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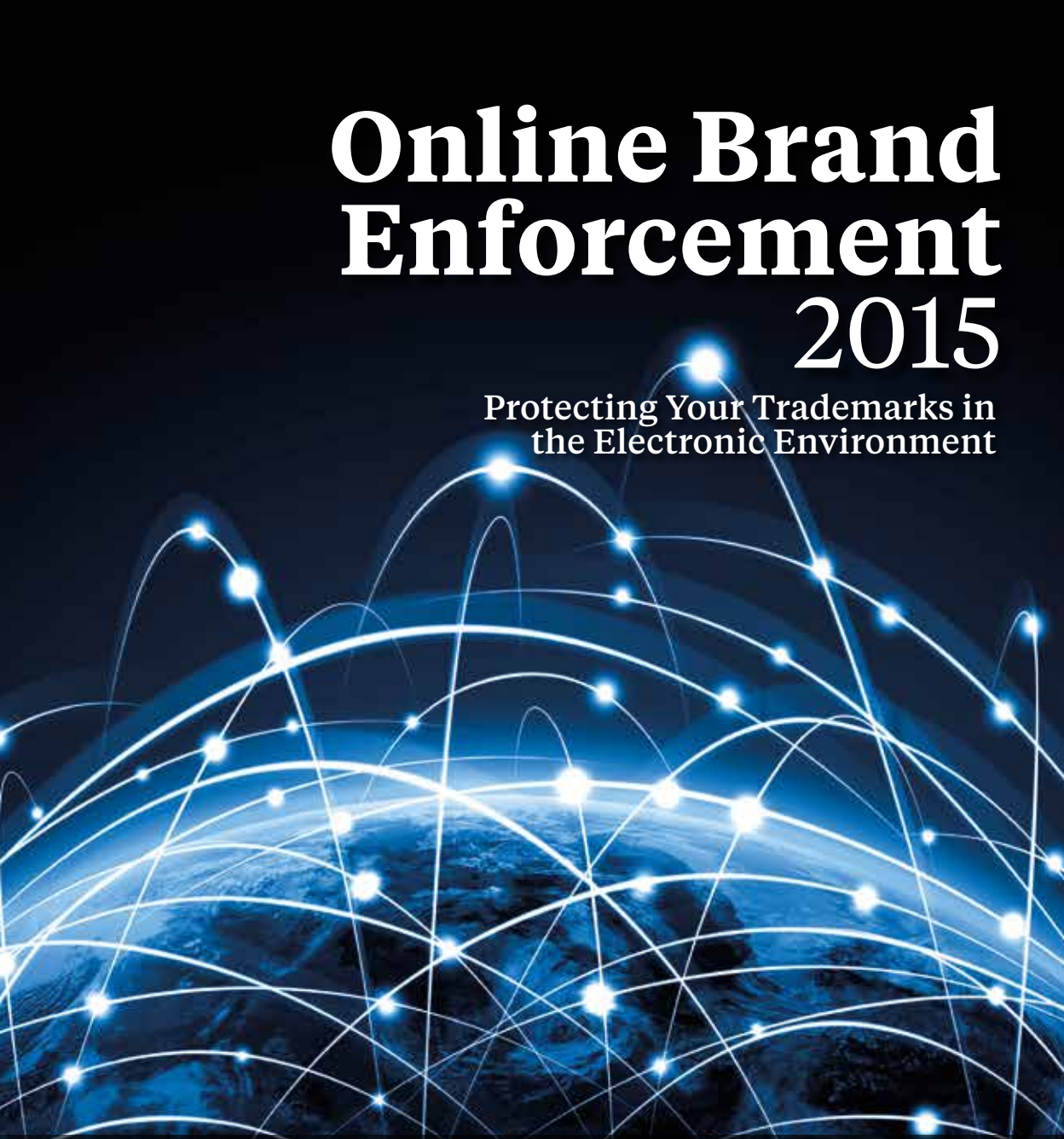

Uniform Rapid Suspension – the first 100 decisions and an economic analysis

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Uniform Rapid Suspension – the first 100 decisions and an economic analysis

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This article examines some statistics and highlights from the first 100 Uniform Rapid Suspension (URS) decisions. Next, using economic cost analysis, it compares URS with the longstanding Uniform Domain Name Dispute Resolution Policy (UDRP) in order to provide rights holders with the tools to evaluate the relative cost differences under the two scenarios. Both legal analysis and economic analysis can help rights holders decide whether the new URS rule set is the best enforcement mechanism for protecting new generic top-level domains (gTLDs).

A look at the numbers

Currently, two providers administer the URS: the National Arbitration Forum (NAF) and the Asian Domain Name Dispute Resolution Centre.

