

Emergency Arbitration: Fast, Effective and Economical

Peter L. Michaelson¹

Where a party needs immediate legal relief, emergency arbitration can often provide it. I will first discuss the emergency arbitration process, particularly its historic roots and what the process constitutes in the context of the AAA Commercial Rules, and then describe an actual emergency arbitration I handled this past summer for the ICDR in an international IP dispute (for those readers who just can't bear to wait, a copy of the award² is provided in Appendix A).

A. Background

Where could the need for immediate relief arise?

Generally speaking, a disputant often requires immediate ("interim") relief whenever its counter-disputant unilaterally attempts to suddenly and materially change the status quo to the detriment of the disputant. The disputant may expeditiously need to, e.g.: protect or secure property, including essential evidence, then in possession of a counter-disputant from destruction; enjoin the counter-disputant from disclosing confidential information of the disputant; secure assets, which the counter-disputant is otherwise likely to transfer out of a tribunal's jurisdiction; or prevent the counter-disputant from unilaterally taking other action against an significant interest of the disputant.

Historically, if the disputant initiated arbitration, it was unable to obtain any arbitral relief

¹ The author is an attorney/arbitrator/mediator with Michaelson ADR Chambers in New York City and Rumson, New Jersey, primarily handling domestic and international IP (particularly patent), IT, technical and technology-related disputes across a wide range of industries, and is a: panelist for various well-known ADR institutions including the AAA/ICDR, CPR, WIPO, SIAC, KLRCA, LCIA and others, Fellow of the College of Commercial Arbitrators, and Fellow and Chartered Arbitrator of The Chartered Institute of Arbitrators and Chair of its New York Branch. He may be reached at pete@plmadr.com. This paper is based on a telephonic presentation which the author gave to the ABA DR Section, IP Committee on December 17, 2015.

² *Open TLD, B.V v. Internet Corporation for Assigned Names and Numbers (ICANN)*, ICDR Case No, 01-15-0004-1379 (August 24, 2015). This award has been published by ICANN and is publicly available at <http://www.icann.org/en/system/files/files/emergency-award-24aug15-en.pdf> .

until an arbitral tribunal was fully constituted — a process that could consume several weeks to a few months. In those instances, the disputant had no choice but to apply to a local court for interim relief. That approach was problematic. The relief needed may not have been available as the counter-disputant was then outside the court's jurisdiction and, if located overseas, unwilling to consent to jurisdiction based on a fear that a national court would be biased against it. Furthermore, court proceedings were public, potentially lengthy and costly, and often veered in unexpected directions. Thus, the disputant had no real choice but to wait until the tribunal was established and run the real risk of injury posed by imminent adverse action taken by its counter-disputant.

To provide immediate relief in such situations, arbitral institutions supplemented their rule sets to provide emergency arbitration procedures. An emergency arbitration is a significantly compressed and abbreviated arbitration procedure: fast, effective and, due to its deliberate brevity, rather economical. The emergency arbitrator basically parachutes into the case and, before the arbitral tribunal is constituted, rapidly decides the issue of interim relief and issues an "emergency award" (or order).

B. Emergency Arbitration Process

Rule 38 of the AAA Commercial Arbitration Rules governs emergency arbitration proceedings in domestic arbitrations administered by the AAA. These proceedings are now mandatory in all AAA administered arbitrations under arbitration agreements entered into on or after Oct. 1, 2013 subject to parties expressly opting-out (Rule 38a). Emergency arbitration provisions now also exist in the rule sets of many major international arbitral institutions, such as, e.g., Article 6 of the current ICDR Arbitration Rules (the ICDR is the international arm of the AAA).

As of a few months ago, the ICDR has administered 55 emergency arbitrations (of which mine is one) with an average pendency of just three weeks — starting from the time a request was made to the AAA/ICDR to initiate the procedure, to the time an award was rendered.

What power does an emergency arbitrator have?

Under AAA Rule 37, an arbitrator has the power to order whatever interim or conservancy measures he or she deems necessary and to condition such measures upon an applicant's posting sufficient security. That is broad and encompassing and applies to all arbitrators: emergency arbitrators included.

What is the general process?

Under AAA Rule 38, an applicant seeking emergency relief first submits a written request to the AAA, copied to all other parties, specifying the relief sought, and why it is entitled to that relief and requires it on an emergency basis (Rule 38b). No ex parte requests are allowed. Within one day of receiving the request, the AAA appoints a single emergency arbitrator. Upon appointment, that arbitrator makes all necessary disclosures. Challenges to that appointment must be made within one day after the parties receive notice of the appointment (Rule 38c). Within two days after the appointment, the emergency arbitrator establishes a schedule for the emergency proceeding (Rule 38d) typically through teleconference, videoconference or email. The arbitrator can hold a formal-merits hearing, whether in-person or not and through whatever modality he deems best, and require written submissions or proceed solely on submissions. The arbitrator can rule on his own jurisdiction and whether emergency arbitration is even suitable (Rule 38d). If the applicant shows that: (a) immediate or irreparable loss or damage would occur in the absence of the requested relief; and (b) is entitled to the relief sought, the arbitrator issues a reasoned award/order granting that relief (Rule 38e), subject to appropriate security being posted (Rule 38g), with that relief being broadly defined, as noted, in Rule 37.

The emergency arbitrator's award is subject to review -- by a subsequent arbitral panel. Until that panel is constituted, the emergency arbitrator, upon request of a party and on the basis of changed circumstances, can modify the award/order as appropriate.

Once the emergency arbitrator issues his award, a later arbitral panel can do whatever it wants with that award: vacate, modify or confirm it. Once the panel is constituted, the

emergency arbitrator has no further power and, absent party agreement to the contrary, cannot serve on the panel (Rule 38f).

Any party can also judicially seek interim relief without waiving its right to arbitration (Rule 38h).

Costs for the emergency proceeding are initially apportioned by the emergency arbitrator, subject to the tribunal changing that apportionment as part of its costs award (Rule 38i). Emergency arbitration awards must be reasoned (Rule 38e).

Emergency arbitration rules are silent on discovery, thus leaving the emergency arbitrator with broad discretion to order it. However, in practice, the extremely short deadlines in these proceedings effectively preclude any discovery, thus relegating parties to solely rely on their own evidence.

Although an emergency arbitrator has very broad authority, the AAA Rules (and other rule sets) do not articulate any standard (or test) to be applied to assess suitability of emergency arbitration, how that standard should be exercised and to what extent, and the corresponding burden of proof placed on an applicant then seeking emergency relief. Published reports of decisions of emergency arbitrators reveal that, consistent with Rule 38(e), emergency arbitrators require an applicant to demonstrate: (1) urgency; (2) at least a *prima facie* case on the merits at least to the extent of the relief requested; and (3) some concept of irreparable harm, i.e., the applicant cannot be made whole simply through a subsequent monetary award rendered by an arbitral tribunal.

An emergency arbitrator immediately takes control of the process, and very rapidly, in succession: organizes the proceeding; issues a scheduling order; obtains submissions from counsel; undertakes a merits hearing, if desired; and renders a reasoned award — all within a matter of a couple of weeks. While the AAA rules specify that an award in a domestic arbitration is due 30 days after the close of the hearing (Rule 45), in an emergency arbitration where urgency is critical, the arbitrator and the parties through their preliminary hearing typically

agree on a very short period for the award, perhaps a week or two, at most, after the hearing is closed. In my case, that period was just 10 days.

Counsel and their clients, when faced with an emergency arbitration, must prepare themselves for a short but very intense, frenetic, focused process, with extremely tight time periods within which to create their submissions and prepare for and attend hearings. For each party, that means that Counsel must collect all relevant documents and evidence, learn the operative facts, select and interview all their witnesses and generate witness statements or prepare those witnesses for live testimony, and compose a submission all within a couple of weeks, if not less. While a claimant has the advantage of having more time to assemble its case as it triggers the emergency process by filing a demand for it; a respondent is often caught flat-footed with no advance warning of the process until it receives a copy of the demand filed with the AAA or other administering institution and is thus under immense time pressure. What would normally consume months of time in an ordinary arbitration is compressed into just a few weeks, if that long.

Basically, whether you are counsel or the arbitrator, once an emergency arbitration proceeding starts, the proceeding takes over your life; it is all subsuming and you just do not have time to do anything else until, in the case of counsel, the hearing is over or the arbitrator, the award is rendered.

C. Emergency Arbitration Proceeding: Open TLD, BV v. ICANN

Now, with all this background in mind, what happened in my case?

A Dutch domain name registrar, OpenTLD, BV, registered for its own use, i.e. acting as a registrant, several Internet domain names that each contained a trademark of one of its competing registrars. OpenTLD then used those names to divert Internet users away from its competitors' websites to OpenTLD's website at which OpenTLD solicited those users' business, thus depriving those competitors of potential name registrations. Two of the registrars brought administrative proceedings (domain name arbitrations) through the WIPO Arbitration and

Mediation Center under the UDRP (Uniform Domain Name Dispute Resolution Policy) against OpenTLD and prevailed. In each case, OpenTLD defaulted. Not only did the panelist in those proceedings order the names at issue transferred to the registrars, he also ordered WIPO to send a copy of his decisions to the Internet Corporation for Assigned Names and Numbers (ICANN).

