
| Tony Lennartson | 10 | 9 | 90% |
| Syed Hussain | 29 | 29 | 100% |
| Stonybrook Investments | 7 | 7 | 100% |
| Fisher Zvieli / Eitan Zviely | 6 | 6 | 100% |
| “Private”; Alex Vorot | 6 | 6 | 100% |

* During the time span covered by the database

The UDRP has been an effective tool against abusive domain name registrants because it has rebalanced the economics of justice. As noted in the first section, the commercialization of domain name registration and the rise of the World Wide Web made names under the generic TLDs a common pool resource that could be appropriated on a first come, first-served basis. Abusive registrants exploited the large gap between their costs of registering names and the complications, delays and cost associated with prosecuting abuses. Numerous UDRP cases document instances in which unethical name speculators approach trademark holders with illicit registrations and hint at or directly state that legal challenges will cost more than the price they are willing to sell the name for. Abusive registration was a business with extremely low entry costs and very few operational costs.

ICANN and WIPO attacked this problem by imposing on all domain name registrants an obligation to submit to a uniform dispute resolution policy. This created a global “jurisdiction” with the operational authority to take away a gTLD domain name, regardless of what territory the registrant or challenger resided in.²⁹ Once that system was in place the “extortion” value of holding a trademarked name for no legitimate reason was greatly eroded. Trademark holders could impose costs on cybersquatters (requiring them to defend their name), not just the other way around. A large portion of defaults in UDRP cases represent the flushing out of the large number of opportunistic domain name registrations that took place in late 1999 and the first half of 2000.

Defaulting innocents.

Unfortunately, thwarting cybersquatters is not the whole story. An unacceptably large number of defaults appear to be cases in which Complainants are simply going after

²⁹ Michael Fromkin (2002) described it as “a contract of adhesion that created a world-wide third-party beneficiary right allowing aggrieved parties to invoke an arbitration-like procedure” to transfer domain name registrations. Fromkin, “ICANN’s Uniform Dispute Resolution Policy – Causes and (Partial) Cures.” *Brooklyn Law Review*, 67 (3) 632.

desirable names regardless of whether any abuse is involved, and the respondents appear to have a colorable claim to the disputed name.

They are cases like NAF 94637, involving a challenge by the Hewlett Packard Company to an Italian software company Full System S.a.S.³⁰ Early in 1997 the Italian company, registered the descriptive name “openmail.com” and used it to offer personal e-mail accounts over the Internet. “OpenMail” also happens to be a trademark of the Hewlett Packard Company. Using the reviled Network Solutions dispute policy that was in place before UDRP, Hewlett Packard succeeded in suspending the name in 1998, thereby rendering it useless for the Italian company but leaving the registration in the defendant’s hands. When the UDRP became available, it served as HP’s coup de grace, allowing it to take over registration of the name. The Italian company lost the case simply because they did not respond to the complaint. There was no apparent evidence that the Italian company had tried to sell the name to HP or that it had a pattern of abusive registration, and it was clear from the record that they had been attempting to use the name in a manner that has been declared legitimate by several other cases.

Based on the limited written record available to us now, it is impossible to know why Full System defaulted. Was it the expense? The language barrier? A lack of interest in retaining the name? A cost-benefit analysis indicating it was not worth it? We do not know. What we do know, however, is that they were willing to pay to renew the name in 1999, so they did want it.³¹

By way of comparison, when HP challenged the registrant of openview.com and openview.org, the respondent – a reseller of HP’s OpenView network management software who was using the name to specifically refer to the complainant’s products – mounted a defense and won the case.³²

Another example is Case CPR-014, involving the name <cyberscholastics.com>.³³ The domain was challenged by Scholastic, Inc., the maker of educational materials for children. Both elements of the name, “cyber” and “scholastics” are generic and descriptive and could sustain a variety of good faith uses. The record contains no evidence of bad faith other than the respondent’s failure to respond and rebut the complainant’s accusations.

