

Lower Your Risk of UDRP Action in Generic Domain Name Investments

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The greatest risk to owning a high-value generic domain name is having it taken away from you during a UDRP action. If you're spending \$10,000, \$50,000 or \$100,000 or more on a premium generic domain name and you want to lower your risk of UDRP, URS or lawsuit, then pay attention to these four attorneys and the tactics they suggest.

I have three sponsor messages before we get into today's show.

First, if you have a great domain name and nothing to show when people visit, you're missing out on potential advertising revenue, leads and partnership opportunities. NicheWebsites.com can build you a site quickly with a price option to suit any need — but as their tagline says, they don't just build websites, they build businesses. NicheWebsites.com.

Second, if you're buying or selling a domain name or portfolio and you want an estimate of it's value, Estibot.com is the place to go. Just like you'd visit Zillow.com to get an estimate of a house value, Estibot.com provides key information about the most important statistics so you can make an informed decision based on data.

Finally, whether you are buying, selling, brokering or financing a domain name you need an escrow company that is properly licensed, bonded, insured and audited. That company is Escrow.com and they have been doing it since 1999. Escrow.com – it's about trust.

Hey everyone, my name is Michael Cyger and I'm the publisher of DomainSherpa.com – the website where you come to learn how to become a successful domain name investor and entrepreneur directly from the experts.

No one ever worries about a great domain name being taken away through legal proceedings if it's being used. For example, A&E Television owns History.com and they use it for their History Channel website. They also own a trademark for the word "history" but so do two other companies in the

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United States in two separate classes; one for bracelets and one for printing fonts. Go to Trademark247.com, search for the word “history” and see for yourself. The two other trademark holders have likely never thought about filing a UDRP for the domain name history.com, nor has A&E ever thought they might.

But you and I are no A&E Television, nor do we have attorneys on staff who can deal with cease and desist letters or UDRP actions submitted from companies thinking we’re infringing on their trademarks.

We just want to invest in domain names and do so honestly and effectively.

So what happens when an opportunity to purchase a generic word like history.com presents itself? How do you handle the potential threat of UDRP action BEFORE you buy the domain name? That’s what we’re going to discuss on today’s show.

Jack from Philadelphia, Pennsylvania, recently emailed DomainSherpa with a question. He wrote, “I found a domain name for sale that I want to purchase, but when I do a search at the USPTO [United States Patent and Trademark Office] there are multiple registered trademarks for the word/acronym. If the domain name I want to buy is a generic word or acronym – like Rock.com, Jump.com or AQI.com (these are just examples) – and I want to offer a product or service in a completely different class than what is currently registered at the USPTO then I think I’m fine. But what if I want to purchase the generic domain name for investment and resale? On one hand, the more trademarks that are registered in different classes, the more potential buyers there are. But on the other hand, the more trademarks, the more potential UDRP cases that I might have to defend against. What can I do to make sure my purchase is a safe investment from a trademark perspective?”

It’s a great question that Jack poses. If I were to spend \$10,000, \$50,000 or \$100,000 on a domain name like Rock.com, Jump.com or AQI.com, I would want to make sure I had little to no chance of losing it in a UDRP case.

To answer the question, I asked four leading domain name and intellectual property attorneys for their opinions on this matter.

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I must preface this video and their responses by saying that this is not legal advice. You should consult an attorney with your specific case details before making any high-dollar purchases. If you're not willing to lose your investment, consult an attorney or don't invest. A thirty to sixty minute discussion with an attorney is well worth the investment.

The four attorneys who provided input for this show include:

David Weslow of Wiley Rein (DavidWeslow.com)

Stevan Lieberman of Greenberg & Lieberman (APlegal.com)

Zak Muscovitch of The Muscovitch Law Firm (DNAttorney.com)

Jason Schaeffer of ESQwire.com (ESQWire.com)

Here's what David Welsow of Wiley Rein had to say:

When considering purchasing a domain name for use in providing a product or service, or adopting a new product or business name, the appropriate assessment under U.S. law is whether the proposed use of [the new name](#) is likely to cause consumer confusion with any existing [registered](#) or [common law trademarks](#) for the same or similar names. This is the standard for trademark infringement under U.S. law and involves analysis of a number of factors including the similarity of the names, the [strength of the trademark](#), the similarity of the goods/services, how the goods/services are sold, and more. Each U.S. federal court circuit has its own [list of factors](#) for consideration.

