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e-commerce news

September 30, 1999

# DOMAIN NAME DISPUTES

The Internet Corporation for Assigned Names and Numbers (ICANN) has recently published a domain name dispute resolution policy. If accepted (following a brief comment period), the policy will be binding on all accredited registrars of domain names within the .com, .net, and .org top-level domains (and thus on *all* individuals or entities registering .com, .net, or .org names). If you have registered a .com, .net, or .org domain name, or if you have a dispute with anyone else's registration of a domain name, you need to know about this new policy.

Under the new policy, companies (or individuals) that believe that someone has registered a domain name in order to profit from their trademark rights will now be able to invoke a special administrative procedure to resolve the dispute. Under this procedure, the dispute will be decided by neutral persons selected from panels established for that purpose. The procedure will be handled primarily online, is designed to take less than two months, and is expected to cost about $1,000 in fees to be paid to the entities providing the neutral persons. Parties to such disputes will also be able to go to court (provided they do so within ten business days of the ruling of the panel) to contest the outcome of the procedure.

Here are the basic features of the new policy:

- When you register a name, you will be asked to represent that to your knowledge, "the registration of the domain name will not infringe on or otherwise violate the rights of any third party."

- You must agree to submit to a <u>mandatory</u> administrative proceeding that will be initiated if someone else asserts (a) that your domain name is "identical or confusingly similar to" a trademark or service mark in which the complainant has rights (whether registered or unregistered), (b) that you have no rights or legitimate interests in respect to the domain name, and (c) that you have registered and are using the domain name in bad faith.

- The mandatory proceeding will be initiated when someone submits a complaint (in both electronic and hard copy form) to the dispute-resolution provider that has been chosen by the registrar describing the grounds on which the complaint is made (e.g., the manner in which the name is identical or confusingly similar to the complainant's trademark; why the domain name holder has no rights or legitimate interests in the name; why the domain name should be considered as having been registered in bad faith). The complainant, who will need to certify that the complaint is truthful and not being filed for an improper purpose, will designate whether he/she elects to have the dispute decided by a single-member or three-member panel.

- The domain name holder will have twenty calendar days to submit a response to the complaint. In addition to responding to the allegations, if the complainant has asked for a one-member panel, the holder may elect to have the dispute decided by a three-member panel (as long as the holder agrees to pay half the fees of the panelists). The holder will also need to certify that the response is truthful and not being presented for an improper purpose.

- Within five days following receipt of the response from the domain name holder, the "Provider" (the chosen dispute-resolution service) will appoint a panel to decide the case.

- The panel will proceed in a manner "it considers appropriate." It may or may not request further statements or documents from either of the parties. It may decide in exceptional circumstances to hold an in-person hearing (which could include a teleconference, videoconference, or web conference).

- Within fourteen days of the appointment of the panel, the panelists are to decide the matter in writing. A word limitation may be placed on the panelists' decision. The decision shall be made based on any "rules and principles of law" that the panelists deem applicable.

- In deciding whether a domain name holder has registered and is using the name in bad faith, the panel will consider the following non-exclusive factors:

    - whether the holder has acquired the name primarily in order to sell it to the owner of the trademark in question;
    - whether the holder has registered the domain name to block the trademark holder from registering the name, provided that the panel finds a "pattern of conduct" along these lines;
    - whether the holder has registered the name primarily in order to disrupt the business of a competitor; or
    - whether the holder has attempted through use of the name to attract Internet users to its web site by creating a likelihood of confusion.

- In deciding whether the holder has rights to and legitimate interests in the name in question, the panel will consider the following non-exclusive factors:

    - whether the holder was using or making "demonstrable preparations to use" the name in connection with "a bona fide offering of goods or services" before the holder received any notice of the dispute;
    - whether the holder has been "commonly known by the domain name;"
    - whether the holder is making a legitimate non commercial or fair use of the name, "without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark."

- The decisions will be published on the Internet (although the panel may determine in an exceptional case to redact portions of its decision). The remedies available to a complainant are limited to requiring the cancellation of the domain name or transfer of the domain name to the complainant.

- If the panel finds that the proceeding was brought in bad faith or primarily to harass the domain name holder, the panel will state in its decision that the complaint was an abuse of the administrative proceeding.

- Parties may submit a domain name dispute to a court either before this mandatory administrative proceeding is commenced or within ten business days after the panel has issued its decision. (The ten business days will be calculated "as observed in the location of [the registrar's] principal office.") Once this ten-day period has run, unless the panel has received an official document indicating that a lawsuit has been filed, the decision of the panel will be implemented — at that point, the name would be cancelled or transferred or left alone.

- The policy contemplates that appeals would be taken in courts in the registrar's location or the location of the domain name holder.

