

Domain Name Disputes: Cases Illustrate Limitations of ICANN Policy

by Mitchell J. Matorin and Michael Boudett

On October 24, 1999, the entity that manages the Internet, the Internet Corporation for Assigned Names and Numbers or "ICANN", promulgated a new policy for resolving disputes concerning registration of domain names that arguably infringe on trade-

mark rights of others. The Uniform Domain Name Dispute Policy ("UDRP") was intended to set up a speedy and inexpensive mechanism for resolving domain name disputes through arbitration.¹ As of its one-year anniversary, from the perspective of complainants asserting trademark rights, the policy has largely been a successful mechanism for pursuing garden-variety "cyber squatters" such as warehousemen and extortionists.



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However, recent decisions have also shown the substantial limitations of the UDRP as a procedural mechanism and its ineffectiveness for pursuing more sophisticated cyber squatters.

I. Background

The basic elements of the UDRP are already well known to most practitioners in trademark and Internet law. Every person registering, renewing or maintaining a domain name in the top-level domains .com, .net, or .org with ICANN-accredited registrars consents to

application of the UDRP as part of the registration agreement. The registrant also agrees that the domain name will be cancelled or transferred if another person (a "complainant") brings a proceeding under the UDRP and the arbitration panel orders such relief after considering the case on the merits.²

To date, ICANN has approved four private arbitration providers: the World Intellectual Property Organization, the National Arbitration Forum, eResolution, and CPR Institute for Dispute Resolution. Approximately 1700 proceedings have been decided. Of these, approximately 1350, or 79%, have been in favor of the complainant.³

The arbitration panel's decision is non-binding in the sense that it does not preclude a subsequent (or even contemporaneous) court proceeding, although the weight to be given in court to an arbitration decision is not clear.⁴

In order to obtain a decision from the arbitration panel ordering the domain name transfer, the complainant must satisfy three elements:

- (i) The domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights;
- (ii) The respondent has no rights or legitimate interests in respect of the domain name; and,
- (iii) The domain name has been registered and is being used in bad faith.⁵

The UDRP contains a non-exclusive list of factors relevant to the second and third elements. For example, it specifies that using the domain name in connection with a bona fide offering of goods or services prior to any notice of the dispute shall demonstrate legitimate interests in the domain name. On the other hand, it provides that offering a domain name for sale in substantial excess of out-of-pocket costs shall constitute evidence of bad faith.⁶

The first of these three elements has been easily met in most proceedings brought under the UDRP; the second and third have been more troublesome and are discussed in more detail below:

II. Evidence, Presumptions, and Burden of Proof

Consistent with the objectives of speed and inexpensiveness on which it is based, the UDRP does not allow for discovery by either party. The rules promulgated by ICANN to implement the UDRP ("the Rules") contemplate that each side shall make one submission setting forth its allegations, incorporating therein a certified statement that the assertions therein are "complete and accurate" to the best of the signing party's knowledge, and annexing "any documentary or other evidence . . . upon which the [party] relies."⁷ Notwithstanding the lack of discovery, the UDRP places the burden of proof regarding each element *on the complainant*, providing that "the complainant must prove that each of these three elements [*i.e.*, similarity, lack of legitimate rights, and bad faith] are present."⁸ As one panel noted with respect to the lack of legitimate rights element, the UDRP requires complainants "to prove a negative — a difficult, if not impossible task."⁹

Also, the Rules provide that there shall be no submissions other than the complaint and response unless specifically requested by the panel. Thus, the complainant may or may not have the opportunity to submit a reply rebutting the respondent's story.¹⁰

In practice, the combination of a lack of discovery and the imposition of the burden of proof on all elements can be quite problematic for complainants. In most of the published panel decisions under the policy, an e-mail exchange or telephone conversation has been the only prior contact between the parties; sometimes there is no prior contact at all. Thus, at the time a complainant has invoked the UDRP, it can readily annex information concerning its own rights

Continued on page 16

President's Page

Continued from page 2

judges are indeed independent and qualified. The JBC, as an institution, has existed as an autonomous reviewer of judicial candidates in Massachusetts since at least 1961. Since the Dukakis Administration, when the creation of the Judicial Nominating Council added credibility to the earliest phase of the selection process, the JBC has performed a balancing bookends, the JNC and the JBC bracketed the judicial selection process in a fashion which meaningfully enhanced the confidence of the Bench, the Bar, and the public in the women and men chosen to preside over our courtrooms.

