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15

Internet Domain Names and Trademarks

*A Comparative Study of US, German and South
African Law*

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I. Introduction

The incredible surge in popularity of the Internet and, in particular, the World Wide Web, has been engendered by the Web's ability to offer virtually instant access to a universe of information. As communication on the Web reaches an ever-greater population, a golden commercial opportunity has arisen. The Web, from a commercial point of view, is very much a combination of a shop window and an advertising campaign. Branding and, therefore, trademarks are consequently a vital aspect of trading on the Internet. A domain name is a company's address on the Internet, and for the sake of convenience and marketing reasons, the most favoured addresses are those containing the trademark or tradename of the company itself. About five million domain names are registered presently, with 70.000 new ones being added each week.¹ However, unlike most advertising campaigns, an advertisement placed on the Internet will by default be a global campaign. This makes the legal position troublesome in some ways, for trademarks are national by nature. Moreover, unlike trademarks, the same domain name can only be assigned once.

While until a few years ago, online disputes have been primarily dealt with via informal solutions, such as the polite conventions of "netiquette" shared by Internet users, the commercialisation of the Web has changed the nature of disputes dramatically. The first disputes around domain names and trademarks sparked in the US four years ago. Basically, these disputes center around the question of who has the right to a certain domain name. The first German court decision regarding domain names was handed down in 1996. The wave of domain name disputes has not reached South Africa yet, but having currently 25.000 domain names registered in the .co.za domain alone, which is about 75% of all domains on the African continent,² this is only a matter of time.

The purpose of this paper is to shed some light on the trademark law issues in connection with domain names. The method is to draw from the examples of the US and Germany, in order to find workable solutions for South Africa. After explanation of the technical background, legal disputes in various categories are examined, followed by a survey of dispute policies and other solutions at the point of registration. The concluding remarks are based on the above-mentioned findings and discussions.

II. Technical Background

In order to facilitate legal analysis and evaluation, the technical and organisational principles of the domain name system are first explained.

¹ WIPO spokeswoman Samar Shamoun to Reuters on January 14, 1999, see *World body aims to end "cybersquatting"* at <http://www.news.com/News/Item/0,4,30939,00.html>.

² Mark Elkins of Uniforum SA at the *WIPO regional consulting in Cape Town* on October 7, 1998, see <http://wipo2.wipo.int/process/eng/cp-transcript1.html>.

A. The Domain Name System

1. IP Numbers

Although the Internet may look like one big network, it is actually a network of thousands of independent networks, each consisting of several million computers. In order to send information from one computer to another, these machines (often referred to as hosts) must be able to identify each other. Therefore, they possess a unique numerical address, the so-called IP (for Internet Protocol) address. An IP address consists of a 32-bit long number chain, which takes the form of four sets of numbers, separated by periods or dots, for example 194.134.10.28.³ Reading from left to right, the numbers identify increasingly specific entities: The first set of numbers identifies large networks and their subnetworks, while the last number finally identifies a specific computer within any subnetwork.⁴ The IP number system is co-ordinated by the Internet Assigned Number Authority (IANA) which also assigns IP numbers. IANA receives its charter from the Internet Society (ISOC) and the Federal Network Council in the US.⁵

2. The Need for Domain Names

While the use of numerical addresses is an appropriate means of communication for computers, it would be practically impossible for human beings to remember different IP addresses. Thus, a Domain Name System (DNS) was established in order to assign more user-friendly names to computers, in addition to IP numbers. The DNS is a global, unequivocal and logical naming system assigning to each and every computer connected to the Internet a hierarchically structured name.⁶

Apart from its primary function of creating addresses that are easy to remember, the DNS has another advantage: The domain name of a computer is independent of its IP address, thus a computer can easily be assigned a different IP address (because of a change of service provider or physical relocation of the server, for example) without a user's knowledge.⁷ If a user types a URL (Uniform Resource Locator) containing a domain name into his or her browser a domain name server will be contacted and the correlating IP address will be returned which is then used to contact the intended computer.

3. The Domain Name Structure

There are different levels to a domain name, which are separated by dots. A domain name must have at least two parts: a top level domain (TLD) and a second

³ Bechtold *Schutz von Informationen* at II.1.a) referring to RFC 791, available at e.g. <http://uebsv.exp.univie.ac.at/intency/RFC/791/>.

⁴ Chase *Recent Domain Name Disputes* at para. 2.

⁵ Loundy *Trademark Law and Internet Addresses* at 465.

⁶ Bettinger *Trademark Law in Cyberspace* at B.I.

