PASSIVE WAREHOUSING UNDER ICANN'S UNIFORM DISPUTE RESOLUTION POLICY: A UTILITARIAN PERSPECTIVE

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I. INTRODUCTION

This paper takes the position that under ICANN's Uniform Domain Name Dispute Resolution Policy ("UDRP" or "Policy"), passive warehousing should be considered "bad faith registration and use" and the burden of proof should be shifted to the Respondent to show current or future legitimate use of the disputed domain name.

Passive warehousing is a type of cybersquatting activity. Cybersquatting, in general, involves a cybersquatter registering a domain name identical or confusingly similar to a well-known trademark in the hopes of selling it to the trademark owner for a huge profit. However, unlike the cybersquatter, the passive warehouser registers a domain name that resembles a trademark but never makes any offers to sell the domain name or makes use of the domain name by constructing an active web site. This non-use or "passive holding" (or "pseudo-cybersquatting") has been referred to as passive warehousing.

From a utilitarian point of view, passive warehousing is an inefficient use of Internet resources and disruptive of Internet activity. Even though no positive action is involved, it has harmful effects on legitimate trademark owners. Such wasteful and destructive behavior should not be tolerated, especially in the finite world of the domain name system, and a "use it or lose it" approach should be adopted. Utilitarianism has been defined as "a doctrine that the useful is the good and that the determining consideration of right conduct should be the usefulness of its consequences." The principle of utility holds that right actions are those that maximize utility for all. Social utility has been one of the fundamental principles of property law in determining ownership rights, and it could be applied to domain name disputes as well.

ICANN's (Internet Corporation for Assigned Names and Numbers) Uniform Dispute Resolution Policy was developed to address only "cases...

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1 See ICANN.org, at http://www.icann.org (last visited Sept. 26, 2001) [hereinafter ICANN].
3 John G. White, ICANN's Uniform Domain Name Dispute Resolution Policy in Action, 16 BERKELEY TECH. L.J. 229, 230 (2001) [hereinafter White] (stating that other cybersquatting activity involves "cyberpiracy" by luring Internet traffic from the trademark owner's site by incorporating a variation of the trademark term and "typo-squatting" by luring Internet traffic by misspellings or missing characters).
4 Robert A. Badgley, Internet Domain Names and ICANN Arbitration: The Emerging "Law" of Domain Name Custody Disputes, 5 TEX. REV. LAW & POL. 343, 345 (2001) [hereinafter Badgley]; see also Luke A. Walker, ICANN's Uniform Domain Name Dispute Resolution Policy, 15 BERKELEY TECH. L.J. 289, 290-91 (2000) (stating that "cybersquatting" is "defined as 'the abusive registration of domain names by bad faith actors... in order to mislead consumers... or to extort payment from the rightful trademark owners.'") [hereinafter Walker].
5 White, supra note 3, at 250; see also Robert D. Gilbert, Cyber Squatters Beware: There Are Two New Ways to Get You, N.Y. L.J., T5 (2000).
6 RANDOM HOUSE ROGET'S THESAURUS 650 (2d ed. 1996) (defining "utilitarian": adj. useful, practical, serviceable, functional, efficient, workable, effective, convenient, handy, usable, beneficial).
7 WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY 1300 (1986) [hereinafter WEBSTER'S]; see also STEPHEN R. MUNZER, A THEORY OF PROPERTY 193 (1990) [hereinafter MUNZER].
8 MUNZER, supra note 7, at 193 (stating that "utilitarianism is the position that the principle of utility is the sole ultimate standard of right and wrong.").
9 ROGER CUNNINGHAM, ET AL., THE LAW OF PROPERTY 2 (2d ed. 1993) (defining "social utility" theory - "that the law should promote the maximum fulfillment of human needs and aspirations ... ").
10 See, e.g., ICANN, supra note 1.
11 UDRP, supra note 2.
involving ‘abusive registrations’ made with bad faith intent to profit commercially from others’ trademarks.” One of the elements the Complainant is required to prove is bad faith registration and use of the domain name. There was some question whether passive warehousing satisfied both bad faith registration and bad faith use since it involves non-use and is not associated with any kind of positive action (i.e., no offers to sell or no active web site). The Second Staff Report mentions, “without use the streamlined dispute-resolution procedure is not available.” However, since the implementation of the Policy, panelists have found both bad faith registration and use in passive warehousing as shown in the Telstra Corporations Limited v. Nuclear Marshmallows\footnote{[hereinafter Second Staff Report].} decision. The Telstra decision, having acquired some “precedential” value, is now widely accepted and well-established as the “inaction doctrine.”\footnote{WIPO ARBITRATION AND MEDIATION CENTER, TELSTRA CORPORATION LIMITED v. NUCLEAR MARSHMALLOWS para 7.9, at http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0003.html (last visited Sept. 26, 2001) (“The concept of a domain name ‘being used in bad faith’ is not limited to positive action; inaction is within the concept.”).}

The factors considered in the “inaction doctrine” vary from case to case because it is fact sensitive, and a “totality of the circumstances” test is essentially applied. Naturally, the more factors present, the stronger the argument for finding bad faith registration and use. Likewise, the fewer factors present, the weaker the argument. Nevertheless, the panels still find bad faith registration and use in either case. This lack of symmetry in applying the “inaction doctrine” is disturbing, and since panelists are not bound by other panelist decisions, non-uniformity in the application of the “inaction doctrine” and the Policy itself results.

The first part of this paper will briefly discuss some background information regarding the domain name system (“DNS”) and registration, how ICANN came about, and the UDRP and procedures involved in bringing a complaint. The second part will discuss the development of the UDRP, the “inaction doctrine” and its application, as well as other decisions that have found bad faith registration and use outside this doctrine. Finally, an examination of how adopting the “Telstra” doctrine has affected the Policy as a whole from a “utilitarian perspective” is followed by a discussion of how shifting the burden of proof to the Respondent with regard to proving bad faith registration and use will improve the efficiency and effectiveness of the Policy.

