UDRP Dilemma In Proving Bad-Faith Domain Registrations

Part I

The purpose of the Uniform Dispute Resolution Policy, known as the UDRP (hereafter the Policy), is to determine disputes relating to the registration or acquisition of domain names in bad faith. Under the Policy, the complainant must establish that (i) the disputed domain name is identical with or confusingly similar to a trademark or service mark in which the complainant has rights; (ii) the domain name registrant has no right or legitimate interest in respect of the domain name; and (iii) the domain name was registered and is being used in bad faith.

Whilst requirements (i) and (ii), at first glance, do not appear difficult to meet, it is not the same with requirement (iii). In fact, a serious problem arises for the complainant when a registrant has registered domain names in bulk, but has not used them i.e. they have not been resolved to any active website.

Indeed, the cause of this problem lies in the fact that from the earliest days Panels have always strictly maintained the conjunctive requirements for the complainant to prove that the domain name in issue had been registered and was being used in bad faith:

"It is clear from the legislative history that ICANN intended that the complainant must establish not only bad faith registration, but also bad faith use. These comments point out that cybersquatters often register names in bulk, but do not use them, yet without use the streamlined dispute-resolution procedure is not available" (WIPO administrative panel decision of 14 January 2000, Case No. 99-0001, World Wrestling Federation Entertainment, Inc. v. Michael Bosman).

Bad faith registration alone thus is an insufficient ground for obtaining a remedy under the Policy (WIPO administrative panel decision of 18 February 2000, No. D2000-0003, Telstra Corporation Limited v. Nuclear Marshmallows).

Accordingly, faced with a passive holding of a domain name, how can a complainant prove use in bad faith as well as registration in bad faith? In other words, what exactly does use of a domain name in bad faith mean under the Policy; does that require an active step to be undertaken by the registrant?

A clue to the answer can be found in policy's paragraph 4(b). This provision in fact describes some (but not all) circumstances of registration and use in bad faith. Pursuant to this provision, any of the following circumstances if found by the Panel to be present, shall be interpreted as evidence of the registration and use of a domain name in bad faith:

(i) circumstances indicating that the registrant has registered or acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of its documented out-of-pocket costs directly related to the domain name; or
(ii) the registrant has registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that it has engaged in a pattern of such conduct; or

(iii) the registrant has registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, the registrant has intentionally attempted to attract, for commercial gain, Internet users to its website or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of its website or location.

It is clear that each of the above circumstances envisages either a positive step or passivity from the registrant. As a result, under the requirement that a domain name must be "being used in bad faith" a Panel must not only take into consideration positive actions undertaken by the registrant but also those circumstances susceptible of showing that the registrant is acting in bad faith due to its inactivity.

The concept of a domain name "being used in bad faith" therefore is not confined to positive action; inaction is included in that concept, as supported by the actual provision of paragraph 4(b) of the Policy. Hence, it is possible in some circumstances that the registrant’s inactivity may be regarded as evidence that the disputed domain name is "being used in bad faith".

This reasoning has been applied for the first time in the case of TELSTRA.org. In that case, the Panel established that the passive holding of the disputed domain name did amount to acting in bad faith because of the presence of subsequent circumstances:

(i) the complainant’s trade marks had a sound reputation and were extensively known,
(ii) no evidence had been provided by the registrant concerning any actual or future good faith use in connection with the disputed domain name,
(iii) active steps were undertaken in order to conceal the registrant’s identity by operating under an unregistered business name, and
(iv) false contacts had been provided and were not corrected by the registrant.

This decision was very instructive because it presented some examples of what could be understood by "Without Limitation" pursuant to paragraph 4(b) of the Policy. Specifically, it discussed other circumstances that could be regarded as evidence of bad faith registration and use of the domain name in question.

In each case of passive holding of a domain name, the Panel must thus put all the facts of that case through an examination in order to determine whether other circumstances could be regarded as evidence of bad faith registration and use. Such a meticulous and rigorous factual analysis was reaffirmed in the same decision as follows:

"The Administrative Panel must give close attention to all the circumstances of the Respondent’s behavior. A remedy can be obtained under the Uniform Policy only if those circumstances show that the Respondent’s passive holding amounts to acting in bad faith. The Administrative Panel has considered whether, in the circumstances of this particular Complaint, the passive holding of the domain name by the Respondent amounts to the Respondent acting in bad faith" (WIPO administrative decision of 18 February 2000, Case No. D2000-0003, Telstra Corporation Limited v. Nuclear Marshmallows).
In light of the principles and lines of interpretation, a Panel will have to decide whether, in the circumstances of a particular complaint, the passive holding by the respondent of the disputed domain name could constitute use of a domain name in bad faith according to paragraph 4(b) of the Policy. For this purpose, all the particular circumstances of each case have to be thoroughly considered.

With the benefit of hindsight, these circumstances could have been itemized and classified in accordance with the trademark's characteristics in issue and the respondent's attitude.

Part II

In assessing whether there is a passive holding of a domain name, panels look carefully into the trademark's characteristics in question, namely what is the degree of reputation and distinctiveness of the trademark in question.