National Arbitration Forum

As of early September 2014, about 100 URS decisions had been reported by the NAF. Complainants succeeded in 86% of these in having domains suspended, while registrants maintained control of domains in 14%. These statistics are remarkably similar to those of the UDRP, in spite of the higher standard of proof for the URS.

There is a 40% default rate among registrants and a 6% withdraw rate among complainants. The NAF has an average pendency of approximately 18 days.

Pursuant to the URS rules, a losing party may appeal a final decision. There have been eight appeals, resulting in two reversals: control of one suspended domain was returned to the registrant and one returned domain was suspended. Two appeals resulted in a split decision whereby there was a dissenting opinion, but the decision of the majority determined the outcome.

Asian Domain Name Dispute Resolution Centre

Only seven decisions have been reported by the Asian Domain Name Dispute Resolution Centre, all of which resulted in suspension of the accused bad-faith registration. There was a 21-day average pendency.

Decisions of note

First decision

The first URS decision was a rather mundane default suspension in favour of Facebook against the domain 'facebok.pw'. The fact that Facebook challenged a domain in the country-code TLD '.pw' explains why this complaint pre-dated other URS proceeding by six months. The examiner inferred bad faith from the respondent's pattern of illegitimate domain name registrations, which was demonstrated by Facebook.

Failed attempts

Of the first 100 decisions, there were 14 in which the complainant failed to prove the required elements of the URS rule set (see Brian Beckham, "Exploring the URS as a

trademark enforcement option for new gTLDs", *World Trademark Review* December/January 2014 for specific details regarding the URS procedure). Four of these decisions denied the complainant relief, even though the registrant submitted no response. The recipe for failure in most of these decisions was a descriptive or generic domain name combined with a plausible story from the registrant as to the legitimate use of that domain. It should come as no surprise that the clear and convincing standard of proof, as measured against words with plain meanings, makes the URS especially challenging for descriptive or generic domains.

From these decisions, some examiner statements may be of interest:

- "The Complainant has only offered into evidence the fact that the domains are on a parking page with the registrar. This is insufficient to meet the required standard of clear and convincing evidence, especially considering the limited amount of time between the date of the domain registration and the Complaint" (*Principal Financial Services, Inc v T YS*, Claim FA1407001570598).
- "On the facts presented in this case, the issues of whether Respondent has no legitimate right or interest to the domain name, and whether the domain name was registered and used in bad faith, are intertwined" (*Principal Financial Services, Inc v Advanced Messaging Systems LLC*, Claim FA1407001570539).
- "In some circumstances, that Respondent profits or hopes to profit from the use of domain names which are substantively identical to Complainant's marks might be taken as evidence that Respondent has no rights to or legitimate interests in them" (*International Business Machines Corporation v North Sound Names*, Claim FA1406001563944).

Successful appeals

'Stuartweitzman.email': Registrant yoyo.email Ltd of the United Kingdom owned 'stuartweitzman.email'. The complainant was high-end shoe company Stuart Weitzman, LLC. The examiner in the first determination was uninspired by the respondent's alleged good-faith plans to offer an "invaluable proof of delivery" email service. The examiner concluded that if such service required the participation of Stuart Weitzman, then the domain had necessarily been registered with a bad-faith intent to profit. Thus, the domain was suspended.

On appeal, a panel of three examiners looked to the clear and convincing standard and unanimously agreed that this was not a clear case of trademark abuse. Although the details of yoyo's email service were well guarded, the panel nonetheless gleaned enough to find good-faith use. The panel apparently reasoned that use of the domain could be considered a nominative fair use of the mark.

Interestingly, an earlier proceeding involving yoyo and its registration for 'lufthansa.email' involved similar facts. Complainant Lufthansa Airlines succeeded at first instance and the domain was suspended. On appeal by yoyo, two of the three examiners sided with Lufthansa and upheld the suspension. However, one examiner dissented on the basis that Lufthansa "failed to present clear and convincing evidence that the disputed domain name is not to be used in connection with a bona fide offering of goods and services for which Respondent has made demonstrable preparations and/or that Respondent's use qualifies as fair use". One week later, this same examiner participated in yoyo's successful appeal over 'stuartweitzman.email'.

The three-examiner panel in *stuartweitzman.email* attempted to distinguish its decision from *lufthansa.email*: "In *Lufthansa*, there was evidence of Respondent's intent to use the free email service to receive money from advertising and social media. However, here, there is no record evidence of Respondent's intent to monetize the free email service." This distinction would be a great deal more persuasive if it had involved a different registrant.

'Porsche.social': In a two-sentence opinion, the first examiner found the "creation of a free community of Porsche car enthusiasts" to be a legitimate use. While the opinion's explanation was certainly lacking, the nature of the gTLD '.social' seemed to suggest a plausible fair use.

