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## Cyberspace and Domain Name Disputes: A Look at the Forums and Remedies Available to Trademark Holders in Cyberspace

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# Cyberspace and Domain Name Disputes: A Look at the Forums and Remedies Available to Trademark Holders in Cyberspace

## I. INTRODUCTION

In 1965, researchers used a telephone line to connect a computer in California with one at the Massachusetts Institute of Technology.<sup>1</sup> From this beginning as a science project, the Internet has evolved into a system used by millions of people each day, generating millions of dollars of commerce daily.<sup>2</sup> Information is a valuable commodity in today's society, and when it comes to accessing that information, no tool may be more valuable than an Internet domain name.

Nowhere is the importance of Internet domain names more obvious than in the field of electronic commerce. Today it seems every large retailer and manufacturer uses the Internet in some form, either as a means of distributing their product, or at least as a cheap and effective means of advertising and providing instantaneous information about their products or company. In light of the importance of the domain name, attorneys must be aware of the remedies that are available to their clients, and realize the interplay between different forums which may be used to achieve the best result for their clients.

There have been several efforts to regulate domain names and to provide a forum where domain name disputes may be resolved. Perhaps the most highly touted forum to date is the alternative dispute resolution process set forth by the Internet Corporation for Assigned Names and Numbers ("ICANN"), referred to as the Uniform Dispute Resolution Process ("UDRP"). The best alternative to the UDRP for American citizens and corporations may well be the Anticybersquatting Consumer Protection Act ("ACPA").<sup>3</sup> However, there are limitations with both the UDRP and ACPA. Recognizing the limitations and problems they present, and effectively using both forums interchangeably is the key to obtaining positive results in this field.

The purpose of this Comment is to define the scope and advantages of using both the UDRP and the ACPA. In the same regard, this Comment looks at the limitations of the UDRP and the ACPA and the problems which have arisen in the arbitrations and cases that have come under both.

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1. Jonathan Weinberg, *ICANN and the Problem of Legitimacy*, 50 Duke L.J. 187, 192 (2000).
  2. Philip G. Hampton, II, *Legal Issues in Cyberspace* (PLI Pat., Copy., Trademarks, and Literary Prop. Course Handbook Series, No. G0-00OV, 2001) (available in WL, 663 PLI/Pat 585).
  3. 15 U.S.C. § 1125(d) (2001).

### A. Domain Names

In order to understand the UDRP and the ACPA, one must first take a look at domain names and the Internet. The Internet is “a giant network which interconnects innumerable smaller groups of linked computer networks”.<sup>4</sup> It is thus a “network of networks.”<sup>5</sup> The Internet “exists and functions as a result of the fact that hundreds of thousands of separate operators . . . independently decided to use common data transfer protocols to exchange communications and information.”<sup>6</sup> While computers that are a part of the Internet may be owned by individuals, businesses, or the government, “[t]he resulting whole is a decentralized, global medium of communications . . . that links people, institutions, corporations, and governments around the world.”<sup>7</sup> The Internet is an international system.<sup>8</sup>

With all the information available on the Internet, being able to find what one is looking for is crucial. The means of finding and unlocking all of this stored information is through the use of domain names. Technically, a domain name is part of a Uniform Resource Locator (“URL”), which is the address of a site or document on the Internet.<sup>9</sup> The domain name consists of two parts, which are separated from each other by a “dot.”<sup>10</sup> The wording to the left of the “dot” is the second level domain, it is here where the vast majority of conflicts occur.<sup>11</sup> The wording to the right of the “dot” is the top level domain.<sup>12</sup> As a whole the domain name acts as a street address or a phone number telling one where the information is.<sup>13</sup>

In order to obtain a domain name, one must file an application with a licensed domain registrar indicating the second and top level combination the applicant wants.<sup>14</sup> The registrar then checks to see if the desired combination is available.<sup>15</sup> Once the registrant gives the registrar some simple contact information, the registration is complete.<sup>16</sup> Herein lies the problem for companies or persons who have a right to a copyrighted name: the simplicity of the registration process makes it extremely easy for one with no rights to a domain name to in fact reserve that person’s or company’s copyrighted name. Therefore it is easy to deny the rightful owner possession.

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4. *Am. Civ. Liberties Union v. Reno*, 929 F. Supp. 824, 830 (E.D. Pa. 1996).

5. *Id.*

6. *Id.* at 832.

7. *Id.* at 831.

8. *Id.*

9. Hampton, II, *supra* n. 2, at 593.

10. *Id.*

11. *Id.* at 593-94.

12. In the example, “www.missouri.edu,” “missouri” is the second level domain and “edu” is the top level domain.

13. Colby B. Springer, *Master of the Domain (Name): A History of Domain Name Litigation and the Emergence of the Anticybersquatting Consumer Protection Act and Uniform Dispute Resolution Policy*, 17 Santa Clara Computer & High Tech. L.J. 315, 319 (May 2001).

14. *Id.* at 321.