There are hundreds of cases like this. Because the written record about defaulting respondents is so limited, it is impossible to produce a precise statistic, but a rough estimate is that a quarter (25%) of all defaults appear to be cases in which there is no solid evidence of bad faith registration other than the respondent’s failure to respond.

³⁰ *Hewlett-Packard Company v. Full System*, FA 94637 (Nat. Arb. Forum May 22, 2000).

³¹ As an ironic appendix to this story, Hewlett Packard announced last year that it would stop selling its OpenMail software to new customers.

³² *Hewlett-Packard Company v. John Napier*, FA 94371 (Nat. Arb. Forum April 28, 2000), and *Hewlett-Packard Company v. John Napier*, FA 94368 (Nat. Arb. Forum April 28, 2000).

³³ *Scholastic, Inc. v. Michael S. Watson/Pendragon Consulting Services*, CPR-014 (CPR Institute for Dispute Resolution, December 14, 2000).

Rebalancing the Equities: A Proposed Remedy.

Even when innocent domain name registrants do not default, and even when their rights are upheld by the panelists, the cost of defending their names can be burdensome. An effective defense against a domain name challenge can cost a minimum of US\$5,000, and can easily run up to \$10,000 if counsel is used. And if they face a determined opponent, victorious domain name registrants can look forward to a court case afterwards, which can be vastly more expensive.³⁴ That's a lot of money to pay for a \$25 per year registration.

In sum, the UDRP has made it too easy to mount challenges to domain name registrations for the wrong reasons. A complainant who simply wants a domain name that someone else has and wants to take it away from its rightful owner has at least a 50/50 chance of succeeding by default under the UDRP. The high likelihood of a default creates an incentive for less ethical Complainants to file meritless claims. And if such complainants lose, their only cost is the expense of the proceeding itself – the UDRP cannot punish them in any meaningful way for bringing a bad faith claim.³⁵

There is a simple and effective remedy for this problem. Complainants can be required to post \$1,000 bonds when they file complaints. If they win the case that money is refunded; if they lose, it goes to the Respondent. A bond of that size is small relative to the typical costs associated with a corporate trademark holder's overall costs of participating in the UDRP: \$1,500 for the arbitration and \$5,000 - \$10,000 for counsel.

As a *quid pro quo* for this remedy, reform proposals should also consider making UDRP challenges even cheaper for Complainants when the Respondent does default. With the safeguard of a bond in place, it may be more legitimate to adopt a truncated procedure and refund some money to Complainants when Respondents do not bother to respond. This option requires, of course, that procedures do allow respondents enough time to be notified and to react.

In terms of sheer economic efficiency, it is better to encourage Complainants who want a name that was not registered or used in bad faith to transact for it directly with the registrant and pay them a market price for it. Given the declining secondary market price for domain names, the less-inflated navigation power associated with domain names, and the likelihood of additional TLDs in the future, this options seems less wasteful of society's resources than complex forms of intermediation. Unfortunately, the UDRP often acts as a deterrent to this more efficient solution, by frequently judging any effort to sell an unused domain name as evidence of bad faith under 4(b)i.

³⁴ *Strick Corporation v. James B. Strickland*, FA 94801 (Nat. Arb. Forum July 3, 2000). This obvious decision for the Respondent nevertheless was taken to court, where the Respondent once again emerged victorious. In *Miguel Torres, S.A. v. The Torres Group* WIPO D2001-1200 (WIPO, December 19, 2001) a completely meritless claim in which the complainant attempted to assert that the respondent was not really named Torres resulted in a Reverse Domain Name Hijacking finding, .

³⁵ The only negative consequence of mounting a meritless claim is that the UDRP allows panelists to call bad faith complainant's an unpleasant name: a "reverse domain name hijacker." But the practical consequences of this are nil.

4. Precedents and the UDRP

Most systems of arbitration are not considered to be precedent based, and for a time there was a debate over whether precedent should play a major role in UDRP decisions. That issue is no longer debatable. Our data show that UDRP decisions cite other UDRP decisions more than half of the time. The majority not only cite other cases but rely on precedent extensively to reason out and support their decisions. What is perhaps even more significant is that the complaints and responses of the parties always cite decisions in other cases as precedents or justifications for their arguments.³⁶ This is significant because the precedents being established via the UDRP may evolve into a global trademark law for cyberspace.