The trademark's reputation

The amount of reputation of the trademark at issue seems to be one of the major factual elements taken into consideration by Panels in assessing passive holding of a domain name. In substance, it is difficult to believe that a registrant at the time of registering the disputed domain name would not have been aware that the particular name or word was subject to trademark rights when the said domain name is identical with or confusingly similar to a well known trademark.

In E-TELSTRA.org, the Panel in the fact of the trademark's notoriety found evidence of the registrant's bad faith:

"First, the Respondent's current holding of the domain names, in combination with having no legitimate rights or interests in the domain names and the likelihood of being aware of the TELSTRA reputation and trademark, can be interpreted as bad faith use for the purposes of paragraph 4(a)(iii)" (WIPO administrative decision of 9 September 2002, Case No. 2002-0638, Telstra Corporation Limited v. Peter Yellowlees).

Similarly, Panels usually infer from the high reputation of the trademark that no use of the domain name at issue by the registrant would be lawful so that potential use would already be regarded as bad faith behavior.

In AUDI-LAMBORGHINI.com, the Panel found that the passive holding constituted a bad faith use and no licit use of the disputed domain name could be envisaged, as follows:

"The Complainant's trademark AUDI and the trademark LAMBORGHINI of its subsidiary are internationally well-known marks and the trademark AUDI enjoys a particularly strong reputation in Germany where the Respondent must be assumed to be located [...] it is not possible to imagine any plausible future active use of the domain name by the Respondent that would not be illegitimate, such as being infringement of Complainant's well-known mark or an act of unfair competition and infringement of consumer protection legislation"(WIPO administrative panel decision of 15 March 2001, Case No. 2001-0148, Audi AG v. Hans Wolf).

In that case, the Panel deduced from the strong reputation of the trademarks on the one hand that, the domain name holder could not have been otherwise aware of the complainant's rights at the time of registration and, on the other hand, due to the trademark's notoriety that it was difficult to imagine any plausible lawful future use by the disputed domain name holder.
A strong degree of distinctiveness likewise reinforces the Panel's finding on the respondent's knowledge of the complainant's trademark rights at the time of the registration of the disputed domain name and the doubtful possibility that the registrant could use it in any licit way.

The degree of distinctiveness of the trademark

In this regard, the fact that the trademark in issue is not a generic word generally strengthens the Panel's suspicions concerning the knowledge of the domain name registrant at the time of the registration.

In STRALFORS.com, the Panel considered that the disputed domain name registrant was without a doubt aware of the complainant's trademark rights due to the strong distinctiveness of the relevant trademark as follows:

"It is obvious from the facts in the case, i.e. the prior ownership by Complainant of identical trademark registrations, the identity between the dominating element STRALFORS in the corporate names and the domain name at issue, the fact that the word STRALFORS has a high degree of individuality and distinctiveness and the fact that it is highly improbable that the Respondent has selected the name without first having noticed the Complainant’s numerous trademark registrations and its wide reputation in the word STRALFORS, the non-contested statement in the Complaint and the contents of the Policy Paragraphs 4 (a) (i-iii) and 4 (b) (i) that the domain name has been registered and is being used in bad faith" (WIPO administrative panel decision of 13 April 2000, Case No. 2000-0112, Straffors AB v. P D S AB).

In a similar vein, the Panel found that the passive holding was evidence of bad faith use because the respondent chose to include an invented word associated with terms describing the complainant's activity:

"Finally, it is inconceivable that Respondent chose to include the invented word SOFITEL in the Domain Name by accident. Any doubt in that respect is dispelled by the addition by Respondent of the word "hotel" in the Domain Name, which merely describes the Complainant's principal services. In fact, it is fairly difficult to conceive of any plausible actual or contemplated active use of the domain name by the Respondent that would not be illegitimate, such as by being a passing off, an infringement of consumer protection legislation, or an infringement of the Complainant's rights under trademark law" (WIPO administrative panel decision of 29 August 2002, Case No. 2002-0625, ACCOR v. Tigertail Partners).

Conversely due to the weak of distinctiveness of the complainant's trademarks, the Panel declined to find a passive holding to be evidence of bad faith use of the domain name at issue:

"In this case, the Panel finds that where (1) the trademark and service marks asserted by the complainant are weak and where they are homophones of a generic term, (2) the domain names registered by the respondent are generic or descriptive terms, rather than obvious trademarks or service marks, (3) Respondent is already making use of some of the domain names it registered, (4) Complainant did not allege and Respondent denied that Respondent had ever offered for sale the domain name at issue for to respondent or anyone else, or that Respondent had ever offered for sale any of the domain names it had registered, the Complainant has failed to prove that Respondent's inaction constitutes bad faith registration and use of the domain names at issue" (WIPO administrative panel decision of 21 August 2000, Case No. 2000-0624,Do The Hustle, LLC v. Tropic Web).

Additionally, the respondent's attitude could in some circumstances also be regarded as evidence of bad faith use of the domain name at hand.
Part III

The registrant's attitude could in some circumstances also be regarded as evidence of bad faith use of a domain name that is held passively. Panels often infer evidence of bad faith of the registrant from an unsatisfactory response or an absence of response to the complainant or if it is impossible to contact the respondent.

