

***Anticybersquatting Consumer Protection Act
vs.
Uniform Dispute Resolution Policy***

It is highly unlikely that George Bush was thinking about domain names when he announced Dick Cheney as his running mate. The Democratic National Committee, however, was watching carefully; and they registered the domain name within minutes of the announcement. Is this a legitimate use of a domain name? Who should own the website? Domain names are powerful tools, and the laws governing their existence are still in their infancy.

Legislative Changes

Due to growing concerns regarding improper domain name practices, the Internet Corporation for Assigned Names and Numbers (ICANN), the international organization responsible for domain names, adopted a mandatory arbitration-type proceeding to settle disputes concerning registration and use of domain names in December 1999. Under the Uniform Domain Name Dispute Resolution Policy (UDRP), a domain name registration can be subject to the decision of an arbitration panel. Although only a proposed solution, Internet Service Providers that administer the domain names substantially adopted the UDRP into their agreements whereby registrants of domain names consent to the UDRP process.

In response to pressure from the U.S. business community, President Clinton signed into law the Anticybersquatting Consumer Protection Act (ACPA) on November 29, 2000. By enacting this bill, Congress created a new cause of civil action under §43(d) of the Lanham Act, 15 U.S.C. § 1125(d) for owners of distinctive or famous marks. A separate cause of action designed to protect personal names was incorporated under the Intellectual Property and Communications Omnibus Reform Act.

Prior to these recent changes in the domain name landscape, trademark owners were forced to use the flawed Domain Dispute Policy of the prior domain name authority. Alternatively, the owners of trademarks could attempt expensive litigation to educate and persuade the judicial system.

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Now, trademark owners may be able to use the UDRP or the ACPA as options against persons who improperly register, use, or traffic in domain names that incorporate their mark or names.

The goal of both the UDRP and ACPA is to stop the misappropriation and misuse of domain names and to curb the rampant cybersquatting. Legitimate usage of the domain name or domain name registration prior to the trademark rights will usually prevent either policy from being employed. In addition, domain names registered on generic trademarks will not be actionable under the ACPA, although the UDRP does appear to hear such cases.¹ In some instances a judicial proceeding under the trademark law may be the only option available; but, if both the ACPA and the UDRP are available, factors such as speed and cost must be assessed as well as analyzing the track record of the court and arbitration panels.

Background

Domain names are the addresses to find things on the Internet. The second part of an Internet address, or more specifically, the alphanumeric identifier called the second-level domain name, is where the trouble starts. For example, in www.XYZCOMPANY.com, the second-level domain name is the XYZCOMPANY portion, whereas the .com is called the top-level domain name. The mnemonic of the second-level domain name makes it easier to find a company and may function as a trademark or otherwise imply an affiliation or association of the trademark.

The registration of domain names is a first-come and first-served filing system with a relatively low filing fee and few regulations. Some individuals rush to register the domain names for known trademarks and sell them back at exorbitant prices to the trademark owners. Others secure the domain names for the trademarks of the competition and link these domain names to their own website. These individuals are generally known as cybersquatters, or those that act in bad faith and misappropriate the domain names for known trademarks.

New Hampshire and the Internet

Although New Hampshire is not the hotbed for Internet litigation, it is highly likely that cases will be more prevalent in the very near future. The reality is that most cases settle out of court, such as the pirating of the domain name WND5.COM by WMUR, which was transferred without litigation. In the interim, domain name litigation will follow the traditional trademark infringement analysis² and borrow from other jurisdictions for interpreting the ACPA.

Under the UDRP, there have been some cases involving New Hampshire residents. In *Serta, Inc. v. Maximum Investment Corporation*, Case No. D2000-0123 (WIPO Apr. 18, 2000) (Kelly, Arb.), a Bedford N.H. company registered over 200 domain names relating to the furniture industry. The domain names were alleged to be part of an on-line furniture business plan. Among the domain names were "BUYASERTA.COM" and "BUYAPERFECTSLEEPER.COM", which incorporated registered trademarks of Serta. The respondent admitted to knowing of the Serta trademarks, but the on-line electronic commerce website would actually be selling the products. Under the UDRP analysis, the WIPO Arbitration and Mediation Center found the domain names were registered in bad faith and required the domain names be transferred to Serta.

