

## WIPO Domain Name Cases Offer Trademark Licensing Lessons

By Hee-Eun Kim<sup>1</sup>

### 1. The Uniform Domain Name Dispute Resolution Policy

**A**voiding jurisdictional and cost problems associated with the court system, the Uniform Domain Name Dispute Resolution Policy (UDRP), adopted by ICANN at the initiative and with the assistance of the World Intellectual Property Organization (WIPO), has proven to be an effective administrative mechanism against cybersquatting, the abusive registration of domain names that copy or play off trademarks. WIPO's Arbitration and Mediation Center has administered close to 16,000 cases covering some 27,000 domain names, mostly in the .com domain and frequently involving trademarks in biotechnology and pharmaceuticals, banking and finance, the Internet and IT, retail, and entertainment. The two-month UDRP procedure, conducted largely online, results in easily implemented decisions by WIPO-appointed panelists.

Panelists will order transfer of the domain name if the complaint meets a three-part test: (1) the respondent's domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; (2) the respondent has no rights or legitimate interests in respect of the domain name; and (3) the respondent's domain name has been registered and is being used in bad faith. For the second and third parts of this test, the UDRP provides actual (non-exhaustive) scenarios, which facilitate parties' and panelists' tasks. For example, the respondent is deemed to have rights or legitimate interests in the domain name if, before receiving notice of the dispute, it has used, or has made demonstrable preparations to use, the domain name or a name corresponding thereto in connection with a *bona fide* offering of goods or services.

WIPO panel decisions offer lessons for trademark owners wishing to combat online infringement. More specifically, the contract practices of licensors and licensees can gain from an understanding of WIPO panel findings under the UDRP. This jurisprudential

overview is based on analysis of UDRP cases brought mostly by trademark owners. Thus, the focus here is not on domain name registrations owned by trademark owners, but on questions of infringement resulting from domain name registrations by third parties, especially in a licensing context. This includes distributorships and other sales arrangements, specific trademark licensing agreements, and other contractual relationships, including certain other types of licenses.

### 2. General Panel Approach to Party Contracts

A preliminary question that the concise scope of the UDRP forces panels to address is whether and to what extent they should review the nature of the parties' relationship. Where panels are faced with a contractual relationship, their general view is that panels should not refrain from considering the parties' arrangements concerning the use on the Internet of the trademark concerned, provided that the existence of those arrangements is not in dispute. Thus, many panels have taken note of contracts submitted into the UDRP record, or of other documentation supporting the existence of a contract (WIPO D2005-1156 (*laurabranigan.com*); WIPO D2001-0823 (*clinomics.com*); and WIPO D2002-0945 (*kapula.com*)).

Where the parties have entered into a commercial relationship, the complainant tends to face an onerous burden of proof, requiring more comprehensive evidence than is necessary in a typical dispute between unrelated adversaries. On the other hand, while panels normally take into account any party contracts, most panels will not engage in in-depth analysis of the contract provisions themselves. Court proceedings provide a more suitable framework to address these in detail, not only in terms of pleadings but also in relation to evidence, which may for example involve hearing witnesses. Panels have routinely emphasized the limits of the UDRP in this regard, which may serve the cause of complainants as much as that of respondents.

Even within the UDRP's abbreviated framework, however, panels have flexible powers to reach a decision. For example, in WIPO D2006-0377 (*thenestry.com*), the panel noted: "Respondent's actual knowledge and intent, of course, cannot be determined with direct evidence, particularly since the Policy allows no hearing, discovery, or other opportunity

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1. Ms Hee-Eun Kim, currently undertakes intellectual property studies in Munich. Formerly on the legal staff of the WIPO Arbitration and Mediation Center's domain name case operations, Ms. Kim has written this article in her personal capacity.

for cross-examination. For this reason panels are permitted to make inferences on these issues based upon the evidence in the record.” Furthermore, UDRP Rule 12 gives panels the option to request supplemental information.

