

UDRP panel at odds on reverse domain name hijacking International - Hogan Lovells LLP

Cybersquatting

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In a [recent decision](#) under the [Uniform Domain Name Dispute Resolution Policy](#) (UDRP) before the [World Intellectual Property Organisation](#) (WIPO), a three-member panel has denied the transfer of the domain name 'modway.com', but dissented on the issue of reverse domain name hijacking.

The complainant was [East End NY Imports Inc](#) (of New Jersey, United States), a wholesale furniture company and owner of a MODWAY trademark registered with the [US Patent and Trademark Office](#) (USPTO) on April 1 2014 in Class 20 of the [Nice Classification](#), covering furniture for house, office and garden.

The respondent was [Dynamo.com](#), a company founded in 2005 specialised in name conception, logos and brand graphics, trademark research, and promotional copy for start-ups and corporations. The respondent was the owner of numerous domain names corresponding to generic and coined terms for use in its business, including 'modway.com', registered on May 3 2005. The domain name has always pointed to a blank page.

The complainant first used its MODWAY mark on or about April 1 2012. Prior to this, in January 2012, the complainant approached the respondent with a view to negotiating the purchase of the domain name. In response to the complainant's approach, the respondent offered to sell the domain name for \$25,500 and the complainant rejected the offer. The complainant then waited until after its trademark was registered with the USPTO to have its lawyers send a letter to the respondent on August 21 2014 with a counter-offer to purchase the domain name for \$7,500. This counter-offer was rejected by the respondent on October 8 2014 and the complainant's lawyers then sent a second offer to buy the domain name for \$5,000 and stating that, should the respondent renew the domain name beyond May 3 2015, then this would be a fraudulent renewal. On December 9 2014 the respondent sent a letter to the complainant's lawyers rejecting the last offer. On May 3 2015 the respondent renewed the domain name and shortly thereafter the complainant filed a complaint under the UDRP to which the respondent filed a response.

To be successful in a complaint under the UDRP, a complainant must satisfy the following three elements:

1. the domain name must be identical, or confusingly similar, to a trademark or service mark in which the complainant has rights;
2. the respondent does not have rights or legitimate interests in respect of the domain name; and
3. the domain name has been registered and is being used in bad faith.

In relation to the first requirement, the complainant contended - and the respondent did not object - that the domain name was identical to the complainant's MODWAY mark, and thus the three-member panel found that this first test had been passed.

As for the second prong of the UDRP, the complainant argued that the respondent had no rights or legitimate interests and mainly relied on the fact that the domain name had never been used actively since its registration. The panel therefore found that the complainant had made out a *prima facie* case that the respondent needed to rebut, although it was a close call.

The respondent counter-argued by highlighting the fact that the domain name had been initially registered for a potential project for a client and then retained for potential future use for its clients and that it was nearly used for an entity offering low-resistance wiring. The respondent also highlighted the inherent generic nature of the term 'modway' (the combination of 'mod', meaning 'fashionably up-to-date', and 'way') and that this term was used by many including by two rock bands, and also for leather goods, industrial saws etc. The respondent also highlighted the fact that, when it registered the domain name, the complainant's MODWAY trademark did not exist and only came into existence through first use seven years after registration of the domain name. Finally, the respondent highlighted the fact that, in a previous UDRP case it had been involved in, [Parlance Corporation v Dynamo.com](#) (NAF Claim No 1508767), relating to the domain name 'parlance.com', the complainant's claim had been rejected due to the fact that the term 'parlance' was generic.

The three-member panel accepted the respondent's contentions and found that, on the balance of probabilities, the respondent had successfully carried its burden of demonstrating a legitimate interest in the domain name, thus countering the complainant's *prima facie* case.

Finally, turning to bad faith, the complainant relied on the fact that the domain name had not been actively used since it was registered in 2005 and argued that it was primarily registered to be sold for valuable consideration in excess of out-of-pocket costs. The complainant argued that the use of the domain name by the respondent amounted to abusive passive holding and that it was not conceivable that the domain name could be used in a legitimate fashion. The complainant argued that this was in breach of the respondent's representations and warranties under Paragraph 2 of the UDRP and that the fact that the respondent decided to renew the domain name on May 3 2015, in spite of the fact that it had been put on notice by the complainant's lawyers of the existence of the complainant's MODWAY trademark, did constitute bad-faith registration and use. The complainant also pointed to the respondent's previous involvement in UDRP proceedings and stated that it considered that the respondent was a "domain name troll".

The respondent rebutted the complainant's contentions very comprehensively. For instance, the respondent highlighted the fact that it could not possibly have registered the domain name in bad faith as the complainant did not begin to use the term 'modway' until seven years later. As for the complainant's arguments on an alleged breach of Paragraph 2 of the UDRP, the respondent reminded the panel that the view put forward by the complainant was not the prevailing view of WIPO panels and that there had been no transfer of the domain name or change of use of the domain name since registration. The respondent also referred to US case law supporting the argument that a renewal of a domain name would not be in breach of the Anti-cybersquatting Consumer Protection Act as long as the initial registration was lawful. The respondent also pointed out that it did not benefit from, infringe upon, or tarnish the complainant's trademark in any way.

The three-member panel agreed with the respondent's stance on bad faith and referred to the [WIPO Overview 2.0](#), Paragraph 3.7 whereby:

"(...) a mere renewal of a domain name has not generally been treated as a new registration for the purpose of assessing bad faith. Registration in bad faith must normally occur at the time the current registrant took possession of the domain name".

In any event, the panel decided that, even at the time of renewal, there was insufficient evidence to indicate that the respondent violated any of the warranties under Paragraph 2 of the UDRP (ie, registering the domain name for an unlawful purpose or with the intent to knowingly use it in violation of any applicable laws or regulations). The panel also noted that the term 'modway' was not so well known that it could not be used by a third party and that the respondent had provided credible and detailed reasons as to why the domain name had not been actively used.

Turning to the issue of reverse domain name hijacking as per the respondent's request, the majority of the three-member panel decided against such a finding, but agreed it was a close call, mainly based on the fact that the complaint had been thoroughly documented "drawing from a diverse pool of prior UDRP cases". The majority of the panel also took into account the respondent's response and behaviour, including the fact that the respondent had sought to introduce irrelevant information.

However, panellist Tony Willoughby clearly dissented on this last issue and pointed out that he believed that the complaint would never had a chance under either the second or third elements of the UDRP. He also highlighted the fact that, when considering the issue of reverse domain name hijacking, it is not the behaviour of the respondent that should be addressed but that of the complainant in bringing the complaint. He concluded that "the arguments were artificial in the extreme and must have been known to be so."

This case shows that, to succeed under the UDRP, or to decide whether the UDRP is even an adequate course of action, a complainant should be familiar with the content of the UDRP, as well as with the substantial pool of precedents and WIPO panel views on the various aspects of the UDRP, for instance the cumulative nature of the bad-faith test. In the present instance, there was nothing in the fact pattern that could have seriously justified a transfer of the domain name and not least the fact that the trademark relied upon had been registered nine years after the domain name. This was of crucial importance as the UDRP is first and foremost designed for the protection of trademarks.

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