- The complainant will pay all costs of the provider of dispute resolution procedures, or one half if the domain name holder elects a three-member panel.

- ICANN is reserving the right to modify the policy at any time.

**Background.** On April 30, 1999, the World Intellectual Property Organization (WIPO) recommended a proposed policy for domain name disputes to ICANN. ICANN, which has been recognized by the U.S. government as the entity that will manage the net address system, referred the recommendations to its Domain Name Supporting Organization and encouraged domain name registrars to develop a model dispute resolution policy.

At an open ICANN meeting held August 24-26, 1999 in Santiago, Chile, ICANN's Board of Directors directed a drafting committee to do further work on a model dispute resolution policy that had been developed by the registrars.

The drafting committee consisted of Kathryn A. Kleiman (of the Association for Computing Machinery's Internet Governance Committee, a member of the DNSO Non-Commercial Domain Name Holders' Constituency, and co-founder of the Domain Name Rights Coalition), Steven J. Metalitz (General Counsel of the International Intellectual Property Alliance, a member of the DNSO Trademark, Intellectual Property, Anti-counterfeiting Interests Constituency), Rita A. Rodin (of Skadden, Arps, Slate, Meagher & Flom, retained by America Online, a member of the DNSO Registrars Constituency), A. Michael Froomkin (of the University of Miami School of Law, a former member of the WIPO Panel of Experts), and J. Scott Evans (of the Adams Law

The drafting committee has made clear that this proposed policy has been prepared with its input but that "the responsibility for selecting the language in the [new policy] was that of ICANN staff and counsel, not the committee members." The committee has stated that, "[i]n some respects, the implementation language differs from that which individual committee members would have selected."

**Cybersquatting in general.** The strings of letters and numbers that make up domain names have become a source of bitter conflict between trademark holders and registrants of domain names that are similar to the holders' trademarks. So far, U.S. trademark holders seeking to obtain domain names already registered by others have been most successful when their opponent is someone who has registered a domain name in bad faith and with the intent to profit from selling the name to the trademark holder (factors that the new ICANN policy specifically recognizes). Because domain names are unique global addresses, and trademarks are non-unique, nationally-based identifiers of goodwill, domain name disputes raise some of the most difficult questions in the evolving world of e-commerce. ICANN's new policy states global procedures for these disputes, but does not preclude parties from bringing lawsuits either before or immediately after the mandatory procedure has taken place.

**What U.S. laws are relevant to cybersquatting?**
Let's assume you are a U.S. company with a registered trademark. As a trademark holder your recourse against a cybersquatter will depend on what that domain name registrant is doing with the domain name. Where the "bad guy" is someone who has registered the domain name only in order to extort money from your company (and has made such a request for payment from your company), you may be able to sue the registrant for violation of the 1995 federal Trademark Dilution Act. This act allows the holder of a famous trademark to enjoin another person's *commercial use* of the mark or trade name in commerce, if such use causes dilution to the distinctive quality of the mark. (Unlike an infringement claim, a dilution claim does not require a showing of consumer confusion between the cybersquatter's web site and the trademark holder's products or services.) You must be able to show commercial use of the mark by the cybersquatter in order to prevail. Many of these legal concepts are embodied in the new ICANN policy.

Last year, the Ninth Circuit in *Panavision International, L.P. v. Toeppen* held that a cybersquatter's registration of "Panavision.com" and "Panaflex.com," two Panavision trademarks, violated the Trademark Dilution Act. Even though the cybersquatter did not attach the marks to a product, his registration of multiple domain names and his subsequent attempt to sell certain of these names to a trademark holder constituted a *commercial use* under the act. The court also concluded that the registration of these domain names diluted the marks on which they were based because prospective buyers of Panavision products might fail to continue to search for the company's official website.

**When is a registrant not a "cybersquatter"?**
Recently, two U.S. courts have ruled that when a registrant of a domain name is neither a competitor nor an opportunist seeking to profit by selling the name to the holder of a trademark, no "dilution" or "infringement" of the mark has occurred. Both of these cases involved attempts by large corporations to gain control of domain names in situations where the registrant-defendants were using the names for legitimate purposes unrelated to the trademarks — attempts that, under the new ICANN policy, if made in bad faith would be called "reverse domain name hijacking."

**Avery Dennison.** In *Avery Dennison Corp v. Sumpton*, decided on August 23, 1999, the Ninth Circuit found that defendant's registration of the domain names "avery.net" and "dennison.net" did not dilute the registered trademarks of Avery Dennison. The defendant, Jerry Sumpton, runs a business of registering common surnames that he in turn sells to users as "vanity addresses" for web sites and e-mail addresses. The Ninth Circuit found that the defendant was not using Avery Dennison's trademarks for their commercial value as trademarks, and thus, that the Trademark Dilution Act had not been violated.