Through Democratic and Republican administrations alike, the JBC has been the Governor's failsafe mechanism, the last due diligence performed on the intended nominee before the name was made public, and the last opportunity for members of the Bench and Bar to "speak now or forever hold [their] peace" before a name was placed in public play. As of the Fall of 2000, that process was short-circuited by unilateral fiat of the Governor, who, after all, has no legislative obligation to heed the concerns of the public, the Bar, or even the current Bench when making his judicial nominations. Yes, he is within his rights to make his choices without a review by an independent body focussed on the actual nominee, as opposed to the entire pool of candidates. Yes, he is within his rights to withhold from that independent body the full universe of information concerning the intended nominee. But, the mere fact that he possesses such rights does not indicate that he is justified, or certainly that he is wise, in exercising them. When challenged by the organized Bar on behalf of lawyers and the public, he simply responded that the outcry was "silly," and characterized the past efforts of the JBC as a virtual "technicality," because only a small number of nominees have been found unqualified. (After all, what's the difference if there is a bad apple here and

there, if the rest of those in the barrel are sound.) Apparently, the heightened public awareness in the critical importance of an independent and qualified judiciary did not filter through the construction tarps enshrouding the State House to the executive suite.

To their great credit, the JBC, under the leadership of Ned Notis-McConarty, has refused to accept the Governor's new rules. Instead, committee members have vowed to preserve the integrity of the review process, with or without the Governor's cooperation. They will continue to perform a due diligence on the final candidate, that is, the nominee, but they will do so after the nominee's name is made public. Therefore, of necessity, their results will also be made public (after private notification and opportunity to be heard in any case where a nominee is preliminarily found not qualified). They will continue to work with as much information as possible, to ensure that their inquiry is properly focussed; but now the information (i.e., the full JNC application) will be requested from the nominee directly.

An independent, qualified judiciary is far too important for any step in the selection process to be discarded or eviscerated lightly. The JBC has committed to doing its part. The nominees will be called upon to do theirs by voluntarily providing the information which the Governor has chosen to withhold. Eventually, perhaps this Governor, or his successor, will see his or her way to causing the Executive branch to do its part again as well.

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Domain Name Disputes

Continued from page 4

— for instance, its trademark registrations and examples of use of the mark — but it is often poorly positioned to state (let alone prove) anything specific about the respondent's lack of legitimate rights or its bad faith. Often, the first time that the complainant has the opportunity to learn the respondent's rationale for its registration of the domain in question is via the registrant's opposition to the complaint (assuming that the respondent doesn't default, a not-uncommon occurrence); even if the complainant is permitted to submit a reply, in the absence of discovery it may be impossible to provide specific evidence contradicting respondent's rationale.

While the UDRP seems to place the burden of proof squarely on the complainant with respect to each of the three elements, the UDRP somewhat contradictorily suggests that respondent may have the burden on one issue; in responding to a complaint, the respondent's submission of specific types of evidence "shall demonstrate" the respondent's legitimate rights to the domain.¹¹ In the face of this apparent conflict, panels have taken different views as to the degree of evidence necessary and the ease with which a complainant can overcome that evidence. The issues are well summarized in *Do The Hustle, LLC v. Tropic Web* (WIPO No. D2000-0624, Aug. 21, 2000), which involved the domain names *pollyesther.com* and *pollyesther.net*. The respondent contended (without any evidentiary support other than her certification) that she had legitimate rights in the domain name because "Polly Esther" was "a pet name" for the respondent, "bestowed on her by her father, owing to [respondent's] fondness for polyester bell-bottom pants." The panel noted the apparent conflict between the general rule imposing the burden of proof on the complainant and the suggestion that the respondent should bear the burden of proof to establish its own legitimate rights:

Faced with this seeming contradiction, Panels have taken different approaches. Some have held, either effectively or directly, that respondents need do nothing if the complainant does not furnish affirmative proof that the respondent has no rights or legitimate interest in respect of the domain name at issue. Other Panels have taken different tacks. Some have held that the burden on the complainant is a "relatively light" one as regards proof of [this issue.] Still others have held that the panel should assess the failure of the respondent to demonstrate that he comes within Paragraph 4(c), when the Panel assesses whether the complainant has met its burden of proof [on this issue]. The majority of Panel decisions on this point have taken the position that while the complainant has the burden of proof on this issue, once the complainant has made a prima facie showing, 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. (citations omitted).¹²