Every domain name registrar of names containing a generic top level domain (gTLD) (such as, e.g., ".com", ".org" or ".net") anywhere in the world has an Registrar Accreditation Agreement (RAA) in force with ICANN (ICANN has supervisory authority over and coordinates the operation of the entire domain name system). The RAA gives ICANN the right to suspend a registrar's ability to: (a) register new domain names in the gTLD space, and (b) initiate inbound transfers of such existing names, both for a period of up to 12 months if the registrar is found to have engaged in cybersquatting (§§ 5.5, 5.7). The RAA provides a 15-day notice window, i.e. the suspension will be effective 15 days after ICANN serves a notice of suspension on the registrar. The RAA (§ 5.8) contains an arbitration provision which specifies AAA arbitration under its international rules (meaning the ICDR Rules). That provision also states that a registrar can initiate arbitration to contest whether suspension was appropriate and also request the arbitration panel to stay the suspension until an arbitration decision is rendered. Further, under §5.8, a stay will be granted only if the Registrar can show that its continued operations would not be harmful to the public interest.

ICANN, in response to the two WIPO decisions, performed a suitable investigation and concluded that OpenTLD committed cybersquatting contrary to the RAA. Thereafter, on June 2, 2015, ICANN, in accordance with its dispute resolution procedures, sent OpenTLD a compliance inquiry message setting a deadline of June 10th for OpenTLD to respond. A compliance inquiry message sets forth deficiencies which ICANN has found with a registrar and provides the registrar with an opportunity to correct the deficiencies. No response was received by ICANN from OpenTLD to its June 2nd message, though ICANN has confirmation, from its e-mail server, that OpenTLD received that message 3 seconds after it was sent out.

In the absence of any response, ICANN, on June 23rd, issued a Notice of Suspension to OpenTLD, stating that, on July 8th, it would commence a 90-day suspension of OpenTLD's

name registration and inbound name transfer privileges.

OpenTLD then initiated an emergency arbitration proceeding with the ICDR to stay the suspension pending a final determination of the merits of the suspension. Why? It did not want the suspension to go into effect on July 8th, else its reputation would be damaged and it stood to lose considerable revenue by not being able, during a 90-day period, to register new domain names for the gTLD registries it handled and accept transfers of incoming names. It wanted the suspension stayed as soon as possible. Once the proceeding was filed, ICANN unilaterally stayed the suspension until the emergency arbitrator ruled on whether a stay should be granted to OpenTLD under the RAA.

Now, with the emergency arbitration started, what happened?

On July 15th, I received an e-mail from the ICDR inviting me to serve as an emergency arbitrator in the case. I immediately recognized just how intense and encompassing an effort was being requested of me. If you, as Counsel, find your client as a party in an emergency proceeding, be absolutely certain that you and your firm have the bandwidth to immediately handle it. As an arbitrator, it is essential to have the time available for the case. If you do not have the time, do not take on the case. Given the extremely tight deadlines in the proceeding, both counsel and the arbitrator must immediately drop everything else they are doing during the proceeding and sharply focus their attention on the proceeding for its entire pendency to the exclusion of everything else for one simple reason: they do not have time to do anything else. Time is of the essence; the sooner the award can be rendered, the better for the parties. An emergency proceeding is not for the "faint of heart" and certainly not for an attorney who has no experience handling an arbitration or his firm which doesn't have any experience either.

I held a preliminary teleconference with counsel for the parties the next day, July 16th. We agreed that there would be one round of written submissions: Open TLD's opening brief on July 23rd, ICANN response brief on August 4th, and OpenTLD's reply brief on August 10th, with a telephonic hearing before me on August 14th. My award was due not later than August 24th. We held to this schedule, as ambitious as it was.

After I received the opening brief it immediately became apparent to me that I could not wait until after the hearing concluded on August 14th to begin writing the award. The issues involved were complex, and 10 days just would not suffice. What I did -- and what proved to be crucial for me in managing my own time -- was to start writing the award right after I received the first brief on July 23rd and then, as I received and reviewed each successive brief, expand the award with information from that successive brief and modify, as needed, all material in the award I had previously written in order to reflect the essence of that brief and its impact on the award. Thus, the award "evolved" over time with each submission. There is a considerable amount of background information in the first brief that will not change with subsequent briefs, and can be incorporated into the award right away, which saved me considerable time later.

Writing focused and sharpened my thinking about the specific issues in contention and allowed me to include in my "evolving" award: specific questions to ask counsel at the hearing, and notes which delineated all additional information I needed which that brief did not include. I then carefully reviewed each successive brief -- as I did the opening brief, but also scrutinized it to see whether it answered any of my existing questions or supplied any of the missing information I then sought, and whether it led to me to contemplate further questions and need additional information -- and so notated as such in the "evolving" award as it then stood. Some of my questions were answered and some material I sought were supplied by a subsequent submission.

By the time of the hearing on August 14th, I had completed most of the award. In particular, I completed just about all the background sections of the award, set forth all the arguments of counsel in the award, devised a written template for my discussions of the issues in dispute subject to completion based on arguments presented at the hearing, and had some remaining questions for counsel. At the hearing, counsel presented their respective arguments, and I asked my remaining questions. The next day after I closed the hearing, I went back to the award and, over the ensuing few days, completed the remaining sections and also circled back to the sections I had previously written and revised them as needed.

Knowing that the ICDR prefers to have an award a few days, before it is due, for its own internal review, I finished the award on Wednesday, August 19th and sent it off to the ICDR for review. If I had waited until after the hearing on April 14th to start preparing the award, I simply could not have completed it in 10 days, let alone to the detail it now contains -- the case was one of first-impression and the issues far too complex.

In an emergency arbitration, given how sharply concatenated it is, counsel will appear before the arbitrator just once -- and that is at the hearing and for my case that was just for a half-day. I need to make the most of that opportunity. Obviously, each counsel will present and fully argue its case at the hearing, but also I, as the arbitrator, have to be certain that I obtain all the information I need from that counsel at the hearing because I will not have another opportunity to do so. That means I need to be fully prepared with my own list of questions. I was. I ask questions. If there is something I do not understand in counsel's submissions and I think it is important to my comprehension of the case -- and it has not been resolved in my mind whether in a later submission or during counsel's own presentation at the hearing, I'll ask a question and I did: quite a few in fact. Therefore, by having started writing the award coincident with having the first brief, I was able to fabricate a list of questions early on and keep revising it as needed, right up to the time of the hearing. This ensured that at the end of hearing, no questions remained and I had all the information I needed to decide the case.

Advantageously, as in my case, parties to an emergency arbitration often gain invaluable early insight into how an ensuing arbitral tribunal would perceive the merits of their dispute, i.e. here whether OpenTLD's suspension was justified, simply by extrapolating the emergency arbitrator's decision -- here my award. Often, parties can use that insight to quickly resolve their entire dispute, either because the party seeking emergency relief realized it had no realistic possibility to obtain an effective remedy should it ultimately prevail in the ensuing arbitration, or was persuaded that the tribunal would skeptically view its success of prevailing on the merits of its underlying claims. Such early resolution eliminates further arbitration, thus yielding considerable savings in both time and cost. To my knowledge, the parties before me resolved the entire matter shortly after I rendered my award, saving them the necessity, time and cost of holding a full arbitration.

D. Precedent/Enforceability

Judicial decisions concerning emergency arbitration are scant. To date, the only decision in the US has been rendered by the Federal District Court in the Southern District of New York in *Yahoo! Inc. v. Microsoft Corp.* (2013 WL 5708604, Case No. 13CV7237 (Part I)) (U.S.D.C. S.D.N.Y., Oct. 21, 2013). There, the Court enforced a AAA emergency arbitration award. Specifically, Microsoft and Yahoo contractually agreed that, by 2011, Yahoo would transition its search queries originating in two foreign markets onto Microsoft's Bing search engine. Technical problems ensued. Consequently, the parties agreed to delay the transition to the end of October 2013. On Sept. 20, 2013, Yahoo notified Microsoft that it was then not proceeding with the transition but hopefully would resume it in early 2014. That same day, Microsoft informed Yahoo that it considered Yahoo in breach of their agreement. On Sept. 26, Microsoft commenced an emergency arbitration, through the AAA, seeking specific performance to compel Yahoo to timely complete the transition. On Oct. 14 (only 18 days after the emergency arbitration was initiated -- and that is a very short period even for an emergency arbitration, mine was 40 days) and after extensive briefing and a two-day hearing, the emergency arbitrator rendered his award through which he denied the request for specific performance, but issued an injunction that "restores the parties to the activities they were ready to proceed with before the pause." Despite a vacature challenge by Yahoo, the Court upheld the award.

Emergency arbitration can be particularly useful where urgent relief is essential. In the international arena, given the enforcement of arbitral awards under the NY Convention, emergency arbitration may very well be the only real path a party has to obtain effective urgent relief.

Accordingly, counsel and parties should seriously consider emergency arbitration as it can yield substantial efficiencies and yet be very effective -- where speed matters.