Jack is correct that identical names/trademarks can [coexist for different products or services](#) as long as there is no likelihood of consumer confusion. The use of the same or similar names by unrelated parties can be permissible when the goods or services are [not related or marketed](#) in a way that would create the incorrect assumption that they originate from the same source.

Registering or using a generic domain name for investment and resale based on the generic or plain meaning of the name can be permissible as long as the registrant does not have bad-faith intent to [profit from the trademark significance](#) of the name. Other experts are addressing the UDRP and URS; under [U.S. federal law](#) the concept of bad faith is viewed more [flexibly](#) and [expansively](#). Registering, using, or trafficking in a domain name based on the trademark significance of the name can result in a court award of up to [\\$100,000 in statutory damages per domain name plus](#)

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[attorney's fees](#). Bad faith will not be found where the registrant had reasonable grounds to believe that the registration or use of the domain name was lawful, such as, for example, the operation of a [non-commercial criticism site](#), or a [legitimate business](#), or where the owner [conducted a trademark search](#) before registering the name.

So here's what I take away from David Weslow's response:

1. Do a trademark search for the domain name you want to register or purchase. If there are no trademarks, you should have no trademark hesitations about purchasing the domain name. But remember – trademarks are issued by country, so you may only be clear in your country.
2. Don't register or purchase a domain name in hopes of selling it to a trademark holder. You cannot register Facebook, Apple or PhilipMorris dot whatever and then contact those trademark holders to sell the domain name. That's called "bad faith".
3. If you're going to register or purchase a domain name, make sure you have reasonable grounds to believe that the registration or use of the domain name is lawful, such as, for example, offering products or services in a trademark class other than those trademarks already registered.

David Weslow's full response is below, including links to resources for you to better understand what to do and not do.

Stevan Lieberman of Greenberg & Lieberman had this to say:

A domain name is not a trademark. The Lanham Act defines a trademark as "any word, name, symbol, or device, or any combination thereof...to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown. A mark must be capable of distinguishing the products [or services] it marks from those of others."

There are five categories of marks with respect to protection: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, and (5) fanciful.

Domain names like Rock.com or Jump.com are generic words that cannot be protected in conjunction with their known meaning. In other words, you could not protect the term rock for the purpose of selling rocks. On the other

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hand you could use the term rock for the purpose of selling computer services or domain name sales.

However, if you wish to use a domain name in association with goods or services, you will have to avoid using it on marks that are confusingly similar with marks that have been used by others. The concept of a different class is a good indication that the mark might not be confusingly similar, but is by no means an absolute and you should be careful to consider whether if the two stores were on the same block someone from the general public would think the stores were related even if the goods or services are in different classes.

So the first step when buying a domain name for a particular purpose – the offering of goods or services – is to do a trademark search in the country where you are going to be primarily offering your product. (Trademark rights do not cross country barriers other than through the use of trademarks and then you can only preserve those rights for a short a short period of time – you have 6 months from the date you a file a mark to file in participating countries in order to preserve your priority date.)

The second step is to get your website up using the mark and not just as a domain name, but as a mark specifically in association with your goods or services.

If you are just buying the generic domain name solely for the purpose of resale and it is expensive, then it is certainly safer to not allow the domain to resolve or at the most to put a notice on the site that the domain is for sale – thereby not using the domain in association with any goods or services. For further discussions pertaining to domain names and trademarks, see: <http://aplegal.com/?s=domain+name+trademark>

So here's what I take away from Stevan Lieberman's response:

1. It's safer to not allow the domain name to resolve. Period. Then there's no likely confusion with registered trademarks. If someone really wants to contact you to purchase the domain name, they will perform a whois lookup and contact you.
2. If you can't stand a domain name not resolving, you can put up a for-sale page, although it's less safe. But don't display any advertising that might

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associate the domain name with goods or services being offered by a trademark owner.

