

# Challenges to panel decisions: Do they undercut the value of the UDRP?

by Marc P. Misthal



Five years ago, trademark owners were pushing the boundaries of trademark law, seeking to adapt the law to deal with the problems posed by the internet, particularly those caused by the intersection of domain names and trademarks. Now, with the implementation of the Uniform Domain Name Dispute Resolution Policy (UDRP) worldwide and the passage of the Anticybersquatting Consumer Protection Act (ACPA) in the United States, trademark owners have a number of weapons with which to fight cybersquatters, typosquatters and other troublesome domain name registrants. With so many tools at their disposal, trademark owners and the attorneys who advise them are frequently faced with determining which tool is the right one for the job.

Given the high cost of court proceedings and the perception that the mechanism of the UDRP offers a swift, inexpensive alternative, trademark owners frequently choose to employ the UDRP to resolve domain name disputes. Although the UDRP was designed to function as an inexpensive, rapid and easy to use means for dealing with certain domain name disputes, in practice it does not necessarily function in that manner. The UDRP requires that complainants consent to submit to personal jurisdiction in a "mutual jurisdiction" (either the location of the domain name registrant or the location of the domain name registrar) so that

domain name registrants can challenge decisions ordering the transfer of their domain name in court. But by allowing domain name registrants to challenge unfavourable decisions in court, the UDRP may be rendering itself meaningless. Indeed, decisions by US courts in a series of cases involving challenges to panel decisions suggest that UDRP proceedings are only the first step in a potentially lengthy and expensive litigation, particularly where the complainant specifies the United States as the mutual jurisdiction. If that is the case, then the value of utilising the UDRP to resolve certain domain name disputes has been undercut.

The first signal that panel decisions may be of little value came in *Weber-Stephen Products Co. v. Armitage Hardware*,<sup>1</sup> which marked the first time a federal court in the US grappled with the issue of how much weight should be given to decisions rendered under the UDRP. The Weber case began when Weber filed suit against Armitage in federal court one day after filing a UDRP proceeding against Armitage. Fearing that if the panel's decision was binding on the court the, Federal Arbitration Act, 9 U.S.C. § 1 et. seq., would then limit the court's ability to review and defer to the panel's decision, Armitage made a motion asking the court to declare that it was not bound by the administrative proceeding mandated by the UDRP. Armitage's fear would

later prove unfounded.

The court observed that the UDRP contemplates the possibility of parallel proceedings in a national court and that the language of the UDRP suggests that panel decisions are not intended to be binding on national courts; in making these observations, the court's attention was focused largely on paragraph 4(k) of the UDRP. The court also noted that the WIPO Arbitration and Mediation Center (with whom Weber had filed its UDRP proceeding) had responded to an inquiry by Armitage's counsel as to what effect the panel's decision might have on the court by stating that while the decision would be binding on the registrar of the domain name at issue, it would not be binding upon a national court. Instead, the WIPO Arbitration and Mediation Center said that national courts could give "appropriate weight" to panel decisions. Based on the language of paragraph 4(k) and the e-mail from the WIPO Arbitration and Mediation Center, the court concluded that it was not bound by the outcome of administrative proceedings under the UDRP, but it explicitly declined to determine the precise standard by which it would review a panel decision and what deference, if any, it would give to a panel decision.

Picking up almost exactly where the Weber case left off, *Parisi v. Netlearning, Inc.*,<sup>2</sup> addressed Armitage's fear that a court's review of the panel's decision would be limited because of the

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deference accorded to such decisions under the Federal Arbitration Act. According to the Parisi court, the Federal Arbitration Act's restrictions on the judicial review of arbitration awards do not apply to civil actions challenging UDRP panel decisions.

Netlearning initiated a UDRP proceeding against Parisi based on his registration of <netlearning.com>. A three-member panel issued a split decision in Netlearning's favour, directing the transfer of the domain name to Netlearning. Parisi then filed a declaratory judgment action seeking a declaration that his use of the domain name was lawful under the ACPA as well as other relief. Netlearning moved to dismiss the action, taking the position that UDRP proceedings, although called "administrative proceedings", constitute arbitration proceedings under the Federal Arbitration Act, and thus are entitled to the deference provided for in the Federal Arbitration Act.

Noting that arbitration is a creature of contract and that the UDRP creates a contract-based scheme for addressing certain domain name disputes, the

court explained that because of the "UDRP's unique contractual arrangement," the provisions of the Federal Arbitration Act providing for judicial review of arbitration decisions are inapplicable to the UDRP. As the court explained, the extreme deference given to arbitration awards by the Federal Arbitration Act applies only where the parties intended an arbitration proceeding to be binding. Since UDRP proceedings are not intended to be binding, and since, according to the court, paragraph 4 (k) of the UDRP calls for comprehensive, de novo review of the parties' rights, UDRP proceedings are not entitled to the deference afforded by the Federal Arbitration Act to binding arbitration proceedings. Since no text in the UDRP provides that the panel's decision is binding on the parties, there is no basis for confirming and enforcing panel decisions under the Federal Arbitration Act. The Federal Arbitration Act permits the entry of judgment based on arbitration awards only where the parties agree to the entry of such a judgment, and nothing in the UDRP evinces such an intent.