INTERNATIONAL CENTRE FOR DISPUTE RESOLUTION
International Arbitration Tribunal

In the Matter of the Arbitration between:

OpenTLD, B.V., Claimant

vs

Internet Corporation for Assigned Names and Numbers (ICANN)

ICDR Case No. 01-15-0004-1379

EMERGENCY AWARD

I, the undersigned arbitrator, having been designated in accordance with the arbitration provision contained within § 5.8 of the Registrar Accreditation Agreement entered into by the above-named parties on or about July 1, 2014 (“RAA”) and further pursuant to Article 6 (“Emergency Measures of Protection”) of the International Arbitration Procedures of the International Centre for Dispute Resolution (ICDR), and having been duly sworn, and having duly heard and considered the proofs and allegations of both parties, now issue, through an emergency arbitration procedure, this EMERGENCY AWARD as follows.

A. Parties

1. Claimant

Claimant, OpenTLD, B.V., is a Netherlands company headquartered in Amsterdam, Netherlands. Through the RAA, the Claimant, an ICANN-accredited Internet domain name registrar, provides domain name registration services to the public for various generic top level domains (gTLDs). It also oversees separate domain name registry services for 5 country-code top level domains (ccTLDs), specifically .gq for Equatorial Guinea, .tk for Tokelau, .ml for Mali, .ga for Gabon, and .cf for the Central African Republic. The Claimant offers, through its affiliated reseller <freenom.com >, low-cost and free domain name registration services for each of these ccTLDs.¹

¹ Claimant’s Opening Brief ,Section II(A)(1) ,at p.3 .

2. Respondent

Respondent, ICANN, formed in 1998, is a public, non-profit California corporation. Its mission is to “coordinate, at an overall level, the global Internet’s system of unique identifiers ... to ensure the stable and secure operation of the Internet’s unique identifier systems”². In doing so, ICANN coordinates, on behalf of the entire Internet community and pursuant to a series of agreements with the US Department of Commerce³, the entire global hierarchical domain name system (DNS) of the Internet, which provides Internet addressing through translation of domain names to unique numerical Internet Protocol (IP) addresses, so as to ensure stable and secure operation of the DNS which, in turn, preserves and enhances the operational stability, reliability security and global interoperability of the Internet⁴. Each specific top level domain (TLD), whether it is a gTLD (such as .com, .net, .org and others) or ccTLD, has an associated registry which provides a centralized repository of names registered, as second level domains (SLDs) for use under that particular TLD (to form a domain name of the form <SLD.gTLD> or <SLD.ccTLD>). Each registry, in turn, may utilize the services of one or more registrars which are each granted permission by the registry to establish new registrations in the registry and service their existing registrations, such as through handling transfers and renewals. All registries and registrars must be accredited by ICANN in order to provide domain name registration services as well as domain name to IP address translation services.

B. RAA

The RAA sets forth the rights and obligations of an ICANN accredited registrar.

The provisions of the RAA relevant to this arbitration are as follows.

1. Arbitration provision

The arbitration provision, contained within RAA § 5.8, governs this proceeding and states in pertinent part:

“... [D]isputes arising under or in connection with this Agreement ... shall be resolved in a court of competent jurisdiction or, at the election of either party, by an arbitration conducted as provided in this Subsection 5.8 pursuant to the International Arbitration Rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted in English and shall occur in Los Angeles County, California, USA. ... The parties shall bear the costs of the arbitration in equal shares, subject to the right of the arbitrator to reallocate the costs in their award as provided in the AAA rules. The parties shall bear their own attorneys' fees in connection with the arbitration, and the arbitrator may not reallocate the attorneys' fees in conjunction with their award. ... In the event

² ICANN Bylaws, Article I. A copy of the bylaws appears in Exh. C to OpenTLD’s Request for Arbitration and is accessible at <https://www.icann.org/resources/pages/governance/bylaws-en> .

³ ICANN’s Response Brief at p. 4. Also see, ICANN’s Articles of Incorporation at Articles 3-4. A copy of these articles appears in Exh, B to OpenTLD’s Request for Arbitration and is accessible at <https://www.icann.org/resources/pages/governance/articles-en> .

⁴ ICANN Bylaws, Article I, Sect. 2, para. 1.

Registrar initiates arbitration to contest the appropriateness of ... suspension of Registrar by ICANN pursuant to Section 5.7.1, Registrar may at the same time request that the arbitration panel stay the termination or suspension until the arbitration decision is rendered. The arbitration panel shall order a stay: (i) upon showing by Registrar that continued operations would not be harmful to consumers or the public interest In all litigation involving ICANN concerning this Agreement (whether in a case where arbitration has not been elected or to enforce an arbitration award), jurisdiction and exclusive venue for such litigation shall be in a court located in Los Angeles, California, USA; however, the parties shall also have the right to enforce a judgment of such a court in any court of competent jurisdiction. For the purpose of aiding the arbitration and/or preserving the rights of the parties during the pendency of an arbitration, the parties shall have the right to seek temporary or preliminary injunctive relief from the arbitration panel or in a court located in Los Angeles, California, USA, which shall not be a waiver of this arbitration agreement.”

2. Termination, Suspension, Notice provisions

The relevant provisions are §§ 5.5.2.4, 5.7.1, 5.7.2 and 7.6, the operative portion of each is as follows:

“5.5 Termination of Agreement by ICANN. This Agreement may be terminated before its expiration by ICANN in any of the following circumstances:

5.5.2 Registrar

5.5.2.4 is found by ICANN, based on its review of the findings of arbitral tribunals, to have been engaged, either directly or through its Affiliate, in a pattern and practice of trafficking in or use of domain names identical or confusingly similar to a trademark or service mark of a third party in which the Registered Name Holder has no rights or legitimate interest, which trademarks have been registered and are being used in bad faith.

5.7 Suspension

5.7.1 Upon the occurrence of any of the circumstances set forth in Section 5.5, ICANN may, in ICANN's sole discretion, upon delivery of a notice pursuant to Subsection 5.7.2, elect to suspend Registrar's ability to create or sponsor new Registered Names or initiate inbound transfers of Registered Names for any or all gTLDs for a period of up to a twelve (12) months following the effectiveness of such suspension.

5.7.2 Any suspension under Subsections 5.7.1 will be effective upon fifteen (15) days written notice to Registrar, with Registrar being given an opportunity during that time to initiate arbitration under Subsection 5.8 to determine the appropriateness of suspension under this Agreement.

7.6 Notices and Designations

... [A]ll notices to be given under this Agreement shall be given in writing at the address of the appropriate party Any written notice required by this Agreement shall be deemed to have been properly given when delivered in person, when sent by electronic facsimile with receipt of confirmation of delivery, when scheduled for delivery by

internationally recognized courier service, or when delivered by electronic means followed by an affirmative confirmation of receipt by the recipient's facsimile machine or email server. ...”

C. Governing Law and Arbitral Seat

The RAA is silent as to the governing law and the seat of arbitration. RAA § 5.8 specifies that the place of arbitration is to be Los Angeles, California and that a court located in Los Angeles is the exclusive venue for litigation, including in aid of this arbitration. Consequently, it is reasonable for the Arbitrator to infer, particularly given the absence of any language in the RAA to the contrary, that the parties tacitly intended that California law would govern this emergency arbitration proceeding and that the arbitral seat would be Los Angeles⁵. Those choices will govern this proceeding, as subsequently agreed by the parties.⁶

D. Emergency Arbitration Proceeding

Through a preliminary hearing held telephonically on July 16, 2015 with Counsel for both sides and the Arbitrator present, OpenTLD, ICANN and the Arbitrator agreed that, given the exigency of this emergency proceeding, this proceeding would consist of: (a) one round of written submissions (OpenTLD's opening brief due July 23rd, ICANN's response brief due August 4th, and followed by OpenTLD's reply brief due August 10th); (b) a telephonic hearing on the merits on August 14th; and (c) issuance of the Arbitrator's award no later than August 24, 2015.

Consistent with procedure, both sides have timely filed their respective briefs. The Arbitrator has carefully reviewed and considered all of them. The merits hearing was telephonically held on August 14, 2015. The Arbitrator has carefully considered all arguments raised during that hearing. OpenTLD and ICANN each filed a post-hearing submission on August 17th and 21st, respectively, both of which have also been considered.⁷

E. Factual Background

On March 17, 2015, ICANN sent Mr. Joost Zuurbier, Chief Executive Officer at OpenTLD, a letter (“Notice of Breach”) stating that, for four specific reasons, OpenTLD was then in breach of its RAA. Specifically, the Notice stated that OpenTLD did not: (a) file a Compliance Certificate for 2014 with ICANN, (b) display, on its website, the then current ICANN logo; (c) escrow its registration data; and (d) remit its past due accreditation fee to ICANN of US \$ 494.67.⁸ The letter set forth a deadline of April 7, 2015 by which OpenTLD had to remedy these breaches.

⁵ See Born, *International Commercial Arbitration*, Second Ed. (©2014, Wolters Kluwer) specifically “Implied Choice-of-Law Agreements” at p. 2730.