On appeal, Porsche succeeded in proving that the registrant had no legitimate interests

in the domain. While this is a difficult decision to read, it suggests between the lines that the registrant simply was not doing what it said it was doing. Rather than a free community, it had created an e-commerce business leveraging Porsche.

'Wolfram.ceo': This decision is a lesson in the importance of details. Here, complainant Wolfram Research, Inc asserted rights in registrations owned by Wolfram Group, LLC. Without evidence that the companies were related, the examiner concluded that the complainant failed to meet the first factor, proof of rights, and summarily denied relief. Three days later, Wolfram Group, LLC corrected its mistake in a new URS filing and the domain 'wolfram.ceo' was suspended.

'Bbva.land': Was this a case of legitimate use or manufactured use? You be the judge. As an explanation for registering its domain 'bbva.land', the respondent claimed that the letters stood for three districts near Valencia, Spain. The letters also stand for a well-known multinational Spanish banking group, Banco Bilbao Vizcaya Argentaria, SA.

With some of these legal lessons in mind, let us turn to an economic analysis of URS and UDRP.

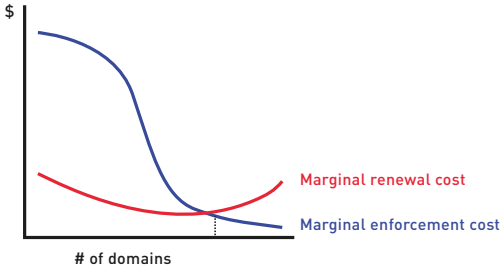
URS versus UDRP – an economic approach

Generally speaking, the more domains that a company owns, the fewer domain infringement problems it will have. Theoretically, it may be possible to register so many variations of a mark in every gTLD that a would-be infringer would have no motivation to go further. However, the cost of this theoretical extreme would be prohibitive. So the question becomes: what is the optimal number of domains to own?

If I have no additional domains in my portfolio, it is likely that opportunists will exploit this situation and register either very similar domains in '.com' or identical domains in other gTLDs in bad faith. However, if I can take the biggest prizes off the market by owning them myself, I will most likely incur fewer URS and UDRP enforcement costs. Thus, the marginal cost that I spend on registration and renewals is less than the cost savings (think revenue) that I earn through fewer enforcement proceedings. As long as this situation exists, I should accumulate more domains.

As I work to amass a larger portfolio of domains, I will reach a point where my enforcement costs begin to level off (although they are unlikely ever to reach zero), but my registration and renewal cost will continue to climb. The optimisation point is where the marginal cost of an additional domain equals marginal 'revenue' of cost savings resulting from fewer enforcement proceedings. From this optimal point, if I register one more domain, it will cost me more than I will save in reduced enforcement. And if I drop one domain from my portfolio, I will spend more in additional enforcement than I will save in renewal costs.

FIGURE 1: Domain name portfolio optimisation point



With this theoretical foundation in mind, how do I make specific enforcement and ownership decisions about domain names?

The first question that a rights holder must ask is: "Do I want to use the domain?" If the answer is yes, then the URS is not an option, as the URS remedy is the suspension rather than the transfer of the domain. Indeed, ownership of the suspended domain is maintained by the bad-faith registrant. Although it may be possible to use the URS as a poor man's UDRP and attempt to register the domain after the suspension expires, this involves the risk that others may beat you to it or that the domain might go to auction at a high price. This scenario is discussed more fully below.

A related question is: "Do I want to control the domain through ownership?" Or to put it

another way: "Do I want to eliminate future risk and resolve a situation once and for all?" This may not be such a stupid question, for at some point the maintenance cost of unused domains will exceed enforcement costs by a non-optimal margin.

It is true that ownership of certain valuable domains is wise and there is an initial inverse relationship between ownership expense and enforcement expense. But trying to own everything is as costly as it is futile – the variations of a mark multiplied across all gTLDs is virtually limitless. In addition, a company that demonstrates a hunger for owning unused domains may temp a cybersquatter to hoard their feed. Hopefully, what follows will give rights holders some tools to determine where to draw the ownership line.

It may be possible for a relatively small enforcement expenditure today (URS), plus a low likelihood of a future bad-faith registration once a suspended domain falls back into the available pool, to amount to less than a large enforcement expenditure today (UDRP), plus the perpetual cost of renewal. Mathematically, this can be expressed as the following ratio:

Cost of URS + expected cost of future URS(s)
Cost of UDRP + net present value of future renewal costs

In the above formula, the total cost of the URS route is the cost of the URS today plus the expected cost of all URSs in the future for a particular domain. The expected cost is the ordinary URS cost multiplied by the probability of having to incur it. So if you think that there is a 20% chance of another bad-faith registrant, the expected cost will be 0.2 x URS cost.