⁷ Bechtold *Schutz von Informationen* at II.1.a).

level domain (SLD, also referred to as sub-level domain). In contrast to IP numbers, the levels of a domain name are counted from right to left.⁸ A TLD may be a country code TLD (ccTLD) based on the ISO-Norm 3166, such as *.za* for South Africa or *.de* for Germany, or it may be a generic TLD (gTLD, also referred to as international or iTLD), such as *.com* or *.net*. TLDs are administrative units and were invented with the purpose of dividing the name space into different categories in order to be able to delegate them to different registration locations. While a domain name may contain various sub-level domains, a typical domain would look like:

Hostname.SLD.TLD	e.g. <i>www.wipo.int</i>	or
Hostname.Subdomain.SLD.TLD	e.g. <i>www.jura.uni-freiburg.de</i>	

SLDs are generally given out by top-level registries on a first come, first served basis. It is important to note that due to its function as an address a domain name can only be assigned once under one and the same TLD. A user who obtained a SLD within a TLD may then act as a registry for third-level domains within the SLD, or may assign host names within the SLD.⁹ Thus, to create a third-level domain or hostname within a domain, no registration procedure is required. It is the SLD that is the most characteristic element of a domain name and it is the SLD which is in the centre of domain name disputes.

4. Domain Name Constraints

When choosing a domain name a company or private person is not entirely free in his or her choice. Above all, the fact that a domain name must be unique in the entire Internet precludes a user from choosing a name that is already registered by someone else. Hence, whereas trademark law in most jurisdictions permits the use of the same mark by different companies, provided they do not operate in competing business fields and/ or in the same geographic area, within the same TLD a mark can only be registered once, world-wide. While Apple Computers and Apple Records may legally co-exist, they cannot share the domain *apple.com*.

Other technical limitations of Internet naming conventions further reduce the possibility for trademarks to be kept distinct: Capitalisation, stylised formats, or designs cannot be used with the purely alpha-numerical domain names. Moreover, a domain name may not contain more than 24 letters (excluding the TLD)¹⁰ and no characters other than numbers, letters, or hyphens.

B. Significance of Domain Names

Although certain administrative tasks of the Internet like the IP number system and the DNS are carried out on a centralised basis, there is no central index to all hosts

⁸ Schanda *Internet Domain Names* at I.B.

⁹ Loundy *Trademark Law and Internet Addresses* at 466.

¹⁰ Dueker *Trademark Law Lost in Cyberspace* at 493.

on the Internet. A user trying to find a company on the Internet, therefore, has to use one of the various search engines¹¹ or a manually created index.¹² However, because of the widespread, worldwide custom of companies to choose their address in the form of *http://www.companyname.com*¹³ it is often possible to guess a company's location on the Internet.¹⁴ Likewise, the fast food chain McDonald's can be found at *http://www.mcdonalds.com*.¹⁵ The value of an easy to remember, easy to guess mnemonic Internet address has therefore been compared with the popular alpha-numeric "1-800" phone numbers in the US.¹⁶ Consequently, domain names have great commercial value within the area of marketing and can be crucial in attracting customers to a webpage. Due to the limited name space, the first come, first served principle and the exponential commercialisation of the Internet a company is more and more likely to find its preferred domain name already taken. According to a survey conducted already in 1994 in the US, 14% of the 500 biggest companies were too late to register their desired name.¹⁷ Of course, these companies could choose one of the over 170 ccTLDs or slightly alter their name. In the case of Apple Records the company could choose *apple.az* (for Azerbaijan) or *apple-records.com*. The price, however, would be a reduced possibility to be found on the Net simply by guessing.

C. Who Assigns Domain Names?

The current assignment system comprises seven gTLD: The TLDs *.gov* (for agencies of the US Federal government), *.mil* (US military), and *.int* (for organisations established by international treaties) are reserved for US institutions, while the other TLDs *.com* (for commercial), *.edu* (for educational), *.net* (for computer network providers), and *.org* (miscellaneous organisation) are available to all Internet users throughout the world.¹⁸

Again the IANA decides who will manage these TLDs, i.e. who will register any SLD within a specific TLD.¹⁹ At present, the TLDs *.com*, *.org*, and *.net* are registered by InterNIC (Internet Network Information Center), a virtual organisation established by private and US government organisations, including IANA, the (US) National Science Foundation (NSF), and the ISOC among others. InterNIC is run by Network Solutions, Inc. (NSI), a private company that contracted with NSF.²⁰

¹¹ The one with the largest database, *Hotbot*, only covers about a third of all Internet pages.