⁶ See separate e-mail messages to the Arbitrator from ICANN's Counsel dated August 12, 2015 and OpenTLD's Counsel dated August 13, 2015.

⁷ Pursuant to Article 27(2) of the ICDR International Arbitration Procedure, the Arbitrator has the discretion to re-open the hearing upon application of any party. The Arbitrator treats these submission as collectively such an application but solely for the purpose of having these submissions considered. Subsequently, on August 23, 2015, the Arbitrator received an e-mail message from Counsel for each side. Both messages are inconsequential.

⁸ A copy of which appears as Exh. A to the Declaration of Joost Zuurbier dated July 23, 2015 submitted with OpenTLD's Opening Brief (“Zuurbier decl.”).

(referred to hereinafter as the “March 2015 breaches”). Through subsequent correspondence (not relevant here) between the parties, ICANN successively extended that deadline to May 6, 2014. OpenTLD finally resolved all these deficiencies to ICANN’s satisfaction resulting in ICANN having sent an email message on May 18, 2015 to Mr. Zuurbier (at jzuurbier@opentld.com) stating that all beaches set forth in the 3/17 Notice of Breach were cured.⁹

Subsequently on or about May 28, 2015, the World Intellectual Property Organization Arbitration and Mediation Center (hereinafter simply “WIPO”) issued administrative panel decisions dated May 19, 2015 in two domain name arbitrations in which OpenTLD or its related proxy service, Stichting OpenTLD WHOIS Proxy¹⁰, was the respondent: *Key-Systems GmbH v. Joost Zuurbier, OpenTLD B.V.*, WIPO Case No. DME2015-0002 involving the domain names <key-systems.cc> and <rrrproxy.me>, and *NetEarth Group, Inc. v. Stichting OpenTLD WHOIS Proxy*, WIPO Case No. D2015-0428 involving the domain name <netearthone.biz>¹¹. In each case, the complainant is a competing ICANN accredited registrar to OpenTLD. Each complainant held a Community (European) trademark registration for a mark identical to the term(s) used as the SLD in a corresponding domain name(s) and instituted its corresponding proceeding to attain transfer of that name(s) from OpenTLD. Further, OpenTLD, either directly or through its proxy service (Stichting OpenTLD WHOIS Proxy) was not only the registrar but also the registrant by having registered each name on its own behalf¹². Each complainant contended that OpenTLD, directly or through its proxy service, used the corresponding disputed domain name(s) to divert Internet users to a website through which OpenTLD or its affiliated reseller, Freenom, offered name registration services competitive with those then offered by that complainant and enticed those users to switch from that registrar’s services to Freenom’s services, thus disrupting that registrar’s business. For simplicity, hereinafter both OpenTLD and Stichting OpenTLD WHOIS Proxy will be collectively referred to as simply OpenTLD, unless specifically stated otherwise. OpenTLD did not file a response to the complaint in either case. In both cases, the WIPO panel found that OpenTLD’s conduct as a registrar was “highly suspect” for reasons of cyberflight and cybersquatting. Specifically, as to the former, the panel found that OpenTLD intentionally deleted the disputed domain name registration(s) during the pendency of the corresponding proceeding instead of placing the name(s) on registrar lock, in direct contravention to paragraph 8 of the Uniform Domain Name Dispute Resolution Policy (UDRP), and failed to: (a) timely respond to registrar verification requests from WIPO, and (b) afford the complainant in each case with an the opportunity to restore the name(s) pursuant to § 3.7.5.7 of ICANN’s Expired Domain Deletion Policy, thus collectively viewing this conduct as “tantamount to the abusive and bad faith practice of cyberflight”.¹³ As to cybersquatting, the WIPO panel found that, in each case, OpenTLD intentionally registered a domain name(s)

⁹ Zuurbier decl. at para. 7-11, with a copy of an e-mail chain between the parties and culminating in ICANN’s May 18th message appearing in Exhibit B to the Zuurbier decl.

¹⁰ This entity, a non-profit organization organized under the laws of the Netherlands, is fully managed by OpenTLD. See letter from OpenTLD’s Counsel to ICANN dated 8/17/15 and filed as OpenTLD’s post-hearing submission.

¹¹ Copies of these decisions appear in ICANN’s Response Brief, specifically in Exhs. 1 and 2, respectively, to the Declaration of Owen Smigelski (“Smigelski decl.”), and are directly accessible at <http://www.wipo.int/amc/en/domains/search/text.jsp?case=DME2015-0002> and <http://www.wipo.int/amc/en/domains/search/text.jsp?case=D2015-0428>, respectively.

¹² Zuurbier decl. at para. 15-19.

¹³ OpenTLD disputes the panel’s finding of cyberflight. See OpenTLD’s Reply Brief at Sect. II(A)(3), p. 4-5.

corresponding to the complainant's mark(s) and proceeded to use that name(s) to divert Internet users to its own website at which it offered competing services, thus "trading on the goodwill and reputation of the Complainant's mark(s) through creation of Internet user confusion" and disrupting the business of a competitor.

Moreover, in each case, the WIPO panel found that, on August 14, 2014 -- the same day on which each of the disputed domain names in both decisions was registered, OpenTLD had registered at least 5 other domain names containing trade names or marks of domain name registrars with which OpenTLD or Freenom then competed and used those names in a similar fashion to its use of the disputed names.¹⁴

Accordingly, the panel, in both cases, concluded that, under the UDRP, not only did OpenTLD lack any legitimate rights or interests in any of the names at issue but also its actions regarding these names constituted bad faith registration and use, thus ordering all the names transferred to the respective complainants. Further, the panel directed WIPO to send a copy of each decision to, inter alia, ICANN as the accrediting authority. ICANN received these decisions on May 28, 2015.

ICANN received a copy of a February 19, 2015 e-mail letter which Ms. Sara Bockey, Policy Manager, at GoDaddy Operating Company, LLC ("GoDaddy") sent to Mr. Jeremie Godreche, Chief Operating Officer of OpenTLD.¹⁵ Through the letter, GoDaddy, a competing ICANN-accredited registrar to OpenTLD, pointed to four ccTLD-based domain names (specifically <godaddy.cf>, <godaddy.ml>, <domainsbyproxy.tk> and <domainsbyproxy.ga>) which OpenTLD registered, where each name contained, as its SLD, a registered mark (specifically "godaddy" or "domainsbyproxy") owned by GoDaddy. GoDaddy demanded that OpenTLD transfer these names to GoDaddy and set a deadline of February 25, 2015 to receive a response from OpenTLD. By August 4th, GoDaddy had not received either any response from OpenTLD or a transfer of any of the names. However, OpenTLD deleted <godaddy.cf> on February 20th. As to the other 3 names, OpenTLD stated during this emergency proceeding that: <domainsbyprosy.ga> was registered by a third-party registrant and would expire on January 15, 2016, <domainsbyproxy.tk> was registered in April 2014 by a third-party registrant whose registration expired on April 23, 2015 and is currently registered by GoDaddy.com through Key-Systems GmbH, and <godaddy.ml> was never registered and is available for registration.¹⁶

ICANN received a complaint from Tucows, another ICANN-accredited registrar, regarding OpenTLD. Tucows stated that OpenTLD, through its reseller Freenom, registered a domain name that was identical to Tucows' registered mark, "opensrs". In addition, Tucows complained that Freenom used a third level domain "opensrs" in conjunction with its domain name <freenom.com> to form a subdomain name <opensrs.freenom.com> that identically included Tucow's mark which, in turn, was used to redirect traffic to solicit domain name registration business.¹⁷

¹⁴ *Key-Systems* and *Net-Earth*, each at Sect. 4 ("Factual Background"), last para.

¹⁵ A copy of which appears in Exh. 3 to Smigelski decl.

¹⁶ OpenTLD's Reply Brief, Sect. II(A)(4) at p. 6-7.

¹⁷ Smigelski decl. at para. 11. Similarly, see OpenTLD's Reply Brief at Sect. II(A)(4), p. 6-7.

As a result of the WIPO decisions and ICANN's examination of the website <freenom.com>, ICANN sent a compliance inquiry message on June 2, 2015 by e-mail to Mr. Zuurbier and, in that message, set a deadline of June 10, 2015 for receiving a response from OpenTLD. That message sought information from OpenTLD concerning certain issues raised by the WIPO decisions and notified OpenTLD of ICANN's investigation of OpenTLD's potential breaches of its RAA.¹⁸ ICANN received no response from OpenTLD to this message. According to ICANN's log entries produced by its e-mail server, the June 2nd message was received by OpenTLD's e-mail server (mail.opentld.com) three seconds after it was sent.¹⁹ Further, after ICANN sent the June 2nd message, the third level domain <opensrs.freenom.com> ceased operating.²⁰

On June 23, 2015, ICANN then sent a second communication (a formal letter), specifically a "Notice of Suspension", by e-mail, facsimile and courier to Mr. Zuurbier stating:

"Pursuant to Section 5.5.2.4 of the RAA, ICANN has found that OpenTLD has engaged in a pattern and practice of trafficking in or use of domain names identical or confusingly similar to a trademark or service mark of a third party in which the Registered Name Holder has no rights or legitimate interest."