15. *Id.*

16. *Id.*

## B. Cybersquatting

The term “cybersquatter” may actually refer to a host of different individuals. The United States Congress defines “cybersquatting” as “registering, trafficking in, or using domain names that are identical or confusingly similar to trademarks with the bad faith intent to profit from the goodwill of the trademarks.”<sup>17</sup> As one author put it, “cybersquatters are the modern equivalent of those early frontier settlers . . . who snatched up land before it could be legitimately claimed, and who then declared the property to be their own.”<sup>18</sup>

An important distinction may often be made between cybersquatters based on their intent in acquiring a domain name. In deciding how to deal with a domain name problem, one should take notice that there are large differences between a person who has an interest in the name, a person who believes he has an interest in a name or has taken a trademark by mistake, and those individuals who hold the name as a “hostage” in order to profit, or for some form of harassment or political activism.

## C. Trademarks in Domain Names

Trademarks play an important role with domain names. When an individual goes to find a website, he will do it one of two ways: (1) he will try to guess at the domain name, or (2) he will use a search engine.<sup>19</sup> If he guesses at the domain name, he is most likely to enter a trademark associated with the organization he wishes to visit followed by “.com.”<sup>20</sup> In the same regard, if he uses a search engine, he is most likely to first select a site from his list of options which resembles the trademark with which he is familiar.<sup>21</sup> Therefore, trademarks are an important asset on the Internet, because they allow a consumer to quickly access the website for which he or she is looking.

Traditionally a trademark holder’s only protection of her marks was the Lanham Act.<sup>22</sup> Until 1996, that protection was only against trademark infringement, under Section 43(a) of the Act.<sup>23</sup> In order to prove infringement, the trademark holder had to prove, among other elements, that the trademark use was “likely to cause confusion” with the product of the holder.<sup>24</sup> This element was likely only met when the goods or services were “related goods,” more specifically defined as those goods or services “which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner.”<sup>25</sup> The requirement that the goods be related severely limits

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17. Hampton, II, *supra* n. 2, at 600 (referring to 15 U.S.C. § 1125).

18. *Id.*

19. *Brookfield Commun., Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036, 1044 (9th Cir. 1999).

20. *Id.* at 1044-45.

21. *Sporty’s Farm L.L.C. v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 493 (2d Cir. 2000).

22. 15 U.S.C. § 1125.

23. *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161, 1163 (C.D. Cal. 1998).

24. *Id.*

25. *Id.* quoting 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:6 at 24-13 (1997).

the applicability of trademark infringement to domain name disputes, since the majority of the time the cybersquatter will be using the site for a different purpose.

The limit of trademark infringement law's protection for trademark holders in a domain name dispute was illustrated in *Sporty's Farm*.<sup>26</sup> The case arose as a declaratory judgment, sought by plaintiff to determine whether its domain name, "sportys.com," infringed upon defendant's registered trademark, "sporty's."<sup>27</sup> Defendant counterclaimed for trademark infringement.<sup>28</sup> Plaintiff was in the mail order catalog business and specifically operated an aviation catalog in direct competition with defendant.<sup>29</sup> However, prior to the action proceeding to trial, plaintiff began to use the domain name as a means in which to sell Christmas trees, an unrelated good.<sup>30</sup> The court therefore held on the infringement claim that since "the parties operate wholly unrelated businesses . . . confusion in the marketplace is not likely to develop," and plaintiff could not then succeed on a trademark infringement claim.<sup>31</sup>

In 1996, Congress amended the Lanham Act to protect against trademark dilution in the Federal Trademark Dilution Act ("FTDA"). In order to prove a claim of trademark dilution plaintiff must show: (1) his mark is famous; (2) defendant is making a commercial use of the mark in commerce; (3) defendant's use began after the mark became famous; and (4) defendant's use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services.<sup>32</sup> While dilution has the advantage of applying to unrelated goods, there are two weaknesses that restrict its use in domain name disputes.<sup>33</sup> First, proving that a mark is "famous" is very difficult.<sup>34</sup> The standard is more stringent than that for "distinctiveness"; indeed the mark must be truly prominent and renowned.<sup>35</sup> Second, the requirement of "commercial use" excludes many cybersquatters from liability under the FTDA, because the domain name must be attached to some commercial goods or services of the registrant.<sup>36</sup>

The limits of trademark dilution were perhaps best illustrated in *Avery Dennison Corp. v. Sumpton*.<sup>37</sup> The court held that despite plaintiff's continuous use of the name for over sixty years, more than \$5 million spent per year advertising its products, and \$3 billion in sales, the mark, although "distinctive," did not meet the

26. 202 F.3d 489.

27. *Id.*

28. *Id.* Defendant's other counts will be discussed later.

29. *Id.* at 493-94.

30. *Id.* at 494.

31. *Id.* By the time the case was on appeal before the Second Circuit, the ACPA had been passed, and the case was actually decided for defendant on those grounds. However, the ruling on the infringement claim and opposite holding under the ACPA pointedly proves the shortcomings of the Lanham Act prior to its amendment.

32. *Panavision Intl., L.P. v. Toepfen*, 141 F.3d 1316, 1324 (9th Cir. 1998).

33. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999).

34. *Id.*

35. *Id.* In addition, the Federal Trademark Dilution Act lists eight non-exclusive factors for determining "famousness." 15 U.S.C. § 1125 (c)(1)(A)-(H).

36. See *Acad. of Mot. Picture Arts and Sci. v. Network Solutions, Inc.*, 989 F. Supp. 1276, 1279-1280 (C.D. Cal. 1997) (finding that alleged infringer did not use registered marks in connection with the sale, distribution, or advertising of goods and services).