The panel took the latter approach, and concluded that the respondent had failed to provide "concrete evidence" of her rights or legitimate interests. The panel held that, rather than "blindly accepting" bald assertions by either party, a panel should require that parties provide documentary evidence or third-party declarations in support. Moreover, "it is especially important under [the UDRP] procedure to test respondent's assertions for evidentiary support and credibility, since normally the complainant has no opportunity to counter the respondent's assertions, while the respondent does have the opportunity to counter those of the complainant."¹³

Unfortunately, not all panels have followed the coherent approach toward the burden of proof laid out in Do The Hustle, LLC. The problem is perhaps most acute in cases where the respondent offers little or no documentary evidence to support his or her story. The respondent's assertions are technically supported by the respondent's certification that they are complete and accurate. Yet, at least some panels have concluded that they must refrain from evaluating the credibility of that evidence. And, even in the face of a default by the registrant, some panels have nevertheless concluded that the Complainant had not met its burden. As shown below, these problems may be significant even in the most seemingly clear cases.

III. Legitimate Rights in the Domain Name

Respondents have offered some quite colorful reasons why they have a legitimate interest in a domain name. Nicknames and pet names seem to be the favored explanations. As discussed above, the panel in Do The Hustle, LLC took a skeptical approach toward the respondent who claimed to be nicknamed "Polly Esther," in the absence of any corroborating evidence. Other respondents, however, have fared better. For example, the registrant of penguin.com claimed that he was "for many years known by the nickname Penguin." The panel

Continued on next page

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Domain Name Disputes

Continued from page 15

accepted his assertion "in the absence of any rebuttal evidence from the Complainant." Penguin Books Limited v. The Katz Family and Anthony Katz (WIPO No. D2000-0204, May 20, 2000). Apparently, the unfortunate complainant was expected to disprove that the respondent was in fact known as "Penguin." See also Finter Bank Zurich v. Gianluca Olivieri, (WIPO D2000-0091, March 23, 2000) (registrant of domain names finter.com and finter.org claimed, in response to action by trademark holder, that he had registered domain names to honor his pet dog "Ruby der Finter").

Perhaps the most troubling decision in the nickname/pet name genre is Vanguard Medica Ltd. v. Theo McCormick (WIPO No. D2000-0067, Apr. 3, 2000). The complainant, Vanguard, had received a British trademark registration for MIGUARD in 1997 in connection with pharmaceuticals and filed a trademark application in the United States. In 1999, Vanguard publicly announced the MIGUARD pharmaceutical product. Less than a week after that announcement, the respondent registered the domain miguard.com. The respondent argued that "Miguard" referred to his "mixed breed dog, who earned this moniker . . . as a result of the dog's tendency to bark at any noticeable event within sight or earshot."¹⁴ The respondent asserted that he planned to use the domain for a web site devoted to his dog. The Panel held that there was "no basis in the record to discredit" this justification, because the domain had been placed "on hold" by the domain registrar at the complainant's request, and thus there was no way to prove what the respondent would have done with the domain. The Panel found it "ironic" that the site had been placed on hold at the Complainant's request.¹⁵

IV. Bad Faith

A. In General

As high as the burden of proof hurdle is for complainant in the context of legitimate rights, it appears to be even higher in the context of bad faith. Two examples highlight the difficulties complainants may face in meeting this burden. In Dow Jones & Co. v. The Hephzibah Intro-Net Project, Ltd., (WIPO No. D2000-0704, Sept. 4, 2000), a case involving the domains wallstreetjournaleurope.com, wallstreetjournalinteractive.com and two others, the respondent defaulted, leaving the panel to resolve the dispute based solely on the evidence in the complaint. That evidence included correspondence between the complainant and the respondent in which the latter claimed that it was a non-profit organization and had registered the domains as part of its program of training unemployed persons in East London "in the creation of long name web-sites" (a heretofore unrecognized web specialty, to say the least).¹⁶ Notwithstanding the respondent's default, the panel held that the complainant had failed to prove bad faith registration, because the respondent had asserted *in that correspondence* that it had registered the domains in good faith as part of a teaching exercise. Although the panel acknowledged that the correspondence did not "carry the same weight as a properly certified assertion in a formal Response, . . . it is not an assertion which beggars belief. It does not stretch credulity that Respondent should choose an actual long name which has come to its attention for purpose of its teaching." The panel noted that the complainant had not produced any evidence questioning the bona fides of the respondent's purported business.¹⁷

