The Emergence of 'Administrative' Arbitration: A Simple Change of the Term from 'Judicial' to 'Administrative' Arbitration?

Yun Zhao[1]

Introduction

Dispute resolution has been very well studied by many scholars and practitioners. How to well resolve disputes of different kinds is of great importance in modern society. Various mechanisms for dispute resolution have been devised to accommodate the needs of the society. Arbitration emerged first in the United States early in the last century. Since then, arbitration has been widely used in resolving commercial disputes. The advantages entailed in arbitration have aroused great interests among the business world, as well as with academic researchers. A complete structure of arbitration is in place to guide the proceeding thereof. Meanwhile, various international arbitration centers have been established to facilitate the adoption of arbitration.

While the parties still control the process like negotiation and mediation, arbitration can result in a binding decision (arbitral award).[2] With the *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (the '*New York Convention*')[3] in place, the arbitral award can be recognised and enforced in Member States.[4] This mechanism thus presents the character of adjudication. This is different from other alternative dispute resolution (ADR) mechanisms, which cannot produce a binding result. Accordingly, scholars have argued that arbitration is excluded from the so-called 'ADR mechanisms'. The judicial or adjudicative nature can be a borderline dividing arbitration and ADR.

However, the increasing use of the Internet by the end of last century has raised serious challenges to the dispute resolution mechanism. With the Internet, people can do business and communicate in a more rapid and like manner than anyone had ever imagined even ten years before. The efficiency brought about by the Internet is especially meaningful to the business world. With its rapid transfer of commercial transactions, electronic commerce was figured out as a means to realise the maximisation of resources. For this purpose, setting up a web site is the first step towards electronic commerce. Accordingly, domain names fall within the reach of any interested party.

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1. Yun Zhao, LL M (Leiden University, the Netherlands; China University of Political Science and Law, Beijing), LL B (China University of Political Science and Law, Beijing), PhD (Erasmus University Rotterdam, the Netherlands), is a Lecturer at City University of Hong Kong. The work described in this paper was fully supported by a grant from the City University of Hong Kong (Project No. 7200027).
2. S B Goldberg et al, *Dispute Resolution: Negotiation, Mediation, and Other Processes* (3rd ed, Aspen Law & Business, 1999) 257.
3. *Convention on the Recognition and Enforcement of Foreign Arbitral Awards*, 10 June 1958, 330 UNTS 38 (entered into force 7 June 1959).
4. E A Marshall, *Gill: The Law of Arbitration* (4th ed, Sweet & Maxwell, 2001) 82-83.

While registering a domain name for a business is essential, activities arise from misappropriating the registration of domain names. Disputes concerning such practices are becoming very serious.[5] How to well resolve such disputes is vital to the healthy development of the Internet. In 1999, a new mechanism was introduced with World Intellectual Property Organization (WIPO) designated as the first dispute resolution service provider. This mechanism is defined as 'administrative' in nature. This is totally different from normal arbitration, which is referred as 'judicial'. The use of the term 'administrative arbitration' becomes a new challenge to practitioners. Thus, a better understanding of this term shall be important to the smooth function of this mechanism.[6] This shall apply equally to the arbitration practice in Hong Kong since the Hong Kong International Arbitration Center (HKIAC) has just developed the type of arbitration for disputes over domain names ending with '.hk'. Further reference can be made to the newly established Asian Domain Name Dispute Resolution Center adopting the same practice.[7]

In this paper, we shall first figure out the border of disputes that might arise regarding the domain name system and then, the newly developed mechanism shall be dealt with in detail and some evaluation shall be given. Lastly, a simple conclusion for the present mechanism and further meaning of 'administrative arbitration' shall be pursued.

Understandings on the New Mechanism

To accommodate the trend of liberalisation in the Internet sphere, a new not-for-profit corporation was established: the Internet Corporation for Assigned Names and Number (ICANN).[8] Following the request for opinions and suggestions from interested parties, and from the WIPO in particular, the ICANN Uniform Domain Name Dispute Resolution Policy (ICANN UDRP) and Rules were adopted. The ICANN designated several bodies as dispute resolution service providers. Based on its experience with intellectual property rights and dispute resolution, the WIPO was the first one to be designated, followed by National Arbitration Forum in Minnesota and the Disputes.org/eResolution Consortium.[9] A supplemental rule was implemented by the WIPO Mediation and Arbitration Center (WIPO Center).