37. *Avery Dennison*, 189 F.3d at 868.

requirement of “famousness” and therefore there was no dilution.<sup>38</sup> The application of the fairness test in *Avery Dennison* shows how truly difficult “famousness” is to satisfy.<sup>39</sup>

## II. ICANN’S UDRP

The Internet as we know it today began as a network known as ARPANET.<sup>40</sup> The entity charged with managing the Internet at that time was the Internet Assigned Numbers Authority (“IANA”). IANA “managed” the Internet by assigning each computer on the Internet an address.<sup>41</sup> Once the Internet expanded, a private company, Network Solutions, Inc. (“NSI”), received the rights to assign domain names.<sup>42</sup> However, the fees charged by the company were seen as excessive by most Internet users.<sup>43</sup> In 1998, the U.S. government announced that a private entity would oversee the administration of domain names and companies would compete to register domain names.<sup>44</sup> Hence, we arrive at our situation today, with ICANN overseeing the registration of domain names and NSI as one of several competing registrars.

One of ICANN’s first substantive acts was the adoption of the UDRP.<sup>45</sup> The UDRP had three main objectives.<sup>46</sup> First the policy sought to eliminate the jurisdiction and conflict of law problems inherent with all Internet disputes.<sup>47</sup> By contractually binding all domain name registrants the need to show personal or in rem jurisdiction was eliminated. The policy thus provided what seemed to be an international solution to what could potentially be an international problem. Second, the policy sought to reduce the cost of bringing suit against cybersquatters.<sup>48</sup> The “costs” of cybersquatting are extremely small (usually just the nominal registration fee), yet the potential for damage is extremely large.<sup>49</sup> Unfortunately, only the most damaging acts were challenged due to the cost of litigating the dispute in court. The policy sought to level the playing field, giving rightful owners a cost-effective way to retrieve their domain names.<sup>50</sup> Finally, the UDRP was intended to apply to an extremely restricted set of circumstances.<sup>51</sup> The policy was intended to apply only to particularly egregious cases.<sup>52</sup> It appears that from the beginning that the policy was not meant to usurp the process of the courts. As it is written, the UDRP should

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38. *Id.*

39. *Id.* at 874-879.

40. Curtis Brown & Kristen Porter, *E-Commerce Arbitration: The Solution for New Legal Issues*, The Metro. Corp. Counsel, Greater N.Y. Metro. Ed., (Feb. 2000).

41. Wayde Brooks, Student Author, *Wrestling Over the World Wide Web: ICANN’s Uniform Dispute Resolution Policy for Domain Name Disputes*, 22 Hamline J. Pub. L. & Policy 297, 311 (Spring 2001).

42. *Id.*

43. *Id.* at 312.

44. *Id.*

45. *Id.* at 316.

46. *Id.* at 317.

47. *Id.*

48. *Id.*

49. *Id.* at 317-18.

50. *Id.*

51. *Id.* at 319.

52. *Id.*

only be applied in cases where there is egregious action, in which the culpability of the cybersquatter is obvious.

The UDRP is incorporated into all registration agreements for the .com, .org, and .net top level domain names, and into some country code names.<sup>53</sup> Instituting a suit under the UDRP is fairly simple. The complainant must first file a complete complaint to one of the alternative dispute resolution agencies approved by ICANN.<sup>54</sup> A respondent has twenty days following receipt of the complaint in which to file the response.<sup>55</sup> Following selection of a one or three-member panel, the plaintiff needs to successfully prove three elements: (1) the disputed domain name is identical or confusingly similar to the complainant's trademark or service mark rights; (2) the respondent has no legitimate interest in the domain name; and (3) that the disputed domain name has been registered and used in bad faith.<sup>56</sup>

In the event that the panel orders a transfer of the domain name to the complainant, the registrar is required to transfer the domain name within ten business days of receiving the panel's decision.<sup>57</sup> The transfer is excused if the registrar receives official documentation from the respondent indicating that he has filed a lawsuit against the complainant.<sup>58</sup>

The UDRP process is streamlined in order to see a quick resolution to disputes. Within twenty-two days of receiving a response from the respondent, the arbitrator resolves the dispute "on the basis of the statements and documents submitted" by the parties.<sup>59</sup> This streamlined process typically takes less than forty-five days to reach a resolution.<sup>60</sup> The upside to this quick turnaround is obvious; however there is a downside as well. UDRP proceedings do not allow for discovery, and it is rare that a proceeding will be decided based on anything more than the complaint and response.<sup>61</sup> Furthermore, a panel deciding a UDRP case will not look into liability for damages or their causation, as those issues are left to a court.<sup>62</sup> The remedy available to a UDRP complainant is to have the domain name transferred to their possession or cancelled.<sup>63</sup> The limited discovery and quick turnaround are perfectly in line with the UDRP's stated purpose of resolving egregious cases.

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53. Jonathan Jennings *Significant Trademark/Domain Name Issues in Cyberspace* (PLI Pat., Copy., Trademarks, and Literary Prop. Course Handbook Series, No. G0-00OV, 2001)(available in WL, 663 PLI/Pat 649, 667).

54. *Supra* n. 13., at 352.

55. *Id.*

56. *Uniform Domain Name Dispute Resolution Policy* <<http://www.icann.org/dndr/udrp/policy.htm>> § 4(a) (accessed Sept. 25, 2001) [hereinafter *UDRP policy*].

57. *Id.* at § 4(k).

