

## *ARIZONA JOURNAL / DAILY JOURNAL*

### **Domain Name Rules Require Good Faith**

Ray K. Harris

Two recent developments relating to resolution of domain name disputes have a common focus: preventing bad faith use of domain names. Effective December 1, 1999, the Internet Corporation for Assigned Name and Numbers (ICANN) adopted a Uniform Dispute Resolution Policy that provides administrative hearings to prevent registration and use of domain names in bad faith. On November 29, 1999 President Clinton signed legislation including the Anti-cybersquatting Consumer Protection Act which provides judicial relief to prevent use of a domain name confusingly similar to the trademark of another person with a “bad faith intent” to profit.

#### **The Old NSI Policy**

More and more businesses engaged in electronic commerce “prefer that customers simply be able to find a website directly using a corporate name, trademark or service mark.” Lockheed Martin Corp. v. Network Solutions Inc., 985 F. Supp. 949, 952 (C.D. Cal. 1997), aff’d, 194 F.2d 980 (9<sup>th</sup> Cir. 1999). Similar trademarks can co-exist in the traditional marketplace when they are used in connection with separate lines of goods or services so that no consumer confusion results. On the Internet two registrants can not use identical domain names. This creates several problems, including: 1) cyber-squatting, in which desirable domain names are registered for the purpose of selling them to their most logical users;<sup>1</sup> 2) domain name typos in which non-identical domain names are used to siphon business from popular sites;<sup>2</sup> and 3) conflicts between multiple potential users of a given domain name.<sup>3</sup>

---

<sup>1</sup> “Cybersquatting” has generally been condemned. See, e.g. Panovision International LP v. Toeppen, 141 F.3d 1316 (9<sup>th</sup> Cir. 1998).

<sup>2</sup> See, e.g., Porsche Cars North America Inc. v. Porsch.com, 51 F. Supp. 707 (ED Va. 1999).

To minimize administrative costs, NSI allocated domain names on first to apply basis without any analysis of potential trademark infringement. From 1993 until 1999, Internet domain names in the most popular top level domains (.com, .net and .org) were processed exclusively by Network Solutions Inc. (NSI) under contract with Internet Assigned Number Authority (IANA) and Internet Network Information Center (InterNIC). Under NSI policy the holder of a registered trademark could prevent use of a trademark as a domain name by placing the domain name “on hold” even after it had been placed in use. Critics contended this policy gave insufficient protection to common law trademark rights and allowed a trademark owner to hijack the domain name.<sup>4</sup>

NSI’s policy has been criticized as favoring trademark owners over domain name holders, and favoring owners of federally registered marks over owners of non-registered marks, because owners of federally registered marks can invoke NSI’s policy to effectively enjoin the use of identical domain names without having to make any showing of infringement or dilution.

Lockheed Martin Corp. v. Network Solutions Inc., 985 F. Supp. 949, 953 (C.D. Cal. 1997).

### **The New ICANN Policy**

In late 1998, the Internet Corporation for Assigned Names and Numbers (ICANN) was formed as a private, non-profit corporation to coordinate and administer policies and technical protocols in the place of the former Internet Assigned Number Authority (IANA). In August, 1999 ICANN adopted a uniform dispute resolution policy to be applied by all ICANN accredited registrars in the .com, .net and .org top level domains. In the event of bad faith use of the trademark of another party the uniform policy establishes an administrative procedure designed to take less than 45 days.

---

<sup>3</sup> See, e.g., Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp. 117 (D. Mass. 1999) (use of clue.com).

Fees to the dispute resolution panel are expected to be approximately \$1,000. A key objective of the uniform policy was to avoid the perceived undue leverage given trademark registrants under the former NSI policy.

The ICANN policy went into effect for American Online, Network Solutions, Inc. and NameIt Corporation on January 3, 2000. The policy has been in effective since December 1, 1994 for all other ICANN accredited registrars. As of January 10, 1999, the only approved dispute resolution service providers are: the World Intellectual Property Organization; the National Arbitration Forum; and Disputes.org/eResolutionConsortium

Administrative proceedings are available if: 1) the domain name is identical or confusingly similar to a trademark or a service mark; 2) the registrant has no legitimate interest in the domain name; and 3) the domain name is registered and used and bad faith. Note that the disputed name must be both registered and used before the mandatory policy can be invoked.