In distinction, the decision by the National Arbitration Forum (NAF) found in favor of the Respondent, in *Unitil Resources, Inc. v. Robert Ampe*, Case No. FA2000093553 (Nat'l Arb. F. Mar. 14, 2000) (Katalina, Arb.). The controversy was over the domain name USOURCE.COM, which was registered by the Respondent in 1998, and attempts were made to establish an on-line business. The Complainant filed a trademark application in 1999, and marketed the trademark USOURCE in relation to energy distribution. The NAF arbitrators found that the services were distinguishable and the Respondent's prior use and good faith intent entitled him to ownership of the domain name.

Elements of the UDRP

Under the UDRP, the complainant must prove three elements to prevail. The complainant must show 1) the domain name is "identical or confusingly similar" to a trademark owned by the complainant, 2) the registrant has no legitimate interest in the domain name, and 3) the registration and use has been conducted in bad faith. All three elements must be satisfied.

To satisfy the first element, the complainant needs to establish ownership in the trademark. Ownership of the mark is provided by a federal, state, or foreign registration. Common-law trademark rights can also be used where no registration exists, with appropriate declarations and examples demonstrating use in commerce. The complainant must also establish that the domain name is confusingly similar to the trademark. Spelling differences, hyphens, pluralization, and incorporating additional terms generally do not absolve the domain name owner of liability, although the differences are analyzed.

The second element, no legitimate interest, can be demonstrated by showing a lack of bona fide intent to offer a service under the domain name or by demonstrating common knowledge of the trademark by the domain name owner. A non-commercial usage of the domain name is a potential defense, but this fair use concept is subject to strict scrutiny. This reflects the United States policy on trademarks, wherein one cannot speculate on trademarks.

Finally, the UDRP requires some indicia of bad faith. Such acts include acquiring a domain name that incorporates a trademark with the intent to sell the domain name. A domain name registrant with hundreds of domain names has the cards stacked against him. Offering to sell the domain name to the owner of the mark is generally seen as implying bad faith, even though it might be categorized as an attempt to settle a dispute. The Federal Rules of Evidence do not apply to the arbitration panel, and offers of settlement are discoverable. Another factor that indicates bad faith is the diverting of customers by causing a likelihood of confusion. The cases to date demonstrate that bad faith is fact specific and inferences are drawn based on the specific circumstances of the case.

Elements of the ACPA

The elements for commencing a civil action under the ACPA are 1) the domain name is "identical or confusingly similar" to a trademark owned by the complainant or dilutes a famous trademark, and 2) the domain name registration or use has been conducted in bad faith. Both elements must be present.

Once again, ownership of the mark is provided by a federal, state, or foreign registration, and common-law registration. Common-law trademark rights can also be used where no registration exists. Either way, the plaintiff must show that the domain name is confusingly similar to the trademark.

The bad faith element under the ACPA incorporates nine factors under the ACPA in that are non-exhaustive to balance the rights of the trademark owners from those that have useful, legitimate and non-infringing uses of the domain names. The following factors are analyzed: 1) the rights of the domain name registrant; 2) the extent to which the domain name consists of a legal name or identifier; 3) prior use of the domain name; 4) bona fide non-commercial or fair use of the domain name; 5) intent to infringe or otherwise harm the trademark owner; 6) attempts to sell and prior conduct; 7) information provided in domain name registration; 8) number of domain names registered; and 9) whether the trademark is distinctive or famous. In general, the ACPA requires a more substantial showing that the trademark deserves protection and a more thorough analysis of the underlying attributes of the case.

The ACPA has a few additional features such as allowing in rem action if the cybersquatter cannot be located and has evaded service of process. But, the in rem action is only available under certain circumstances available only in cases where the court finds that domain name holder is unavailable, and is limited to injunctive relief.³ Additionally, the ACPA provides specific protection for individual names from cyberpiracy.

The domain names of living individuals registered on or after November 29, 1999 can be pursued under this act if the domain name was registered without consent and for economic gain. This act also codifies the limitation of liability to the Internet Service Providers if they have acted in good faith in performing their duties.

Remedies

The ACPA gives a broader choice of available remedies than the UDRP. The ACPA provides the plaintiff injunctive relief such as temporary restraining order and statutory damages ranging from \$1000 to \$100,000 per domain name. However, the damages are limited to domain names that were registered on or after the effective date of the ACPA. Furthermore, in cases where the disputed domain name is a living person, the monetary recovery is available only for costs and attorney's fees.