58. *Id.*

59. *Rules for Uniform Domain Name Dispute Resolution Policy* <<http://www.icann.org/dndr/udrp/uniform-rules.htm>> § 15(a) (accessed Sept. 25, 2001) [hereinafter *UDRP rules*].

60. Donna Howard, *Trademarks and Service Marks and Internet Domain Names: Giving ICANN Deference*, 33 *Ariz. St. L.J.* 637, 658 (Summer 2001).

61. Robert Badgley, *Internet Domain Names and ICANN Arbitration: The Emerging "Law" of Domain Name Custody Disputes*, 5 *Tex. Rev. L. & Pol.* 343, 349 (Spring 2001).

62. Howard, *supra*, n. 60.

63. *Id.*

## A. Three Elements of the UDRP Complaint

### 1. Identical or Confusingly Similar

The first element that must be proved by a complainant under the UDRP is that the disputed domain name is identical or confusingly similar to the complainant's trademark or service mark rights.<sup>64</sup> Of the three elements, this first element implicates issues of traditional trademark law to a greater extent than the other two elements.<sup>65</sup> There are basically two requirements within this element: (1) the complainant must have rights in the alleged trademark, and (2) the respondent's domain name must be identical or confusingly similar to the complainant's mark.<sup>66</sup>

The identical or confusingly similar element usually generates less controversy than the legitimate interest and bad faith elements.<sup>67</sup> In fact, most respondents do not even contest the allegation that the domain name is identical or confusingly similar to the complainant's trademark.<sup>68</sup> In application, this inquiry has not proven problematic. Panels have not had difficulty finding similarity where the domain name has only a slight variation from the mark.<sup>69</sup> In cases where the differences are more pronounced, the UDRP probably is not the proper forum for the dispute.<sup>70</sup>

Although the element is closely tied to trademark law, there seems to be a difference in that there is no need that there is a likelihood of confusion.<sup>71</sup> Therefore, in the ICANN context, one simply must compare the domain name to the trademark and need not make a further inquiry as to whether the two are likely to be confused.<sup>72</sup> This simple analysis is logical considering that a domain name, unlike traditional venues, can only be used by one entity. Therefore the fact that two organizations are selling completely different products does not change the fact that a trademark owner is wholly precluded from using his copyright.

Two issues have arisen under the identical or confusingly similar element. The first issue is whether an intentionally misspelled name, referred to as "typosquatting" may be "confusingly similar."<sup>73</sup> The overwhelming majority of ICANN panels have canceled or transferred these deliberately misspelled names.<sup>74</sup> As an example, a panel in *Microsoft Corp. v. Microsof.com*<sup>75</sup> found that "microsof.com" was confusingly similar to the trademark "Microsoft" and ordered the respondent to transfer the name.<sup>76</sup>

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64. UDRP policy, *supra* n. 56, at § 4(a)(i).

65. Badgley, *supra* n. 61, at 356.

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.*

70. Jennings, *supra* n. 53, at 669.

71. Badgley, *supra* n. 61, at 358.

72. *Id.*

73. *Id.* at 360.

74. *Id.*

75. WIPO Arbitration and Mediation Center, Administrative Panel Decision, <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0548.html> (accessed July 21, 2000).

76. *Id.*

The second issue is whether the respondent has a right to use a variation of the trademark as a “gripe site.”<sup>77</sup> Most prevalent in this situation are the “sucks.com” sites.<sup>78</sup> Considering the UDRP’s intended use for egregious cases only, it would appear that a sucks.com site should never satisfy the “confusingly similar” standard. However, the decisions handed down by panels are split on whether these sites satisfy the “confusingly similar” element.<sup>79</sup> Perhaps the most discussed panel decision on the issue is *Wal-Mart Stores, Inc. v. Walsucks and Walmarket Puerto Rico*.<sup>80</sup> In this case the panel ordered the respondent to transfer the name “walmartcanadasucks.com” to the complainant Wal-Mart, Inc.<sup>81</sup> In the decision the panel stated that although the site was unlikely to be confused as belonging to the corporation, it would however derive its business off of customers looking for the large retail manufacturer.<sup>82</sup> However, it would be bad practice for an attorney to base a decision to file for arbitration based on this case since it has been highly criticized.<sup>83</sup> Principal to the criticism is the fact that the panel actually stated in their decision that it was unlikely there would be any confusion between the two sites.<sup>84</sup>

## 2. No Rights or Legitimate Interest

The second element to be proved in a UDRP complaint is that “the registrant has no rights or legitimate interests in respect to the domain name.”<sup>85</sup> A respondent may prove that they do have a legitimate interest if they fall into one of three safeharbor provisions: (1) “before any notice of the dispute [the respondent] made use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services”; (2) “[the respondent] has been commonly known by the domain name, even if [he/she] has not acquired trademark or service rights”; or (3) “[respondent] is making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers, or to tarnish the trademark or service mark at issue.”<sup>86</sup>

A multitude of issues may arise concerning this element. Notably, it appears the UDRP was not intended to distinguish between dueling trademark owners or trade names.<sup>87</sup> A domain name may only be given to one entity; therefore it is quite possible that two entities could have rights to the same domain name.<sup>88</sup> In this situation complainant will also have trouble proving the bad faith element of the

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77. *Id.*

78. *Id.*

79. *Id.*

80. WIPO Arbitration and Mediation Center, Administrative Panel Decision, <<http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0477.html>> (accessed Oct. 5, 2002).