¹² Like *Yahoo* or *web.de* which cover less than 10% of the Internet.

¹³ *http://www.name.de* or *http://www.name.co.za*, respectively.

¹⁴ The abbreviation "http" stands for "hyper text transfer protocol" while "www" is often used to denote a "world wide web" host, as opposed to, for example, a mail server or a news server.

¹⁵ Also *http://www.mcdonalds.de* and *http://www.mcdonalds.co.za*, respectively.

¹⁶ *Burk Trademarks Along the Infobahn* at para. 52 ff.

¹⁷ *Dueker Trademark Law Lost in Cyberspace* at IV.B. (note 93).

¹⁸ *Bettinger Trademark Law in Cyberspace* at B.I.

¹⁹ *Loundy Trademark Law and Internet Addresses* at 466.

²⁰ *Schanda Internet Domain Names* at I.B.

In Germany, all domain names for the TLD *.de* are registered by the Interessenverband Deutsches Network Information Center (IV-DENIC), a co-operative of 40 German Internet service providers and the Deutsche Interessen Gemeinschaft Internet eV (DIGI).²¹

Some countries, like South Africa or the UK, have created generic TLD as sub-level domains within their ccTLD in order to maintain the same diversity. In South Africa, there are, among others, the *.co.za* (for commercial), the *.ac.za* (for academic), and even a *.tm.za* (for trademark) TLD.²² UniForum SA is responsible for allocating domain names within the *.co.za* domain space, while domain names within the *.ac.za* TLD are assigned by the Foundation for Research and Development (FRD).

III. Domain Name Disputes

A. *Capability of Domain Names to be Protected as Trademarks*

The primary purpose of the creation of the DNS has been to provide user-friendly *addresses*. In this respect, the use of a domain name is comparable to the use of a phone number or street address, which generally are not protected by trademark law. On the other hand, domain names are not assigned like phone numbers but deliberately chosen by their users and, hence, are also able to identify not only the specific computer, but also the user of a domain name and his product. Thus, the question arises, whether trademark and related law applies to domain names. Unfortunately, trademark law is not global in its scope and this question has to be answered according to national laws.

1. US Law

a) *Sources of Trademark Protection*

In the US trademarks are governed principally under a dual system of state and federal laws.²³ The federal trademark statute, the Lanham Act,²⁴ provides a national registry for trademarks, generating nationwide protection for registered marks against infringement by use that is likely to cause consumer confusion. In addition, the Federal Trademark Dilution Act of 1995²⁵ protects famous marks

²¹ Bettinger *Trademark Law in Cyberspace* at B.III.

²² See <http://co.za/zaland.html> for all available TLDs.

²³ Lee/ Davidson *Intellectual Property* at 11.

²⁴ 15 U.S.C. sec 1051-1127.

²⁵ Codified at 15.U.S.C. secs 1125 (c), 1127.

against dilution by tarnishment or blurring.²⁶ Unregistered marks are termed "common law trademarks" and are pre-empted by registered marks.

b) Characteristics of a Mark

The Lanham Act defines a trademark as

"any word, name, symbol, or device or any combination thereof used [or intended to use] by a person ... to identify and distinguish his or her goods ... and to indicate the source of the goods."²⁷

Marks are often rated in terms of their strength, i.e. their ability to uniquely identify goods and services, on the following scale (from strongest to weakest):²⁸

- Fanciful or Coined (e.g. Exxon, Xerox, Kodak)
- Arbitrary (e.g. Apple for computers, Yahoo for online services)
- Suggestive (e.g. Leggs for pantyhose, Coppertone for suntan lotion)
- Descriptive (e.g. Computerland, Yellow Pages)
- Generic (e.g. beer for alcoholic beverages)

While a generic mark can never be a trademark, a descriptive mark is only protectable through proof of a secondary meaning.²⁹

c) Ability to Indicate the Source of Goods

The key question is whether domain names - even if they are fanciful - are able to indicate the source of goods or services. In one sense, a domain name is like a street address - it indicates the location of an entity on the Internet. A geographic address is "generic" and not likely to be registrable as a trademark owned by a business at that address.³⁰ However, in another sense, a domain name may resemble a source-identifier because the domain name can indicate from what entity information at that address originated. Domain names, therefore, appear to be both names and addresses; they both locate and identify Internet resources.³¹

The legislative history of sec 43 (c) of the Lanham Act indicates that it was intended, in part, to address domain name disputes: Senator Leahy expressed his

"hope that this anti-dilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others."³²

²⁶ *Loundy Trademark Law and Internet Addresses* at 475.