In comparison, a complainant in a UDRP claim can only request transfer or cancellation of the domain name. The hold option available under the previous dispute resolution system is no longer available.

Costs and Time Line

The cost of the UDRP depends upon the dispute provider and whether a one person or three member panel is requested. If the complainant chooses the single or three member panel option and the respondent does not object, then the entire cost is carried by the complainant. However, if the respondent objects to a single member panel and elects a three member panel, then the cost is split between both parties. Likewise, the fee is split between the two parties if the complainant chooses a single member panel and the respondent does not object. The panelists are drawn from ICANN-approved list of providers. Typically, the proceedings are concluded within sixty days after the initial complaint is filed.

The ACPA is a federal civil action, and the average typical action is about \$20,000. This amount can rise sharply depending upon the additional claims. Although a temporary restraining order is possible to shut-down the website, the overall length of time until a final decision on the merits can be many months if not years. Fortunately for the legal system, most cybersquatters seek settlement.

There are currently three established dispute providers, (1) the National Arbitration Forum (NAF) (www.arbforum.com), (2) CPR Institute for Dispute Resolution (CPR), (www.cpradr.org) and (3) World Intellectual Property Organization (WIPO) (www.arbiter.wipo.int). The decisions from these providers are available on-line as well as the various terms.

A single arbitrator costs \$750 under NAF and DIS, while WIPO charges \$1000 and CPR runs \$2000. The charges for a three member panel are \$2200 for DIS, \$2250 for NAF, \$2500 for WIPO and \$4500 for CPR. It is interesting to note that thus far the trademark owners/complainants have been overwhelmingly successful in the arbitration.⁴

The ACPA is a federal civil action, and the average typical action costs start at about \$20,000. This amount can rise sharply depending upon the additional claims. Although a temporary restraining order is possible to shut down the website, the overall length of time until a final decision on the merits may be many months away. Typically, most cases settle out of court.

One caveat - nothing prevents either party from initiating a lawsuit during the UDRP proceedings. In such a situation, the UDRP proceedings are suspended pending the outcome of the case. Furthermore, the arbitration decision can be contested in court.⁵

In summary, the major difference between the ACPA and the UDRP is that under the APCA, the trademark must have been distinctive or famous when registered, while the UDRP extends protection for marks that are generic or descriptive. The UDRP only transfers the domain name, while monetary damages are permitted under the ACPA. Although the ACPA includes some provisions for reclaiming the domain names of living persons, the UDRP has also been used successfully to retrieve domain names.⁶

The domain name cases are currently high profile, but the decisions are not consistent. The Respondents in many of the UDRP cases file an inadequate response or no response at all, so some of the decisions do not reflect trademark principles. The combination of these two tools has decreased the true cybersquatting problem, however many argue that First Amendment rights have also been trampled in the process.

Endnotes:

1 See *Hearst Communications, Inc. and Hearst Magazines Property, Inc., v. David Spencer d/b/a David Spencer Associates and Mail.com, Inc.*, Case No. FA00937763 (Nat'l Arb. F. April 13, 2000) (Condon, Arb.) Esquire.com transferred despite other possible uses of mark (dissenting opinion); see also *J. Crew International, Inc. v. crew.com*, Case No.D2000-0054 (WIPO April 4, 2000) (Page, Arb.)

2 see *President & Trustees of Colby College v. ColbyCollege* – N.H., 058 F.2d 804, 807 (1st Cir. 1975); *Pep Boysv. Aranosian*, U.S. Dist. No. CV-94-354-M (D.N.H Nov. 30, 1995); *Food for Pets v. Just for Pets*, U.S. Dist., No. CV-95-470-M (D.N.H. Dec. 13, 1996)

3 see Lucent Technologies, Inc. v. LUCENTSUCKS.COM, U.S. Dist. No. CV-99-1916-A. (E.D. VA. May 3, 2000) due process requires reasonable time and in rem action denied

4 As of August, 2000, Complainants win in large numbers: WIPO - 297 out of 369 (80%); NAF - 293 out of 324 (90%); Disputes.org - 45 out of 80 (56%)

5 see Weber-Stephan Products Co. v. Armitage Hardware and Building Supply, 2000 WL 562470 (N.D. Ill. May 3, 2000)

6 Julia Fiona Roberts v. Russell Boyd, CaseNo. D2000-0210 (WIPO, May 29, 2000)(Page, Arb.) Julia Roberts wins control of a website.