

1. Cybersquatting in the ccTLDs: A Case study of Canada

As in the .com.au domain, the Canadian .ca domain until very recently had very restrictive rules as to who could register .ca domain names. As a result, as of November 2000, there were only 98, 000 .ca domains in existence compared to nearly ten million dot-com domains.¹ It was felt that the old rules were too restrictive and had retarded the development of the Internet in Canada, or at the very least had retarded the development of a distinctly Canadian presence on the Internet.² Under the revised rules which are already in effect, individual Canadians and not just federally incorporated companies and other organizations may register .ca domains, and there is no longer a limit of one per applicant. Basic Canadian presence requirements will, however, remain. It is expected that the revised rules will lead to the appearance of cybersquatters who had previously been effectively shut out of the .ca domain.

It is therefore particularly important that an effective dispute resolution procedure be implemented as soon as possible. Fortunately, compared to the .com.au domain and other country code domains, substantially more progress towards the adoption of such a procedure has been made in the .ca domain space. On 26 September 2000, CIRA, the Canadian Internet Registration Authority, posted a draft dispute resolution policy³ which has been based on the UDRP and ACPA but is much more detailed and comprehensive. As with the UDRP, the Canadian draft policy's purpose is to provide an inexpensive and expeditious means of dealing

¹ Geist, M., *CIRA Consultation on Alternative Dispute Resolution: Report and Analysis*, 27 November 2000, online: CIRA <http://www.cira.ca/en/documents/ADRreport_en-27sept.html> (date accessed: 30 November 2000) at 2.

² *Ibid.*

³ Canadian Internet Registration Authority (CIRA), *CIRA Draft Dispute Resolution Policy*, 26 September 2000, online: CIRA <http://www.cira.ca/official-doc/27.CIRA_ADR_Consultation.doc> (date accessed 30 November 2000) [hereinafter "Canadian draft policy"].

with clear cases of cybersquatting and is not intended to oust the courts.⁴ Disputes between parties which have competing good faith uses are more appropriately heard by the courts.

Under the Canadian draft policy a complainant must establish each of the following three requirements:

- (i) the Registrant's domain name is Confusing with a Mark in which the Complainant has Rights;
- (ii) the Registrant has no Rights in Canada or any other legitimate interest in Canada in respect of the domain name; and
- (iii) the Registrant was, at the date of the Registration, on the basis of the factors set out in Article 3.5 and subject to the mitigating factors set out in Article 3.6 and 3.7, acting in bad faith in registering the domain name.⁵

Unlike the UDRP, the Canadian draft policy comprehensively defines “Confusing”,⁶ “Mark”,⁷ “Rights”⁸ and factors evidencing⁹ bad faith or mitigating¹⁰ against a finding of bad faith. The more detailed drafting of these definitions is a significant improvement upon the UDRP and will provide far greater guidance to arbitrators and perhaps greater certainty to the outcomes under the policy.

There are two notable substantive departures of the Canadian draft policy from the UDRP. The first is the omission of the requirement that the domain name be “used”. This omission is an improvement upon the UDRP and recognizes the problems that the “use” requirement caused under the UDRP because cybersquatters generally warehouse domain names with the web sites remaining inactive.¹¹ The second is the restriction of the policy to Canadian

⁴ The purpose of the policy is stipulated in Article 1.2 of the Canadian draft policy. Article 4.5 follows section 4.k. of the UDRP in providing that a decision will be stayed by the commencement of court proceedings.

⁵ Article 3.1 of the Canadian draft policy.

⁶ See Article 3.4 of the Canadian draft policy.

⁷ See Article 3.2 of the Canadian draft policy.

⁸ See Article 3.3 of the Canadian draft policy.

⁹ See Article 3.5 of the Canadian draft policy.

¹⁰ See Article 3.6 of the Canadian draft policy.