81. Badgley, *supra* n. 61, at 361.

82. *Id.* at 362.

83. *Id.* at 361.

84. *Id.*

85. UDRP policy, *supra* n. 56, at § 4(a)(ii).

86. *Id.* at § 4(c)(i)-(iii).

87. Badgley, *supra* n. 61, at 368.

88. *Id.*

UDRP claim.<sup>89</sup> This kind of case is probably not fit for the UDRP, and would likely be better tried as a trademark infringement suit in federal court.

Intriguing in this element is the fact that complainant is required to prove a negative - that respondent has no legitimate rights.<sup>90</sup> This often proves troublesome for a complainant since they do not have the benefit of discovery, and most likely have never met or even spoken with the respondent.<sup>91</sup> Furthermore, since there are no submissions other than the complaint and response (unless otherwise specifically requested by the panel), a complainant will often not have a chance to rebut a respondent's story.<sup>92</sup> However, it also appears through the safe-harbor language that there is some burden on the respondent to show a legitimate interest.<sup>93</sup> The majority of panel decisions take the position that while the complainant has the burden of proof on the issue, once the complainant has made a prima facie case, "the burden of production shifts to the respondent to show by providing concrete evidence that it has rights to or legitimate interests in the domain name at issue."<sup>94</sup>

### 3. *Bad Faith*

Finally, the third element that one must prove is that the domain name has been registered and is being used in bad faith.<sup>95</sup> The definition of "bad faith" is a crucial element of the policy.<sup>96</sup> Perhaps in recognition of this, the policy specifies four criteria which will indicate "bad faith."<sup>97</sup> These criteria include: (1) "evidence that respondent registered or acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of [the respondent's] documented out-of-pocket costs directly related to the domain name"; (2) "the domain name was registered in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that the registrant has engaged in a pattern of such conduct"; (3) "the domain name was registered primarily for the purpose of disrupting the business of a competitor"; or (4) "using the domain name has intentionally attempted to attract, for commercial gain, Internet users to a website or other online location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of the website or location or of a product or service on the website or location."<sup>98</sup>

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89. *Id.* at 370.

90. Mitchell J. Matorin & Michael Boudett, *Domain Name Disputes: Cases Illustrate Limitations of ICANN Policy*, 45 B. B.J. 4, 15 (Mar.- Apr. 2001).

91. *Id.*

92. *Id.*

93. *Id.* at 16.

94. *Id.* at 17.

95. *UDRP policy*, *supra* n. 56, at § 4(a)(iii).

96. Milton Mueller, *Rough Justice: An Analysis of ICANNs Uniform Dispute Resolution Policy* p. 23, <<http://dcc.syr.edu/roughjustice.htm>> (accessed Sept. 21, 2001).

97. *Id.*

98. *UDRP policy*, *supra* n. 56, at § 4(b)(i)-(iv).

The debate over whether a site was registered in bad faith is the largest area of contention thus far in the UDRP.<sup>99</sup> Since the list of elements provided in the UDRP is non-exclusive, there are still a great number of actions which may or may not be considered bad faith.<sup>100</sup> In addition, when considering the bad faith element a panel must usually infer the bad faith from limited evidence, since the only material before the panel will be the complaint and response.<sup>101</sup> This ambiguity has been used by some panels to expand the policy, and has prompted some to say that massive forum shopping occurs within the UDRP.<sup>102</sup>

### *B. UDRP Advantages*

There are significant advantages to using ICANN's UDRP to resolve domain name disputes.<sup>103</sup> First, and perhaps most important, the proceedings are incredibly fast. As mentioned earlier, most UDRP decisions are handed down within forty-five days of the complaint being filed.<sup>104</sup> The value in having such a quick decision will often be the primary reason that the UDRP is chosen. When compared to federal litigation under the ACPA or other trademark laws, the ability to have the domain name transferred so quickly may be worth more than statutory damages are able to provide two years in the future. In making such a decision, one must decide which is more important: having the website taken down or an award of damages in the future (especially if the cybersquatter is insolvent).

Second, but perhaps equally important, is the fact that the UDRP avoids jurisdictional problems.<sup>105</sup> By contractually binding all domain name registrants using the .com, .org, and .net top level domains, ICANN assures that these individuals may be pursued through arbitration. As stated previously, this provides a global solution to what can be a global problem. In a situation where one is unable to get personal or in rem jurisdiction in court, this may prove to be a client's only remedy.<sup>106</sup>

Third, the costs of a UDRP proceeding are likely to be significantly lower than litigation.<sup>107</sup> Where a client finds the cybersquatter only a minor inconvenience, or where the client does not have the money to heavily pursue the individual, the UDRP provides a cost-effective way to handle the problem.<sup>108</sup>

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99. Jennings, *supra* n. 53, at 671.

100. *Id.* at 671-72.

101. Badgley, *supra* n. 61, at 380.

102. This point will be further discussed in the section "UDRP Problems."

103. Howard, *supra* n. 60 at 658.

104. *Id.*

105. *Id.*

106. *Id.* at 659.

107. *Id.*

108. *Id.*

### C. UDRP Problems

#### 1. In General

The advantages of the UDRP come with disadvantages. In receiving a quick, low-cost remedy, one must give up the traditional advantages and protections of litigation. Principally, a complainant in a UDRP proceeding gives up his right to discovery, and the ability to debate the causation of damages.