In Reuters Ltd. v. Ghee Khaan Tan (WIPO No. D2000-0670, Aug. 4, 2000), another case involving an established media icon, Reuters failed to achieve the transfer of the domain ereuters.com, which the Respondent, an individual in Singapore, had registered purportedly as

a "forum for mediation discussions." The Respondent provided no evidence of his good faith, other than his unsupported assertions. Still, the panel concluded it could not find bad faith registration and use under the circumstances:

For the Panel to hold that the Respondent registered The Domain Name in bad faith and is now using it in bad faith, the Panel has to reject the Respondent's denial and find that he has not told the truth. That is a very serious finding to have to come to in circumstances such as these where there is next to no information on the Respondent and his business in the papers before the Panel and where the Panel has no opportunity of examining the demeanour of the Respondent. For the Panel to hold that the Respondent is a liar, the circumstantial evidence has to be overwhelmingly in favour of the Complainant. While, as indicated above, the Panel understands why the Complainant is suspicious, the Panel finds that the evidence is insufficient for that purpose.¹⁹

Thus, as in Dow Jones, the panel credited a questionable explanation for the registration of a domain that mimicked a world-famous mark.

The panel in Vanguard, supra, held that the Complainant had not met its burden of proof on the bad faith element. Although agreeing that the timing of the domain registration one week after the Complainant had announced its MIGUARD pharmaceutical product and the fact that the Respondent had been employed in the pharmaceutical industry were "suspicious," the panel concluded that "[s]uspicion alone, however, cannot suffice to prove that Respondent is acting in bad faith."²⁰ Notably, the panel concluded that *the mere fact that the assertions made by the complainant and respondent were in conflict* required the panel to hold that the complainant had failed to carry its burden of proof.²¹

B. Knowledge of Mark

An important issue underlying the bad faith determination is whether the panel is convinced that the respondent had knowledge of the complainant's trademark before registering a similar or identical domain name. While the UDRP (unfortunately, in our view) does not specifically list this factor as one counting toward bad faith, it is understandably a key issue in many decisions.

Where a respondent denies prior knowledge of a mark and the complainant has not produced evidence of registration or substantial use of the mark in the respondent's geographical area, the decisions tend to credit the respondent's denial. Comexpo Paris v. Visiotex S.A. (WIPO No. D2000-0792, Sept. 11, 2000) (where trademark was well known in France, panel concluded that "while this fact could lead to a presumption of bad faith in case the domain name had been registered by a French citizen or company, this same presumption cannot automatically be made vis-à-vis a US/Israeli registrant"); Net-Com AG v. Jacques Favre, Patrice Collette Associates (WIPO No. D2000-0635, Aug. 22, 2000) (where respondent in Switzerland denied prior knowledge of mark and German complainant did not provide details regarding extent of use of mark, panel was "not prepared simply to infer that the Respondent must have known of the Complainant's business").

Conversely, where there is a registration or use in the respondent's home area, prior knowledge is presumed and the panel is more likely to find that registration of the domain name was in bad faith. Grundfos A/S v. Lokale (WIPO No. D2000-1347, Nov. 27, 2000) (noting complainant's registration and significant sales in respondent's home country of Poland, and concluding, "At the time of the registration respondent must have been aware of Complainant's business in Poland").

The familiarity of the respondent with the field of the complainant's business is also a relevant factor. See, e.g.,

American Airlines, Inc. v. Barbara Pindle (NAF No. FA0010000095829, Nov. 28, 2000) (where respondent's stated intended use of aafightservice.com domain name was to provide a non-commercial website and forum for flight attendants, and where respondent claimed it used letters "aa" merely to be listed at the front of business directories, panel found for complainant and stated that "it would appear that the Respondent knew or should have known of the Complainant's famous mark AA"). But see Vanguard, supra (finding for respondent even where he had prior engagement in pharmaceutical business in which MIGUARD mark was used).