Up next Zak Muscovitch and Jason Schaefer provide their thoughts.

Quick break from three sponsors of today's show:

First, are you tired of being up-sold and cross-sold when you buy or renew a domain? Then try the newest registrar being built from the ground-up with a beautiful interface, competitive pricing and 24/7 support. Uniregistry.com will surprise and delight you. The right domain name can change your life: Uniregistry.com.

Second, need a broker who's eager to do whatever is required to sell your domain names regardless of price? Then you need to contact Houghton Richards. They specialize in exact match, keyword-rich, geo and new gTLD domain names, and they sell more than 1,000 a month. Visit HoughtonRichards.com and tell them the domain you want to sell today.

Finally, if you're buying a domain name from a private party and want to know what else they own, DomainIQ.com is the tool you should be using. View their entire portfolio, filter by Estibot value and be a better investor. \$49.95 for 250 queries per month. Visit DomainIQ.com/portfolio to learn more.

Welcome back.

Zak Muscovitch of The Muscovitch Law Firm provided this information: When it comes to domain names, knowing the precise domain name in question is crucial. Although you indicate that the domain name corresponds to a generic word or an acronym, you do not identify the precise domain name. That presents difficulties in genuinely understanding the situation, as APPLE is a generic word, and IBM is an acronym, and registering domain names that correspond to these famous marks, for example, would obviously present different issues than merely registering a domain name that comprises the 'generic' word, CARS, for example, or the generally unknown 'acronym', QZW.

Even though very generally speaking, it is possible to register and use a domain name corresponding to a registered trademark – provided that you use it in good faith and do not infringe upon a registered mark by using it in connection with the same industry. When it comes to some trademarks, particularly famous ones, it may be difficult to genuinely register a corresponding domain name in good faith, and impossible to use it without confusion. For example, registering COCA-COLA.COM without any intention of using it for carbonated soft drinks, and using it for the sale of blue jeans, still would pose a major problem, even though you are not using the domain name in the same classes that the mark is registered for. Accordingly, a proper trademark search by a qualified domain name lawyer or trademark lawyer is crucial to understanding your position.

To answer your other question, purchasing a generic domain name for investment and resale purposes has been accepted by numerous UDRP Panels as a bona fide business, although indeed some panelists tend to either avoid this issue or tend to disagree with this practice as a general proposition. In the situation you appear to be relating, it is sometimes possible that a domain name is ‘generic’ but also corresponds to a particular trademark or trademarks, as in the APPLE situation aforementioned. In such a case, demonstrating that you have a legitimate interest in the domain name is crucial, and this, generally speaking, can be achieved by launching a bona fide website related to the generic meaning of the term, and not using the domain name in connection with any infringing pay-per-click ads or content. Furthermore, care must sometimes be taken in regard to how you market the domain name for sale. For example, offering the ‘generic’ domain name APPLE to the famous tech company by the same name may give the wrong impression as to why you registered the domain name in the first place. In other words, indication that you registered the domain name for its generic meaning rather than for its trademark significance is what would generally be required in order to protect this domain name against an allegation of bad faith in a UDRP.

Here’s what I take away from Zak Muscovitch’s response:

1. Not all generic domain names are equal. Take Apple.com and Banana.com, for example. The prior has more than 25 registered trademarks in the United States but is broadly associated with one of the largest and most powerful technology companies in the world, while the latter has a paper

products trademark you've likely never heard of before.

2. Anyone can file a lawsuit against you, even if it's unfounded. Similarly, any trademark holder can file a UDRP against you, even if it's unfounded.

But not all UDRP panelists view domain name investing the same way. If you're going to invest in domain names and a UDRP is filed against you, pay the fee to have three panelists review your case rather than the standard single panelist.