II. BACKGROUND

A. Domain Name System and Registration

“Domain names are the unique identifiers that people depend on to route e-mail, find web pages, and connect to other Internet resources.” The DNS allows Internet addresses to be found by easy-to-remember names instead of numbers. For example, a user can find the web site for Congress by typing www.congress.gov instead of the “Internet protocol” (“IP”) address 140.147.248.209. The DNS has two levels: a top-level domain (“TLD”) and a second-level domain (“SLD”). There are TLDs that are available either commercially (.com, .net and .org) or non-commercially available (.gov, .mil and .edu).
There are also country code top-level domains ("ccTLDs") such as .ca representing Canada and .jp representing Japan. SLDs are the words and phrases that appear before the TLDs in addresses that are descriptive or reflect the ownership or purpose of the website, often including the name or trademark of an individual or company—for example, "pepsi" in www.pepsi.com or "metmuseum" in www.metmuseum.org. The domain names are organized into a hierarchical retrieval-system. At the top of the system is the "root server" which holds the root directory of all computers that hold TLD directories. These computers, in turn, contain a directory of computers that hold the directories of SLDs. Because each address is unique, websites cannot have the same SLDs if they have the same TLDs. This results in only one entity using a particular domain name and more importantly, a trademark.

Today, one can acquire and register a domain name for a fee from one of many accredited registrars. To access a domain name, the name must be registered in the proper corresponding domain directory. In 1985, SRI International, a Silicon Valley non-profit research institute, undertook the assignment of registering .com, .net and .org domain names by the Defense Department. Later, Network Solutions, Inc. ("NSI") entered into an agreement with the National Science Foundation, the leading funder for the Internet infrastructure, and took control over top level domain name registration. Upon the expiration of the agreement, a two-year extension was granted in exchange for a Shared Registry System to allow competing companies to register domain names in the top-level domains. As the Internet experienced an economic boom, NSI became the focus of criticism for the lack of alternative means to register domain names (i.e., the absence of competition resulting in high registration fees), and NSI's policy for resolving domain name disputes between domain name holders and trademark owners. In response to growing concerns regarding the future of the DNS, President Clinton directed the Secretary of Commerce to privatize the DNS.

B. Internet Corporation for Assigned Names and Numbers ("ICANN")

ICANN was created in October 1998 in response to a June 1998 White Paper issued by the U.S. Department of Commerce. The White Paper directed the privatization of the DNS in a manner that increases competition and facilitates international participation in its management. ICANN was formed by a broad coalition of the Internet's business, technical, academic and user communities to coordinate the DNS. U.S. government contractors, grantees and a network of volunteers used to handle the essential technical coordination functions of the Internet on an ad hoc basis. However, due to the growing commercial and international importance of the Internet, the creation of a body has been necessitated to coordinate its stable operations. ICANN has assumed responsibility in four key areas: the DNS.

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23 See Lee, supra note 22, at 5.
24 See Stewart, supra note 21, at 511.
26 Id. at 292.
27 Id.
28 See Stewart, supra note 21, at 511.
30 See Stewart, supra note 21, at 511; see also Walker, supra note 4, at 293.
31 A list of accredited and accreditation-qualified registrars can be found at http://www.icann.org/registriers/accredited-list.html (last modified Nov. 20, 2001); see also Walker, supra note 4, at 292-93.
32 Walker, supra note 4, at 292.
33 Id. at 293.
34 Id.
35 Id. at 293-94.
the allocation of Internet Protocol address space; the assignment of protocol parameters; and the management of the root server system.43

ICANN is a non-profit corporation composed of a volunteer Board of Directors with 19 members, three supporting organizations and several policy advisory committees.44 The Board of Directors represent every continent in the world and is divided into nine At Large Directors (five were elected in an online election45), nine directors representing the technical and policy oriented supporting organizations (three elected directors for each supporting organization) and one President and CEO.46 The three supporting organizations are: the Address Supporting Organization ("ASO"),47 the Domain Name Supporting Organization ("DNSO")48 and the Protocol Supporting Organization ("PSO").49 The advisory committees include the At Large Membership Study Committee ("ALSC"),50 the Governmental Advisory Committee ("GAC")51 and the DNS Root Server System Advisory Committee ("RSSAC").52 ICANN's goal is not to "run the Internet" but to oversee the management of only those specific technical managerial and policy development tasks that require central coordination, namely, the assignment of the Internet's unique name and number identifiers.53

The same June 1998 White Paper that sought to privatize the DNS also wanted to address the growing concerns of trademark owners and domain name holders. The White Paper called upon the World Intellectual Property Organization54 ("WIPO") to initiate a balanced and transparent process, which includes the participation of trademark holders and members of the Internet community who are not trademark holders, to (1) develop recommendations for a uniform approach to resolving trademark/domain name disputes ... and related dispute resolution procedures on trademark and intellectual property holders.55

The research process began in July 1998, and after several rounds of regional hearings and consultations with domain name subject matter experts, culminated in April 1999 with the publication of the final report recommending the institution of a dispute resolution policy followed uniformly by all registrars.56 WIPO's recommenda-

2001) [hereinafter BEGINNERS].

43 ICANN FACT SHEET, supra note 40 ; see also BEGINNERS, supra note 42.


46 OVERVIEW, supra note 44.

47 ICANN, A STRUCTURAL OVERVIEW 2, at http://www.icann.org/general/structure.htm (last visited Sept. 26, 2001) ("The Address Supporting Organization (ASO) is concerned with the system of IP addresses, such as 128.9.128.127, that uniquely identify the Internet’s networked computers.") [hereinafter OVERVIEW 2].

48 Id. ("The Domain Name Supporting Organization (DNSO) is concerned with the domain name system (DNS), the system of names commonly used to identify Internet locations and resources. The DNS translates hierarchically-structured, easy-to-remember names (i.e. www.icann.org) into IP addresses that have been assigned to specific computers.").

49 Id. ("The Protocol Supporting Organization (PSO) is concerned with the assignment of Internet protocol numbers, which facilitate the technical standards that let computers exchange information and manage communications over the Internet.").

