

Comments on
World Intellectual Property Organization,
The Management of Internet Names and Addresses: Intellectual Property Issues
Interim Report (RFC-3)

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STATEMENT OF INTEREST

I am a law professor at Wayne State University in Detroit, Michigan, and a past chair of the American Association of Law Schools Mass Communications Law section. In addition to teaching at Wayne, I have served as a legal scholar in residence at the U.S. Federal Communications Commission; a professor in residence at the U.S. Justice Department; a visiting scholar at the University of Tokyo's Institute of Socio-Information and Communications Studies; a law clerk for U.S. Supreme Court Justice Thurgood Marshall and then-Judge Ruth Bader Ginsburg; and an associate at the law firm of Shea & Gardner. I graduated from Harvard College and Columbia Law School.

In 1997 and early 1998, I advised the United States government in its formulation of policy concerning Internet governance and the domain name system. I am currently a consultant to the U.S. Federal Communications Commission. I wish to emphasize, though, that I do not speak for Wayne State University, the FCC or any other governmental entity. Rather, the views I express here are entirely my own. I have prepared these comments on my own initiative and without compensation.

INTRODUCTION AND SUMMARY

The Interim Report (RFC-3) is an important, thoughtful document, the result of careful consideration. I write these comments because I believe it is, nonetheless, flawed in a variety of important respects. I will emphasize one of those points in particular: The Interim Report seriously errs in proposing that an alternative dispute resolution (ADR) process be mandatorily imposed on *any* domain name holder in *any* case in which a trademark holder chooses to invoke that process. Rather, ADR should be mandatory, from the perspective of the domain name holder, only in a limited class of cases manifesting abusive activity (above and beyond ordinary string conflicts). In all other cases, ADR should be available by agreement of both parties.

Specifically, I urge that ADR should be mandatory only in the following classes of cases:

- * where the domain name holder is engaged in the business of offering to sell, rent or otherwise transfer domain names (as evidenced by a pattern of such offers);
- * where the domain name holder has a large number of SLD registrations, each of which is identical or closely similar to an alphanumeric string in which another entity holds intellectual property rights; or
- * where the domain name holder has registered a domain name incorporating a string identical or closely similar to a competitor's trademark or trade name for the purpose of disrupting that competitor's business.

In other cases, the parties should have the option of agreeing to ADR, but neither party should be required to participate against its will.

This approach will mitigate aspects of the ADR process that create a mismatch between the rights of challenger and domain name holder, giving challengers powerful procedural tools without regard to the merits of any given dispute. It will advance the goals of the process as efficiently as would a sweeping mandatory rule.

In addition, RFC-3 is seriously flawed in other respects. It inappropriately proposes that domain name holders should be required, in their registration agreements, to submit to jurisdiction in the country where the registration authority is located. Such a proposal is completely unnecessary, and has the potential to be grossly unfair. Its proposed rules for the conduct of the ADR process are wanting. Its proposals regarding famous marks are unworkable and unnecessary.

I. THE DOMAIN NAME HOLDER SHOULD BE REQUIRED TO PARTICIPATE IN ADR ONLY IN CASES OF ABUSIVE ACTIVITY

A. Background

The idea that domain name holders should be required to participate in ADR only in a limited class of cases is not new. The interim Policy Oversight Committee's Substantive Guidelines Concerning Administrative Domain Name Challenge Panels (May 23, 1997), which constituted the first serious effort to develop an ADR process governing domain names, provided that the process would be available only if

- * the domain name holder also held other domain name registrations that were identical or closely similar to alphanumeric strings in which other entities held trademark rights, and in which the domain name holder had no demonstrable rights;
- * the domain name holder had made a spontaneous offer to sell or rent the domain name, either to the challenger in particular or to the public at large; or
- * the challenged domain name was identical or closely similar to an alphanumeric string that was the subject of trademark registrations held by the same person, for the same goods or services, in at least *thirty-five* countries in at least *four* geographical regions (or was otherwise deemed to be internationally known).¹

The point of these requirements was to make the process available *only* where it was needed: to combat abusive registrations by persons interested only in reselling the domain name rather than using it on a bona fide basis, and to provide an international dispute-resolution mechanism for the holders of truly international marks.