### 3. Distributorship and Sales Arrangements

As noted, one ground on which a UDRP respondent can prevail is where it is found (to have prepared) to use the domain name for a *bona fide* offering of goods or services. In the context of distributors and sales agents who have registered a domain name corresponding to their principal’s trademark, WIPO panels have given meaning to this criterium by imposing requirements that the respondent’s registration and use must meet. Applying principles of trademark law within the domain name system, WIPO panels, most prominently in WIPO D2001-0903 (*okidataparts.com*), have concluded that a reseller-respondent can have a legitimate interest in the domain name if:

- 1) the respondent is actually offering the goods or services at issue; and
- 2) the respondent uses the site to sell only the trademarked goods (otherwise, it could be using the trademark to bait Internet users and then switch them to other goods); and
- 3) the site accurately discloses the respondent’s relationship with the trademark owner (it may not, for example, falsely suggest that the respondent is the trademark owner, or that the Web site is the official site, if, in fact, the respondent is only one of many sales agents); and
- 4) the respondent is not trying to corner the market in domain names, thus depriving the trademark owner of reflecting its own mark in a domain name (as noted by a WIPO panel, a single distributor is unlikely to have a legitimate interest in precluding others from using numerous variants on a mark).

These factors do not preclude a UDRP complainant from establishing other circumstances that may undermine the presumption of legitimate interest on the part of the respondent to which application of these factors can give rise. Even if the *Okidata* criteria often constitute the core of a panel’s analysis, a degree of flexibility remains. For example, in WIPO D2000-0079 (*talkabout.com*), the panel’s decision to transfer the domain name to the complainant was probably influenced by the reseller’s pre-case conduct, which suggested that the reseller’s actual intent in acquiring the domain name was to sell it back to the trademark owner at a profit.

### 4. The Development of the Okidata Criteria

The rich variety of cases submitted for UDRP deci-

sions has led panels to further develop, or sometimes vary, the *Okidata* criteria. In WIPO D2004-0481 (*porsche-buy.com*), some of the links on the reseller’s Web site pointed to products competing with those of the complainant. Since the panel found these links to be minimal, however, they did not negate its conclusion that overall the respondent had a legitimate interest.

A different issue was at stake in WIPO D2007-1036 (*sabrett.net*). Here, the vendor was selling the complainant’s hot dog product under a domain name corresponding to the complainant’s brand. However, the Web site also offered complementary products manufactured by third parties, such as ketchup. The panel concluded that this additional offering did not diminish the respondent’s legitimate interest, as the site was principally dedicated to the sale of the complainant’s product, which the other products actually enhanced.

■ Hee-Eun Kim,  
Munich IP Law Center,  
Max Planck Inst. For IP,  
Competition & Tax Law,  
LLM Student,  
Munich, Germany  
E-mail: [hkim1121@gmail.com](mailto:hkim1121@gmail.com)

In WIPO D2007-0555 (*shawrugsonline.com*), the domain name incorporated the trademark of the complainant, a carpet manufacturer named Shaw. The respondent, an authorized reseller of Shaw and other products, allegedly planned a central Web site that would also sell products manufactured by Shaw’s competitors, whose trademarks were also included in other domain names maintained by the respondent. The UDRP panelist felt that these circumstances did not reach the level of “bait and switch” tactics as referred to in the *Okidata* decision.

The panel in Shaw also forgave the respondent for its links to unrelated Web sites presumably generating pay-per-click revenue, accepting the respondent’s plea that this arrangement had been introduced by the domain name registrar without the respondent’s knowledge. In other circumstances, however, panels have held the respondent accountable for such use of its domain name, especially where the respondent had otherwise displayed sophistication in the registration and use of that domain name or of domain names in general (WIPO D2007-1415 (*proforcekarate.com*)).

Interestingly, on the strength of changed circumstances, the complainant in the Shaw case later filed another UDRP complaint in relation to the same domain name against the then holder of the domain

name (WIPO D2007-1856). A three-member panel now found for the complainant, taking into account that the latter had since terminated the reselling contract, another respondent-related registrant had gained control of the domain name, and in any event the announced central e-commerce outlet had not materialized.