**Clue Computing.** In the second case, *Hasbro, Inc. v. Clue Computing, Inc.*, Hasbro, which owns the trademark CLUE for the CLUE board game, sued Clue Computing, Inc. for trademark infringement and dilution. Clue Computing (named for reasons unrelated to the board game), had registered the domain name "clue.com" in 1994 and has since maintained a web site at that address for use in its computer consulting business. On September 2, 1999, the U.S. District Court for the District of Massachusetts found for the defendant Clue Computing, holding that if an "Internet user has an innocent and legitimate reason for using [a] famous mark as a domain name and is the first to register it, that user should be able to use the domain name, provided that it has not otherwise infringed upon or diluted the trademark."

**Pending legislation.** On August 5, 1999, the Senate passed *The Anticybersquatting Consumer Protection Act* (S. 1255). This bill would permit trademark holders to recover damages if they could prove that a user registered a domain name in bad faith in order to profit from the goodwill of the mark. In determining bad faith, the bill directs the court to examine (among other factors) whether the registrant has offered to sell the domain name for "substantial consideration," and whether the registrant has acquired other domain names that are identical or confusingly similar to other trademarks. A third factor directs courts toexamine whether a registrant has a "legitimate noncommercial or fair use of the mark." The bill establishes statutory damages of $1,000 to $100,000. Lobbyists against the bill argue that it could result in reverse domain name hijacking, where wealthy parties threaten to impose substantial costs on registrants unless they surrender their domain names without a fight. The bill has been received in the House but has not yet been scheduled for floor action.

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## MONTHLY UPDATE

Congress was in recess from August 7 to September 8.

**Consumer Protection**. On September 15, Rep. Bruce Vento (D-MN) introduced *The Internet Consumer Information Protection Act* (H.R. 2882), a bill that would regulate the sharing of personally identifiable information by interactive computer services. The bill would require web sites to: provide a clear and conspicuously placed explanation to the consumer that their information might be passed along to an unrelated business; give customers the opportunity before such information is disclosed to direct that their information not be shared with other entities (and include a plainly stated explanation of how consumers can exercise this non-disclosure option); and provide a copy of the personal information maintained by a service to customers at no cost. In addition, web site operators would have to permit consumers to verify and correct any errors in their information databases.

**Encryption**. On September 16, the Clinton Administration announced a series of steps to update its encryption policy. The decision is a victory for the high-technology industry, which has argued that current export constraints have placed U.S. companies at a competitive disadvantage. Administration officials said national security concerns would be addressed through new, simplified rules allowing computer makers to export encryption software and hardware. Meanwhile, the Administration is proposing a measure to Congress that would establish a means for law enforcement, pursuant to a court order, to gain access to encrypted data and the means to decrypt it. The proposed legislation, called the *Cyberspace Electronic Security Act of 1999*, would allow federal, state, or local investigators to obtain and use decryption keys obtained from a key recovery agent, but only for explicitly authorized purposes.

**New Electronic Signature Law Proposed in France**. At a Cabinet meeting in Paris on September 1, Minister of Justice Elizabeth Guigou introduced a new digital signature law. By allowing digital signatures to accompany transactions exceeding FF 5,000 ($765), the proposed law would amend former requirements that permitted only written signatures to verify such a sale. The bill is scheduled to come before the National Assembly for a first reading before the end of the year.

**Meeting of the Global Business Dialogue on Electronic Commerce**. The CEOs of 29 major corporations, including America Online Inc., Fujitsu Ltd., Deutsche Bank, and France Telecom, met in Paris on September 13 to discuss the future of global electronic commerce. The group, which calls itself the Global Business Dialogue on Electronic Commerce (GBDe), urged governments to promote self-regulation and technological solutions to problems within the Internet.

**International Rating Proposal**. On September 9, approximately 300 legal scholars, government officials, industry executives, and consumer advocates from around the world gathered in Munich to discuss the adoption of a global framework for rating Internet content. The system proposed at the three-day Internet Content Summit would allow webmasters and individual users to access software for customizing filtering templates. These templates would allow users to filter out online material such as nudity, hate speech, and vulgar language. The ultimate success of such a plan depends on a majority of web site operators adopting the ratings system and rating their sites. Opponents of the proposal fear that a global rating system will suppress free speech.

**NSI/DoC/ICANN Agreements**. On September 28, NSI, ICANN, and the Department of Commerce posted on the Internet (for public comment) a set of five agreements among them. These agreements settle a number of critical issues concerning the management of the domain name system. Under these agreements, NSI will recognize ICANN's authority to impose consensus-based policies that relate to the interoperability, technical reliability, and/or stable operation of the Internet or domain name system. The agreements will not be signed until after an ICANN board of directors meeting on November 4 in Los Angeles.