In practice, the use of precedent has redefined the policy in ways that substantially expand trademark holders' rights. Notions of what constitutes an "identical or confusingly similar" name have been dramatically broadened to favor trademark holders; definitions of what qualifies as a legitimate or noncommercial use have been narrowed. Most significantly, a new and expansive definition of "bad faith" that gives panelists an extraordinary amount of discretion has been articulated.

Citation patterns

A general statistical overview portends trouble. The top 20 cited cases are all cases in which the Complainant won. Moreover, in all but 4 of these cases the Respondent defaulted. Indeed, in the 50 most-cited cases, only 2 (4%) were won by Respondents and 38 (76%) were defaults. Given that Respondents win 19% of the cases overall and default in 52%, the selection principle seems skewed. Apparently, many of the principles used to resolve disputes are derived from cases in which the Respondent not only lost, but was not represented and was not capable of disputing the assertions or interpretations of the Complainant. We can only conclude that the legal discourse surrounding the UDRP is largely centered around articulating reasons to take names away from registrants. Even when these cases are cited to differentiate the decision from the precedents, as they sometimes are, one would feel more comfortable about the balance of the UDRP if there were a stronger set of precedents dealing with affirmative defenses.

Two of the most widely cited cases, WIPO D2000-0210, and WIPO D2000-0235, involve disputes over untrademarked personal names, showing how precedent is creating new rights.

³⁶ The author is a panelist for WIPO and has yet to see a case in which precedents are not cited.

Table 9: The Top 20 Cited UDRP Cases, to July 2001.

| Cited proceeding | No. citations | Who won | Default? |
|-------------------------|----------------------|----------------|-----------------|
| WIPO D2000-0003 | 436 | C | Yes |
| WIPO D2000-0009 | 129 | C | Yes |
| WIPO D1999-0001 | 124 | C | Yes |
| WIPO D2000-0044 | 82 | C | Yes |
| WIPO D2000-1221 | 81 | C | Yes |
| WIPO D2000-0210 | 75 | C | No |
| WIPO D2000-0004 | 72 | C | Yes |
| WIPO D2000-0403 | 71 | C | Yes |
| WIPO D2000-0235 | 68 | C | No |
| NAF 95856 | 61 | C | No |
| WIPO D2000-0020 | 56 | C | No |
| WIPO D2000-0001 | 53 | C | Yes |
| WIPO D2000-0102 | 51 | C | Yes |
| WIPO D2000-0163 | 49 | C | Yes |
| NAF 95312 | 47 | C | Yes |
| WIPO D2000-1228 | 46 | C | Yes |
| WIPO D2000-1113 | 45 | C | Yes |
| WIPO D2000-1232 | 45 | C | Yes |
| NAF 96356 | 43 | C | Yes |
| WIPO D2000-0441 | 42 | C | Yes |

Ballooning bad faith factors

The UDRP was not intended to be a new, globalized trademark law. It was intended only to eliminate the most direct and obvious forms of abusive registration, leaving to national laws and international treaties the more difficult problem of resolving complex conflicts over rights to names in commercial and noncommercial uses. In this regard, bad faith is the most critical element of the policy, because applications of bad faith criteria clearly distinguish a UDRP proceeding from trademark litigation. The definitions of bad faith were intended to target cybersquatting or abusive registration in particular, rather than trademark infringement or all forms of rights to names. During the development of the UDRP there was debate over the degree to which bad faith factors should be explicitly spelled out in the policy, or left open to interpretation. That debate was resolved in favor of specifying some factors but also making it clear that the listing was not exhaustive, leaving it open for panelists to define other things as bad faith.