Several WIPO UDRP decisions have explored the related question of whether, if authority to register a domain name was made subject to certain conditions, the subsequent breach of them turned what might have been a *bona fide* registration, into a bad faith one. In WIPO D2007-1477 (*tycon.com*), the panel found that “the Respondent’s non-fulfillment of a clear agreement to return the domain names may also be taken as a basis for concluding that the Respondent’s original registration lacked good faith.” WIPO D2001-0373 (*sunmaxx.com*) and WIPO D2004-0433 (*nordicwalker.net*) have also explored this issue.

As noted, the core test on distributorship was established in the *Okidata* decision. While that case involved an authorized distributor, the *Okidata* criteria have subsequently also found application in cases of unauthorized distributorship. Such cases primarily concern situations where a contractual relationship never existed in the first place (WIPO D2002-0946 (*discount-marlboro-cigarettes.com*)).

## 5. Licensing Agreements

Domain name registrations by distributors and other sales agents normally include a license for the distributor to use the trademark for selling the product covered by the contract. However, other WIPO UDRP cases address licenses specifically granted as such.

In WIPO D2002-0634 (*hensotherm-firestop.com*), the complainant had granted a trademark license to the respondent, which was later terminated. The panel noted that if the respondent’s conduct before and after termination constituted a breach of the rights of the complainant, the latter might well prevail under the UDRP. In the end, however, the panel found the complicated facts of the case to be better suited to consideration in court, rather than through the abbreviated UDRP mechanism.

As noted, the *Tycon* panel viewed the respondent’s conduct as a basis for concluding that its original registration of the domain name lacked good faith. By contrast, in WIPO D2004-0426 (*trivestin.biz*) the trademark license initially granted by the complainant precluded a finding that the domain name had been not only used but also registered in bad faith. The panel noted that the respondent’s continued

use of the domain name after termination of the license might be bad faith use but that the UDRP also requires bad faith registration, which the prior existence of a license suggested was not the case. While acknowledging the possibility for a complainant to overcome such presumption, for example, by presenting evidence of the respondent’s current conduct casting doubt on its initial intentions, the panel found that the complainant had not overcome its burden.

Franchising agreements normally include a license to use the franchisor’s trademark. In addition, they may grant the right to exploit values, such as a store design, product packaging or a production method. WIPO UDRP panels (for example in WIPO D2007-1603 (*damonsrestaurants.com*)), have also applied the *Okidata* test to franchising relationships. *Damon’s Restaurants* also underlines the importance for right owners to express the limits to the use of their rights in the licensing agreement. The panel noted: “If a mark owner failed to bargain for the necessary contractual restrictions when the relationship began, it may not complain later when their absence prevents recovery of its reseller’s domain name after the business relationship soured.”

## 6. The Licensee as Complainant

While these cases were filed by trademark licensors, trademark licensees also have filed UDRP complaints. A threshold question for panels was whether these complainants’ licensed rights in a trademark owned by a third party met the initial trademark requirement of UDRP paragraph 4(a)(i). The majority view is that a licensee of a trademark normally may be considered to have relevant UDRP rights. Likewise, panels have confirmed the UDRP standing of group companies, such as a subsidiary or parent company with a relevant relationship to the registered holder of the mark (WIPO D2002-0309 (*telcelbellsouth.com*) and WIPO D2003-0624 (*lexusmichaels.com*)).

Some panels have considered that a non-exclusive trademark licensee lacks relevant rights for filing a complaint under the UDRP. Rather than presuming consent from the trademark owner in the circumstances of the case, these decisions emphasize the relevance of express evidence of such consent (WIPO D2000-1211 (*knicks.com*)).

## 7. Other Contractual Relationships

Apart from sales and licensing agreements, WIPO panels have also addressed other relationships between UDRP parties. For example, many decisions deal with web hosting agents or marketing companies that had registered in their name a domain name

that their principal had requested to be procured for them as the owner of the corresponding trademark. A different contract between the complainant and the respondent is involved where employees register their employer's name as a domain name in the employee's personal name. Such situations normally do not involve express contract provisions dealing with the trademark, let alone the licensing of it. These cases can be instructive as examples of legal consequences right owners may face where their contracts insufficiently foresee IP implications.

WIPO D2008-0124 (*urbinc.com*) concerned a joint marketing agreement; in WIPO D2007-1447 (*respiratorius.com*), the respondent was the brother of the complainant company's co-founder; and in WIPO D2000-0190 (*bridgestone-firestone.net*), the respondent, a former employee of the complainant, used the domain name for a Web site expressing grievances about his ex-employer.