50 Id. ("The At-Large Membership Study Committee (ALSC) was recently formed to forge a consensus on the best method for representing the world’s Internet users as individuals (At-Large Members) within ICANN. ICANN’s Board chartered the ALSC to help achieve the goal of creating the best mechanism possible for the general Internet community to provide input.").

51 ICANN, A STRUCTURAL OVERVIEW 3, at http://www.icann.org/general/structure.htm (last visited Sept. 26, 2001) ("The Government Advisory Committee (GAC) is composed of appointed representatives of national governments, multinational governmental organizations, and treaty organizations functioning to represent the concerns of governments to the ICANN Board of Directors. The GAC operates as a forum for the discussion of governmental interest and concerns, including consumer interests, and as an advisory committee, it has no legal authority to act for or control ICANN. It publicly reports its findings and recommendations to the ICANN Board.").

52 Id. ("The responsibility of the Root Server System Advisory Committee (RSSAC) is to advise the ICANN Board about the operation of the root name servers of the domain name system. The RSSAC considers and provides advice on the operational requirements of root name servers, including host hardware capacities, operating systems and name server software versions, network connectivity, and physical environment. The RSSAC is also examining and advising on the security aspects of the root name server system, and reviewing the number, location, and distribution of root name servers in light of the performance, robustness, and reliability of the overall system.").

53 ICANN FACT SHEET, supra note 40; see also BEGINNERS, supra note 42.

54 Halpern & Mehrotra, supra note 39, at 550 (WIPO is an intergovernmental organization that is responsible for promoting the protection of intellectual property rights throughout the world and is one of the sixteen specialized agencies of the United Nations system of organizations).

55 DNS, supra note 38.

56 Lee, supra note 22, at 113; see also ICANN, IMPLEMENTATION SCHEDULE FOR UNIFORM DOMAIN NAME DISPUTE RESOLU-
tions were referred to ICANN's DNSO, and after further revisions and public comment, a final draft of the UDRP was formally adopted in October 1999.57

C. Uniform Domain Name Dispute Resolution Policy ("UDRP")

The UDRP has been adopted by all accredited domain-name registrars ending in .com, .net and .org and certain managers of ccTLDs.58 Under the Registration Agreement, the registrant of a domain name is required to submit to arbitration under the UDRP's terms and conditions in the event a dispute arises between the registrant and any party (other than the registrant) over the registration and use of an Internet domain name registered by the registrant.59 The Complainant (party initiating the complaint) may choose from four arbitration services providers currently accredited by ICANN—the WIPO Arbitration and Mediation Center,60 the National Arbitration Forum ("NAF"),61 eResolution62 and the CPR Institute for Dispute Resolution63—to initiate the administrative proceeding by submitting a complaint in hard copy and electronic form to the provider and the Respondent (holder of the domain name registration against which a complaint is initiated).64 The Provider acknowledges receipt of the complaint and contacts the Internet domain name registrar(s) to provide details regarding the domain name in dispute.65 After receiving the requested information from the registrar, a compliance review of the complaint follows.66 If the complaint is deficient, the Complainant has five calendar days to correct it; otherwise, the administrative proceeding will be deemed withdrawn without prejudice and the Complainant is free to initiate a different complaint.67

After the compliance review is completed, the Complainant is required to pay the appropriate arbitration fees depending on whether a single-member panel or a three-member panel was selected.68 Each party pays half the arbitration fee if the Respondent selects a three-member panel, and each provides a list of preferred arbitrators.69 The Provider selects the "Presiding Panelist" and the others are selected from the list provided (one from each party), and the final arbitration ruling is based on a majority vote.70 If a list of arbitrators is not submitted, the Provider makes the selection.71

The Respondent is required to submit a response to the complaint within twenty calendar days from the date of commencement of the administrative proceeding in hard copy and electronic form.72 If the Respondent fails to respond, the Respondent is considered to be in default, and the proceeding continues.73 The Provider appoints either a single-member or a three-member panel to resolve the dispute within fourteen days of its appointment, regardless of whether or not

57 Lee, supra note 22, at 113.
58 UDRP, supra note 2, at 1.
59 Id. at para. 4, §a, at 2.
60 See ICANN, Approved Providers for Uniform Dispute Resolution Policy at http://www.icann.org/udrp/approved-providers.htm (last visited Nov. 10, 2001) [hereinafter APPROVED]; see also Lee, supra note 22, at 113 (Approved as a dispute resolution service provider by ICANN on December 1, 1999, it is based in Geneva, Switzerland, and is a unit of the International Bureau of the World Intellectual Property Organization, established in 1994.); see also WIPO Arbitration and Mediation Center web site, at http://www.arbiter.wipo.int/domains (last visited Nov. 10, 2001).
61 APPROVED, supra note 60; see also Lee, supra note 22, at 113 (Approved as a dispute resolution service provided by ICANN on December 23, 1999, NAF was founded in 1986 and is based in Minneapolis, Minnesota.); see also NAF web site at http://www.arbforum.com/domains (last visited Nov. 10, 2001).
62 APPROVED, supra note 60; see also Lee, supra note 22, at 114 (Approved as a dispute resolution service provider by ICANN on January 1, 2000, eResolution is based in Montreal, Quebec, Canada and was established in 1999, with the primary goal of arbitrating Internet domain name disputes.); see also eResolution web site at http://www.eresolution.ca/services/dnd/arb.htm (last visited Nov. 10, 2001).
63 APPROVED, supra note 60; see also Lee, supra note 22, at 114 (Approved as a dispute resolution service provider by ICANN on May 22, 2000. CPR Institute for Dispute Resolution was established in 1979 and based in New York. It is relatively new in domain name arbitration.); see also CPR web site at http://www.cpradr.org/home1.htm (last visited Nov. 10, 2001).
64 APPROVED, supra note 60 (the Providers also have their own supplemental rules); see also Lee, supra note 22, at 113-116.
66 Id.
67 Id.
68 See id.
69 See UDRP, supra note 2.
70 See Rules, supra note 65.
71 See id.
72 See id.
73 See id.
the respondent submitted a response. Within three days after receipt of the decision, the Provider notifies the parties, ICANN and the respective domain name registrar(s). The total process may take 37 days (at the minimum—Respondent is given 20 days to respond, 14 days for the panel to decide and three days to notify the parties involved).