In giving up discovery a client will find his case tough to prove where the facts are not particularly egregious. For example, should there be a licensing dispute, or if the respondent can come up with some sort of legitimate interest in the domain name, the likelihood of prevailing will be severely diminished.

Second, although the proceeding is fast, it is important to remember that the complainant's sole remedy is to have the domain name transferred or extinguished. The decision to pursue a UDRP proceeding must again take into consideration which is more important to the client: quickly having the website removed or damages.

A third problem arising with ICANN's UDRP is the ability of the proceeding to be usurped by litigation. Within the UDRP the policy specifically provides that filing a collateral suit stops the proceeding and precludes the transfer of a domain name. The lack of finality will likely be a factor if the transfer is heavily contested by a person who honestly believes she has a right to the domain name. In such cases a federal proceeding may be in the client's best interest due to the UDRP's lack of finality.

#### 2. Forum Shopping

Despite the advantages of the UDRP, a study by Dr. Milton Mueller suggests that "forum shopping" biases the results of a UDRP decision.<sup>109</sup> Dr. Mueller's study found that the two arbitration providers with the most "plaintiff friendly" records were used significantly more than the other providers.<sup>110</sup> Furthermore, both providers (the National Arbitration Foundation ("NAF") and the World Intellectual Property Organization ("WIPO")) tended to interpret the UDRP in ways that favored trademark holders over other Internet users, whereas the most "defendant friendly" provider tended to adhere more closely to the strict language of the policy.<sup>111</sup>

Adding to the suspicion of "forum shopping" was the seemingly reverse trend that should have been provided by the pricing mechanism.<sup>112</sup> The resolution service provider with the lowest market share (eResolutions) had the lowest fee at \$750 for a case involving one or two domain names.<sup>113</sup> However, WIPO, who had the highest market share, charged \$1000 for a complaint involving one to five domain names.<sup>114</sup> The only correlative factor, according to Dr. Mueller, could be that eResolutions

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109. Mueller, *supra* n. 96, at 1.

110. *Id.* at 4.

111. *Id.* at 3.

112. *Id.* at 4.

113. *Id.* at 17.

114. *Id.*

tends to favor the respondent when complainants tend to be the “economic drivers of [the] marketplace and are potentially in a position to ‘forum shop’ for the resolution provider . . . they think will be the most sympathetic to their claims.”<sup>115</sup>

### III. THE ANTI-CYBERSQUATTING CONSUMER PROTECTION ACT (“ACPA”)

In November 1999, Congress passed the ACPA to provide a federal remedy to those wishing to protect their trademark or service marks being used in domain names.<sup>116</sup> The ACPA was passed:

[T]o protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks<sup>117</sup>

In *Sporty’s Farm LLC v. Sportsman’s Market Inc.*, the Second Circuit stated that, until passage of the ACPA, the “uncertainty as to the trademark law’s application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.”<sup>118</sup> With the passage of the ACPA, it was intended that courts would no longer have to stretch traditional trademark laws to ensure justice in domain name disputes.<sup>119</sup>

#### A. Four Elements of an ACPA Claim

For a plaintiff to bring a successful ACPA claim, she must prove that: (1) plaintiff’s mark is distinctive or famous; (2) defendant’s domain name is identical or confusingly similar to plaintiff’s distinctive or famous mark or dilutive of plaintiff’s famous mark; and (3) defendant used, registered, or trafficked in the domain name with a bad faith intent to profit from plaintiff’s mark.<sup>120</sup>

Thus far, courts have not struggled with the first element that a plaintiff’s mark need be distinctive or famous.<sup>121</sup> Perhaps the biggest difference between a suit brought under the ACPA and a traditional trademark dilution case is the fact that distinctiveness will suffice under the ACPA. This actually has a large impact on the number of potential suits considering the tough standard for proving “famousness.”

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115. *Id.*

116. *Sporty’s Farm*, 202 F.3d at 496.

117. *Id.* at 495-96.

118. *Id.* at 495.

119. *Id.*

120. 15 U.S.C. § 1125(d)(1)(A)

121. *Jennings, supra* n. 53, at 658.

Although this element is in addition to those required by the UDRP, it has not proven to be a significant barrier to bringing suit in federal court.

Likewise courts have had little trouble with the “confusingly similar” element of the ACPA. Notably this element differs from traditional trademark actions which require a “likelihood of confusion.” The ACPA seems only to compare the two marks for similarity, and does not consider the goods or services offered by the parties.<sup>122</sup> This test is similar to that utilized by the UDRP. Both the ACPA and UDRP seem to acknowledge that when it comes to domain names, only one entity may use any one domain name, and therefore the ability of both to co-exist is not possible as in traditional trademark cases.