By virtue of this finding, ICANN, in its 6/23 Notice of Suspension, suspended OpenTLD from creating any registered names and initiating any inbound transfers of registered names for a 90 day period commencing on 00:00 UTC (Universal Coordinated Time) (17:00 PDT) on July 8, 2015 ("Suspension Order").²¹ The Notice of Suspension delineated 9 required steps which OpenTLD must demonstrate that it has taken by September 15, 2015 to bring its operation into full compliance with the RAA, otherwise ICANN may terminate the RAA or extend the suspension pending termination. As of August 4th, ICANN reported that OpenTLD had not complied with any of the requirements set forth in the 6/23 Suspension Notice.²² Subsequently, OpenTLD, through a letter sent by its Counsel to ICANN on August 10, 2015, described various specific steps which OpenTLD has either completed or initiated that it believes will collectively bring it into full compliance (hereinafter simply "8/10 letter").²³ On August 20, 2015, ICANN's compliance department provided its response, via an e-mail message, to the 8/10 message. In its response, ICANN specified certain additional information and records it requires from OpenTLD to determine whether OpenTLD had cured all the breaches set forth in the 6/23 Notice of Suspension (hereinafter referred to as the "8/20 responding message").²⁴

¹⁸ A copy of the June 2nd letter appears in Exh. 4 to the Smigelski decl.

¹⁹ Smigelski decl. at para. 13.

²⁰ Id at para. 11.

²¹ A copy of which appears as Exh. C to the Zuurbier decl.

²² Smigelski decl. at para. 20.

²³ See Supplemental Declaration of Joost Zuurbier ("Zuurbier supp. decl.") at para. 3, and, as referenced in that paragraph, Exh. A to OpenTLD's Reply Brief; the latter containing a copy of a letter dated August 10, 2015 from OpenTLD's Counsel to Mr. Smigelski detailing the actions then taken by OpenTLD. As specific aspects of those actions are not relevant to this award and are confidential to OpenTLD, those aspects will not be discussed any further. ICANN, in respecting this confidentiality, stated that it will not publish this letter on its website, a decision with which the Arbitrator agrees.

²⁴ E-mail from ICANN's Counsel to the Arbitrator dated August 21, 2015 forwarding the 8/20 responding message.

While Mr. Zuurbier acknowledges his receipt of the 6/23 Notice of Suspension, he denies ever having received the 6/2 compliance inquiry message or any intervening communication from ICANN regarding any “pattern and practice of cybersquatting”.²⁵

In response to the Suspension Order, on July 7, 2015, OpenTLD initiated this emergency proceeding by filing its demand for emergency arbitration online with the ICDR pursuant to RAA § 5.8. Through this proceeding, OpenTLD seeks to stay the Suspension Order pending a final determination on the merits of the suspension. ICANN stated, during the July 16th preliminary hearing, that, although its Suspension Order took effect at 00:00 UTC on July 8th, upon receipt of the demand later that same day, ICANN subsequently stayed the Suspension Order (the suspension itself having been in effect for approximately an hour), with that stay remaining in effect until such time as the Emergency Arbitrator issues this award.²⁶

F. ICANN Governance Principles

As one of its core values, ICANN, in guiding its decisions and actions, will make its decisions by applying documented policies neutrally and objectively, with integrity and fairness.²⁷

ICANN has published its dispute resolution procedure, in terms of its overall compliance approach, which consists of a prevention stage (informal resolution process) and an enforcement stage (formal resolution process)²⁸ and is intended to ensure consistency for all parties involved²⁹. The prevention stage involves upwards of three successive inquiries of notice sent to a non-compliant registrar, each requiring use of added notification modalities (the first inquiry is sent by email; if the first inquiry is not answered, the second inquiry is made by email and telephone; and if the second inquiry is not answered, then the third inquiry is made by e-mail, facsimile and telephone). Each inquiry may be sent to gather information particularly if there is no known compliance violation, or for proactive compliance monitoring. If a response is not received from the non-compliant registrar as of the deadline set in the inquiries or an insufficient response is received, then, compliance advances to a next level, where ICANN may send an “escalated notice” to that registrar which requires immediate resolution of either alleged breaches or a repeated instance of a recently cured breach. If, despite ICANN’s attempts to informally resolve the breaches, the requested response is not received by a deadline set in that notice, then ICANN can escalate to the enforcement stage through which it can then take appropriate enforcement action against the non-compliant registrar.³⁰ Through this stage, ICANN first issues a notice of breach, publishes the notice, provides a response period and then analyzes a response from the registrar. If the response cured the breach, the enforcement stage essentially terminates. If response does not cure the breach, then ICANN informs and/or consults with the registrar and

²⁵ Zuurbier decl. at paragraphs 20-22. OpenTLD’s Reply Brief at p. 9.

²⁶ Smigelski decl. at para. 17.

²⁷ ICANN Bylaws at Art. 1, Sect. 2, para. 8.

²⁸ See ICANN Overall Compliance Approach, a copy of which appears as Exh. C to the Declaration of Jerl B. Leutz (“Leutz decl.”).

²⁹ General Questions - Complainants and Disputes, specifically Question 31 (“What is ICANN’s contractual compliance approach and process?”). A copy of this document (hereinafter simply “Compliance Processes FAQ”) appears at Exh. F to the Leutz decl. and is accessible at <https://www.icann.org/resources/pages/faqs-84-2012-02-25-en#suspension>.

³⁰ Informal Resolution Process, a copy of which appears as Exh. D to the Leutz decl..

may suspend that registrar under its RAA or terminate that registrar's RAA.³¹ ICANN attempts to first resolve contractual compliance under an RAA informally, by facilitating open dialogue and resolution. However, where necessary, if ICANN determines that a non-compliant registrar must resolve a critical issue immediately, ICANN sends an escalated notice, with failure to respond to such notice potentially resulting in a notice of breach.³²

ICANN, through its Bylaws, has obligated itself to apply, inter alia, its procedures (here its dispute resolution procedures) on a non-discriminatory basis unless the circumstances sufficiently justify disparate treatment. Specifically, Article 2, Section 3 of the Bylaws state, in pertinent part:

“ICANN ... shall not apply its standards, policies, procedures, or practices inequitably or single out any particular party for disparate treatment unless justified by substantial and reasonable cause, such as the promotion of effective competition.”

G. Relief sought by OpenTLD, Issue for Determination by the Arbitrator

Through this emergency proceeding, OpenTLD seeks a stay of the Suspension Order (though currently stayed by ICANN while this emergency proceeding is pending) until such time as the merits of the suspension itself have been determined in a subsequent arbitral proceeding. The sole issue before the Arbitrator is whether OpenTLD is entitled to this requested stay pending further arbitration.

H. Discussion and Findings

1. Applicable time frames for analysis of OpenTLD's conduct

The Arbitrator's determination of whether OpenTLD is entitled to its requested stay involves two principal issues:

- (a) whether the 6/23 suspension was properly imposed at the time, and
- (b) whether, under RAA § 5.8, OpenTLD's continued operation would not be harmful to consumers or the public interest.

OpenTLD's conduct involved a series of actions spanning the period starting prior to the 6/2 compliance inquiry message and continuing past the 6/23 Notice of Suspension.

As to the first such issue, those actions which preceded the 6/2 compliance inquiry message formed the basis of ICANN's finding that OpenTLD was in breach of its RAA, particularly the violation of RAA § 5.5.2.4 and, coupled with the absence of any response from OpenTLD to that letter, formed the basis of the 6/23 Notice of Suspension.

It is only the suspension that was imposed on June 23rd that is at issue, not any enforcement action which ICANN may subsequently choose to utilize. As such, the Arbitrator confines his focus and assesses just the operative facts which ICANN then knew and conclusions it then

³¹ Formal Resolution Process, a copy of which appears as Exh. E to the Leutz decl.

³² Compliance Processes FAQ, specifically question 32 (“What is the difference between the Informal resolution and Formal resolution process?”).

reached which led it to issue the 6/2 compliance inquiry message and any and all relevant intervening facts and conclusions that led to the 6/23 Notice of Suspension.

Since June 23rd, OpenTLD has taken what it believes to be serious, considerable and sufficient efforts aimed at achieving compliance with its RAA, thus justifying its present request for a stay of the Suspension Order. Not unexpectedly, OpenTLD strenuously points to those efforts as sufficient to protect consumers and the public interest from harm -- a necessary predicate under RAA § 5.8 for an automatic stay of a suspension -- which might otherwise arise, thus justifying its present request for a stay.³³ All of OpenTLD's actions which occurred post-6/23 are outside the pertinent analytic time frame and hence irrelevant in determining whether the suspension was properly imposed.

As to the second issue, whether harm would arise from OpenTLD's continued operation, the applicable window of time under which OpenTLD's conduct is assessed does not end with the 6/23 Notice of Suspension but continues up to the issuance of this award.