"In-person" hearings are not allowed unless the Panel determines that it is necessary for deciding the complaint; however, the mandatory administrative proceeding does not prevent either the Complainant or Respondent from submitting the dispute to a court of competent jurisdiction for independent resolution before the proceeding is commenced or after it is concluded. If there are other legal proceedings initiated prior to or during the proceeding with respect to the domain name dispute, the Panel has the discretion to decide whether to suspend or terminate the proceeding or to proceed to a decision.

The remedies available to the Complainant are limited to requiring the cancellation of the domain name in dispute or the transfer of the domain name registration to the Complainant. Cancellation or transfer of the domain name is implemented within ten business days after the registrar is informed of the Panel's decision unless it receives official documentation (file-stamped by the clerk of the court within the ten-day period) that a lawsuit has been commenced against the Complainant. No further action will be taken until the registrar is in satisfactory receipt of (1) evidence of resolution between the parties; (2) evidence that the lawsuit has been dismissed or withdrawn; or (3) a copy of an order from such court dismissing the lawsuit or ordering that the use of the domain name be discontinued. The UDRP is popular for its low-cost efficiency, but the Complainant also has the option of bringing a suit in federal court under the Anti-cybersquatting Consumer Protection Act ("ACPA"), which provides damages up to $100,000.

D. Applicable Disputes

There are three elements the Complainant must prove in order to bring a successful complaint: "(i) [the] domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and (ii) [the domain name holders has] no rights or legitimate interests in respect of the domain name; and (iii) [the] domain name has been registered and is being used in bad faith." The Policy provides a non-exhaustive list of evidence of registration and use in bad faith for the purposes of paragraph 4(a)(iii):

(i) circumstances indicating that you have registered or you have 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 your documented out-of-pocket costs directly related to the domain name; or
(ii) you have 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 you have engaged in a pattern of such conduct; or
(iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or
(iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant’s mark as to the source, sponsorship, affiliation, or endorsement or your web site or location or of a product or service on your web site or location.

Paragraph 4(c) also shows "[h]ow to [d]emonstrate [the domain name holder’s] rights to and [l]egitimate [i]nterests in the [d]omain [n]ame in [r]esponding to a [c]omplaint. Any of the following circumstances ... if found ... to be proved based on its evaluation of all evidence presented, shall demonstrate the rights or legitimate interest to the domain name ...":

(i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or

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74 See id.
75 See id.
76 Id.; see also UDRP, supra note 2.
77 See Rules, supra note 63.
78 UDRP, supra note 2.
79 Id.
80 See id.
83 UDRP, supra note 2, para. 4.
84 Id. at para. 4(b)(i)-(iv).
(ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or
(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.85

III. PASSIVE WAREHOUSING AND THE BAD FAITH REGISTRATION AND USE REQUIREMENT

As mentioned in the introduction, there is some conflict as to whether the UDRP covers passive warehousing since it does not involve any active use, and in effect makes it difficult to prove the third element which specifically requires both bad faith registration and bad faith use. It is necessary to look at the early stages of the Policy in order to trace the various treatments of passive warehousing under the UDRP.

A. Development of the UDRP

There are two components to the third element that must be proven to bring a successful complaint:86 (1) the domain name must have been registered and (2) it is being used in bad faith.87 Two interpretations are possible—either both registration and use must be in bad faith or only the use of the domain name is in bad faith and not necessarily the registration.88 In the Second Staff Report on Implementation Documents for the UDRP,

[s]everal public comments . . . [from] various trademark owners advocated various expansions to the scope of the definition of abusive registration. For example:

These comments suggested that the definition should be expanded to include cases of either registration or use in bad faith, rather than both registration and use in bad faith. These comments point out that cyber-squatters often register names in bulk, but do not use them, yet without use the streamlined dispute-resolution procedure is not available. While that argument appears to have merit on initial impression, it would involve a change in the policy adopted by the Board. The WIPO report, the DNSO recommendation, and the registrars-group recommendation all required both registration and use in bad faith before the streamlined procedure would be invoked. Staff recommends that this requirement not be changed without study and recommendation by the DNSO.89

The comment confirms that both registration and use must be in bad faith. The first WIPO Arbitration and Mediation Center Case No. D99-0001, World Wrestling Federation Entertainment, Inc. v. Michael Bosman90 also acknowledges this interpretation and illustrates how the third element (bad faith) is applied.91 In addition, the comment suggests that passive warehousing is beyond the Policy’s reach—“without use the streamlined dispute-resolution procedure is not available.” Because of this dual requirement constraint, the Policy would not clearly apply to passive warehousing unless the definition of “use” included “non-use.”

Panels “faced the challenge of inferring bad faith use in circumstances where a domain name holder had not used the disputed domain name in the traditional sense (no web site, no e-mail address, and no attempts to sell or otherwise transfer the domain name).”92 However, since the Policy’s implementation, Panels “have gotten around the conjunctive problem by holding that inaction by a domain name owner may constitute bad faith use under certain circumstances.”93

85 Id. at para. 4(c)(i)-(iii).
87 See id. “The Administrative Panel notes two things . . . [first] the provision contains the conjunction ‘and’ rather than ‘or’ . . . [secondly] the provision refers to both the past tense (‘has been registered’) and the present tense (‘is being used’).” Id.
88 See id. at para. 7.4. “The significance of the use of the conjunction ‘and’ is that paragraph 4(a)(iii) requires the Complainant to prove use in bad faith as well as registration in bad faith. That is to say, bad faith registration alone is an insufficient ground for obtaining a remedy under the Uniform Policy.” Id.
91 See id. at paras. 6-7. (In World Wrestling Federation Entertainment, the bad faith element was easily proven because offering to sell the domain name to the Complainant “for valuable consideration in excess of [any] out-of-pocket costs directly related to the domain name’ was evidence under paragraph 4(b)(i) of the UDRP sufficient to show registration and use in bad faith.”). Id.
92 White, supra note 3, at 240-41.
93 Badgley, supra note 4, at 384.
B. Inaction Doctrine

The inaction doctrine started with *Telstra Corporation Limited v. Nuclear Marshmallows*, a passive warehousing case that involved a well-known telecommunications and information services company in Australia. The disputed domain name was telstra.org and was identical to the Complainant’s registered trademark. The Respondent had not used the domain name for a website or any other online presence, and never offered to sell or otherwise transfer the name. In short, there was no positive action being undertaken by the Respondent in relation to the domain name. “All efforts to contact the Respondent failed; in fact, it appeared that the Respondent had taken active measures to conceal its true identity.”