²⁷ 15 U.S.C. §1127.

²⁸ *Smedinghoff Online Law* at 212.

²⁹ *Movsesian Trademarks and Internet Publications* at II.A.1. and 2.

³⁰ *Loundy Trademark Law and Internet Addresses* at 470.

³¹ *Burk Trademarks Along the Infobahn* at para. 30.

³² Senator Leahy discussing this provision, quoted in *Intermatic*, 1996 US Dist LEXIS 14878 at 12.

Not surprisingly, US courts have readily applied trademark law to domain name disputes, e.g. in cases referring to the domain names *candyland.com*,³³ *intermatic.com*,³⁴ *ty.com*,³⁵ and *knowledgenet.com*.³⁶ On the other hand, no case is known to the author which was dismissed because of a domain name lacking trademark protection in general.

d) Conclusion

In the US domain names are capable of functioning as a trademark and are capable of infringing a trademark.

2. German Law

a) Sources of Trademark law

In Germany trademarks and service marks are generally governed by the (Federal) Trademark Act of 1995 (Markengesetz, hereinafter: MarkenG) which protects against infringement both by likelihood of confusion and by dilution. Unlike US law, trade names and company names are also protected. While the Trademark Act requires a use in the course of trade, sec 12 of the German Civil Code (BGB), the right to bear a name, is more extensive and applies also to use outside the course of trade.

b) Characteristics of a Mark

Sec 3 (1) of the Trademark Act defines signs capable of being protected as trademarks as

"[a]ny signs, in particular words including personal names, designs, letters, numerals, ... which are capable of distinguishing the goods or services of one undertaking from those of other undertakings."³⁷

Sec 5 (1) of the Trademark Act protects company symbols as trade designations which are defined in sec 5 (2) as

"signs used in the course of trade as the name, company name or special designation of a business establishment or of an undertaking."

Both sec 5 of the Trademark Act and sec 12 of the Civil Code have in common that the designation in question must serve as a means of identification, distinction, or as a name.³⁸

³³ *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, 1996 WL 84853 (W.D. Wash. 1996).

³⁴ *Intermatic, Inc. v. Toeppen*, 40 USPQ2d 1412 (N.D. Ill. 1996).

³⁵ *Giocalone v. Network Solutions, Inc. and Ty, Inc.*, No. C-96 20434, 1006 US Dist. LEXIS 20807 (N.D. Cal. 1996).

³⁶ *KnowledgeNet v. David L. Boone, et al* (N.D. Ill. 1994).

³⁷ Translation according to Aufenanger *The German Trademark Act*.

³⁸ Bechtold *Schutz von Informationen* at II.1.b)aa).

c) *Controversy about the Function as a Name*

In essence, the key question is the same as in US law: Are such "hybrid relationships" that fulfil the function of an address and a mark at the same time capable of distinguishing goods by their source? Some authors doubted this and pointed to the primary function of a domain name as identifying a computer connected to the Internet instead of the entity running the computer.³⁹

Nevertheless, the first German court decision pertaining to the domain *heidelberg.de* was based on the right to bear a name and stated that the City of Heidelberg could demand injunctive relief of the further use of the address.⁴⁰ Further court decisions pertaining to the domain names *braunschweig.de*,⁴¹ *das.de*,⁴² *freundin.de*,⁴³ *deta.com*,⁴⁴ and *krupp.de*⁴⁵ all held that domain names could either cause conclusions to persons, resulting in a confusion of attributions ("Zuordnungsverwirrung") or were capable of infringing a trademark. Only the *LG Köln* decided to the contrary dismissing the claims to *kerpen.de*, *huerth.de*, and *pulheim.de*.⁴⁶ It held that domain names did not perform the function of a name in terms of sec 12 BGB.

Although there is not a Federal Supreme Court (BGH) decision yet, a similar analogy as in the US can be drawn: Granting protection to telephone signs the Supreme Court emphasised that in the majority of cases telex call signs are related to commercial designations and are used and understood in the course of trade as being an abbreviated designation of the relevant companies.⁴⁷

Moreover, from a technical point of view there is no need for domain names, IP addresses would fully suffice. Domain names are user-friendly because a user can rely on a correlation between the host/ domain name and the entity running it. Thus, domain names primarily fulfil the function of a name.⁴⁸ This is the more true for so-called "virtual" hosts, i.e. a domain name created only for marketing reasons that in fact points to a subdirectory of an Internet provider's host. If a domain name is derived from a trademark or tradename and thus is used like a trademark, it must also be afforded the protection of trademark and related law.⁴⁹

³⁹ *Kur Internet Domain Names* at 327; *Gabel Domain-Namen* at 324; *Bücking Namensschutz* at 1887.