As the Substantive Guidelines Concerning Administrative Domain Name Challenge Panels evolved, the coverage details changed. The drafters, however, maintained the principle that the registrants should not be required to enter into the ADR process for ordinary domain name

disputes. In particular, the Guidelines' final revised draft (Jan. 16, 1998) stated, the ADR process is inappropriate "if the dispute involves, for example, conflicting but evenly balanced intellectual property rights." Rather, the guidelines made ADR available in only two classes of cases.²

The first class included cases in which there was "manifest imbalance" between the rights of the parties. The Guidelines explained:

Trafficking is a salient example of such a manifest imbalance. The [administrative challenge panel] may make a determination in favor of a Party when it finds that the other Party has engaged in trafficking . . . through the deliberate registration of an SLD without relevant rights . . . in order to hoard or to resell the domain name, or for other cognate purposes.³

The second class was that in which a party "manifestly acted in bad faith." The policy provided that "[c]ircumstances which . . . may constitute bad faith" included, most prominently, the registration of "a domain name incorporating a competitor's trademark or trade name for the purpose of disrupting that competitor's business," and the knowing submission of false or misleading information in the application for name registration.⁴

The thrust of the Guidelines, again, was that the ADR process was not necessary in ordinary domain name disputes. Indeed, the drafters were skeptical that the process would work well in such cases, which called upon the decisionmakers to parse fine points of law and to balance competing equities. Rather, the Guidelines established a process that would provide expeditious relief for the subset of *easy* cases, and particularly those cases in which the domain name holder had engaged in abusive activity wholly apart from its use of a domain name that was similar to a trademark used by some other entity to identify its goods or services.

B. The Proposed ADR System Would Create a Severe Mismatch Between the Rights of Challenger and Domain Name Holder.

RFC-3 proposes that a trademark owner be able to force any domain name holder into binding ADR simply by filing a challenge. (The trademark holder, on the other hand, is not required to invoke ADR; it has the option to choose either ADR or litigation in the first instance). If the trademark holder loses in the ADR process, it may nonetheless file a trademark-law suit against the domain name holder, and may do so in the conventionally available jurisdictions *or* in any jurisdiction in which the registrar or registry is located (that is, today, in the United States). It may file suit in such a jurisdiction regardless of whether that jurisdiction has any meaningful connection with the domain name holder. If made applicable to every domain name dispute, these recommendations would inappropriately, and perniciously, stack the deck in favor of the challenger.

It is important to understand that this proposed dispute-resolution process, while giving challengers a second bite of the apple in litigation, offers no meaningful comparable right to domain name holders. RFC-3 seems not to acknowledge this point. Para. 140, for example, emphasizes that the ADR procedure "would not exclude the jurisdiction of the courts. A party

would be able to pursue a claim in a national court, or seek the ruling of a national court on a dispute that had already been submitted to the administrative dispute-resolution procedure." Para. 143 explicitly states that "parties dissatisfied with the results of the administrative procedure, *including the domain name holder*, would be free to seek a contrary decision from a court" (emphasis added).

In fact, if a domain name holder loses in the ADR process, he typically will have no meaningful judicial recourse. At least under United States law, he will not be able to file suit against the challenger because he will have no cause of action. Consider, for example, a hypothetical challenge brought by the AAA Cola Company against AAA Software Design, a software company of eighteen months' standing on the Net that operates *aaa.com*. AAA Software Design will argue that it is not infringing the cola company's trademark because there is no likelihood of confusion: Consumers will not assume that every URL on the Net incorporating the "AAA" string is associated with the cola company, any more than they would assume that every URL incorporating that string is associated with the software company. Let us assume that, on the facts, this argument ought to prevail. Nonetheless, if the ADR decisionmaker rules against AAA Software Design, the software company has no meaningful recourse. Once the domain name is transferred to AAA Cola, the *absence* of any likelihood of confusion will mean that AAA Software will not have a trademark cause of action against the cola company under trademark law. In other words, the very facts establishing that AAA Software ought to have prevailed in ADR will make it impossible for it to prevail in judicial review of an erroneous decision.