The *Telstra* Panel makes a distinction between undertaking a positive action in bad faith and acting in bad faith. “The significance is that the concept of a domain name ‘being used in bad faith’ is not limited to positive action; inaction is within the concept.” With this interpretation, the comment in the Second Staff Report mentioned earlier that “without use, the streamlined dispute-resolution procedure is not available” would not apply. Their decision in finding bad faith use in passive warehousing was based on a fact-specific test they developed requiring close attention to all the circumstances of the Respondent’s behavior. The Panel based its decision on the following circumstances:

(i) the Complainant’s trademark has a strong reputation and is widely known, as evidenced by its substantial use in Australia and in other countries,

(ii) the Respondent has provided no evidence whatsoever of any actual or contemplated good faith use by it of the domain name,

(iii) the Respondent has taken active steps to conceal its true identity, by operating under a name that is not a registered business name,

(iv) the Respondent has actively provided, and failed to correct, false contact details, in breach of its registration agreement, and

(v) taking into account all of the above, it is not possible to conceive of any plausible actual or contemplated active use of the domain name by the Respondent that would not be illegitimate, such as being a passing off, an infringement of consumer protection legislation, or an infringement of the Complainant’s rights under trademark law.

Subsequent panelists have applied these factors to find bad faith use, and it is clear that the inaction doctrine is firmly established—to date, over 300 decisions have cited *Telstra*.

In comparing how panelists handled the “Telstra” factors, I looked at all the 2001 decisions that cited *Telstra* as authority in finding bad faith use in passive warehousing. In considering the “Telstra” factors and applying a “totality of the circumstances test,” it is naturally more convincing when there are more factors to support the decision of finding bad faith use. Likewise, the decision is less persuasive when there are fewer factors used to support the finding of bad faith use in passive warehousing. In cases where the Respondent defaulted and no active web site is available, the panel simply cited to *Telstra* and inferred that there is bad faith use in passive warehousing. The lack of symmetry is troubling to me since it


95 See *Telstra Corporation*, supra note 94, at para. 1.4.

96 Id. at paras. 2.1, 4.4 (stating that Telstra Corporation already owned telstra.com, telstra.net, telstra.com.au, telstra-inc.com, telstrainc.com).

97 See White, supra note 3, at 242.

98 See id. at 242.

99 Id.; see also *Telstra Corporation*, supra note 94, at para. 7.12.

100 *Telstra Corporation*, supra note 94, at para. 7.9.

101 Id.

102 Id.; see also White, supra note 3, at 242.

103 *Telstra Corporation*, supra note 94 at para. 7.12.

104 Lancome Parfums et Beaute & Cie v. SL, Blancel Web, No. D2001-0028 (WIPO Arbitration and Mediation Center Feb. 27, 2001) 6, available at http://www.arbiter.wipo.int/domains/decisions/html/2001/d2001-0028.html (last visited Nov. 10, 2001) ("*Telstra* is perhaps the most cited of all UDRP decisions to be handed down to date, and its rationale have been followed by numerous subsequent panel decisions."). Id.

does not seem to matter if there is one factor to be considered or five factors to be considered, either way, the outcome is the same—so why bother with the factors?

Although Telstra has become “precedent” for many passive warehousing cases, some panelists have found bad faith use in passive warehousing without citing Telstra as “authority.”

C. “Non-Telstra” Decisions

In Sporoptic Pouilloux S.A. v. William H. Wilson (“buyvuarnetsunglasses.com”), the Panel only found bad faith registration and did not find bad faith use. The Panel ascertained that the domain name buyvuarnetsunglasses.com was not currently active on the web and concluded that it was a “‘ghost’ domain name, registered but not used in any way.” The Panel based its decision on the Second Staff Report on Implementation Documents for the UDRP, quoting “when cybersquatters register names ‘but do not use them’, the Dispute Resolution Procedure is not available.” The Panel continued to say that the Complainant would be free to resubmit under the Policy when the Respondent starts using the domain name in the future.

In contrast, the Panel in Phillips International, Inc. v. Rao Tella found bad faith use by the Respondent even though the domain name viasatellite.com had not yet been activated as a web site. The Panel asked the appropriate question “how can ‘non-use’ become ‘use’,” and looked to the Second Staff Report on Implementation Documents for the UDRP and noted Paragraph 4(b)(iv) of the Policy. The Panel then determined (after finding that the Respondent has no rights or legitimate interest in the domain name) that it would make no sense to wait until the Respondent actually used the name, when “inevitably, when there is such use, it will create the confusion described in the Policy.” The Panel cited Green Products Co. v. Independence By-Products Co., where a preliminary, mandatory injunction was granted by a federal court requiring the transfer of a domain name even though a web site had not yet been opened because it considered the threatened harm “use.” These two cases did not cite or mention Telstra at all in dealing with passive warehousing. The former simply looked at the Second Staff Report on Implementation Documents for the UDRP and concluded the third element was not satisfied without bad faith use and encouraged the Complainant to re-file when the Respondent started using the domain name. The latter also looked to the Second Staff Report on Implementation Documents for the UDRP combined with another section of the Policy and a federal court case but concluded that the third element was satisfied because “threatened harm is ‘use.’”