Bad faith exists if: 1) the domain name was registered primarily for the purpose of selling, renting or transferring it to the owner of a trademark (or a competitor) for more than the out-of-pocket costs; 2) the domain name was registered to prevent the owner of the trademark from obtaining the domain name as part of a pattern of conduct; 3) the domain name was registered primarily for the purpose of disrupting a competitor's business; or 4) the registrant intentionally attempted to attract users to the domain for commercial gain by creating a likelihood of confusion. Conversely, the registrant may show a legitimate interest in a domain name if: 1) the registrant used domain name in connection with a bona fide offering of goods or services before any notice of the dispute; 2) the registrant has been

---

<sup>4</sup> Trademark owners who could claim the mark had achieved a level of fame could also assert trademark dilution claims. 15 U.S.C. § 1125(c).

commonly known by the domain name; or 3) the domain name is not being used for commercial purposes or to tarnish the trademark.

The complainant (trademark owner) is entitled to select the service provider for the mandatory administrative proceeding and elect either a single arbitrator or a panel of 3. All fees are paid by the complainant unless the respondent increases the panel from 1 to 3 (in which case the fees will be shared equally). The administrative panel can only cancel or transfer the domain name registration.<sup>5</sup> The panel decision must be in writing and provide the reasons on which it is based.

If after considering the submissions the panel finds that the complaint was brought in bad faith, for example in an attempt at reverse domain name hijacking<sup>6</sup> what was brought primarily to harass the domain name holder, the panel shall declare in its decision that the complaint was brought in bad faith and constitutes an abuse of the administrative proceeding.

Rules for Uniform Domain Name Dispute Resolution Policy, paragraph 15(e).

Either party may submit the dispute to a court of competent jurisdiction before or after the mandatory administrative proceeding. In general, judicial proceedings must be brought either: where the registrar has its principal office; or at the location of the registrant as shown in the registrar's Whois database.

The policy is not intended to apply to all trademark disputes, but only those which involve "abusive registration." Thus, for example where both disputants have trademark rights in the name, the dispute must be resolved in the courts.

---

<sup>5</sup> The complainant must release any claims against ICANN, the registrar and the dispute resolution provider as part of initiating the proceeding. Rules for Uniform Domain Name Dispute Resolution Policy ¶ 3(b)(xiv).

<sup>6</sup> "Reverse domain name hijacking" is defined as use of the policy "in bad faith to attempt to deprive a registered domain name holder of a domain name." Id. ¶ 1.

## **The New Legislation**

The Anticybersquatting Consumer Protection Act, codified at 15 U.S.C. § 1125(d), prohibits trafficking in, using or registering a domain name identical or confusingly similar to the trademark of another person.<sup>7</sup> The legislation eliminates the “use in commerce” defense under which cybersquatters registered the name but did not actually use the registered name to offer goods or services, thereby arguably avoiding trademark liability.

This legislation applies only to a “bad faith intent to profit” from a mark. Bad faith intent may be indicated by a number of factors, including: 1) the intent to harm goodwill (by diverting customers or tarnishing the mark); 2) an offer to transfer the domain name for financial gain without an intent to use the domain name to offer goods or services; 3) the use of false information in obtaining the registration; 4) a pattern of warehousing confusing domain names through multiple registrations. Bad faith does not exist where the registrant reasonably believed use of the domain name was legal (for example due to fair use).

Suit against a cybersquatter must be brought where the registrar is located. No damages can be obtained against accredited registrars by either party unless they are found to have a bad faith intent to profit. The court may award damages against the registrant (or a licensee) and order cancellation or transfer of the domain name. If the domain has been disabled under a registrar’s policy to protect trademarks, the court may order reactivation if use is not found unlawful. The Act applies to registrations obtained before passage of the Act; however, damages authorized by the Act cannot be

---

<sup>7</sup> The new law protects individuals’ names, as well as trademarks. Congress has ordered the Department of Commerce to develop guidelines for protection for famous names with ICANN.

recovered for conduct prior to enactment. Statutory damages from \$1,000 to \$100,000 per domain name are available in lieu of actual damages.

The legislation allows in rem action against the site itself when domain name owners cannot be located. Suit must be brought where the registrar is located and remedies are limited to cancellation or transfer of the domain name. At least one case prior to enactment of the legislation had denied similar in rem relief. Porsche Cars North America Inc. v. Porsch.com, 51 F. Supp. 707 (ED Va. 1999).

Within days of enactment, lawsuits were filed by such diverse interests as actor Brad Pitt, the National Football League and Harvard University. Both the ICANN policy and the new legislation will provide valuable remedies for victims of cyberpiracy. Neither development, however, will assist in resolving the more difficult disputes involving domain names incorporating a trademark used by both claimants.