However, even the quite rational principles suggested above have foundered on the rocks of the unnecessarily high burden of proof applied by some panels. In Loris Azzaro BV, SARL v. Asterix (WIPO No. D2000-0608, Sept. 4, 2000), for instance, the complainant, a Dutch company, provided evidence of its registration and use of its widely-used AZZARO mark in the respondent's home country of Brazil dating back to 1978. The respondent defaulted. One would have thought that, especially in light of the default, the panelist would have applied the principle (enacted or accepted in almost every jurisdiction) that registration of a mark provides constructive notice to all infringers.²² Nevertheless, the panel ruled for the respondent, concluding: "It is unclear whether Respondents knew of Complainant's

'Azzaro' trademark when registering the Domain Name ²³ More on this at JD SUPRA <http://www.jdsupra.com/post/documentViewer.aspx?fid=b6272939-9b9c-4ecb-bdb9-7721e55cf4d2> ever has been submitted to sustain this assertion."²³ Unless the panel expected the complainant somehow to furnish an admission from the respondent, it is difficult to see the rationale for this decision. See also State Fair of Texas v. BigTex Sports (NAF No. FA0010000095851, Nov. 20, 2000) (despite complainant's evidence of registration of BIG TEX trademark and extensive use of mark and associated promotional character for over 50 years throughout respondent's home state of Texas in connection with the state fair, panel concluded that complainant "has not disproven the claim of the Respondent that he had never previously heard of Complainant's "Big-Tex").

V. Conclusion

At first blush, it is difficult to fathom why some panels have taken such a rigid view of the complainant's burden of proof in the face of what seems to be blatant cyber squatting. Apart from the apparent reluctance of some panels to

Continued on page 20



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Domain Name Disputes

Continued from page 19

brand a respondent a "liar," the answer probably lies in the limited purpose of the UDRP, which was aimed at eliminating "abusive registration" while leaving "legitimate disputes" to the courts.²⁴ Clearly, however, this has led at least some panels to consider "legitimate disputes" to include any case where the respondent has denied the complainant's allegations. In our view, this approach is wrong and undermines the usefulness of the UDRP procedure. Panels should not hesitate to order domain transfers where trademarks are strong and the Respondent's denials are not only implausible, but also lacking in third-party or documentary corroboration.

The fact remains that complainants have to date prevailed in the vast majority of UDRP cases. Nevertheless, since adoption of the UDRP, cyber squatters have become more savvy — often refraining from explicit offers for sale, thereby robbing Complainants of their most compelling evidence of bad faith under the UDRP. In contemplating the commencement of a UDRP proceeding, a trademark holder should carefully consider the evidence it has, and weigh the speed and inexpensiveness of the UDRP procedure against the need for discovery to garner sufficient evidence to prove its case.

Endnotes

¹ According to the Second Staff Report on Implementation Documents for the Uniform Dispute Resolution Policy ("Second Staff Report"), the UDRP was intended to "establish a streamlined, inexpensive administrative dispute-resolution procedure." See www.icann.org/udrp/udrp-second-staff-report-24Oct99.htm.

² UDRP, 1, 2 (located at www.icann.org/udrp/udrp-policy-24Oct99.htm).

³ See Summary Status of Proceedings located at www.icann.org/udrp/proceedings-stat.htm. The figures provided are as of December 12, 2000.

⁴ UDRP 4(k), 5; see also [Broadbridge Media, L.L.C. v. Hypercd.com](http://www.broadbridge-media.com), 106 F. Supp. 2d 505, 508-09 (S.D.N.Y. 2000) (filing UDRP complaint does not waive right to proceed in federal court); [Weber-Stephen Prods. Co. v. Armitage Hardware & Bldg. Supply, Inc.](http://www.weber-stephen-prods.com), 2000 WL 562470 (N.D. Ill. May 3, 2000) (holding court not bound by ICANN proceedings but declining to decide "what degree of deference (if any) we would give that decision.").

⁵ UDRP 4(a).

⁶ UDRP 4(b), 4(c).

⁷ Rules for Uniform Domain Name Dispute Resolution Policy ("UDRP Rules") 3(b)(xiv), 5(b)(viii) (located at www.icann.org/udrp/udrp-rules-24Oct99.htm).