It may be that the domain name holder will be able to get some judicial review in a jurisdiction, such as England, that has statutory procedures for review of arbitration decisions. That's hardly clear, though. It is not obvious that the ADR process WIPO contemplates would be deemed an "arbitration" subject to the statutes, nor is it clear that the cyber-arbitration would be "located" in those states, as the statutes typically require. In any event, the court's standard of review would not be *de novo*; the court would overturn the ADR only on a showing of irrationality or arbitrariness.⁵

As a practical matter, the only way domain name holders would be likely to get their day in court following the conclusion of the ADR process would be to sue the registry to block its cancellation or transfer of the domain name. The plaintiff might argue that the clause requiring it to enter into ADR process is unenforceable, so that the ADR results are void, and the registry should be barred from effectuating them. Because the domain name holder's "consent" to ADR derives from a contract of adhesion, such a lawsuit would have significant chances of success in the United States. Any system of contracts that leads to such a result, though, would be highly undesirable. It is a general point of agreement that a domain name dispute resolution system is defective to the extent it results in suits against registries, who are neutrals and should not be forced to take sides in such disputes.

By contrast, the provision that a challenger losing in the ADR process can nonetheless file a subsequent trademark suit is an explicit feature of the system WIPO proposes. Indeed, the system would *encourage* a challenger losing in the ADR process to file such a suit, because it would guarantee the challenger a forum that will often be convenient to it and distant to the

domain name holder (venue wherever the registrar or registry is located), and because the subsequent suit would be governed by a body of substantive law different from the one under which the challenger had lost the first round. (The ADR would be governed by international "general principles" enunciated by WIPO, while the lawsuit would be governed by the trademark law of the specific nation selected by international choice-of-law rules.) A body of law that affirmatively encourages duplicative litigation is inefficient, to say the least.

The ADR process described in RFC-3 may stack the deck in other ways, at least in that substantial category of cases in which the challenger is larger and more sophisticated than the domain name holder. For example, WIPO has recommended that the parties choose the individual who sits as judge; this gives a substantial advantage to the side that knows, or knows of, the potential judges. The process effectively requires representation not only by counsel, or even by trademark counsel, but by counsel familiar with the procedures and substantive law governing this body of cyber-arbitrations. It takes place in a venue that may be "neutral," but that will be unfamiliar to the unsophisticated domain name holder, and it may well take place in a language unfamiliar to him.

The possibility that costs will be assessed against domain name holders if they lose may be used to intimidate them in disputes with large trademark holders. Under the status quo, of course, the threat of litigation can also be intimidating, because the domain name holder will have to pay its own attorneys' fees (and perhaps, in non-American Rule jurisdictions, plaintiff's as well). But under the status quo, the domain name holder is protected, to some extent, by the fact that the filing of a lawsuit is not cost-free for the trademark holder, especially if the domain name holder is in a distant country. Because WIPO has designed the ADR process to be invoked by trademark holders cheaply and easily, on the other hand, the potential for intimidation is increased. Registrants in poor countries and linguistic minorities would be especially vulnerable.⁶

In sum, the system would create a severe mismatch between the rights of challenger and domain name holder, giving challengers powerful and often unanswerable procedural tools without regard to the merits of any given dispute. As I explain below, it is simply unnecessary to impose this mismatch in the ordinary case. Under a better system, ADR would not be mandatory except in the minority of cases where such a remedy is needed.

C. A More Limited Scope for ADR

It would advance the goals of the ADR process just as well if that process were mandatory for domain name holders in abusive registration cases, and voluntary otherwise. Para. 143 rejects voluntary ADR because "those persons who register domain names in bad faith in abuse of the intellectual property rights of others" would not chose to participate.⁷ Those concerns can be fully addressed, however, by requiring domain name holders to participate in ADR only when they *are* acting in bad faith. In other cases, ADR can be voluntary.

RFC-3 speaks to a related issue in paras. 146-50, addressing whether the ADR process should be available at all in ordinary cases. Para. 149 contains three arguments (listed under five

headings) to the effect that the ADR process should be available to resolve *any* claim that use of a domain name violates IP rights. Those arguments are relevant to the question discussed here.

Para. 149 (iv) & (v) indicates that forcing domain name holders into the ADR process, even in routine cases, is harmless, because a domain name holder can always initiate litigation instead of (or after) participating in the ADR. For the reasons given above, this is simply incorrect.

Para. 149(iii) urges that requiring a threshold showing such as bad faith or abusive registration will provoke unproductive argument and posturing. That need not be the case, though, if the threshold standards are clear.