The Panel in Loblaws, Inc. v. Yogen International considered various possibilities before concluding that there was no bad faith use in passive warehousing. The Panel considered “threat to infringe” as evidence of bad faith use (similar to the “threat to harm is use” argument in the viasatellite.com case) but disagreed with that finding because “such [a] finding [would] in effect render the additional requirement of bad faith use entirely meaningless.” The Panel then considered the Second Staff Report on Implementa-

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107 Id.

108 Id. (“... these cases of registration in bad faith by cybersquatters, without any form of ‘use’ in any sense of the word, however deplorable, do not fall under the Policy”). Id.

109 Id.


111 Id.

112 Id. (“[B]y using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site 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 your web site or location or of a product or service on your web site or location.”). Id.

113 Id.


115 See Phillips Int’l, supra note 110.


118 Loblaws, supra note 116, at sec. 5, para. 8.
tion Documents for the UDRP and determined that "bad faith registration, without more, is not sufficient to constitute bad faith use."119 Unlike the other two cases, which did not mention Telstra, the Panel considered applying the factors used in Telstra. However, since there was no other indication of bad faith use120 based on additional facts and circumstances mentioned in Telstra, even though the Panel had "serious misgivings about the nature of the domain name and the Respondent's rights," the Panel did not believe that such misgivings entitled it to ignore the plain language of the rules that bind both parties and the Panel.121 It is interesting to note that, like the buyvuarnetsunglasses.com case, the Panel stated that the Complainant is free to return to the forum when the Respondent begins using the domain name president-.name in some fashion since the "nature of such use would obviously affect the analysis of both the bad faith registration and bad faith use elements of the ICANN Policy, and could... bring a different result."122

Even though the panel's suggestion of re-filing a complaint when actual bad faith use occurs seems very inefficient, since there is no satisfactory resolution for the Complainant, the three cases show how passive warehousing has been handled by panelists without using the Telstra factors. The next section explores various ways of treating passive warehousing in light of what has been done in the past.

IV. UTILITARIAN PERSPECTIVE

A. "Utilitarianism" Defined

"Utilitarianism... holds that the moral worth of an action (or of a practice, institution, law, etc.) is to be judged by its effect in promoting happiness - 'the surplus of pleasure over pain' - aggregated across all of the inhabitants of 'society' (which might be a single nation, or the whole world)123 - 'the maximization of net social welfare.'124 Others have described it as "the model that fits a view that people are willing to 'assume the risk that maximizing society's utility will maximize their own utility.'125 Most commentators have also observed that utilitarianism has "boundary problems" because of its uncertainty.126 Utilitarianism has been defined and analyzed by economists and legal theorists over the years, but for the purpose of discussion in this paper, the dictionary definition offered in the introduction127 is an adequate starting point. The general preference for "utility," regardless of whether it adds or not to the overall happiness of society, will be the focus of discussion, thus avoiding the boundary problems and shortcomings of the "utilitarian" system.

"Use" is defined as "[t]he purpose served; a purpose, object or end for useful or advantageous nature... to employ for or apply to a given purpose... especially to attain an end."128 Based on this definition, "use" involves both an action and a purpose for such action. A preference for utility as a result of some action can also be interpreted from this definition. As mentioned earlier, the purpose of the action (whether or not it contributes to the greater good) is not the concern but a showing of "use" on the part of the holder will suffice to establish that it is being used. This could include personal use, commercial use or educational use. Some people have registered domain

119 Id. at sec. 5, para. 9.
120 Id. at sec. 5, para. 6 (There was no evidence that the Respondent has used the domain name president-schoelessocks.com for any purpose; it simply defaulted to a standard "under construction" page.). Id.
121 Id. at sec. 5, para. 11.
122 Id. at sec. 5, para. 13.
123 Richard A. Posner, Utilitarianism, Economics, and Legal Theory, 8 J. Legal Studies 108 (Jan. 1979), reprinted in 1 Economic Structure of the Law 140, 141 (2000) (explaining that "[a]n act or practice is right or good or just in the utilitarian view insofar as it tends to maximize happiness, usually defined as the surplus of pleasure over pain.") (hereinafter Posner); see also id. at 148.
126 Id. at 264 (finding that utilitarianism has several problems, including "boundary problems... [H]ow large is the society for which utility is to be maximized?"); see also Posner, supra note 122, at 149 ("One criticism is that the domain of utilitarianism is uncertain. Whose happiness is to count in designing policies to maximize the greatest happiness? Does the happiness of animals count?").
127 Utilitarianism as "a doctrine that the useful is the good and that the determining consideration of right conduct should be the usefulness of its consequences." Webster's, supra note 7, at 1300.
128 Black's Law Dictionary 1541 (6th ed. 1990) (hereinafter Black's); see also Webster's, supra note 7, at 1299-1300 (defining "use" as "carry[ing] out a purpose or action by means of"); "utilize" as "put[ting] into service especially to attain an end"; and "utility" as "fitness for some purpose or worth to some end.")
names as gifts\textsuperscript{129} for future use and so long as no one brings a complaint, there should be no problem. However, once a complaint is brought, finding “use” becomes essential and at the same time problematic for passive warehousing cases because of the “non-use” qualities it carries.

B. Non-use Is Use

If it were clear from the beginning of the implementation of the Policy that passive warehousing (non-use) is not to be covered under the Policy, then the inaction doctrine would not have developed, and it would not be an issue. Since the inaction doctrine has come to the fore, the question of whether or not the Policy was designed to handle passive warehousing is moot. However, at this point, the inaction doctrine is well established and needs to be evaluated if the Policy is to continue being an effective and efficient mechanism for resolving domain name disputes with regard to passive warehousing.