A perfect example of the improved protection provided by the ACPA is illustrated by *Sporty's Farm*. The case was originally brought as a trademark infringement case. Unfortunately, plaintiff could not prove that the domain name was “likely to cause confusion” since the goods sold there were not related to the product of plaintiff.<sup>123</sup> While the case was on appeal, the ACPA became law, and the Second Circuit therefore applied the new statute to the case before it.<sup>124</sup> Under the ACPA the court did not have to find a “likelihood of confusion,” and the fact that the goods were unrelated was irrelevant.<sup>125</sup> Therefore the court held for the plaintiff, finding that the mark was distinctive (and therefore not needing to determine “famousness”), was certainly confusingly similar, and finally that there was a bad faith intent to profit.<sup>126</sup>

As with the UDRP, the bad faith requirement of the ACPA has received the most attention. In determining bad faith the ACPA listed several non-exclusive factors which may be considered: (1) the trademark or other intellectual property rights of the person in the domain name; (2) the extent to which the domain name includes a person’s legal or commonly identified name; (3) the person’s prior use of the domain name; (4) the person’s intent to divert consumers from the mark owner’s online location to a site which competes with or tries to tarnish the mark owner’s goodwill; (5) any attempt to transfer or sell the domain name for financial gain; (6) the providing of false contact information; (7) the registration of multiple domain names to which it appears the person has no rights (“warehousing”); and (8) the extent to which the person’s domain name is not distinctive.<sup>127</sup> In addition, the Act provides a bad faith defense where the court determines that the person believed, and had reasonable grounds to believe, that the use of the domain name was a fair use or otherwise lawful.<sup>128</sup>

### *B. The Problem of Personal Jurisdiction*

Under traditional theories of trademark enforcement, obtaining personal jurisdiction over an infringer can be difficult. In determining whether personal

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122. *Id.*

123. *Sporty's Farm*, 202 F.3d at 497.

124. *Id.* at 498.

125. *Id.*

126. *Id.* at 499.

127. 15 U.S.C. § 1125(d)(1)(B)(i)(1)-(9)

128. *Id.* § 1125(d)(1)(B)(ii)

jurisdiction can be asserted based on Internet activity, courts look at the nature and quality of the commercial activity that an entity is conducting over the Internet.<sup>129</sup> Where a defendant establishes a passive website, simply containing advertising, a court generally will not exercise personal jurisdiction.<sup>130</sup> However, if the website is used to do business over the Internet, and in doing such business the defendant enters into contracts with residents of the forum state personal jurisdiction is likely to be exercised.<sup>131</sup> Finally, if the website exchanges information with a consumer in the forum state personal jurisdiction will depend on “the level of interactivity and the commercial nature of the exchange of information.”<sup>132</sup>

### C. *In Rem Jurisdiction*

In an effort to address the difficulty of obtaining personal jurisdiction over cybersquatters who live in foreign countries, or over those who supply false contact information when registering their domain names, the ACPA authorizes in rem actions against the domain name itself.<sup>133</sup>

To bring an in rem action, the infringed trademark must be registered with the United States Patent and Trademark Office, or protected under Section 43(a) or (c) of the Lanham Act.<sup>134</sup> Furthermore, plaintiff must show either that he or she was unable to establish personal jurisdiction over the domain name owner, or that plaintiff was unable to find the domain name owner through the exercise of due diligence.<sup>135</sup> Under the statute, due diligence is obtained by sending a notice of the alleged violation and an intent to proceed under the in rem provision to the owner of the domain name, and by publishing notice in a newspaper after filing if the court so directs.<sup>136</sup> In all in rem actions, the remedy is limited to the forfeiture, cancellation, or transfer of the domain name to the mark holder.<sup>137</sup>

Although an in rem action only allows for transfer, it is an important addition to the ACPA. By not requiring personal jurisdiction, mark holders are able to get jurisdiction in a large number of cases which previously were not allowed.

### D. *Advantages of the ACPA*

There are a number of advantages to bringing a suit under the ACPA. The biggest advantage of litigating under the ACPA is the availability of multiple remedies. The ACPA allows a court to grant injunctive relief, both in the form of a preliminary injunction, and forcing transfer or cancellation of domain names.<sup>138</sup>

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129. Barbara Solomon, *Domain Name Disputes: New Developments and Open Issues*, 91 *The Trademark Rep.* 833, 857 (July-August 2001).

130. *Id.*

131. *Id.*

132. *Id.*

133. *Id.* at § 1125(d)(2)(A).

134. *Id.* at § 1125(d)(2)(A)(i).

135. *Id.* at § 1125(d)(2)(A)(i)-(ii).

136. *Id.* at § 1125(d)(2)(A)(ii)(II).

137. *Id.* at § 1125(d)(2)(D)(i).

138. Jennings, *supra* n. 53, at 657.

The ACPA also offers traditional monetary remedies under Section 35 of the Lanham Act.<sup>139</sup> Here a plaintiff with large damages caused by a cybersquatter may recover to the fullest extent to which they may prove those damages. In addition, the ACPA offers statutory damages ranging from \$1,000 to \$10,000 per domain name.<sup>140</sup> In *Electronics Boutique Holdings Corp. v. Zuccarini*,<sup>141</sup> the United States District Court for the Eastern District of Pennsylvania showed just how powerful these statutory damages can be, by awarding \$500,000 in statutory damages against a well known cybersquatter.<sup>142</sup> In addition, a plaintiff in an ACPA claim may receive attorney fees and costs.<sup>143</sup>

The other advantage of the ACPA is the right to full discovery.<sup>144</sup> Although the opposite was cited as an advantage under the UDRP, full discovery will be vital in a case where the facts are complicated. Moreover, the right to discovery gives a plaintiff the chance to expose other domain names which the defendant may own, and possibly other damaging information.

The third advantage of the ACPA is the ability to procure in rem jurisdiction.<sup>145</sup> Although this is not an advantage over the UDRP (where jurisdiction is not a problem), it does provide an advantage over traditional trademark law. With the possibility of using an in rem proceeding, a plaintiff no longer has to establish personal jurisdiction, so long as they can prove the property (i.e. domain name registrant) can be properly included.