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5. C Oppedahl, *Internet Domain Names that Infringe Trademarks*, 14 February 1995, <http://www.patents.com/nylj1.sht> at 14 February 2000; The Internet is Running out of Address, 6 March 2000, <http://www.creativepro.com/story/news/4351.html> at 14 March 2005.
6. For detailed procedures in the Center, see WIPO Guide to the Uniform Domain Name Resolution Policy, <http://arbiter.wipo.int> at 23 April 2003.
7. See also Asian Domain Name Dispute Resolution Center, 28, February 2002, <http://www.adndrc.org/adndrc/index.html> at 21 October 2002.
8. The formation of a not-for-profit corporation presents a unique challenge and opportunity for the Internet community. For the formation of the ICANN, see also H Hochheiser, *Domain Name resolutions: CPSR Proposals for the New Corporation*, 30 June 1998, <http://www.cpsr.org/dns/dns_resolutions.html> at 14 March 2005. For an analysis of the ICANN, see K Perine, *Throwing Rocks at ICANN*, 23 March 2000, <http://www.thestandard.net.article/display> at 27 March 2000.
9. Other centers have been approved later on. It is noted that the two providers take differing approaches on the background of their panelists. See also 'Providers Take Different Approaches', (2000) 2 (2) *World Telecom Law Report* 23.

Cybersquatting[10]

Domain name disputes entail various forms. One important one has been the so-called 'cybersquatting'. Some literature has been dealing intensively with domain name disputes, however, much of it is simplifying domain name disputes in cybersquat disputes or, even worse, is simply mistaken in taking domain name disputes as cybersquats. It is true that cybersquatting is the most important and most common form of domain name disputes. Most mechanisms dealing with domain name disputes have made it clear that only cybersquatting shall be dealt with. Thus, it is the purpose of this study to distinguish cybersquatting from domain name disputes in general. It is also necessary to emphasise that the WIPO mechanism is reserved for cybersquatting.

It is irrefutable that cybersquatting belongs to domain name disputes. As generally recognised, cybersquatting refers to the practice of stockpiling domain registrations in bulk for future resale to the general public.[11] Before elaborating on the meaning of cybersquatting, we should note that cybersquatting happens to the Second Level Domains (SLDs) only, as this part alone forms a distinct characteristic of a business. According to the WIPO Final Report, for determining a cybersquat, there are three pre-conditions that should be met.[12]

First of all, the domain name is identical or confusingly similar to a trade or service mark in which the complainant has rights, including being confusingly similar to those activities in which the complainant intends to pursue. The domain name can effectively represents a business, the distinctiveness can be comparable to the requirement of a trademark or service mark, however, it is more demanding than a trade or service mark. The same mark is allowed in different categories of goods or services for the latter, it is not the case in the former—the same domain name can never exist in the Internet for different business. However, this is an external requirement for cybersquatting; the key conditions lie in the following two.

Secondly, the registrant has no rights or legitimate interests in respect of the domain name. To assert the rights or legitimate interests, the registrant must be able to show that he/she is commonly known by the name; or has made prior use in connection with a good faith offer of goods/services (or prior demonstrable preparations for such use) of the name; or is making a legitimate non-commercial gain or to misleadingly diver consumers or tarnish the mark.[13]

Thirdly, the domain name has been registered and is being used in bad faith. This is the substantial factor in determining the act of cybersquatting. Any kind of use in good faith shall not be deemed as cybersquatting. And it shall provide the borderline for this specific act. Thus, it is very important to

10. For further discussion on this, see Y Zhao, 'A Dispute Resolution Mechanism for Cybersquatting' (2000) 3 (6) *Journal of World Intellectual Property* 849-865.

11. D Cabell, *Name Conflicts in Cyberspace*, 15 May 2000, <http://www.mama-tech.com/names.html> at 3 September 2003.

12. See also *Final Report of the WIPO Internet Domain Name Process: The Management of Internet Names and Addresses: Intellectual Property Issues* (hereinafter WIPO Final Report), 30 April 1999, <http://www.ecommmerce.wipo.int> at 30 April 2003.