It is now apparent that that discretion has been utilized vigorously, perhaps too vigorously. The following is a list of the major factors that have been added to the definition of bad faith via precedent:

- Passive holding. The most commonly cited case, by far, is WIPO D2000-0003, *Telstra v Nuclear Marshmallows*. This decision established the principle that “passive holding” of a domain name constitutes a bad faith use. The effect was to eliminate the distinction between bad faith registration and bad faith usage, because non-use was construed as a form of usage. The Telstra decision, however, was careful to set out specific and fairly detailed “circumstances of inaction” that allowed passive holding to be interpreted as use in bad faith.³⁷
- There is, quite independent of the *Telstra* precedent, a widespread suspicion surrounding failure to use the name. In WIPO cases D2000-0194 and D2000-1068, for example, non-use of the domain name was taken as critical evidence in support of both the respondent’s lack of a legitimate interest and of its bad faith. (On the other hand, in WIPO D2000-0993 panelist T. Willoughby explicitly rejects this reasoning, and this case, as one of the first cases to find Reverse Domain Name Hijacking, has been widely cited.)
- Knowingly registering a trademark. The so-called “opportunistic bad faith” doctrine holds that anyone who knowingly registers a name that is identical or similar to a trademark is by virtue of that fact alone guilty of bad faith registration and use. WIPO case D2000-0163, the 14th most-cited case, seems to have first articulated this doctrine.³⁸ This is a very broad dictum because many panelists construe legal registration of a trademark as sufficient notification for everyone in a country. It is particularly sweeping when coupled with the broad expansion of concepts of “confusing similarity” that has taken place under UDRP, which is often interpreted to mean that any character strings that contains a trademarked term, even phrases that insult or comment upon a trademark, are “confusingly similar.” Thus, the “opportunistic bad faith” doctrine can be used to collapse all three prongs of the policy into the first one. Merely registering a domain name that is confusingly similar to a mark suddenly becomes evidence also of no right or legitimate interest and of bad faith.
- False or inaccurate contact information. Inaccurate Whois data is now well-established by precedent as proof of bad faith. While not unreasonable as a bad faith factor, applications of this doctrine should also require that a plausible case be made that the inaccuracies are intentional or part of a strategy of concealing

³⁷ They were enumerated as follows: i) the Complainant’s trademark has a strong reputation and is widely known, as evidenced by [Telstra’s] substantial use in Australia and in other countries, (ii) the Respondent has provided no evidence whatsoever of any actual or contemplated good faith use by it of the domain name, (iii) the Respondent has taken active steps to conceal its true identity, by operating under a name that is not a registered business name, (iv) the Respondent has actively provided, and failed to correct, false contact details, in breach of its registration agreement, and (v) taking into account all of the above, it is not possible to conceive of any plausible actual or contemplated active use of the domain name by the Respondent that would not be illegitimate, such as by being a passing off, an infringement of consumer protection legislation, or an infringement of the Complainant’s rights under trademark law.

³⁸ See also Wipo cases D2000-0226, D2000-0277, D2000-0848, D2000-1080, D2000-0403, and many others.

- one's identity, rather than simply an entry error or a failure to update the information. Many panelists do make this distinction, but as long as the criterion is undefined it is possible for many not to make it, as well.
- Failing to respond to a trademark holder's inquiries. Some panelists have held in their decisions that a respondent's failure to respond to a complainant's or trademark holders' inquiries regarding a domain name can be considered evidence of bad faith. See, for example, WIPO cases D2000-0330 and D2001-0883.
 - One of the most disturbing new bad faith factors is the notion that the respondent is not contributing any value to the Internet. This view, articulated in WIPO decision D2000-0044, the 5th most-cited case in the UDRP, holds that a registrant can be found guilty of bad faith if "the Respondent is contributing no value-added to the Internet" and "the broad community of Internet users will be better served by transferring the domain name to a party with a legitimate use for it."

Taken together, the body of precedent surrounding the definition of bad faith gives panelists far too much latitude to classify anything they want as "bad faith registration and use." The database shows that nearly 20 percent of all bad faith findings utilize some factor other than the ones listed in the policy. The list of bad faith factors may need to be expanded to include concealment and a narrowly defined "passive holding," but the policy should be modified to limit bad faith to those specific factors.