3. You can demonstrate a legitimate interest in the domain name by publishing a website related to the generic meaning of the domain name. For example, a website about rocks that is published on Rocks.com.

4. As David Weslow also mentioned, don't register a domain name in hopes to sell it to a trademark holder.

The response from Jason Schaeffer of ESQwire.com underscores many points that we have discussed so far. He writes:

At the outset, your hypothetical investor should not be purchasing a domain name with the intent to sell it to an existing brand owner. No, no, and no! If a buyer wishes to protect a purchase, they should be staying away from "trademark territory" in the first place.

On the other hand, if the domain is truly a generic word, then they should be in fairly safe territory to buy, develop, and monetize the asset with the caveat that they should not be monetizing the domain name with trademark related items.

In trademark law, there is a "distinctiveness spectrum" – from generic words that are not protectable to fanciful marks that are highly protected. A potential domain name can be evaluated with the same principles in mind. In your hypothetical case, if the buyer is focusing on purchasing single, dictionary word domain names and a trademark has been registered for the same word, it is likely that the trademark owner had to establish that it acquired distinctiveness or that the word is being used in a distinctive manner – like Apple using the word "apple" for technology purposes as opposed to selling the shiny red fruit we all love. Obviously, Apple cannot stop the world from using the word "apple" to refer to the fruit, but it regularly stops people from using "Apple" in a confusingly similar way to its protected uses – its products, services and brand.

Generally, in the case of a trademark registration that is obtained on the basis of “acquired distinctiveness,” it is important to evaluate a number of factors, including evidence of sales, marketing, and consumer recognition of the brand. The potential buyer’s risk may be closely correlated to the strength of the trademark.

There are many cases where the “answer” should be fairly obvious and a commonsense approach should govern; however, in other cases the issue is less clear cut. In those cases, it would be advisable to obtain an opinion from competent legal counsel. An opinion letter can help the buyer answer these questions by evaluating the trademark(s) and providing a specific opinion on the level of risk for the buyer.

Just because a trademark “exists” should not be the end of the inquiry. I’ve seen many cases in which the mark can be contested depending on the factual circumstances. As with anything, if you are investing a significant sum, it’s advisable to be proactive and consult an expert before you proceed, not after an issue arises. It’s also worth noting that in some cases the opinion letter may also serve to assist a party in defending against a future claim.

And here’s what I take away from Jason Schaeffer’s response:

1. No, no, no! Don’t knowingly register a trademark because a domain name is available and you might sell it to the trademark owner. That’s bad faith.
2. If you’re unsure, get a second opinion from competent legal counsel. All four of the intellectual property attorneys in this program can help you, and they’re all great people that I personally know and can vouch for. Pick the one you think best matches your style, and reach out to them for counsel.
3. An opinion letter can sometimes be used to defend your domain name should a UDRP be filed, and if nothing else, can show you had good faith before you purchased the domain name.

Jack from Philadelphia, Pennsylvania, I hope this has been helpful to you and other readers as well. You can – in good faith – purchase high value generic domain names for investment.

Be careful of existing trademarks, especially ones of ubiquitous brands. And if there are trademarks, play it safe by not allowing the domain name to resolve to a website or by at most having a for-sale page without any

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advertising. If you want to develop a website, offer a product or service or publish a website about the generic topic of the domain name.

That's it for this question. If you have follow-on questions related to this topic that are generic in nature – and not related to your specific case – please post them in the comments below and I'll ask our panel of Sherpas to come back and answer them.

If you have a question related to your specific situation, any of the Sherpas on this panel can provide legal counsel on domain name purchases. Their contact information is listed below.

If you have a question that you would like to have answered by multiple Sherpas on another topic, please email us using the Contact Us link in the upper left-hand corner of every DomainSherpa.com page. Select “Editorial Department” when you submit your generic question and it will come directly to me.

I'm Michael Cyger, publisher of DomainSherpa.com. Thanks to our Sherpa panel of David Weslow, Stevan Lieberman, Zak Muscovitch and Jason Schaeffer, and thanks to you for watching. We'll see you next time.

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