¹¹ In fact the UDRP has been interpreted such that passive holding of a domain name constitutes “use”, thus making the word redundant. See *Telstra Corporation Ltd. v. Nuclear Marshmallows*, (2000) WIPO Case No. D2000-0003 <<http://arbiter.wipo.int/domains/decisions/html/d2000-0003.html>> 18 February 2000.

registered trademarks.¹² The Chinese draft policy similarly restricts its scope to Chinese registered marks. The draft policies appear to limit their protection to locally registered trademarks to avoid any risk that a good faith Canadian or Chinese registrant could be stripped of his or her domain name because of a conflict with a foreign trademark which they would have had no means of knowing about when they registered the domain name. With respect to the authors of the draft policies, this should never happen because the test in each policy requires bad faith from the registrant. In the scenario outlined there is no bad faith and the local registrant therefore is not at risk of losing the conflicting domain name.

The domestic trademark restriction will likely result in Canadian or Chinese cybersquatters registering the domain names of well-known foreign trademark holders who they expect will eventually establish a Canadian or Chinese online presence. Although there will be evidence of bad faith on the registrant's part, these foreign trademark holders will have no remedy under the proposed policies because their foreign marks are not recognized. These trademark holders would then be forced to incur the additional advertising and marketing expense of operating under a less recognizable domain name while they apply for a Canadian or Chinese mark, which could take a year or more to be granted. Only once the local mark has been granted could the foreign trademark holder attempt to take control of the domain name corresponding to their mark. This process will result in a significant cost to the foreign trademark holder and could be avoided by simply recognizing foreign marks under the dispute resolution policies.

¹² See Article 3.2 of the Canadian draft policy.

2. A Review of the UDRP and Lessons for the ccTLDs

Despite criticism of a number of decisions which were clearly poorly decided,¹³ the UDRP has functioned well overall and has played a significant role in addressing the disparity between trademark holders rights in the real and cyber worlds. A number of problems with the UDRP, however, do stand out and require careful consideration by the ccTLDs when formulating their dispute resolution policies. In this section I analyze a number of the most striking problems.

The UDRP is a deliberately minimalist policy that has been for the most part creatively applied by skillful arbitrators. The policy allows for disputes to be decided very swiftly because it has very few procedural rules and processes that often delay court litigation. For example, the policy makes no provision for discovery and there are no rules of evidence. Similarly, there is no discussion of the role of precedent, although it appears that arbitrators have generally followed their colleagues decisions. The minimalist nature of the UDRP makes sense in the context of its goals of inexpensive and efficient dispute resolution in cases of blatant cybersquatting. It is therefore important that the ccTLDs follow the simple approach of the UDRP but perhaps clarify some of the key concepts as has been done in the Canadian draft policy. The Canadian draft policy is to be applauded for preserving the procedural simplicity of the UDRP, but improving upon substantive aspects of it with more clear and precise definitions. The more precise definitions of “Rights”, “Confusing” and factors supporting or mitigating against a finding of bad

¹³ For example, see *Rockport Boat Line (1994) v. Ganonoque Boat Line Ltd.*, (2000) National Arbitration Forum File No. FA0004000094653 <<http://www.arbforum.com/domains/decisions/94653.htm>> 10 May 2000; *Excelentísimo Ayuntamiento de Barcelona v. Barcelona.com Inc.*, (2000) WIPO Case No. D2000-0505 <<http://arbiter.wipo.int/domains/decisions/html/d2000-0505.html>> 4 August 2000; and *J.Crew International, Inc. v. crew.com*, (2000) WIPO Case No. D2000-0054 <<http://arbiter.wipo.int/domains/decisions/html/d2000-0054.html>> 20 April 2000.

faith will greatly assist arbitrators. The Canadian draft policy could be further improved by clarifying the role of precedent.

