Challenging and Acquiring Third Party Domain Names

The internet is one of the main vehicles for communicating a brand identity and its associated values. As such, maintaining a strong online presence is vital, particularly for large companies with multiple brand portfolios, and the key to a successful web presence is a secure domain name portfolio.

However, even with a successful and extensive domain name registration strategy in place, it can be impossible to avoid having to acquire a domain name from a third party. This can include domain names that infringe upon a trademarked term and generic names that do not infringe upon any rights.

However, brand owners have an arsenal of tactics available to help them secure the names they want, whether it be for a new brand launch, or to protect their brands in key territories. This can include dispute resolution for cases of abusive registration, purchasing domain names that contain generic terms, or litigation for more complex situations.

Regardless of the tactic used, brand owners must work in close partnership with their chosen accredited registrar to investigate each case and employ the most effective methods.

Reasons to acquire a domain name

There are a number of reasons why brand owners will at some point need to implement a domain name acquisition strategy. These include:
Marketing Campaign or Web Site Launch

A common reason to have to acquire a domain name is to launch an online marketing campaign, particularly when the campaign involves a new brand. Or, it may be that a third party has registered a domain name containing the desired mark or brand. Often, this is a result of poor communication between the intellectual property (IP) department staff and the marketers at an early stage of the process. This can lead to crucial trademark and online domain name availability searches being missed.

To ensure different elements of a brand are protected as trademarks and other forms of intellectual property, companies must also make sure it is possible to secure domain name registrations in all relevant markets. As marketers are not always suited to understand the processes involved or how long it can take, the IP department staff should be informed early on to initiate prompt domain name searches, saving time and money further down the line.

If these processes are not followed, the company may find that the domain names they need have already been registered by a third party. They are then left with the choice of redeveloping the campaign, choosing a variation of the name, or attempting to acquire it.

Administration errors

Names are sometimes lost through accidental non-renewal, caused by an administration error at some point during the process. If a third party registers the name before it can be re-registered, and there is no infringement of IP rights, then domain name acquisition might be the only option. However, this can largely be avoided by ensuring that all your domains are managed by one registrar and are subscribed to an automatic renewals process.
Domain name audits

A company may find relevant third party domain names following a domain name audit. To track and monitor gaps in a portfolio, it is necessary to conduct regular audits of the domain name system. These audits will highlight domain extensions where the brand is exposed or registered by a third party. For example, it may discover that its brands are not represented in key territories in which it trades and that the relevant terms have already been registered by a third party. In some cases, this could include domain names that infringe upon existing trademarks.

The cost of not recovering

The cost of recovering a domain will depend on the damage that domain name could cause; either through its absence from the company’s portfolio, or through its existence in a third party’s hands.

By not owning the name, the company lacks control over the way its brand is being represented online. If the domain is needed for a brand launch, its absence from the portfolio could jeopardize the entire campaign.

Cybersquatting, where a third party has registered a brand name in bad faith, is a continuing threat. By not tackling these infringements, the company’s brand values could be damaged through association with third party material. The domain name may be linked with adult content sites or forwarding users to competitor information.

Johan Sjöbeck, attorney at law at Swedish law firm Groth & Co and arbitrator panelist for WIPO, IIS (.se) and the Czech Arbitration Court (.eu), which has handled many domain name disputes for its clients, comments: “The third party may also become well-known under that domain name and therefore develop legitimate interests in the name, causing problems if dispute resolution is required to recover it.”
Bring in the investigators

Before proceeding with any action, brand owners must be adequately prepared. The first step is to carry out an investigation to establish who has what rights to the term and to obtain details of the registrant.

Establishing prior rights

If the domain is an infringement, the brand owner must adequately prepare documented proof of its rights to the term. If brand owners file a claim with a dispute resolution policy without having first carried out a detailed investigation, then they could be making a big mistake. An alarming number of dispute resolution complaints are thrown out due to very simple errors. In the case of John Ode v Intership Ltd1, the Panel found that the complainant’s trading name did not even exist when the disputed domain was registered.

Identifying the registrant

One problem with trying to acquire a domain name is that it can be difficult to track down the person or organization behind the registration.

Registry operators maintain the list of registered domain names within their extensions and some allocate these names on a first-come first-served basis. In addition, they maintain a Whois database, which contains contact information for a domain name’s registrant. Availability of this information has long been a cause for heated discussion, with intellectual property owners that largely want accessible and complete details competing with others who want to restrict information in the name of privacy.

The system is also badly fragmented. Some registry operators provide a ‘thin’ Whois, containing limited information, while others provide the more complete ‘thick’ Whois data. Often, the ‘thick’ data is only available from the individual registrars; the organizations licensed to sell domain names to the end users.
To add to the challenge, registrants can now choose to have their details kept private and in some cases, only certain registrars, such as CSC Corporate Domains, can request information directly from the registry.

**Building a pattern of behavior**

Once the registrant’s identity is known, brand owners must determine how they are using the domain name. In the case of an infringement, it can also help to know if the registrant has targeted other brands and built up a pattern of behavior. This can help prove bad faith at a later stage.