5. Threats to Free Expression on the Internet

We turn now to a discussion of how the UDRP has affected free expression in cyberspace. Three categories of cases discussed above – *Critic or Commentary*, *Licensee or Reseller*, and *Personal Names*, reveal a pitched battle over the proper use of domain names. These battles reflect two distinct models of what domain names are and how they are used.

Model 1: Domain names as references

To the defendants in these cases, domain names are nominative references or descriptive methods of communicating to an audience. The names are selected the way one might name a file on a computer or title an article in a magazine or a newspaper. E.g, if one has written an article about Microsoft one might name it <microsoft.doc> on one's computer. Such a use in no way violates Microsoft's trademark rights – anyone who accesses that document on the Internet will not assume that you are Microsoft Corporation simply because you wrote something about it and named it accordingly. In cases involving commercial respondents, the names are intended to be descriptive; i.e., a retailer of Sandals resorts vacation packages might very well adopt a domain name with the word "Sandals" in it in order to describe their services, or a dealer in used Caterpillar machines might register <catparts.com>. A fan club or discussion group related to a personality such as Bruce Springsteen might register that name in whole or in part. The common element in all these uses is that the domain name is a semantic reference, and not necessarily an identifier of source or origin, or any kind of an authoritative statement about the relationship between the name and the web site.

Model 2: Domain names as trademarks

An alternative view is that domain names are basically an authoritative identifier of origin, and thus a form of trademark. If this is true then the exclusivities associated with business and product names should be applied systematically to them. This viewpoint sees domain names entirely as identifiers used in commerce. “Commerce” is defined very broadly to include any activity that touches on the financial sustainability of the web site or activity. Concepts of *dilution* extend the exclusivity for famous marks even further; use of a name can be prevented regardless of confusion, competition, or commercial or noncommercial use in order to preserve the “distinctiveness” of a name.

Clearly, domain names (and Web URLs) are flexible enough to accommodate both of these models. A domain name can function as both a reference and as a trademark. Indeed, most web sites and domain names are associated more with specific kinds of content than with organizations; any given organization typically has multiple sites and domains and associates them with different types of content. Under the UDRP, however, trademark owners are able to systematically assault uses based on the “reference” paradigm, and the precedents UDRP is establishing virtually guarantee that they will win most of the time.

The results of the UDRP cases, as the research of Professor Michael Geist has shown, depends heavily on which panelist(s) are selected to decide the case.³⁹ One imbalance in the system that needs attention is the fact that the overwhelming majority of panelists practice IP law and work for law firms who service trademark holders exclusively. Indeed, many panelists who decide cases also act as counsel for complainants (the reverse occurs occasionally but it much, much rarer). The professional culture of these panelists make them view domain names as trademarks, and render them less sensitive to the freedom of expression issues raised by the use of domain names and, being less grounded in knowledge of computers and the Internet, less aware of alternative naming spaces such as Usenet or AOL screen names, which offer their users tremendous flexibility to adopt names regardless of legal exclusivities.

Critic and Commentary Cases

It is clear from the cases that fall into the *Critic or Commentary* category that numerous complainants have used domain name challenges as part of an attempt to silence critics.⁴⁰ Many plaintiffs do not pretend otherwise in their complaints. See for example, WIPO case D2001-0256, where the Texas Freedom of Information Foundation, a group supposedly devoted to freedom of expression, took away the domain <foift.com> from a disgruntled user of their services who was using the domain to post information critical of the Foundation. Complainants charged that he was “confusing the public about the

³⁹ Michael Geist, “Fair.com? An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP.” <http://aix1.uottawa.ca/~geist/geistudrp.pdf>

⁴⁰ See WIPO D2001-0639 <marcelospel.com>, wipo d2001-0360 <lakaixa.com>, WIPO D2001-0376 <cogema.org>, WIPO D2001-0212 <natwestfraud.com>, NAF 95082 <bancompusa.com>, NAF 96765 <mayoinfo.com>.

important services provided by the FOIFT.” In this case, the trademark concept of “confusion” is applied inappropriately to contention and debate over ideas and opinion.