Specifically, RAA § 5.8 states that "In the event the Registrar initiates arbitration to contest the appropriateness of ... suspension, Registrar may at the same time request the arbitration panel stay the ... suspension The arbitration panel shall order a stay: (i) upon showing by Registrar that continued operations would not be harmful to the consumers or the public interest"

This section does not define the date by which relevant conduct must occur by a registrar, relative to the date of a suspension it is then contesting, i.e., whether an operative cutoff date is that of the original commencement of the suspension (i.e., 15 days after the Notice of Suspension³⁴, which here is July 8th); or if the suspension was stayed by ICANN (as here), the date that stay became effective (which is also July 8th) or the date that stay expires (which here is the date this award is received by ICANN).

As ICANN stayed its own suspension pending the issuance of this award, then, were the Arbitrator to deny OpenTLD's pending request for a stay, ICANN, if it so chooses, can commence the suspension coincident with its receipt of this award. Consequently, to afford proper fairness to OpenTLD in determining whether harm would arise, the Arbitrator will assess all of OpenTLD's relevant conduct occurring up to the date this award is received by ICANN, including all of OpenTLD's post-6/23 compliance actions that occurred up to that date.

2. Imposition of the Suspension Order

OpenTLD raises the following argument that the Suspension Order was improperly imposed, as a basis justifying its request for a stay:

Significant public interest requires that ICANN administer its standards in a fair, transparent and consistent manner -- which it has not done here. First, suspension of OpenTLD's registrar privileges is arbitrary, unprecedented and excessive as ICANN did not follow its published resolution policies when it immediately escalated its enforcement action to suspension without providing any opportunity to OpenTLD to cure those

³³ OpenTLD's Reply Brief at Sect. II(A)(6) at p. 9-10 and Zuurbier supp. decl. at para. 3 and Exh. A thereto.

³⁴ RAA § 5.7.2.

breaches, particularly when compared to suspensions ICANN imposed on other registrars. Second, contrary to ICANN's stated escalation policy, OpenTLD was not previously notified of those breaches prior to its receipt of ICANN's June 23rd suspension letter and thus not given an opportunity to cure those breaches prior to the Suspension Order. Consequently, in the absence of the requested stay, OpenTLD, without the benefit of having a fair process, will suffer significant financial and reputational harm.³⁵

This argument fails to persuade the Arbitrator.

OpenTLD predicates its argument on its view of having been treated unfairly and arbitrarily by ICANN, in administering its published dispute resolution procedures, by virtue of:

- (a) comparison to enforcement actions ICANN had invoked, including the length of response and cure periods, for RAA breaches as set forth in prior third-party Notices of Breach or Suspension; and
- (b) not having been provided with any notice of the breach coupled with an opportunity to cure the breach prior to the June 23rd Suspension Order.

- a) Was the Suspension Order as arbitrary exercise of ICANN's enforcement action?

The Arbitrator finds that ICANN did not act in an arbitrary fashion in issuing the Suspension Order.

Through its bylaws, ICANN has reserved for itself the ability to treat any registrar differently from others where "substantial and reasonable cause" circumstances warrant doing so.³⁶ Such a situation exists here and proper cause lies in ICANN having done so.

An examination of published prior third-party Notices of Breach and Suspension ("third-party Notices") which OpenTLD has provided³⁷ reveals a total of 6 suspension notices, and 3 notices of breach, with none of them being a breach of RAA § 5.5.2.4 due to cybersquatting.

These breaches (and the associated non-compliant registrars) included, e.g.: failure to maintain registration records (Alantron Bilism Ltd STi), failure to pay accreditation fees (Alantron Bilism Ltd STi; Black Ice Domains, Inc.; Visesh Infotecnics Ltd d/b/a Signdomains.com), failure to maintain registration records and make them available to ICANN (Alantron Bilism Ltd STi; Registration Technologies, Inc.), failure to make registration records available to ICANN (Pacnames Ltd.), failure to provide an authorization code to a registered name holder within 5 days (Registration Technologies, Inc.); failure to provide ICANN with corrective and preventive action to ensure timely response to ICANN inquiries (Black Ice Domains, Inc.), failure to allow a registered name holder to transfer its name to another registrar or provide a valid reason for denial (Registration Technologies, Inc.), failure to provide required authorization forms

³⁵ OpenTLD's Opening Brief at Sect. III(B) at p. 9-11.

³⁶ ICANN Bylaws, Art. 2, Sect. 3.

³⁷ See Leutz decl., Exh G. These notices are stated to be ICANN's posted history of Notices of Breach, Suspension, Termination and Non-renewal from 2008 to July 23, 2015, the latter being the date of execution of the Leutz decl., and available at <https://www.icann.org/resources/pages/notices-2012-02-25-en> .

(Cheapies.com Inc.), sending deceptive marketing materials to registered name holders (Brandon Gray Internet Services Inc. d/b/a NameJuice.com), and the occurrence of three repeated failures over a 12-month period (Cheapies.com Inc.; Homestead Limited d/b/a Namevault.com; Black Ice Domains, Inc.; Pacnames Ltd.) with the individual failures, to the extent pertinent and provided in these last notices, having been the essentially the same as some of those listed for the other third-party non-compliant registrars immediately above.

This emergency proceeding presented the first instance of registrar cybersquatting for which a breach is alleged under RAA § 5.5.2.4³⁸. Thus, no other instances exist against which to compare the nature of the enforcement action taken.

Nevertheless, in light of the rather pernicious effect of cybersquatting on consumers and the general Internet community, as discussed below, which would only exacerbate over time if not quickly remedied, ICANN was well within its discretion, to act as expeditiously as it did in issuing its 6/2 compliance inquiry message followed, due to non-response of OpenTLD, with, on June 23rd, its Suspension Order.

To the extent that ICANN's actions could be seen to have differed, in scope and speed, from other enforcement actions taken against other non-compliant registrars -- as evidenced by the third-party Notices, the Arbitrator finds that OpenTLD's conduct and its expected deleterious effect on both consumers and the public in general, were that conduct to continue, provided ICANN with "substantial and reasonable cause" justifying disparate enforcement action.

Any question as to whether, in light of OpenTLD's offending conduct here, the magnitude of the enforcement action imposed by ICANN was appropriate and legitimate, i.e. whether the suspension itself, including its 90-day length, for registering and then using the various domain names as it did -- when compared with other possible enforcement action which ICANN could alternatively have taken -- is excessive, is beyond the limited remit of the Arbitrator and thus one on which the Arbitrator will not opine.

ICANN, when faced with past instances of cybersquatting by any of its accredited registrars, can ill afford to delay remedial action to prevent future instances as doing so presents a very real threat of exacerbating injury to the Internet user community through, e.g., accelerating user confusion, escalating damage to third-party marks and attendant goodwill, and increasing disruption of legitimate business interests. Even just maintaining the status quo, in the absence of suspending continued operation of a non-compliant registrar still may present a risk, if, as perceived by ICANN, cybersquatting may persist while that registrar is in the midst of implementing corrective action that, only once fully functional and operational, will ameliorate the continuing threat otherwise present.

Consistent with ICANN's perception of the severity of potential injury to consumers or the public interest resulting from a registrar's continuing conduct in breach of RAA § 5.5.2.4, ICANN has the ability and so exercised it here, under Article 2, Section 3 of its bylaws, to take whatever particular enforcement action it deems necessary under the circumstances, including at

³⁸ ICANN, through its Counsel's e-mail message to the Arbitrator of August 12, 2015 stated that this proceeding is the first arbitration, under RAA § 5.8, involving a registrar breach of RAA § 5.5.2.4.

whatever degree of urgency is appropriate, even including -- as it did here -- accelerating certain steps and omitting others set forth in its published dispute resolution procedure, to effectively prevent such injury and deter similar conduct by other registrars.

OpenTLD points to arbitrariness from the standpoint of comparing ICANN's present enforcement action taken here against both prior ICANN enforcement action taken against OpenTLD, resulting from the March 2015 breaches, and those stated in the third-party Notices. For OpenTLD's March 2015 breaches, ICANN engaged in multiple rounds of informal correspondence through which the corresponding breaches were remedied well short of imposing any suspension. Similarly, resolution, short of suspension, remediated most of the breaches set forth in the third-party Notices. However, both OpenTLD's March 2015 breaches and the third-party breaches were for infractions that at worst likely had a de minimus effect, and in many instances no effect, whatsoever on consumers or the public in general, such as: a failure to remit annual accreditation fees, maintain registration records and/or make them available to ICANN, or submit necessary reports to ICANN; or even three such minor infractions over a 12-month interval. A breach based on cybersquatting (RAA § 5.5.2.4) is quite distinguishable in that it is far more onerous and its effects can be far more pervasive and pernicious as impacting a considerable number of Internet users, and can yield substantially greater third-party harm and thus call for immediate remediation, through appropriately strong corrective measures being implemented at the registrar level, than any of the breaches delineated in any of the prior third-party Notices.