13. See also s 4 (c) of the UDRP accepted by the ICANN at its Annual Meeting in Los Angeles on 4 November 1999, <http://www.icann.org> at 23 April 2003. According to the Network Solutions Inc (NSI) Policy, two defences are singled out: domain registration prior to the effective date of the complainant's trademark; or the ownership by the domain holder of a deferral or national trademark for the identical name.

clarify what exactly constitutes bad faith. This has been defined in the ICANN UDRP, and later was further elaborated in the first case dealt with by the WIPO Center.[14] Bad faith requires a showing that both the registration and the use of the domain name have been misdeeds.[15]

To clarify this, the UDRP further gives a list of evidence of a bad faith registration, without limitation, that is: (i) circumstances indicating that the domain name was registered primarily for the purpose of selling, renting, or otherwise transferring the domain name 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 the costs related to registering the domain name; (ii) the domain name was registered in order to prevent the complainant from reflecting the mark in a corresponding domain name, provided that there is a pattern of such conduct; (iii) the domain name was registered primarily for the purpose of disrupting the business of the complainant; (iv) the registrant intentionally attempted to attract, for commercial gain, Internet users to his web site or other online location, by creating the likelihood of confusion with the complainant's mark.[16]

Obviously, this is not an exclusive list. Intensive analysis will still be needed to clarify what indeed constitutes bad faith. Only when the above three conditions are met can the act be defined as cybersquatting. This has also been confirmed by the wording of the ICANN UDRP: section 4 (a) directs that the complainant must prove each of these three conditions. Actually, the three conditions are interlocking. While internal requirements are essential for the determination of a cybersquat, it should be complemented by external requirements; positive requirements should be complemented by negative requirements. For example, cybersquatting is made in bad faith; however, for a defence against bad faith, the respondent should be able to show that he has the rights or legitimate interests. Thus, the second condition is complementary to the third condition. Furthermore, standards for proof of actual intent are left to the approved resolution providers.[17] Thus, in a fair and complete judgment of cybersquatting the three conditions each form part of a whole.

When we talk about domain name disputes in general, most of the time many people might have the wrong idea of equating it with cybersquatting. However, this is not the case. Cybersquatting is only one category of domain name disputes. Although these categories are closely connected and, to a certain extent, similar to one another, there is a clear line dividing them. We have witnessed the prevalence of cybersquatting over other categories, and thus attention has mostly been focused on cybersquatting. Another reason for emphasis on cybersquatting might also reside in the fact that cybersquatting is a serious illegal action: the characteristic of bad faith has further justified the urgency of resolution.

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14. The first case, *World Wrestling Federation Entertainment, Inc v Michael Bosman*, was submitted electronically to the WIPO Arbitration and Mediation Center on 2 December 1999. The Administrative Panel Decision has a nice elaboration of bad faith.
15. D Cabell, *Trademark Disputes Online—ICANN's New Uniform Dispute Resolution Policy*, 18 November 1999 <http://www.mama-tech.com> at 18 November 2003.
16. See also the ICANN UDRP, s 4 (b). A new Bill passed by the US Senate—S 1255—provides that bad-faith intent could be determined from a number of factors, including intent to divert customers, offers to sell domain names for a substantial consideration, and multiple domain registrations using others' trademarks. See also J Saxon, *Trademarks and Domain Names on the Internet*, 2003 <http://gsulaw.gsu.edu/lawand/papers/fa03/saxon> at 14 March 2005.
17. Section 4 (b) of the WIPO UDRP.