The question is how can “non-use” become “use”\textsuperscript{130} through the application of these definitions within the “utilitarian” perspective to passive warehousing cases in order to prove the bad faith use element of the Complaint.\textsuperscript{131} Returning to the Second Staff Report on Implementation Documents for the UDRP, the 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” (emphasis added).\textsuperscript{132} The first case\textsuperscript{133} under the UDRP cites the Court of Appeals case, Panavision International, L.P. v. Dennis Toeppen,\textsuperscript{134} which held that the defendant’s intention to sell the domain name to the plaintiff constituted “use” to support its decision.\textsuperscript{135} In World Wrestling Federation, the administrative panel found that “[b]ecause respondent offered to sell the domain name to complainant for ‘valuable consideration in excess of’ any out-of-pocket costs directly related to the domain name, respondent has ‘used’ the domain name in bad faith as defined in the Policy.”\textsuperscript{136} In both cases, “use” had some action (selling or offering to sell) involved as well as a purpose or intent (to earn huge profits). It is interesting to note that in World Wrestling Federation, even though the Respondent had not developed a web site using the domain name at issue or made any other good faith use of the domain name, the “use” was not Internet-related but referred to the offer to sell for valuable consideration.\textsuperscript{137} In passive warehousing cases, there is no distinction between “use” on the Internet and “use” off the Internet (i.e., no Internet presence or active web site versus no offers to sell at a huge profit) since there is usually “non-use” in both situations.\textsuperscript{138} “Use” then is not limited to internet presence or web site activity, but involves other actions with some purpose or intent.

In Telstra, the Panel observed that only Paragraph 4(b)(iv)\textsuperscript{139} in the UDRP involves a positive action post-registration while the other three sections can be found in a situation involving passive holding (non-use) of the domain name registration plus additional facts.\textsuperscript{140} It is also in Telstra where the Panel states that “being used in ‘bad


\textsuperscript{130} See Phillips Int’l, supra note 110, at 4 (stating that “[t]he question, worthy of a Talmudic scholar, is: ‘How can ‘non-use’ become ‘use’?” and finding bad faith use in passive warehousing, which is “non-use.”).

\textsuperscript{131} UDRP, supra note 2, at para. 4(a)(iii). The third element of the Complaint requires that the domain name be registered and is being used in bad faith.

\textsuperscript{132} See Second Staff Report, supra note 12, §4.5.a.


\textsuperscript{134} 141 F.3d 1316 (9th Cir. 1998).

\textsuperscript{135} World Wrestling Fed’n, supra note 133, ¶6, para. 8 (citing Panavision International, 141 F.3d 1316).

\textsuperscript{136} Id., ¶6, para. 7.

\textsuperscript{137} See World Wrestling Fed’n, supra note 133, at §§4 and 5, at 3, 5.

\textsuperscript{138} Sporoptic Pouilloux, supra note 106, at para. 6, ¶F, at 3. (stating that “‘[u]se’ is not necessarily use on the Internet.”).

\textsuperscript{139} UDRP, supra note 2, para. 4(b): (“Evidence of Registration and Use in Bad Faith (iv): . . . by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site 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 your web site or location or of a product or service on your web site or location.”).

\textsuperscript{140} Telstra Corporation, supra note 94, at para. 7.10, at 10.
faith" is not limited to positive action; inaction is within the concept. In light of this distinction and using the definition of "use" as "a means to carry out a purpose" which was mentioned earlier, one could argue that a non-action (or non-use) can be considered a means to some purposeful end. Using the definition of "use" as "a means to carry out a purpose," then "non-use" becomes "use" without having to consider the "other facts and circumstances" mentioned in Telstra to find bad faith use. Using the "qualified utilitarian approach" the preference for utility is shown without having to consider what the purpose is so long as there is a purpose. The fact that it is being "used" regardless of whether such use involves an action or non-action is sufficient to establish use with an underlying undisclosed purpose.

C. Finding Bad Faith Use

Having established that "non-use" is "use," the "bad faith" component falls within the circumstances identified in Paragraphs 4(b)(ii) and (iii) because non-use could trigger those circumstances. Paragraph 4(b)(ii) involves registration of a domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name. Registering a domain name without further action can prevent the trademark owner from reflecting his mark in a corresponding domain name because registration is on a first come first served basis. Mere registration with no further bad faith action is enough to have this effect on the legitimate trademark owner. In TM Acquisition Corp. v. Choice One Mortgage the panelist found that "failure to use the name since registration is not relevant, since registration in and of itself is a use." Thus, passive warehousing would fall under this category proving bad faith registration and bad faith use.

Likewise, in Paragraph 4(b)(iii), registering a domain name primarily for the purpose of disrupting the business of a competitor can be accomplished without further bad faith action thus satisfying the requirement of bad faith registration and bad faith use. The passive holding by itself can affect the trademark owner or the business of a competitor once registered because the fact that another person has control over one's name or goodwill in a trademark poses a threat to one's future interests in that domain name. In the viasatellite.com case, even though there is no "actual" use involved, the Panel found "use" in "threatened harm" as a preventive measure from inevitable confusion. The Panel's suggestion in the buyvuarnetsunglasses.com and the presidentschoicesocks.com of re-filing a Complaint when bad faith use has begun seems inappropriate from a business stand point since being at the mercy of a complete stranger who has control over one's domain name (whether or not it is being used commercially or non-commercially) does not make much business sense. At the same time, the Policy's efficiency and effectiveness suffers because the Complainant, who has an interest to protect the domain name, does not get a satisfactory resolution to the problem and would have to pay for costs the second time around. Meanwhile, the Complainant can only wait and see what the passive warehouser's action will be under this Policy.