Certain respondents, for example in WIPO D2008-1062 (*salesexpander.com*), have alleged that they themselves had in fact licensed the use of the domain name to the complainant. Registrants have also withheld domain names from the trademark owner as collateral where their agreement with the trademark owner risked being terminated, a scenario that has notably involved Internet service providers refusing to yield control over the domain name.

Generally, the more removed such contract partners are from the complainant's IP rights, the less likely they are to possess rights or legitimate interests for UDRP purposes. Still, the existence of such agreements places a heavier evidentiary burden on the complainant.

## 8. Lessons for Licensors

*Devise a domain name strategy for your trademarks.*

Choices to be made cover options such as the scope of the domain (international gTLDs, national ccTLDs); trademarks as such or variations of, and combinations with, trademarks; the language of domain name (the internationalization of domain names is increasing the burden on trademark owners to monitor multi-lingual infringement on the Internet); centralization or distribution of domain name registrations; and in-house management or outsourcing. An effective domain name strategy also involves monitoring of developments in the domain name system, for example, in relation to the introduction of new gTLDs (significant expansion is expected from 2010) or the opening up of ccTLDs to registrants based outside the ccTLD's territory.

*Regulate domain names in licensing agreements.*

Distributors, franchisees and other licensees may have an interest in registering the licensor's trademark as their domain name. Licensors who for legal or commercial reasons consider this undesirable should include appropriate provisions in their agreements with these partners. Absent such agreed restrictions, trademark owners may find it harder to hold any such domain name registrations against their licensees. Likewise, when regulating the consequences of a future termination of the license, licensors may wish to include an express obligation for their contract partners to transfer any corresponding domain names to the trademark owner, without specific remuneration.

*Domain names can enhance the value of the licensor's offer.*

Whether the licensor itself operates Web sites or it grants to licensing partners the right to do so under domain names it has registered, a portfolio of domain names may usefully complement the attractiveness of the licensor's assets.

*Monitor domain names for trademark infringement.*

Numerous tools exist for monitoring the registration by third parties of domain names involving trademarks held by the right owner. In response to the significant potential for infringement in the domain name system, trademark owners should consider developing an enforcement strategy. Strategic elements include the trademark owner's desired core web identity and the particular use the infringing registrant makes of the domain name. Trademark owners wishing to tackle such abuse will find an effective tool in the UDRP. The preparation of their UDRP case is assisted by monitoring and recording registrant identity and Web site use.

## 9. Lessons for Licensees

*Make a good-faith effort to avoid infringing rights.*

This point is best explained by citing WIPO D2006-0964 (*wcmh.com*): "The Panel finds that paragraph 2 of the Policy implicitly requires some good-faith effort to avoid registering and using domain names corresponding to trademarks in violation of the Policy. Paragraph 2 of the Policy, 'Your Representations,' is incorporated by reference in the registration agreements of ICANN-approved registrars. It reads as follows: '[b]y applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party; (c) you are not

registering the domain name for an unlawful purpose; and (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else's rights'."

A licensee arguably faces a greater legal burden where its domain name registration corresponds to the licensor's trademark without explanatory addition in the domain name itself.

*Take account of the Okidata criteria.*

Licensees should ensure that their acquisition and operation of a domain name incorporating their principal's trademark meet the test WIPO panels have applied to such circumstances. A reseller-respondent can have a legitimate interest in the domain name if

the respondent is offering the goods or services at issue; and the respondent uses the site to sell only the trademarked goods; and the site discloses the respondent's relationship with the trademark owner; and the respondent is not cornering the market in domain names, depriving the trademark owner of the opportunity to reflect its mark in a domain name.

*Cover your UDRP trademark basis.*

Although licensees may have relevant rights for filing a UDRP complaint themselves, they may wish to seek the licensor's consent before initiating a case, or even try to involve the licensor as co-claimant. Many WIPO decisions highlight the importance of ensuring that the formal complainant represents trademark rights sufficient for initiating the case under the first element of the UDRP test. ■