Basic Character of the Mechanism

The most significant characteristic of the new mechanism is the extensive use of online facilities, which also shows the trend for future dispute resolution mechanisms. Most communications during the procedures take place through the web. The complaint and response shall be filed through electronic mail and later the relevant evidence shall also be exchanged online through secure channels. Once a case is brought to the Center, a special space on the Internet shall be created for this purpose and all the relevant communications shall take place in this imaginative space, which is forbidden to outsiders. Hearings shall also be available using an electronic chat room, if deemed necessary by the Panel.[18]

This mechanism should effectively reduce the time and costs entailed in traditional mechanisms. The goals of efficiency in dispute resolution mechanisms could thus be easily achieved through online connections. This is further affirmed by the time limit and fee set for a case. As indicated, the whole procedure shall be terminated within 45 days, which is rather fast, compared to the period needed for litigation and most arbitrations. Many people have argued that the low fee for registration serves as one reason for the proliferation of cybersquatting and that the relatively high fee for combating cybersquatting through litigation and arbitration has further deterred the effective resolution of potential cybersquatting. In the new mechanism, the fee for each case is reasonably affordable for most complainants. Thus, this system is expected to be able to effectively curb cybersquatting.

The Nature of the Mechanism

It has been clearly defined that the WIPO mechanism shall be administrative. This is interesting from the structural point of view. The Center, as an administrative part of the WIPO, was established to offer arbitration and mediation services for international commercial disputes between private parties.[19] Generally speaking, the services provided by the Center are legal or adjudicative in nature. However, as far as this mechanism is concerned, it is contrary to the normal practice. The administrative Panel established by the Center does not constitute a legal authority. Rather, it has an administrative function which evaluates the conformance of domain names.[20]

This can be explained by the initiation of the mechanism. As stated in the ICANN UDRP, disputes over the registration and use of an Internet domain name shall be required to be submitted to a mandatory administrative body. This is incorporated by reference into the Registration Agreement.[21] When a complaint is filed against a registrant, he shall be obliged to obey the relevant procedures therein. This obligation does not arise out of agreements reached by parties in disputes, but from the implicit consent in the Registration Agreement. Domain name holders that are deemed to be cybersquatters are subject to mandatory and binding arbitration, possibly resulting in loss of the

18. As provided in article 27 (a) of the WIPO *Rules for Administrative Procedure Concerning Domain Name Registrations* (the complete text is available at <http://www.wipo2.int>), the hearing can be in the form of a physical meeting, a telephone or video conference, or a simultaneous exchange of electronic communications that allows the parties and the panel to exchange information in real time.

19. See also *The WIPO Arbitration and Mediation Center*, 2005 <http://www.arbiter.wipo.int> at 14 March 2005.

20. See also *Substantive Guidelines Concerning Administrative Domain Name Challenge Panels, Interim Policy Oversight Committee*, 12 August 1999, <http://www.gtld-mou.org> at 23 May 2001.

21. See generally, C Wright et al, *Internet Law in Hong Kong* (Sweet & Maxwell Asia, 2003) 443.

domain name, and a fee to cover the arbitration expenses. This differs from the normal arbitration practice, which attains jurisdiction from the agreement to arbitrate by both disputing parties. Thus, it is not difficult to see the logic for the administrative nature of the mechanism.

On the other hand, the passive role a registrar plays in the dispute also helps the smooth development of the new mechanism. With the introduction of competition into the Internet world, more registrars are to play an important role in the registration of domain names. However, it is generally acknowledged that the registrars shall not bear liability for the mere job of registration, and the registration agreements[22] invariably provides as such.[23] Nevertheless, instead of an 'on hold' action, registrar in the new mechanism shall not do anything for the disputed domain name: the *status quo* prevails pending the dispute and the domain name is not put on hold or otherwise blocked until a decision is rendered.[24] Meanwhile, the registrar is not allowed to transfer the domain name during the procedure. Thus, we can see that the registrar has a more passive position in this mechanism. Its most important role is to implement the decision while providing support, such as verification of the relevant registration, for the Panel when necessary.[25]

Evaluation of the Administrative Procedure

The new mechanism got to its feet on 8 December 1999. The advantages over former mechanism are well demonstrated. Lawyers are coming to accept the novel online mechanism, which is expected, and has been shown, to be able to reduce the need for other potentially time consuming and expensive means of communications and in-person meetings and hearings; what's more, the mechanism can speed up the procedures while reducing costs.[26]

The administrative nature of the procedure rightly accommodates the new online environment. Generally speaking, litigation is the last choice for disputing parties, considering the time and cost spent thereon. To have a binding decision, parties prefer arbitration. However, in an online environment, many disputing parties never know each other, not to say the opportunity to reach valid arbitration agreements which form the basis for arbitration. With no arbitration agreements in place, it is impossible to bring cases to arbitration according to traditional conception.