The respondent's response

Notwithstanding that the registrant does not technically use the disputed domain name, the fact of attempting to gain valuable consideration for its out-of-pocket costs by offering to sell the disputed domain name could be held to constitute evidence of bad faith registration and use.

In SNCF.org, the Panel concluded that the fact of offering to sell the disputed domain constituted a bad faith use by the registrant as follows:

"The disputed domain name does not currently resolve to an active website however as held in Telstra Corporation Ltd v. Nuclear Marshmallows, WIPO Case No. D2000-0003, and upheld in numerous other UDRP decisions, non-use of a domain name can constitute passive bad faith in certain circumstances.... Whilst the Respondent has not technically used the disputed domain name, it has used it in the sense of attempting to gain valuable consideration in excess of its out-of-pocket costs" (WIPO administrative panel decision of 26 August 2002, Case No. 2002-0603, Société Nationale des Chemins de Fer Français (SNCF) v. Queilles Philippe).

Equally, an excessive counteroffer made by the domain name registrant to the complainant could be regarded as evidence of bad faith use (WIPO administrative panel decision of 14 March 2002, Case No. 2001-1416, Expedia, Inc v. Miles Pennella).

As paradoxical as it may seem, the absence of any response from the respondent could also be regarded as evidence of bad faith use.

The absence of respondent's response

The respondent's failure either to reply to the complainant's correspondence before the proceedings or to provide a response during the proceedings could be interpreted as evidence of bad faith registration and use of the disputed domain name.

In PRADASPORTS.com, from the absence of respondent's answer to the complainant's correspondence the Panel deduced a sign of bad faith use by the respondent:

"The Respondent also failed to respond to the Complainant's letters and emails. Failure to respond is another sign of bad faith use" (WIPO administrative panel decision of 10 September 2002, Case No. 2002-0674, Six Continents Hotels, Inc. v. Damir Kruzicevic).

Additionally, provision of incorrect or false contact details by the domain name registrant could also constitute evidence of bad faith registration and use.

**The respondent's contact details**

Providing incorrect or false contact details is usually considered as a sign of bad faith. Indeed, Panels will often see in the inability to contact a disputed domain name registrant an obvious attempt to remain unidentifiable. A good illustration occurs in the case of POKEMON-CENTER.com in which the Panel concurred with the complainant's statements regarding the respondent's the false contact details as an indication of the registrant's bad faith:

"The Panel wholly agrees with Complainant that Respondent's providing false contact information, in an obvious attempt to remain elusive, is an indication of bad faith" (WIPO administrative panel decision of 29 October 2000, Case No. 2000-1121, Nintendo of America Inc. v. Berric Lipson).

Analogous reasoning was applied in the following passive domain name holding cases; the Panels inferred from the respondent's incorrect or false contact details that the respondent intended to conceal its true identity in order to prevent communications or writs being served on it, and/or that the respondent was not actually present or had no commercial activities at the address stated (WIPO administrative panel decisions of 7 December 2000, Case No. 2000-1232, DCI S.A. v. Link Commercial Corporation, of 6 July 2001, Case No. 2001-0643, Designor OY AB v. Bamse Enterprises, of 10 April 2002, Case No. 2002-0131, Ladbroke Group Plc v. Sonoma International LDC, of 29 August 2002, Case No. 2002-0564, CDW Computer Centers Inc v. Hostmaster).

In light of these illustrations, it can be concluded that passive holding of a domain name may amount to use in bad faith, particularly when the expected use of the domain name by the respondent inevitably will lead people to believe that the respondent and the respondent's website were in some way associated with the complainant. For this purpose potential use is equivalent to actual use.

The consideration of passive holding of domain names as evidence of bad faith use, however, is applied only in exceptional circumstances. Complainants should not lose sight of the burden of proof that is on them in particular with the bad faith requirement. In actual fact, the majority of refusals to cancel or to transfer the domain name in issue continue to be based on the failure to deduce evidence that the domain name had been registered and was being used in bad faith, even in cases in which the registrant held the disputed domain name without making any active use (WIPO administrative panel decisions of 18 September 2000, Case No. 2000-0629, Consorzio del Prosciutto di Parma v. Domain Name Clearing Company, LLC).

Due to the tenuous nature of the evidence of bad faith registration and use submitted by the complainant, a Panel has recently dismissed the complaint relating to a passive domain name holding by stating:

"The Complainant has provided no evidence that its mark is so well known that any registration (without use) of a domain name cannot help but lead to the conclusion that the Respondent registered with male fides. And, unlike the mark in Telstra, the mark and the domain names here are the concatenation of two generic English words. I conclude therefore that the Telstra passive holding principle does not apply to the facts in this case" (WIPO administrative panel decisions of 7 October 2002, Case No. 2002-0757, Alberto-Culver Company v. Pritpal Singh Channa).
In passive domain name holding cases, complainants still must comply with the bad faith requirement under the Policy. The recognition that passive holding of a domain name in some circumstances may satisfy the requirement for bad faith registration and use thus does not constitute an exception to the Policy.

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Date: July 2003