Let us assume that there is a domain which you believe to have been registered in bad faith. Not knowing whether you should hold the domain in your portfolio for defensive purposes, how can you choose between the URS and UDRP? First, let us establish a benchmark for going down the UDRP route. The total cost of the UDRP is the present-day filing cost plus the net present value of future renewal costs. This can be expressed in the following formula:

UDRP$ + renewal$/r

where renewal costs are annualised and divided by 'r', which is the appropriate rate of return for your money. At a filing cost of roughly $1,500 (note that the $1,500 fee for the UDRP and the $375 fee for the URS are filing fees and do not include legal costs), a $15 yearly renewal fee and return rates of 3%, 5% and 10%, we have:

$1,500 + 15/0.03 = $2,000
$1,500 + 15/0.05 = $1,800
$1,500 + 15/0.1 = $1,650

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How does this compare to the URS? The problem is that total URS costs are uncertain because the domain will eventually become available again and subject to exploitation by the same or another registrant. We must therefore predict this likelihood in order to estimate total URS costs.

For a given domain, you can make predictions in two ways – either the certainty of a bad-faith registration every X number of years; or the probability of a bad-faith registration every X number of years. Either way results in the total estimated probability of another bad-faith registration and can be used to calculate the expected cost of future URS proceedings. Each may be expressed as follows:

URS$ + (URS$/x)/r
URS$ + y(URS$/x)r

where 'URS$' is the current filing cost, 'x' is the predicted number of years between enforcement, 'y' is the probability on a periodic basis and 'r' is the rate of return. Assuming that a $375 URS cost is expected every five years and a 3%, 5% and 10% return rate, we have:

$375 + ($375/5)/0.03 + $2,875
$375 + ($375/5)/0.05 = $1,875
$375 + ($375/5)/0.1 = $1,125

Or, if you believe that there is a 20% chance that you will need to file an URS complaint upon the expiration of every two-year suspension, we have:

$375 + 0.2($375/2)/0.03 = $1,625
$375 + 0.2($375/2)/0.05 = $1,125
$375 + 0.2($375/2)/0.1 = $750

A final example: what if you expect there to be a 50% chance of a bad-faith registration every three years? This would leave us with:
$375 + 0.5($375/3)/0.03 = $2,458
$375 + 0.5($375/3)/0.05 = $1,625
$375 + 0.5($375/3)/0.1 = $1,000

Each of these formulae gives the present value of all future expected URS costs, added to the present URS cost, to achieve a total cost comparable to the total UDRP benchmark cost. As can be seen, a key factor for any given set of predictions is the anticipated rate of return, resulting in situations where the more expensive UDRP yields long-term cost savings; or where the URS is cheaper in spite of an expectation of recurring infringement.

Annuity scenario

The previous methods of cost analysis all assume an infinite time horizon resulting in the expected cost of a perpetual expense – a perpetuity. But what if you want to analyse costs over a definite period of time? An annuity formula can accomplish this. Using the annuity formula expressed below, what if I expect a 50% chance of filing a URS every three years for 21 years?

$$\text{URS\$} + x(\text{URS\$}/2)\left[\frac{1-\frac{1}{(1+r)}}{r}\right]$$

$375 + .5($375/3)[(1-(1/(1+.03)^21))/.03] = $996
$375 + .5($375/3)[(1-(1/(1+.05)^21))/.05] = $822
$375 + .5($375/3)[(1-(1/(1+.1)^21))/.1] = $548

Thus, shorter time horizons will generally favour the URS route.

Poor man's UDRP

A patient rights holder which is willing to take some risk could use the URS to suspend a domain and then register the domain for itself once the suspension expires. However, there is no guarantee that it will succeed in snatching up the newly available domain. Moreover, it may be subject to increased fees for 'premium' pre-registration services which allow companies to jump the queue to have a better chance of getting a particular domain. In addition, there is the chance of a direct conflict with another registrant, resulting in a costly auction. After all, a domain that has been subject to suspension may be on a savvy squatter's watch list. Given all

these risks, what might be the expected cost of such a strategy? Mathematically, this situation can be expressed as follows:

Cost of URS + expected cost of registration (regular, premium or auction) + cost of perpetual renewal

Conclusion

There is perhaps a paradox within the URS rule set. The rights holder is required to prove bad faith on the part of the registrant, but a party acting in bad faith will invariably lie about its intentions and claim a legitimate use where none exists. The result is a question of fact, where the rights holder is put in the perilous position of proving a negative – that is, that the registrant has no legitimate interest in the domain.

One approach to this problem is to study the registrant and its past. Has it presented clever excuses before? If so, the narrowness of the URS proceeding will work in favour of a bad-faith registrant. Consider the UDRP, where the record may be more fully developed and arguments are less constrained. For those cases where URS is the choice, do not try to tackle the factors of proof one by one. Examiners will consider the factors to be 'intertwined'. Use your strongest facts to inform your weakest ones. **WTR**

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