This will largely limit the use of arbitration in the online environment; furthermore, the exclusion of arbitration in cyberspace will restrict possible means for resolving disputes in electronic commerce, endangering consumers' confidence in electronic commerce and in the end preventing the successful acceptance of electronic commerce by those consumers. This is devastating to the future of electronic commerce.

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22. See for example, Network Solutions Inc, Service Agreement, <http://www.networksolutions.com/en_US/legal/static-service-agreement.jhtml#domains> at 14 March 2005.
23. See also M Barry, *Is the InterNIC's Dispute Policy Unconstitutional?*, <http://www.netpolicy.com/mbarticle1.html> at 14 March 2005.
24. See also Cabell, *Trademark Disputes Online*, above n 15.
25. During the procedure, the registrar shall be required to confirm relevant information about the disputed domain name. For typical interactions between WIPO and a registrar during the administrative procedure, see Domain Name Dispute Resolution Service, <http://arbiter.wipo.int/domains/index.html> at 23 April 2004.
26. See also C Gibson and J Fullton, *A Legal Technical Framework for the Online Resolution of Domain Name Disputes*, <http://www.isoc.org/inet98/proceedings/2e/2e_2.htm> at 14 March 2005.

The devise of an administrative mechanism rightly resolves this dilemma: while there are no valid arbitration agreements in place between the disputing parties, the complainant can still bring the dispute to arbitration based on former agreements reached between the other respondent and some specific service providers. This is a breakthrough in the traditional conception of arbitration. Also, this is meaningful to further understanding of arbitration agreement.

The complainant has the choice to litigate or arbitrate. Once arbitration is chosen, the respondent is compelled to accept the jurisdiction of the arbitration body. The compulsory nature of arbitration does not come from the agreement reached between the two disputing parties, but from the prior agreement to accept certain services.

Conclusion

Various efforts have been made to deal with disputes in general. Arbitration is proved to be the appropriate mechanism to resolve commercial disputes. However, its private nature and finality shall depend on the prior-existing arbitration agreement, which does not seem to fit well into the Internet area. Accordingly, a more amicable and creative mechanism—administrative arbitration—was proposed and finally came into the arena.

From the above analysis, we can see that this mechanism is strictly limited to a specific category of domain name disputes. After due consideration of the views expressed on the subject, the WIPO elected to limit its mandatory general administrative procedure for the resolution of domain name disputes to instances involving deliberate, bad faith and abusive domain name registration. These limitations were made in light of the weight of opinion against mandatory submission to such a procedure in respect of disputes over competing, good faith rights to the use of the name in question.[27] The advantages it sustains have made it fit for disputes in this field. The adoption of administrative arbitration does not totally change the procedures of traditional arbitration. The substantial change lies in the basis for the arbitration: arbitration agreement. The extension of arbitration to the Internet world, while taking into account the changed form for arbitration agreement, is especially proper for cybersquatting.

Indeed, with the wide use of the Internet, traditional mechanisms seem to have fallen behind and cannot meet the customers' demands. New phenomena bring new demands with them. It is thus wise to have an online administrative mechanism to accommodate domain name disputes. Some even argue the possibility to extend this mechanism to resolve disputes in electronic commerce in general. Though it is still too early to decide the appropriateness, it does seem that there are certain elements, at least in the ordinary arbitral process, that can be conducted with the use of these technologies.

All in all, this mechanism proves to have provided new thoughts and a bright way ahead for a future mechanism for such purposes. The change of adjudicative arbitration to administrative arbitration does not simply change the descriptive term, but indeed inject flesh blood to the development of arbitration. This will definitely promote the adoption of arbitration in new areas and revitalise ideas in making this mechanism perfect and diversified.

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27. See also M S Donahey, 'Resolving Certain Domain Name Disputes: The WIPO Recommendations' (1999) 3 (1) *Journal of Internet Law* 9.
28. F Gurry, 'The Dispute Resolution Services of the World Intellectual Property Organization' (1999) 2 (2) *Journal of International Economic Law* 397.