Para. 149 (i) & (ii) urge that ADR is simpler and more cost-effective than litigation, and that WIPO should propose a system under which the process is used as widely as possible. Within the universe of parties operating in good faith, though, even voluntary ADR will be widely invoked. Neither side will wish to initiate (or be forced into) expensive and cumbersome processes, so in cases where the parties cannot or will not settle, they likely will be able to negotiate voluntary ADR. But such an approach would avoid the massive imbalance of bargaining power, unrelated to the merits, that would flow from WIPO's proposed rules, under which the challenger has a right to force the domain name holder into mandatory ADR coupled with the right to sue in a favorable judicial forum potentially distant to the domain name holder.

II. THE DOMAIN NAME HOLDER SHOULD NOT BE REQUIRED TO CONSENT TO SUIT IN A DISTANT FORUM

RFC-3 proposes that domain name holders should be required, in their registration agreements, to submit to jurisdiction in the country where the registration authority is located. At present, with respect to *all* persons holding domain names in gTLDs, that country is the United States. Especially if WIPO persists in recommending that ADR be mandatory for domain name holders, this provision should be eliminated.

Such a proposal is completely unnecessary, because trademark holders may seek ADR if the courts that are available to them under ordinary jurisdictional rules are not convenient for them. The proposal has the potential, moreover, to be grossly unfair; imagine a small African or Asian domain holder that finds itself suddenly sued in a United States court. The threat of suit will end such cases before they begin, entirely without regard to the merits. Indeed, the waiver of jurisdiction in such a case would be so grossly unfair that it would likely be deemed unconscionable, and therefore unenforceable.

Nor is it an answer that domain name holders who wish to avoid the threat of suit in a unfair forum should confine themselves to their own country's ccTLD. As the DNS has evolved to date, the gTLDs play a major role in the expression of ordinary people and small business entities. It is too late to adopt rules that banish such persons to the ccTLDs.

III. WIPO'S PROPOSED RULES FOR CONDUCT OF THE ADR ARE FLAWED IN OTHER WAYS

WIPO's proposed rules for the conduct of the ADR process are flawed in a variety of other respects. Particularly egregious is the apparent suggestion in paras. 244-45 that a domain name be subject to cancellation or transfer even where the challenger would have no grounds for relief under trademark law. Although the document is by no means clear on this point, it appears to suggest that a challenger could seek transfer of a domain name *solely* because the current registrant's ownership of the name "unfairly . . . frustrates the complainant's desire to reflect its rights in a domain name." The document does not give much guidance, however, as to when such a situation should be deemed "unfair" in the absence of a trademark-law violation. The proposal appears to reflect a desire to vindicate the concerns embodied in the law of unfair competition, but it does not require (say) that the challenger and the domain name holder be competitors. This suggestion should simply be deleted.

Para. 199 proposes that the ADR decisionmaker apply a body of "Guiding Principles" that the document seeks to derive from trademark law, but which are distinct from the law that a national court would apply if the same controversy were presented as a trademark dispute. This raises troubling questions. Assuming the propriety of such a body of sui generis law, what body should have authority to fashion the decisional guidelines in the first instance? It hardly seems appropriate for WIPO to fashion those rules on a periodic basis. Nor is it reasonable to assume that the principles of such a body of law are self-evident. The final sentence of para. 199(ii), for example, providing that the decisionmaker should balance the challenger's "intended use of the domain name" against the interests of the domain name holder, is both wholly mystifying and almost surely wrong.

Moreover, the ADR decisionmaker's use of such a body of sui generis rules, in conjunction with WIPO's recommendation that challengers may proceed via both ADR and court suit, again stacks the deck in challengers' favor. Challengers end up with the ability to take shots at the domain name under two different bodies of decisional law.

Para. 157 states that "the decision-maker should have the discretion, in the decision, to allocate responsibility for payment of the costs [of the ADR] to the winning party, after consideration of all of the circumstances of the case." It explains: "[I]f responsibility for the payment of costs always rested with the complaining party, there would be no disincentive for a bad faith applicant to proceed to try its luck with an abusive registration of a domain name." In accordance with that rationale, the rules should make clear that a domain name holder may be charged with costs *only* as a sanction for abusive registration (which should itself be clearly defined). Otherwise, as stated above, the possibility that costs will be assessed against domain name holders if they lose may be used to intimidate them in disputes with large trademark holders.