As noted in Table 6, when Respondents do not default they win Critic and Commentary cases 36% of the time. That rate is actually lower than the dismissal rate for non-defaulting respondents in the Licensee / Reseller and Competitor categories, and not significantly different from the Unaffiliated category. UDRP panelists clearly give freedom of expression no special weight.

However, the outcomes and precedents in this category are mixed, reflecting the lack of clear standards and dissension among panelists. Some panelists explicitly uphold the right of Internet users to incorporate a trademarked name or make a complete nominative reference to a trademark in a domain name if the name is used for noncommercial expression.⁴¹ Others hold that a nominative reference to a protected trademark in a domain name is confusing or illegitimate and urge would-be critics to register names more descriptive of their intentions, such as <companycritic.org>.⁴² Still others take the position that virtually any domain name that incorporates a mark is confusingly similar, and registrants who use a trademark in any part of the identifier for criticism or commentary are guilty of bad faith because they are exploiting the good will of a mark to attract attention.⁴³ As an extreme example of the latter position, some panelists have even ruled that “sucks” domain names are “confusingly similar” to the referenced mark because some users, somewhere on the planet, may not understand why the word “sucks” is there or what it means.⁴⁴ This position, incidentally, directly contradicts the admonition that critics should register domain names that are descriptive of their dislike of the named entity. That fact has not, however, prevented the same panelist from advancing both

⁴¹ See *Estate of Tupac Shakur v. R.J. Barranco*, AF-0348 (eResolutions, Oct. 23, 2000); *Mayo Foundation for Education and Research v. Pat Briese*, FA 96765 (Nat. Arb. Forum, May 4, 2001); *Bridgestone Firestone, Inc. v. Jack Myers*, D2000-0190 (WIPO, July 6, 2000); and *Royal Bank of Scotland Group plc v. natwestfraud.com and Umang Malhotra*, D2001-0212 (WIPO June 18, 2001).

⁴² See Wipo D2000-0181, where the panelist admits that Respondent’s website did consist of legitimate and noncommercial chat about Denny’s restaurants, but admonishes the Respondent to choose a domain name that reflects its status as a chat site rather than using the domain name <dennys.net>.

⁴³ See *Wal-Mart Stores, Inc. v. Walsucks and Walmarket Puerto Rico*, No. D2000-0477 (WIPO July 20, 2000). The decision states that “*Internet users with search engine results listing Respondent’s domains are likely to be puzzled or surprised by the coupling of Complainant’s mark with the pejorative verb “sucks.” Such users, including potential customers of Complainant, are not likely to conclude that Complainant is the sponsor of the identified websites. However, it is likely (given the relative ease by which websites can be entered) that such users will choose to visit the sites, if only to satisfy their curiosity. Respondent will have accomplished his objective of diverting potential customers of Complainant to his websites by the use of domain names that are similar to Complainant’s trademark.*” In other words, the “crime” here is successfully attracting attention, regardless of whether confusion or deception is involved.

⁴⁴ In *ADT Services AG v. ADTsucks.com*, D2001-0213 (WIPO, April 23, 2001), panelists D. Foster, I. Barker and D. Wagoner came to the risible conclusion that the domain name <adtsucks.com> was “confusingly similar” to the ADT mark, holding that “the addition of the sucks [sic] does nothing to deflect the impact of the mark on the Internet user,” and making the lame appeal that “not every user of the Internet is well-versed in the English language.” How these mythical users would make sense of the bare acronym “ADT” but not the word “sucks” apparently did not cross the minds of these panelists.

positions in different situations.⁴⁵ These precedents are inappropriate to the domain name system. They needlessly constrain naming options and public expression regardless of whether real confusion or commercial deception occurs, and transform trademark rights into complete ownership of a word in the domain name space.