The case of Atlantic Coast of America Corporation Ltd v Steven Zaharakis dba Zahara Labs illustrates the importance of a thorough investigation and preparation prior to proceeding with a recovery tactic such as the Uniform Domain Name Dispute Resolution Policy (UDRP). The WIPO Panel noted: “This case is characterized by an extraordinary paucity of information and coherent submission from complainant, and for that matter, from respondent also.” Although the Panel agreed that the domain name swreg.com was confusingly similar to Atlantic's trademark, the company had not proved that Zahara Labs was not entitled to use the domain or that it was acting in bad faith. The case was dismissed.

Whether a domain name links to a live site or not will indicate the intentions behind the registrant. It also helps brand owners to determine the price of the domain if they make an offer to purchase it. The cost may be more if the registration is being used for a live web site as the existing owner will need to register an alternative name to continue the site, causing disruption and delays.

James Stoltzfus VP of CSC, comments: “Some clients will choose not to take any action if there’s no live site attached. As there’s no offensive content associated with the brand, the time and cost
needed to acquire it outweigh the damage caused by the name itself.”

**Tackling infringing terms**

Some companies will take a harsh line on challenging any third party registrations that contain its trademarks or variations thereof. For many, this is the most appropriate method of enforcing their IP rights and protecting their brands online. However, some choose a more lenient approach.

Stoltzfus explains: “Our clients’ domain name acquisition strategies can vary greatly. Some maintain lists of third party registrations which they will watch. If they go live, the legal teams can make a quick decision on a case by case basis as to what action to pursue.”

**Cease and Desist Letter**

A cease and desist letter can often be the first choice to challenge an infringing domain. Stoltzfus comments: “Our clients find that this results in over 70% of registrants cooperating, so it is an effective tactic in avoiding a lengthy and costly litigation.”

Sjöbeck adds: “This tactic can also help with future dispute resolution or litigation, as it can be proof that the registrant was aware of the trademark from the date of the letter.”

**Dispute Resolution**

When challenging infringing third party registrations, one of the most indispensable resources for brand owners is the UDRP. Proof of its increasing importance can be seen in the rise of recently filed cases. In 2005, WIPO saw a 20% increase in the number of cybersquatting cases filed compared to 2004. The 1,456 cases recorded in 2005 is the highest number that WIPO has handled in one year since 2001.
In a statement in January 2006, Francis Gurry, deputy director general of WIPO, says: “The fact that WIPO’s caseload in 2005 was the highest in four years and that many of these cases concern recently registered domain names, underlines the need for continued vigilance by intellectual property owners.”

“Alternative dispute resolution, such as the UDRP, can be extremely effective where it exists,” comments Sjöbeck. “As with cease and desist letters, it can help to keep most cases out of the courts.”

The UDRP is in place to arbitrate disputes in the generic top-level domains (gTLDs) and is also used in 47 country code top-level domains (ccTLDs), including .es in Spain and .fr in France, either in its original form or as a variation. In addition, other ccTLDs, such as .uk, have developed their own policies, which vary slightly from the UDRP.

However, the policy was established to solve clear-cut cases of bad faith registration or cybersquatting. More complicated trademark issues belong in court.

**Litigation**

Where the UDRP, or a variation, does not apply, litigation may be required. However, one global brand owner notes: “It’s to do with timing. You need to allow time for negotiation and movement in settlement. There’s not much point in trying to do this if you only have three weeks or a month to get a name.”

*The sex.com saga*

Possibly the most famous case to face the courts involved the domain name sex.com. After six years of legal battles, the case was finally settled in 2004, with the Ninth Circuit Court of Appeals holding registrar VeriSign responsible for the mishandling of the domain name.
In 2005, Stephen Michael Cohen requested that VeriSign transfer the domain name from its registrant Kremen. The method Cohen used and the validity of the request were subsequently disputed, with VeriSign claiming that it had received a forged letter. It was later concluded that the request had been made by telephone and that VeriSign had not sufficiently verified the request. Kremen was also awarded a $65 million judgment against Cohen for stealing the domain name.

The regional approach

Different approaches are needed in different areas and not all jurisdictions have developed their trademark laws to include domain name infringement or cybersquatting.

The case of British Telecommunications plc v One in a Million Ltd remains a leading precedent on cybersquatting under English law. In this case the law of ‘passing off’ was used, for which one of the requirements is to prove misrepresentation that causes actual damage to the business of the trader by whom the action is brought. In terms of domain names, this is difficult to prove from a ‘blocking registration’ alone. The Court of Appeal ruled that the mere adoption of a trading name can give rise to a misrepresentation that the trade is, in fact, another trader or is in some way connected to that other trader.

In the US, the courts initially dealt with cybersquatting and other forms of online trademark infringement using the US laws of trademark infringement, unfair competition and trademark dilution. Like English law, it was generally required that cybersquatters were shown to have sold or advertised some form of goods or services. However, the introduction of the US Anticybersquatting Consumer Protection Act (ACPA) in November 1999 served to strengthen the rights of US trademark
owners online by allowing a ‘blocking registration’ of a domain name to be challenged.