#### *D. Disadvantages of the ACPA*

The biggest disadvantage of the ACPA is the possibility that one will not be able to establish jurisdiction. Since it is entirely possible that a cybersquatter may have no connection with the United States at all, this forum will be ineffective in a global setting.

The second disadvantage is the time required to proceed through trial. As with all litigation, the process can take months or years. In the world of cyberspace, oftentimes having the case resolved quickly (and the website shut down or transferred) will be worth more than monetary damages in the future. This scenario holds true particularly when the cybersquatter is an individual the trademark holder knows to be “judgment-proof.”

The third disadvantage to litigating under the ACPA is cost. If a case were to proceed to trial, the costs to the client in preparing for the litigation could be quite large. Although costs will be no more expensive than any other litigation, when compared to arbitration under the UDRP, a client might consider the additional price of ACPA litigation a burden they are not willing to bear.

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139. *Id.*

140. *Id.*

141. *Electronic Boutique Holdings Corp. v. Zuccarini*, 2000 WL 1622760 (E.D.Pa. Oct. 30, 2000).

142. *Id.* at \*8; 56 U.S.P.Q. 2d (BNA) 1705.

143. Jennings, *supra* n. 53, at 657.

144. *See e.g., id.* at 678.

145. *Id.* at 663.

#### IV. CONCLUSION: THE MARRIAGE OF ARBITRATION & LITIGATION

At first glance, the UDRP seems to be the only forum which can actually keep up with the high speed of cyberspace. A novice to this area of law would be apt to believe that the federal laws are inadequate to combat cybersquatters. However, upon review of the forums one comes to the opposite conclusion. With the addition of the ACPA to traditional trademark causes of action for infringement and dilution a plaintiff could quite adequately protect his marks without resorting to arbitration. But that conclusion truly misses the point altogether. In fact, the way that the UDRP and ACPA should be viewed is as partners, together providing an onslaught of remedies to combat any cybersquatting problem a trademark holder may encounter. A plaintiff should choose to pursue a particular route based on their goals and type of case.

There are two threshold issues which should be of primary importance in determining whether the UDRP or the ACPA is preferred. The first issue is whether jurisdiction may be established in a United States court. If personal jurisdiction can be established, the plaintiff will have the entire litany of ACPA remedies at his disposal. If personal jurisdiction cannot be established, in rem jurisdiction will often extend even further. However, one must remember that if using in rem jurisdiction, the only remedy available is cancellation and transfer of the domain name. Hence, in this situation most of the benefits of the ACPA will not be available, and the UDRP might be a better choice. Should one decide that jurisdiction cannot be established under the ACPA, then the UDRP is the only forum available.

The second issue that must be addressed early on is how complex the case is going to be. In a straight-forward case, the UDRP is perfectly well equipped to dispose of the cybersquatter quickly. However, in a complex case (i.e. with an existing licensing agreement, or with competing trademark holders), the UDRP is not equipped to handle the discovery and deliberation needed to resolve these issues. The UDRP's lack of finality is also detrimental in such a situation. Since the UDRP allows for the process to be usurped, or transfer put on hold by filing collateral litigation, a victorious plaintiff may find herself fighting the same battle another time in a federal court. In a complex situation where both parties have considerable interest, the likelihood of this happening is quite high.

After addressing the two threshold issues, there are numerous other factors to take into account in determining which forum is best. The first factor is speed. Actions under the UDRP are resolved, on average, within forty-five days of the complaint being filed. This offers a guaranteed quick decision. An action under the ACPA will normally be less efficient. However, if the likelihood of success on the merits is high, one must consider the possibility of getting a preliminary injunction under the ACPA, which is likely to be heard and implemented faster than the forty-five days required for a UDRP decision.

Another factor to consider is cost. Proceeding under the UDRP is usually much cheaper than litigation under the ACPA. In addition to low filing and arbitration fees, arbitration under the UDRP will usually require far fewer attorney hours, therefore lowering costs to the client. However, in making this decision one must remember that the ACPA does allow for recovery of attorney's fees and costs if successful.

Finally one must consider the remedies available under both the UDRP and the ACPA. A successful plaintiff in an ACPA action will have numerous remedies available to her, including injunction, monetary damages (including statutory damages) and costs. However, a complainant is limited to the transfer or cancellation of the disputed domain name if bringing an action under the UDRP. Again, the goals of the client will determine which remedy is needed.

Although the problem of cybersquatting (and cyberspace disputes in general) is quite new, it appears that trademark holders have a fairly substantial and broad base of remedies to protect them in most situations. The ACPA goes a long way in protecting the rights of United States citizens who have their trademark rights infringed upon by cybersquatters. By utilizing the ACPA and traditional trademark causes of action, one is able to protect claims ranging from egregious cybersquatting to complex competing trademark cases. With the additional arbitration forum provided by ICANN's UDRP, trademark owners are also able to combat cybersquatters worldwide. In addition, the use of the UDRP provides a cheap and effective way to protect trademark rights. Together the UDRP and ACPA provide effective forums and remedy to almost every domain name problem. Therefore, a trademark owner should look at the two forums, not as competing options, but rather as an interlocking solution which may be utilized to meet their goals and individual situation.

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