In such instances, ICANN, to fully effectuate its core values set forth in its Bylaws, must have sufficient flexibility to expeditiously impose forceful remedial action, whenever it deems necessary to do so, in order to ensure rapid compliance of a non-compliant registrar and immediate discontinuance of its prior or continuing breaches. In doing so, of necessity, ICANN must have the freedom to determine the strength of an enforcement effort and the exigency at which it will be imposed as a function of the likelihood that harm to consumers or the public interest would otherwise occur and the type and extent of that harm. Where significant harm is likely and imminent, ICANN can choose to take suitably expedited remedial action to ensure rapid compliance. Alternatively, where no or de minimus public harm is likely to occur over time, and hence no or little risk exists to consumers or the public interest, ICANN, can choose informal enforcement, e.g., extending through multiple rounds of informal communication, so as to afford the registrar extended time to attain compliance (as ICANN did so with OpenTLD's March 2015 breaches).

Further, prompt and forceful remedial action, as taken here in its first instance and when suitably publicized, such as through ICANN's website or even reporting by the trade media, establishes an initial precedent. Should a similar situation later arise which ICANN then perceives as posing a similar threat to consumers or the public interest if left uncorrected, ICANN, then following its precedent, can impose a similar level of enforcement. By doing so, ICANN provides a measure of enforcement predictability for subsequent actions taken for registrar breaches of RAA § 5.5.2.4 that acts to deter similar injurious conduct that might otherwise occur by other registrars in the future.

b) Did ICANN provide proper prior notice to OpenTLD of its breaches with an opportunity for timely cure?

RAA § 7.6 defines what constitutes effective written notice of any dispute arising under the RAA. It specifies that proper notice can be effectuated under any of five alternate modalities: personal delivery, delivery by electronic facsimile (commonly referred to as “e-fax”), delivery by an internationally recognized courier service, delivery by conventional facsimile or delivery by e-mail. Should ICANN use any of these non-personal modalities to deliver notice, § 7.6 also requires that ICANN have affirmative confirmation of receipt, such as from a facsimile machine or e-mail server, that a peer communications system for the chosen modality actually received the notice sent to it for ultimately delivery to the intended recipient.

ICANN transmitted its 6/2 compliance inquiry message by e-mail to Mr. Zuurbier at OpenTLD. As previously noted, this message set forth OpenTLD’s alleged breaches of the RAA, providing specific reference to the WIPO decisions and RAA § 5.5.2.4, sought 9 distinct items of information from OpenTLD to aid ICANN in its investigation of these breaches, and set forth June 10th as a deadline for OpenTLD’s response. ICANN did not receive any response to this message.

A log entry from ICANN’s e-mail server confirms that this server transmitted the message and, three seconds later, the message was received by OpenTLD’s e-mail server. This is sufficient affirmative confirmation under RAA § 7.6 to indicate that ICANN provided OpenTLD with proper notice of this message. Once this message was confirmed as having been received by OpenTLD’s server, responsibility for its ultimate delivery by that server to Mr. Zuurbier, whether through posting the message to his Inbox associated with a PC-based client e-mail application (such as Microsoft Outlook), forwarding to a mobile telephone and/or other portable user device having client e-mail capability, or handling that message in some other manner, automatically transferred over to OpenTLD. OpenTLD alone, not ICANN, was liable for proper operation of its own e-mail server, including that server’s delivery of the message onward to its ultimate addressee, and all other server- and/or client-side e-mail processing, such as, e.g., anti-spam and anti-virus filtering, malware protection, that may have then been in place and operational at OpenTLD. It is also possible that the message was in fact delivered to Mr. Zuurbier but that, for whatever reason, he just inadvertently deleted it. Regardless of where the message specifically went awry, it did so somewhere along that part of the message delivery path which was OpenTLD’s sole responsibility.

The 6/2 compliance inquiry message provided an 8-day response period (from June 2nd through June 10th) during which OpenTLD could endeavor to engage with ICANN to fully cure the alleged breaches within that period or at least, with ICANN’s approval, initiate suitable remedial action that would ultimately cure those breaches -- either of would likely have avoided the imposition, on June 23rd, of the Suspension Order. That this period expired without OpenTLD having been aware of it, much less responding within it, was exclusively the fault of OpenTLD as a failure occurred somewhere along that portion of the e-mail delivery path for which OpenTLD was solely responsible. ICANN provided a cure period for which OpenTLD, due to its own failing, did not avail itself.

Hence, ICANN did not treat OpenTLD in an arbitrary or unfair manner with respect to the 6/23 Notice of Suspension and Suspension Order.

3. Potential Harm to Consumers or the Public Interest

a) Would OpenTLD's continued operation be harmful?³⁹

As discussed above, for determining this issue, the Arbitrator assesses all of OpenTLD's conduct that occurred up to the issuance of this award. This includes all the steps OpenTLD has either completed or initiated to bring itself into full compliance with its RAA and so remedy the breaches specified by ICANN in the 6/23 Notice of Suspension, along with the various mechanisms OpenTLD currently has in place to combat and prevent abusive name registrations.

Even in light of all that steps OpenTLD has taken, including all the mechanisms which it presently has in place, the Arbitrator finds -- directly contrary to OpenTLD's argument here -- that, in the absence of fully remedying all the breaches set forth by ICANN in the 6/23 Notice of Suspension, OpenTLD's continued operation could potentially harm consumers and the public interest.

While the Arbitrator commends OpenTLD for all its efforts thus far aimed at achieving compliance, a condition expressly set forth in the 6/23 Suspension Order is that OpenTLD must resolve all those breaches, to ICANN's satisfaction, by September 15, 2015. If full compliance is not met by that date, then, ICANN, at its discretion, can extend the suspension, presently stayed but due to expire coincident with this award, beyond its 90-day length or terminate OpenTLD's RAA.

Specifically, OpenTLD contends that inasmuch it manages 25 million domain names worldwide, its having acted as a registrar in only 3 names, cumulatively across both WIPO decisions, does not fairly evidence a "pattern or practice of domain name trafficking" as required under RAA § 5.5.2.4 for suspension pursuant to RAA § 5.7.1 and thus OpenTLD's continued conduct poses no harm and consequently qualifies it for a mandatory stay under RAA § 5.8.⁴⁰

RAA § 5.5.2.4 does not reach just one result of cybersquatting (though defined in terms slightly narrower than the grounds set forth in §4(a)(i)-(iii) of the UDRP -- as the differences are irrelevant here, they will be ignored), i.e., a "pattern or practice of trafficking in domain names" -- the result which OpenTLD contends does not exist here, but rather either of two alternative results: a "pattern or practice of trafficking in domain names" or a "pattern or practice of use of domain names" -- the latter which OpenTLD fails to address. Either result suffices.

The WIPO panel in each of the 2 decisions found, and the Arbitrator so accepts, that, each of the three disputed domain names was identical to a registered mark of a third-party registrar, was one in which OpenTLD had no rights or legitimate interests and one which OpenTLD used in bad faith.

³⁹ OpenTLD's Opening Brief, Sect. III(A), at p. 8-9.

⁴⁰ Id at p. 9.

A pattern of acts requires repetition. A single isolated act is not a pattern. If all OpenTLD were to have done was to register just one domain name that constituted cybersquatting under the specific grounds set forth in RAA § 5.5.2.4, that one act would not constitute a pattern. However, OpenTLD did not register a single such name; it registered at least 9 such names. Three of those names were those cumulatively disputed in both WIPO decisions. Five other domain names, were noted by the WIPO panels in those decisions as including third-party marks but not then in dispute (as presumably involving third-party rights holders), were registered by OpenTLD and were used in the same fashion as the three names in dispute. Further, ICANN received a complaint from Tucows regarding another abusive name registration which OpenTLD's affiliated reseller, Freenom, made which incorporated Tucow's registered mark and was used by that reseller to redirect Internet user traffic to solicit domain name registration business to OpenTLD in much the same way as the other abusive registrations made by OpenTLD.

The RAA does not define what constitutes a pattern (nor does the UDRP define that term as it is used in the illustration of bad faith registration and use under UDRP paragraph 4(b)(ii)), but leaves that determination to the fact-finder to be made under the particular circumstances at issue.

Having assessed the facts of record in their totality, the Arbitrator has little doubt that the multiple abusive name registrations made by OpenTLD, each of which included the registered mark of a competing domain name registrar and OpenTLD's subsequent use of those names -- as delineated by the WIPO panels -- formed part of a broad concerted effort by OpenTLD calculated to deliberately divert name registration business, otherwise destined for competing domain name registrars (of which there are at least three under the present facts: NetEarth and Key-Systems being Complainants in the 2 WIPO decisions, and Tucows being the third), away from those registrars to OpenTLD instead. Specifically, by using those names to divert Internet users destined for any of these registrars to OpenTLD's website at which OpenTLD offered competitive registration services, any such user would reasonably be led to believe that an affiliation, association, sponsorship or other authorized relationship existed between the corresponding registrar and OpenTLD -- when, in fact, none existed at all. Thus, OpenTLD, through inducing consumer confusion, would capture registration business to which it was not entitled, thus denying that business to the competing registrars and consequently disrupting their businesses -- as the WIPO panels in both decisions concluded. At least 9 separate abusive domain name registrations, each being used in essentially the same manner, clearly manifest the same abusive pattern of use.⁴¹

Such a pattern, if allowed to continue, inflicts increasing harm through illicit exploitation of third-party trademark rights by the cumulative effect of escalating consumer confusion in the marketplace which, over time, can appreciably weaken, if not destroy, the secondary meaning

⁴¹ While ICANN points to as many as 73 other gTLD-based domain names in OpenTLD's portfolio that contained third-party marks, with at least 14 of them having been registered after the June 23rd Suspension Notice by OpenTLD's proxy service (ICANN's Response Brief at para. 44-45 and Smigelski decl. at para. 18-19), the Arbitrator cannot determine, from the limited information of record, whether the ultimate registrant for any of these names was OpenTLD or another entity, the identity of the latter being masked by OpenTLD's proxy service from public view, in the WhoIS database or other reports or records searched by ICANN. Hence, the Arbitrator will ignore all these registrations.

established in trademarks as extremely valuable product and service source- and quality-designators to the ultimate detriment of not only the rights holders but also clearly consumers and the public in general.