In para. 166-68, RFC-3 rejects any limitation under which a trademark holder would be barred from invoking the ADR process to challenge a domain name that had been in place, without challenge, for a sufficient period of time. Such a time limitation was part of the final

revised draft of the Substantive Guidelines Concerning Administrative Domain Name Challenge Panels.⁸ It suitably recognizes domain name holders' need for business stability and repose, and the equities surrounding longstanding operation on the Net. Without it, we have the unattractive picture of trademark holders eyeing an attractive domain name, waiting, in the words of RFC-3, for the "related intellectual property rights held by the domain name holder [to] lapse" so that they can file a challenge to transfer the name. WIPO should reconsider its rejection of this important protection for domain name holders.

Paras. 172-74 recommend that challenges in general should be decided by one decisionmaker, not by a panel of three. The paper notes that the panel of three decisionmakers could bring a greater range of skill and experience to bear, but concludes that the use of a single decisionmaker is acceptable in light of "the safeguards that are proposed . . . particularly the possibility of recourse to court litigation." Since — as noted above — the domain name holder has no meaningful recourse to court litigation, WIPO should reconsider this point.

IV. THE PROVISIONS FOR FAMOUS MARKS ARE UNWORKABLE AND UNNECESSARY

Chapter 4 of RFC-3 contains its proposals regarding enhanced protection for "famous marks." These proposals appear unworkable. There is no internationally accepted definition of famous marks. That is, there is no accepted and objective set of criteria for determining whether a mark is, or is not, "famous." That is so notwithstanding extensive efforts to develop such criteria by WIPO's Committee of Experts on Well-known Marks and the Standing Committee on Trademarks, Industrial Designs and Geographical Indications. The process proposed by RFC-3 -- an essentially unconstrained determination by an ad hoc decisionmaker -- will not adequately demarcate the category of globally famous marks. Moreover, the process contains no safeguards designed to limit the number of marks designated as "famous" to a reasonable number.

In general, RFC-3's sledgehammer approach for solving domain name problems is unnecessary. Consumers understand today that different physical-world entities can hold trademark rights in the same alphanumeric string: "Dell", in the United States, is a source indicator for both a computer company and an unrelated book company. Similarly, consumers can easily understand that the fact that a string appears in a domain name does not necessarily indicate sponsorship of the associated content by a particular holder of trademark rights in that string. WIPO's inability to devise a method for implementing famous-mark protection in the physical world (that is, for concentrating in a single firm all trademark rights worldwide in a particular string) makes plain the infeasibility of, and lack of need for, a parallel rule that would deny to any but one entity the right to incorporate a given string into its domain name.

¹ See <<http://www.gtld-mou.org/docs/racps.htm>> at II ("internationally known" as entry standard), IV.A (defining "internationally known").

² See <<http://www.gtld-mou.org/docs/trcps.htm>>, at paras. 24-25.

³ Id. at para. 24. The policy provided that "[c]ircumstances which . . . may constitute trafficking" included

(i) any spontaneous offer to sell, rent or otherwise dispose of the domain name, made by the Respondent prior to the date of the [administrative challenge panel] claim . . .

(ii) any other registrations of SLDs held by the Respondent, in other top-level domains, which are identical or confusingly similar to alphanumeric strings that are the subject of intellectual property rights of others, and in which the Respondent has no rights;

(iii) the maintenance by the Respondent of the domain name in a "private collection" or personal holding, without making bona fide use of the domain name.

Id. at para. 30.

⁴ Id. at para. 32. The policy further provided that a challenger could be deemed to have acted in bad faith, and therefore be subject to payment of costs or the discharge of a posted bond, if it submitted "a claim with the intent of disrupting the [domain name holder's] activities on the Internet without just cause" or submitted "repeated claims concerning the same domain name without any change in [the domain name holder's] use of that name." Id.

⁵ Further, even if the domain name holder did have a judicial cause of action against a successful challenger, it would have to litigate in the challenger's home forum, without the benefit of a jurisdictional waiver like the one WIPO has proposed a challenger should enjoy when it files a trademark suit against a domain name holder.

⁶ To the extent that the substantive rules governing the arbitration are unpredictable, that would increase the problem of intimidation. If the law is unpredictable, then even a domain name holder with a highly attractive case could not be confident of ultimately prevailing.

⁷ See also RFC-3, para. 126 (the disadvantage of mediation, in the context of domain name disputes, is that it is "of little or no value in bad faith abusive registrations").

⁸ See <<http://www.gtld-mou.org/docs/trcps.htm>> at para. 15 (three years).