D. Preference for Use

There is also evidence of "utilitarian preference" in the Policy itself. For example, Paragraph 4(c)(iii) mentions that a "legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue" can be used to demonstrate one's rights to and legitimate interests in the domain name in responding to a complaint. Even though the list of circumstances is not exhaustive, it suggests a wide range of use (including "legiti-

\footnotesize{\textsuperscript{141} Telstra Corporation, supra note 94, at para. 7.9, at 9.} 
\footnotesize{\textsuperscript{142} UDRP, supra note 2, at para. 4(b)(ii) and (iii), at 3.} 
\footnotesize{\textsuperscript{143} NATIONAL ARBITRATION FORUM, DECISION, TM Acquisition Corp. v. ChoiceOne Mortgage 3, No. FA96932 at http://www.arbforum.com/domains/decisions.96932.htm (last visited Nov. 10, 2001) (The domain name at issue is century21mortgage.com. "Panelist findings include: Respondent has no 'rights' in the domain name," "has merely passively held the domain name," "has certainly registered the mark in 'bad faith' with the simple intent, which may be clearly inferred, of blocking the use of the domain name by the holder of the mark" and that "registration to block use supports a finding of bad faith under these circumstances.").} 
\footnotesize{\textsuperscript{144} See Phillips Int'l, supra note 110.} 
\footnotesize{\textsuperscript{145} See Sporoptic Pouliloux, supra note 106, at para. 6F, at 4; see Loblaw, supra note 116, at §5, at 3, 4.} 
\footnotesize{\textsuperscript{146} UDRP, supra note 2, at para. 4(c)(iii), at 3.}
From a utilitarian perspective, the second element is essential in bringing a complaint and in defending one as well. In effect, the third element seems unnecessary and redundant for the Complainant to prove if s/he has already proven that the Respondent has no right or legitimate interest in the domain name in dispute (the second element) because, if the Respondent did not have any rights or legitimate interests in the domain name, then the mere act of registration is an act of bad faith and should satisfy the bad faith registration and use requirement. It would make more sense for the Respondent to carry the burden of proof that s/he did not register and use the domain name in bad faith since it is the Respondent's responsibility as a registrant to determine whether his/her domain name registration infringes or violates someone else's rights at the time of registration. Shifting the burden to the Respondent to prove that s/he has a legal interest in the domain name (i.e. it is being used or will be used in the near future for whatever purpose; see also paragraph c(i)-(iii) in the Policy), does not create an extra burden since the defense requires one to prove that s/he has a legal interest anyway by showing some kind of use.

Eliminating the third element (or creating a rebuttable presumption)\(^{147}\) would sift through those engaged in passive warehousing with some useful future purpose in mind and those that do not but somehow effectively prevent and disrupt other business competitors or users. Even though a rebuttable presumption favors the Complainant, assuming the Complainant has a legitimate interest, the Respondent is given the opportunity to defend its interest in the disputed domain name. The "utilitarian preference" favors the Complainant who initiates the complaint as a means of protecting their interest in the domain name; otherwise, a complaint would not have been filed. If the Respondent has any interest at all in protecting its domain name, the Respondent should be more diligent in responding to general correspondence with third parties and notices at the minimum to ensure that s/he still has a domain name.\(^{148}\) It is not a heavy burden on the part of the Respondent to keep track of its own interest whatever they may be. Assuming the domain name has a significant enough value to any registrant, the registrant will naturally be vigilant in asserting one's rights to defend any interest in the domain name.\(^{149}\)

Using utility as a determining factor encourages activity and competition and hopefully discourages non-activity in a vacuum that would be inconsistent with the original goals of ICANN and the UDRP.\(^{150}\) Through this Policy, the end goal of encouraging competition is achieved because by prevailing over the passive warehouser, the "preferred user" is able to go about his/her business instead of being prevented or disrupted by a passive holder.

V. CONCLUSION

The UDRP was designed to resolve a very narrow class of cases involving cybersquatters. Although passive warehousing may not have been specifically addressed in the early days of the UDRP, the Panelist's decision in Telstra has attempted to deal with this issue. By taking Telstra a step further and removing the factors, the Complainant, in effect, is left with two elements to

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\(^{147}\) Black's, supra note 128, at 1186 ("Rebuttable presumption. a presumption that can be overturned upon the showing of sufficient proof").

\(^{148}\) White, supra note 3, at 244 ("most inaction doctrine cases involve Respondent who default . . ."); see also Lacer, S.A. v. Constanti Gomez Marzo, No. D2001-0105 (WIPO Arbitration and Mediation Center Mar. 29, 2001) 4, at http://arbiter.wiipo.int/domains/decisions/html/2001/d2001-0105.html (last visited Nov. 10, 2001) ("the burden of proving the contrary should be turned around and the Respondent should be the one to have to justify his passive attitude. This has not been done in the present case, because the Complaint was not responded to; But cf Weider Publications, Inc. v. Don Ho Cha (WIPO Arbitration and Mediation Center Mar. 14, 2001) at http://arbiter.wiipo.int/domains/decisions/html/2001/d2001-0105.html (last visited Nov. 10, 2001) (Respondent was successful in establishing that he has legitimate interest in the domain and was not passively holding but preparing a family website. The third element was unnecessary because the Complainant failed to prove that Respondent has no legitimate interest)."

\(^{149}\) DNS, supra note 38, at 18-19.

\(^{150}\) Through this Policy, the end goal of encouraging competition is achieved because by prevailing over the passive warehouser, the "preferred user" is able to go about his/her business instead of being prevented or disrupted by a passive holder.
make his/her case, and the Panelists are able to uniformly apply this doctrine.

Even though the burden of proof is shifted to the Respondent with regard to the third element, the Respondent is able to meet this requirement because it is the Respondent's responsibility to make sure that s/he is not infringing or violating anybody else's rights upon registration. Also, since the Respondent's defense to the complaint is a showing of legitimate right to use the domain name, it is not an extra burden but is built-in and part of the defense. It may seem like a harsh rule, but it still allows those who have a legitimate interest to function within the system.

Consistent with a preference for utility, the Policy includes a showing of use as evidence to establish one's legitimate interest in responding to a complaint. Utility should be the determining factor when deciding who has rights to a domain name. If the registration and management of domain name registration was transferred to a non-profit private corporation to "increase competition," then any kind of passive activity that stifles competition should be discouraged, if not deterred. Any kind of use (i.e., commercial, non-commercial, personal, educational, etc.) should be acceptable and should be encouraged so long as no harm results.

By streamlining the Policy itself and splitting the burden of proof to each party to show some form of legitimate use, a more uniform application of the inaction doctrine would result and at the same time would allow the UDRP to maintain its effectiveness and efficiency in resolving domain name disputes consistent with its goals and objectives.