A procedural aspect of the UDRP which requires closer review is the time allowed for arbitrators to make their decisions. As disputes have become more complicated, complainants have begun to provide more voluminous materials to panelists to review, and yet the time frame in which panelists must determine the dispute has not expanded to accommodate their increased workload. This trend has placed considerable time pressures on the arbitrators and may have contributed to a number of the poor decisions which the media has widely criticized. The quality and consistency of decisions under a ccTLD dispute resolution mechanism could be further improved by allowing for an appeal mechanism and requiring a uniform level of qualification for panelists, features which are not addressed in the UDRP. The inclusion of an appeal mechanism would provide a greater degree of comfort and certainty in the process and could effectively weed out aberrant or wrongly decided cases in a similar manner to the way appeal procedures serve the courts.¹⁴

The ability of the complainant in a UDRP dispute to choose the dispute resolution service provider (DRSP) has been heavily criticized.¹⁵ Although ICANN had the best intentions in providing for multiple DRSPs in the hope that competition would lower fees and improve service, this appears to have backfired. Competition amongst the DRSPs for the business of complainants has provided the DRSPs with a strong incentive to interpret the UDRP pro-complainant so as to attract the maximum amount of business. A study undertaken by the

¹⁴ Muscovitch, Z., "Guide to ICANN Procedure and Policy" online: <<http://www.dnlnr.com/guide2.shtml>> (date accessed: 12 December 2000).

¹⁵ See Mueller, M., "Rough Justice: An Analysis of ICANN's Uniform Dispute Resolution Procedure" online: Syracuse University Convergence Center <<http://dcc.syr.edu/report.htm>> (date accessed: 9 November 2000) [hereinafter "Syracuse study"] and McCarthy, K., "WIPO Domain Dispute Coup Continues" online: <<http://www.theregister.co.uk/content/6/15277.html>> (date accessed: 7 December 2000).

Syracuse University Convergence Centre found that the DRSPs have statistically significant different records in resolving disputes due to their differing interpretations of the policy.¹⁶ The study found that,

“Arbitrators from eResolutions of Canada tend to carefully follow the language of the resolution policy whereas WIPO panelists tend to adopt a more expansive interpretation that gives trademark holders stronger rights. As arbitrators’ records become more widely known, it seems obvious that trademark holders who want to challenge a name will take their cases to the most favourable service providers. The result is a system that is biased against registrants.¹⁷”

The statistics are quite striking: eResolution which rules in favour of complainants 40% of the time has heard only 7% of the disputes, while WIPO which rules in favour of complainants 82% of the time attracted 68.5% of all cases.¹⁸ Clearly, ccTLDs considering allowing multiple DRSPs to determine disputes under their arbitration policy should consider a different form of selection to avoid the appearance of bias that has arisen from the UDRP approach. Mueller has suggested that the best approach is to have domain name registrars to choose the DRSP, because the incentives of registrars are more balanced.¹⁹

3. Conclusion

The dramatic growth of the Internet has led most companies to recognize the increasing importance of an online presence in their marketing and sales strategy. E-commerce has been forecast to grow significantly and arguably holds the key to the continued expansion in the economic growth that most industrialized countries are presently experiencing. A fair, stable and efficient domain name system which contains appropriate controls on cybersquatting is critical to the expansion of e-commerce.

¹⁶ Mueller, *supra* note 15.

¹⁷ *Ibid.*

¹⁸ *Ibid* and McCarthy, *supra* note 15.

¹⁹ Mueller, *supra* note 15.

The addition of the new web suffixes and their likely expansion to ccTLDs, together with the liberalizing of the registration rules in a number of ccTLDs including Canada and Australia, is likely to further increase instances of cybersquatting in the ccTLDs. The limitations of domestic law in protecting the rights of trademark holders in cases of cybersquatting underlie the importance of effective domain name dispute resolution mechanisms in the ccTLDs. The Canadian draft policy is a fine example for other ccTLDs but could be improved by the recognition of foreign marks. It is important that the ccTLD domain dispute resolution mechanisms do not simply become the first stop on road to litigation in the courts. The willingness of the courts to defer to administrative decisions of independent bodies is, “directly linked to the fairness and expertise of the administrative process.”²⁰

²⁰ Geist, *supra* note 1 at 7.