One panelist has taken to interesting new heights the idea that a negative reference is not legitimate unless everyone understands it. In WIPO case D2001-0360, panelist M. Introvigne transferred the domain name <lakaixa.com> from its registrant because the web site it resolved to contained political criticism of a firm known as “La Caixa.” The panelist acknowledged that the name “La Kaixa” conformed to a genre of leftist political satire in which “K’s” are substituted for C’s to create an authoritarian or Nazi overtone. He ruled in favor of the Complainant, however, because it “should have been obvious” to Respondent “that the political meaning was not immediately understandable by a majority of users.” The panelist concluded that the political satire was “understood by a minority of users, therefore it is not legitimate.” (One wonders what Jonathan Swift would have made of such an assertion. Does the reader not know who Swift was? Aha! His literature must be “illegitimate” and perhaps should be banned.) On a global Internet, only a minority of users can be counted on to understand *anything*. Someone needs to inform WIPO panelists that they are not global arbiters of public meaning.

In WIPO case D2000-0869, panelist N. Ulmer took away a domain name from a personal injury law firm that registered the domain name <estelauder.net> to post information critical about the cosmetics company. The bad faith reasoning in this case is typical of the precedential strain that is inimical to free speech. Ulmer accuses the Respondent of using the domain names “to attract internet users desirous of criticizing the Complainant or its products, and therefore likely divert them from legitimate sites authorized by Complainant.” Then, straining to find bad faith within the policy, applies section 4b(iii), which targets registrations “primarily for the purpose of disrupting the business of a competitor.” That the Respondent could not possibly be considered a competitor of the cosmetics firm did not deter this intrepid thinker; he expanded the definition of “competitor” to include “one who acts in opposition to another.” “The context [of the policy],” he wrote, “does not imply or demand any restricted meaning such as commercial or business competitor.” This of course is utterly false; the UDRP’s section 4(c)iii explicitly identifies noncommercial use as a legitimate interest. But Ulmer added this gem: “Respondent is, moreover, clearly competing with Complainant for the attention of internet users, which it hopes to divert to its sites.” This case embodies everything that is wrong with the mindset of many UDRP panelists, whose training and business associations make them tremendously sensitive to the nuances of how and why exclusivities in the use of names might be advanced and enforced, but utterly numb to the interests of free and open public communication and commentary.

⁴⁵ The guilty party here is panelist D. Foster, who admonished the <dennys.net> registrant in case D2000-0181 to pick a domain name that reflected its status as a chat site, but then, in a case involving the domain names <burlingtonmurderfactory>, transferred the names to a Complainant who asserted that the sites tarnished its mark. Foster’s attempt to rationalize his decision by noting that the Respondent was really interested in advertising and not in protest is clearly irrelevant, as Respondent’s intentions have nothing to do with whether the names are confusingly similar to a trademark.

Licensee and Reseller cases

Nominative references are also relevant to cases involving commercial parties who resell products produced by a trademark holder. To what extent is it legitimate for them to register names incorporating those marks? If one adheres to the “reference” paradigm of domain name registration, domain names of that sort need to be judged entirely on the basis of how they are used, and particularly whether deception, confusion, or dilution (in the case of famous marks) is involved. There should, under this paradigm, be nothing inherently wrong with a collector or hobbyist who trades in Coca-cola memorabilia registering a domain name with the string “coca-cola” in it, as long as it is clear that there is no passing off. If one adheres to the “domain names are trademarks” paradigm, on the other hand, all such registrations should be deemed illegitimate unless explicitly authorized by the trademark holder.

As in the critic and commentary cases discussed above, the UDRP precedents are mixed, but on the whole weigh heavily on the side of the domain names = trademarks paradigm. The predominant attitude was expressed clearly in WIPO case D2001-0262, where the panelist asserted that use of a domain name “suggests a much closer relationship to complainant than a mere reseller. It suggests that Respondent’s site is the place where consumers can get all their questions answered about Complainant’s products.”⁴⁶ There is no empirical evidence to support that assertion. It simply reflects the typical trademark lawyer’s *assumption* and is carried over from their experience with trademark litigation.