The Weber and Parisi decisions have established that federal courts owe no deference to panel decisions. Recently, the United States Court of Appeals for the First Circuit further undercut the value of panel decisions by holding that federal courts have subject matter jurisdiction over challenges to UDRP decisions even in those cases where a US domain name registrant seeks to challenge panel decisions ordering that the disputed domain name be transferred to a trademark owner alleging no trademark rights in the United States. The First Circuit's decision came in *Sallen v. Corinthians Licenciamentos LTDA*.<sup>3</sup>

After receiving an e-mail from Sallen offering to sell the domain name corinthians.com, Corinthians initiated a UDRP proceeding that resulted in the panel's order transferring the domain name to Corinthians. Sallen filed a declaratory judgment action in federal district court seeking a declaration that his use of the domain name was lawful under the ACPA. Corinthians moved to dismiss the action for lack of subject matter jurisdiction, arguing that since it had no intent to proceed against

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Sallen under the ACPA there was no actual controversy arising under US law. The district court agreed and dismissed the action.

Sallen then appealed to the First Circuit, which reversed the District Court's decision. With its focus on paragraph 4 (k) of the UDRP, the court observed that the UDRP explicitly contemplates independent review of panel decisions in national courts, and thus, according to the court, the cause of action Sallen sought to assert was consistent with the UDRP's structure. Indeed, the court went so far as to suggest that a panel's application of the UDRP requires it to resolve issues of US law; as a result, the court went on, it followed that a determination of the parties' rights by a US court trumped a panel's decision.

The court explained that federal courts have subject matter jurisdiction over challenges to UDRP decisions because such challenges present an actual controversy arising under US law. An actual controversy was present in the Corinthians case, the court reasoned, because the panel had found Sallen in violation of the UDRP and

ordered the transfer of the domain name. This actual controversy arose under US law because Sallen had alleged a cause of action under federal law in his complaint. Despite the fact that Corinthians had no registered trademarks in the US and no alleged common law rights in the US, the court allowed Sallen to maintain his action against Corinthians because "[i]t would be very odd if Congress, which was well aware of the international nature of trademark disputes, protected Americans against reverse domain name hijacking only when a[n]...American mark owner was doing the hijacking." As the court explained, such a policy would permit American citizens, whose domain names are subject to transfer orders, to obtain relief against abusive mark owners with rights in the US, but not against abusive mark owners with no rights in the US.

What the Weber, Parisi and Corinthians cases make apparent is that so long as the United States is selected as the mutual jurisdiction, US courts will allow challenges to adverse panel decisions to proceed (especially if a US domain name registrant is involved)

even if the trademark owner has no trademark rights in the US. Moreover, US courts will pay no deference to a panel's decision, effectively requiring parties to relitigate their cases. Consequently, a Brazilian trademark owner with no trademark rights in the US that successfully brings a UDRP proceeding against an Australian domain name registrant who registered the disputed domain name with Network Solutions, Inc., could find itself relitigating its case before a US court. The barcelona.com and the bancochile.com cases, currently pending before US courts, demonstrate that this circumstance is more than mere speculation.

Some may suggest that since there are relatively few challenges to panel decisions, the UDRP functions as designed. There is no authoritative list documenting challenges to panel decisions (although a listing of some challenges can be found at UDRPLaw.net), but anecdotal evidence does suggest that, at least to date, there have been relatively few challenges to panel decisions. However, trademark owners facing expensive court

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challenges to favourable panel decisions (the very outcome they sought to avoid by utilising the UDRP in the first place) will find little comfort in knowing that they are part of a statistical minority. Furthermore, as with the stock market, past performance is not necessarily an indicator of future performance, and in the absence of a crystal ball it is impossible to predict whether a domain name registrant will challenge an adverse panel decision.

Despite the high costs associated with court proceedings, trademark owners may be better off using national courts to resolve domain name disputes rather than the UDRP. Time is often of the essence in domain name disputes, and if UDRP proceedings are only the first step in a lengthy litigation, then one means of shortening the litigation is to sidestep the UDRP altogether—especially since it is impossible to predict whether domain name registrants will challenge adverse panel decisions. By beginning in court rather than with the UDRP, trademark owners

can also avail themselves of a greater variety of remedies. For instance, while the only remedies available under the UDRP are the transfer or cancellation of the disputed domain name, under the ACPA a trademark owner can recover damages, costs and attorney's fees, as well as obtain an injunction against the domain name registrant.

Perhaps even more troubling is the role challenges to panel decisions will play in proposed revisions to the UDRP. Various studies of the UDRP, including the recent study by the Max Planck Institute, have recommended the creation of an appeal mechanism within the framework of the UDRP. Assuming that such a mechanism is adopted, will parties be able to challenge decisions of the appellate body in national courts? It would seem that allowing challenges to decisions of the appellate body would only prolong what is supposed to be a rapid process. For this reason, it is important that any proposal to add an appellate mechanism consider the interplay between appeals and challenges in national courts; proposals

that do not address that interplay threaten to further undercut the value of the very system they seek to amend.

Ultimately, whether the UDRP functions as an inexpensive, swift, and easy to use mechanism for dealing with certain domain name disputes is a matter of perception. But that perception necessarily must be coloured by the decisions of US courts that allow challenges to panel decisions to proceed, even if the trademark owner has no rights in the United States and give a panel's decision no deference whatsoever. And it is that perception that will shape the future of the UDRP.

*Marc P. Misthal, Associate, Gottlieb, Rackman & Reisman, New York, who represent Corinthians Lienciamentos LTDA in the Corinthians.com litigation.*  
*www.grr.com*

- 1 54 U.S.P.Q.2d 1766 (N.D. Ill. 2000)
- 2 139 F.Supp.2d 745 (E.D.Va. 2001)
- 3 273 F.3d 14 (1st Cir. 2001)