**Tackling generic and non-infringing terms**

Generic names can be particularly tough to acquire. Sjöbeck says: “The tactic you use will also depend on how strong your trademark is. If it’s a generic term, it can be difficult to prove an infringement of IP rights.”

In 2000, Sudnif S.A. filed a UDRP complaint against the registrant of the findus.com domain name. Sudnif, is the owner of the trademark FINDUS, which is registered and used in a number of countries for frozen food products, and acts as a licensor of the brand for the Findus Group. However, the respondents stated that the domain was registered to run a search engine called “FIND US”. They also claimed that they “consider this to be a case of reversed domain name hijacking. The trademark has a different commonly used meaning in [English] and it would be unfair to allow the Complainant to monopolise this phrase in the English speaking online community.” The Panel ultimately agreed with this statement and subsequently found that the respondent had legitimate rights in the name and the domain name was not transferred.

**Purchasing**

Where innocent third parties hold names legitimately, the only option may be to acquire it through negotiation and purchasing. This can also be used to challenge an infringing domain if there is no relevant dispute resolution policy and the brand owner wishes to avoid litigation.

**Keep it anonymous**

Stoltzfus comments: “If a company intends to try and purchase a domain name, it is essential to go through a third party, such as CSC Corporate Domains, in order to maintain anonymity.”

The first step is to contact the current registrant anonymously, which can be done through an unrelated email account.
specifically set up for the task, and determine if they are willing to consider selling the registration. Stoltzfus adds: “It’s important to ask them first what price they would be willing to accept as this puts the control in the hands of our clients and helps us get the lowest price possible.”

**Knowing the true cost**

When negotiating, knowledge of domain name values adds strength to the process. Stoltzfus says: “In our experience, the average purchase price of a domain name is around $4,000. However, we have handled individual cases where registrations have changed hands for up to $450,000.”

The price to purchase a name can depend on a number of factors, such as the length of the name and the appeal of the term itself. For example, a domain name with only four or five characters containing a marketable generic term will be more expensive than a ten character domain name with more obscure phrasing. In addition, the popularity of some extensions will push up certain prices. The .com, .net and .org gTLDs continue to be among the most popular extensions, and although they can be among the cheapest to register, their price tags on the secondary market tend to reflect their appeal.

“Of the country code extensions that we are asked to handle, .co.uk for the United Kingdom is the most popular, followed by .de for Germany and .it for Italy,” comments Stoltzfus. “As with the gTLDs, this will inevitably affect the resale prices.”

**Acting in bad faith**

If the domain name contains a trademarked term, the response from the current registrant may be evidence of bad faith, to be used in any subsequent action, such as dispute resolution or litigation. Stoltzfus explains: “In one case we approached the
registrant of a domain name on behalf of a client and asked for a reason for the registration. The response was that the registrant was putting on a play with that title. Given that the term was very close to a particularly famous brand name, the response lacked any kind of credibility.”

Payment and transfer

Once a price is agreed, anonymity must be maintained throughout the remainder of the process. “We handle the entire payment process for each client. We send the money to a third party escrow account, which then becomes available to the seller once the name is released. It is at this point that we introduce CSC Corporate Domains as the registrar that the buyer has chosen to administer the transfer.”

Back-Ordering

A new alternative to recovering names from third parties is to use back-ordering software. This is where a company states the domain it wants to acquire and it is tracked to see if it has been renewed. If the name has not been renewed then the software automatically registers it on the company’s behalf. This tactic is a cost-effective way to reclaim names that are not critical to marketing activities.

Conclusion

A complete registration strategy is no longer sufficient to make sure a large company’s domain name portfolio is kept secure. Domain name acquisition is an essential tool for brand owners to combat infringements, keep control of their online identity and support their online marketing.

Stoltzfus comments: “Through feedback from clients, we are aware that people’s confidence in dispute resolution has increased, the law has become more concrete and companies are more confident in
determining which registrations to leave as is and those to take action against.”

With its team of trademark lawyers in place and the necessary links established with marketing and IT staff where necessary, companies should work with their accredited domain name registrar to implement the right tactics and secure their online intellectual property.

(Footnotes)

1 WIPO case no. D2001-0074
2 WIPO case no. D2002-0008
3 FSR 1
4 WIPO case no. D2000-0807

About Corporation Service Company®

Corporation Service Company®, a privately-held company headquartered in Wilmington, DE is a leading provider of legal and financial services for many of the world’s largest companies, law firms and financial institutions. Founded in 1899, CSC offers clients an integrated, comprehensive portfolio of services that includes corporate compliance and governance services, entity management services, litigation and matter management services, public record document and retrieval services, uniform commercial code services, trademark, domain and online brand monitoring services, motor vehicle titling services, and registered agent services. To learn more about CSC, visit the company website at www.incspot.com or call 800-927-9800.