For OpenTLD to show, consistent with RAA § 5.8 that no harm to consumers or public interest will result if the Arbitrator grants the requested stay, OpenTLD has the burden of proving that all the remedial actions it has thus far taken, whether completed or just initiated as described in the 8/10 letter as well as the mechanisms it has in place to prevent or reduce abusive registrations, will effectively prevent this abusive conduct -- where was the subject of the WIPO decisions -- from ever re-occurring.

OpenTLD has not met its burden. Though all the post-6/23 actions which OpenTLD has specifically taken to date to remediate its breaches and bring itself into compliance with its RAA are commendable, those steps do not include any actual specific process or procedure, either currently in operation or being actively implemented, or other suitable measure that is specifically aimed at preventing OpenTLD from ever repeating this abusive conduct in the future and more broadly stated preventing it from engaging in cybersquatting as defined in RAA § 5.5.2.4.

For example, as one of the steps set forth in the 8/10 letter is an assurance by OpenTLD that it “will not register any domain names in bad faith that are identical or confusingly similar to a trademark or service of a third party”. This assurance is just a commitment, nothing more. OpenTLD has made the same assurance when it entered into the RAA, namely that it would comply with RAA § 5.5.2.4.⁴² Yet, through its subsequent actions, it failed to meet its obligation.

ICANN has the discretion to require more than just a written assurance from a non-compliant registrar, which breached its obligation, that it will not engage in any specific abusive conduct going forward. It does just that here -- including through its 8/20 responding message. Specifically, the assurance OpenTLD has made in the 8/10 letter is insufficient, in ICANN’s view, to effectively prevent OpenTLD whether directly, or through its proxy service, from ever registering a domain name that includes a mark of a competing registrar and then intentionally using that name to divert Internet users to a website, whether of OpenTLD or another, where, through exploiting resulting user confusion as to whether that registrar and OpenTLD are in any way related, that user will be solicited to switch to OpenTLD’s registration services to the detriment of that registrar. For example, OpenTLD’s mechanisms appear to be directed to thwarting only third-party abusive registrations but not abusive registrations made directly by OpenTLD or indirectly by it through its proxy service, and thus would not capture its own registrations and rather likely its own subsequent conduct potentially in breach of RAA § 5.5.2.4.

RAA § 5.7 expressly states that upon the occurrence of any circumstance set forth in RAA § 5.5 by a registrar, of which cybersquatting under RAA § 5.5.2.4 is one, ICANN has sole discretion to impose a suspension order on that registrar for up to 12 months or terminate that registrar’s RAA. As such, ICANN has sole discretion to determine the specific enforcement action to be taken which necessarily includes setting forth the extent of compliance, i.e. the remedial steps,

⁴² Statement of ICANN’s Counsel at 8/14 hearing.

required to fully remedy that registrar's contractual breaches under its RAA. As a result of ICANN having completed its detailed review of each of OpenTLD's actions set forth in the 8/10 letter, it is quite evident to ICANN⁴³ and the Arbitrator that the steps set forth in that letter combined with the mechanisms already in place are collectively insufficient to effectively detect and prevent a breach of RAA § 5.5.2.4 from ever re-occurring.

Therefore, OpenTLD does not qualify for an automatic stay under RAA §5.8 on the basis that no harm would occur to either consumers or the public interest were it to continue operating its business as it currently does.

b) Would harm result from OpenTLD's alleged inability to accept domain name registrations for any of its five ccTLDs?

Further, OpenTLD raises the following additional argument that its continued operation will not cause any harm to consumers or the public interest, and as such provides another basis supporting its request for a stay:

As OpenTLD serves as the registry for 5 country codes for corresponding countries in West Africa and the South Pacific and provides, as a registrar, domain name registration services to registrants from these countries either at low cost or for free, suspension of OpenTLD's ability to accept registrations for domain names for any of these ccTLDs would cause harm to the public, particularly potential public registrants in those countries who seek to register names under any of these codes.⁴⁴

Here too, the Arbitrator is not persuaded.

There are two aspects to this argument: one legal and the other technical.

The legal aspect is implicitly based on OpenTLD's belief that its ccTLD-based domain name registration activity is subject to regulation under the RAA. In actuality, it is not.

ICANN expressly acknowledges that the RAA only applies to gTLDs and, as such, ICANN "has no authority under the RAA to take compliance action against OpenTLD as to its activities within the domain of a ccTLD." Consequently, OpenTLD's ability to act as registry operator and registrar for each of the 5 ccTLDs is totally unaffected by the suspension.⁴⁵ Thus, the ability of anyone seeking to register a domain name in any of these 5 ccTLD namespaces will not be impacted whatsoever by the suspension.

As to the technical aspect, OpenTLD argues that its "gTLD and ccTLD registration systems are deeply intertwined and separation of the gTLD option from the free ccTLD offering will impair OpenTLD's ability to do business."⁴⁶ This argument falls short. Based on his own engineering experience, the Arbitrator believes that this characteristic of OpenTLD's registration systems can

⁴³ See ICANN's 8/21 responding message setting forth further compliance items it seeks from OpenTLD.

⁴⁴ Id at Sect. III(C) at p. 11-12.

⁴⁵ ICANN's Response Brief at para. 29, at p. 10-11, and para. 54-55 at p. 19-20. Also, Smigelski decl. at para. 3 and 16.

⁴⁶ OpenTLD Reply Brief, Sect. II(C), at p. 12.

be readily and rather simply addressed through the addition of appropriate input filtering or other suitable pre-processing, which, based on testing the TLD in any domain name which a user than seeks to register through OpenTLD, prevents any such name having, as its TLD, a gTLD, from being processed further by these registration systems while allowing ccTLD-based names to be handled by these systems as they currently are. Such a solution would not require OpenTLD to separate its existing registration systems. Once the suspension expires, the input filter or pre-processing could simply be removed or bypassed in its entirety.⁴⁷

OpenTLD further argues that the suspension, should it occur, will cause considerable damage to its efforts to collaborate with its partners in the African domain space.⁴⁸ That is a collateral consequence of the suspension. As ICANN had sufficient justification to impose the suspension, OpenTLD must accept all consequences of the suspension, including whatever damage occurs to its reputation and future business dealings.

I. Conclusions


Through this emergency proceeding, the undersigned Arbitrator hereby declares and awards as follows:

1. For the reasons set forth above, OpenTLD's request for a stay of the Suspension Order is DENIED.
2. Pursuant to RAA §5.8, each side is to incur its own attorneys' fees in connection with this emergency arbitration proceeding.
3. As to costs, RAA §5.8 specifically states that the parties shall bear the costs of the arbitration in equal shares subject to the arbitrator to "reallocate the costs in their award as provided by the AAA Rules." Article 34 of the ICDR International Arbitration Procedures gives the Arbitrator discretion to apportion the costs of the proceeding among the parties if doing so is reasonable, taking into account the circumstances of the case. Under the circumstances here, the Arbitrator sees no justification to depart from equal-share allocation set forth in §5.8. Accordingly, the parties are to bear the costs of this emergency arbitration proceeding in equal shares.

This Emergency Award is in full settlement of all claims submitted to this emergency arbitration proceeding. Any and all claims not specifically mentioned herein are denied.

I hereby certify that, for the purposes of Article 1 of The New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards, this Emergency Award was made in Los Angeles, California, United States of America.

August 24, 2015


Peter L. Michaelson, Esq., Emergency Arbitrator


⁴⁷ The Arbitrator raised this view at the merits hearing, but OpenTLD's Counsel stated that he was not then able to respond to it.

⁴⁸ Id.

State of New Jersey }
County of Monmouth } SS:

I, Peter L. Michaelson, Esq., do hereby affirm upon my oath as Arbitrator that I am the individual described in and who executed this instrument, which is my Emergency Award.

August 24, 2015



Peter L. Michaelson, Esq., Emergency Arbitrator

State of New Jersey }
County of Monmouth } SS:

On this 24th day of August 2015, before me personally came and appeared Peter L. Michaelson, to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same.

August 24, 2015
Date



Notary Public

ASHLEY DEANDRE LUCIEN
NOTARY PUBLIC
STATE OF NEW JERSEY
MY COMMISSION EXPIRES AUG. 30, 2015