The Gorstew (Sandals resorts) cases, noted in the discussion of frequent complainants, illustrate both the dominance of the trademark paradigm and the inconsistency of the UDRP in this regard. Gorstew owns the trademark “Sandals,” which it has associated with all-inclusive, couples-only hotels in the Caribbean. Gorstew and its marketing partner Unique Vacations in July 2000 went on the warpath against the use of the word “Sandals” and “beaches” in domain names by small travel agencies retailing its services. It filed 23 challenges with the National Arbitration Forum. Respondents defaulted in 15 of those cases, indicating that potentially legitimate users frequently default. Of course, since the cases were brought before NAF all the defaulting respondents lost. Of the 8 who did respond, only two won their cases. Numerous travel agents asserted that Sandals had been aware of their use of the mark and expressed shock at the sudden offensive against them. Another asserted that “Complainant...has more money than the travel agents, and will keep spending until they give up.”⁴⁷

On the other hand, on two separate occasions NAF panelists rejected claims from the Hewlett Packard company when it challenged a distributor of its OpenView products. WIPO has been slightly kinder to resellers,⁴⁸ but still is more likely to take their names

⁴⁶ Ferrero S.P.A. v. Fistagi S.r.l., WIPO 2001-0262, <kinderferrero.com>, panelists A. Carabelli, K. Fortin, and A. Mondini.

⁴⁷ *Gorstew Ltd. And Unique Vacations v. Carpe Diem*, FA 94928 (Nat. Arb. Forum, June 29, 2000).

⁴⁸ For WPO decisions favorable to Respondent-resellers, see *Draw-Tite v. Plattsburgh Spring*, D2000-0017 (March 14, 2000), *Weber-Stephens Products Co. v. Armitage Hardware*, D2000-0187 (May 11, 2000); *Miele Inc. v. Absolute Air Cleaners and Purifiers*, D2000-0756 (Sept 11, 2000), and many others.

away than not.⁴⁹ The differences in outcomes are not attributable to any distinct fact patterns that this observer can notice. The different outcomes seem to depend mainly on which panelist hears the case.

Conclusion: Domain Names are not Trademarks

As long as domain names are visible to the public and semantically meaningful there will be a need for dispute resolution. There are hundreds of UDRP cases each year that represent obvious abuses of trademarks, and many that arise from genuine conflicts of interest over rights to names. Too many trademark holders and UDRP panelists, however, approach domain names based on the unique and temporary conditions of the past boom, and apply a “trademark mentality” that is not appropriate for many legitimate and innocent uses of domain names. They continue to assume that any and every domain name registration holds a magical power to function as a global keyword, as the first crop of registrations did in 1996 or 1997. They assume that the TLD string is irrelevant to how users perceive and use domain names – a dangerous assumption, because it imposes a severe constraint on the DNS’s hierarchical name space, encourages wasteful defensive registrations, and acts as a threat to both concurrent use in commerce and noncommercial free expression. Too many panelists assume that domain names are *always* identifiers of source or origin, when in fact they can be, and often are, used as statements, nominative references, or playful identities. Their notions of “user confusion” are too often based on the false assumption that domain names are the exact equivalent of company names, when in fact they can be just pointers to content on a web site, similar to the name of a book, the name of a document stored on a computer, or the title of a newspaper article. Until the selection of UDRP panelists and the interpretation of bad faith is altered to rectify this problem, the UDRP will represent a small but significant threat to free and robust expression on the Internet.

⁴⁹ For WIPO decisions hostile to Respondent-resellers, see *Canon v. Price-less Inkjet Cartridge Co.*, D2000-0878 (Sept. 21, 2000); *World Wrestling Federation Entertainment v. Ringside Collectibles*, D2000-1306 (Jan. 24, 2001); *Koppers Chocolate Speciality v. Leonard Seymour*, D2001-0822 (Aug 24, 2001); *Raymond Weil S.A. v. Watchesplanet*, D2001-0601, (June 30, 2001). Name transfers in this category outnumber dismissals 33 to 18 in WIPO cases.