⁸ UDRP 4(a).

⁹ [Do The Hustle, LLC v. Tropic Web](http://www.wipo.int/amc/en/decisions/index.html) (WIPO No. D2000-0624, Aug. 21, 2000), 6.6.

¹⁰ See UDRP Rules, 12. Of the four arbitration providers approved by ICANN, only one makes provision for the filing of a reply by the complainant (albeit in exchange for an additional fee of \$150). See NAF Supplemental Rules, 7 (located at www.arbform.com/domains/domain-rules.html). However, in our experience some panelists for the other three providers will at least review unrequested reply submissions in order to determine their relevancy.

¹¹ UDRP 4.c provides that any of three specified circumstances "shall demonstrate [the registrant's] rights or legitimate interests to the domain for purposes of Paragraph 4(a)(ii)."

¹² [Do The Hustle](http://www.wipo.int/amc/en/decisions/index.html), 6.8-6.11.

¹³ *Id.* 6.14.

¹⁴ [Vanguard](http://www.wipo.int/amc/en/decisions/index.html), 5.B(3).

¹⁵ *Id.* 6.B, third paragraph.

¹⁶ [Dow Jones](http://www.wipo.int/amc/en/decisions/index.html), 4.6(a).

¹⁷ *Id.* 7.3, third paragraph.

¹⁸ [Reuters](http://www.wipo.int/amc/en/decisions/index.html), 5.B.

¹⁹ *Id.* 6, last paragraph.

²⁰ [Vanguard](http://www.wipo.int/amc/en/decisions/index.html), 6.B, fifth paragraph.

²¹ *Id.*, sixth paragraph.

²² See, e.g., 15 U.S.C. § 1072.

²³ [Loris Azzaro](http://www.wipo.int/amc/en/decisions/index.html), 6.c(4).

²⁴ Second Staff Report 4.1(c).

Complying with Requirements

Continued from page 6

who are exempt from such licensing requirements under § 114(d)(1)(A) of the Copyright Act. Until recently, the sound recording copyright only offered an artist protection against unauthorized copying, and record companies, the main holders of such copyrights, were uncompensated for the use of the songs made by radio stations.

The DPRA added to the Copyright Act limited protections in an attempt by Congress to protect record companies against loss of revenue from free online distribution of music. See Grossman and Oliver, *supra*. The DPRA, in adding the sixth right to recording artists referred to above, created a new protection for sound recording copyright holders and a statutory license for certain types of webcasters. See Birenz, *supra*, at 219-20. The protection is limited to public performances via a digital audio

transmission, and is limited to subscription transmissions — *i.e.*, transmissions to registered, paying users of a service. See Grossman and Oliver, *supra*. Because of these limitations, the DPRA left the door wide open for the amendments to the Copyright Act contained in the DMCA, which lays out a comprehensive scheme of statutory licensing for non-subscription webcasters.¹

Under the DMCA, webcasters providing a nonsubscription, noninteractive service may obtain a statutory or compulsory license for sound recording copyrights on works they wish to stream to listeners. 17 U.S.C. § 114(d)(2). To meet the requirement that a service be noninteractive, a webcaster must ensure that a listener cannot select particular songs or artists to listen to, but instead may only have limited input on songs selected, such as choosing a genre or style of music to listen to, *e.g.*, contemporary country or alternative rock. See Dov H. Scherzer, *Statutory Fee Issues for Online Recordings*, 9 ENT. L. & FIN. 1 (December 1999). Subscription services were already allowed the statutory license under the DPRA, and the DMCA broadened this provision to include nonsubscription services — those webcasters whose listeners merely log on to a web site to listen but need not be registered, paying users of the site. 17 U.S.C. § 114(d)(2).

A statutory license is desirable to the webcaster because it means that instead of negotiating individual licenses for each song, a webcaster may simply file an initial notice with the Copyright Office and pay the royalties in a set amount to the Recording Industry Association of America (RIAA), the organization chosen by the Copyright Office to oversee the administration, collection and payment of royalties for sound recordings under the DMCA. (See RIAA web site at <http://www.riaa.com/music-rules-3.cfm>).

A statutory license is equally important to the record companies (and in some cases, the recording artists) who