⁴⁰ *LG Mannheim*, 8.3.96 - 7 O 60/96, (1996) *Computer und Recht (CR)* at 353.

⁴¹ *LG Braunschweig*, 28.1.97 - 9 O 450/96, *NJW-CoR* 1997 at 303.

⁴² *LG Frankfurt*, 3.3.97 - 2/6 O 633/96, *NJW-CoR* 1997 at 303.

⁴³ *LG München I*, 18.7.97 - 21 O 17599/96, *NJW-CoR* 1997 at 496.

⁴⁴ *LG Braunschweig*, 5.8.97 - 9 O 188/97, *NJW-CoR* 1998 at 112.

⁴⁵ *OLG Hamm*, 13.1.98 - 4 U 135/97, *NJW-CoR* 1998 at 175.

⁴⁶ *LG Köln*, 3 O 477/96, 3 O 478/96, and 3 O 507/96, respectively, all of 17.12.96 and in *NJW-CoR* 1997 at 304.

⁴⁷ *Bettinger Trademark Law in Cyberspace* at C.I.1.a)aa)(2) referring to *Federal Supreme Court* of 18.12.85, *GRUR* 1986 at 475 - *Fernschreibkennung*

⁴⁸ *Bechtold Schutz von Informationen* at II.1.b)aa).

⁴⁹ *Nordemann Internet Domains* at 1892; *Kur Kennzeichenschutz* at 591.

d) Conclusion

Despite some minor controversy both trademark law and the right to bear a name protect domain names in Germany.

3. South African Law

The South African Trademark Act⁵⁰ defines a trademark as

"... a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kinds of goods and services connected in the course of trade with any other person."⁵¹

a) Parallels to US and German Law

The question whether a domain name is a trademark has not arisen before the courts yet. However, sec 2 (1) of the Trademark Act is very similar to the corresponding US and German law and virtually requires the same criteria, i.e. the capability of distinguishing products and services by their source. It is therefore likely that a SA court would reach the same conclusions as US and German courts did. A SA court might also draw from precedents in the UK which established that a domain name can be a trademark, e.g. for *prince.com*,⁵² *harrods.com*,⁵³ or in the *One in a Million* case⁵⁴ involving the domain names *burgerking.co.uk*, *motorola.co.uk*, *britishtelecom.co.uk* and others.

b) Conclusion

It is very likely that SA courts will regard domain names as capable of functioning as a trademark and thus afford protection to them under the Trademark Act.

B. Protection of Trademarks Against Identical Domain Names

This part deals with conflicts arising when someone else than the trademark owner or the designated company uses a trademark or trade name (commercial designation) as identical domain name. US trademark law (as opposed to German law) does not expressly protect trade names; nevertheless it makes no difference to treat them equally as most companies have registered their name as a trademark for their

⁵⁰ Act 194 of 1993.

⁵¹ Sec 2 (1).

⁵² *Prince PLC v. Prince Sports Group, Inc.* CH 1997 - P2355.

⁵³ *Harrods Limited v. UK Network Services Limited*, 1996 H 5453.

⁵⁴ *Marks & Spencer PLC, et al v. One in a Million, et al*, Nos. CH 1997 M5403, M.5404, J5402, V.5401 and B.5421.

products.⁵⁵ According to possible factual constellations it is further differentiated whether the domain holder operates in the same (1.) or different (2.) sector of business, the mark is famous (3.), or the domain holder is a cybersquatter (4.).

1. Protection Against Competitors

a) US Law

(1) Kaplan.com

One of the earlier cases concerned the domain *kaplan.com*. Princeton Review, a large test preparation company, registered the domain in order to prevent his archrival, Stanley Kaplan Co. from using it. The website maintained at the domain asked users to contribute to a list of complaints about the Kaplan company. Princeton Review offered to sell the domain to them for a case of beer but Kaplan threatened to go to court.⁵⁶ The parties settled in arbitration, Princeton got no beer, but Kaplan its desired domain.

(2) Juris.com

In *Comp Examiner Agency v. Juris, Inc.*,⁵⁷ Comp Examiner ran a website under the domain *juris.com* offering legal software and services for the legal profession. Juris, Inc. owned a registered trademark for "Juris" and was active in the same field. The court issued a preliminary injunction against use of the domain name by Comp Examiner but allowed it to leave its new address for a 90-day period at the URL <http://juris.com>.

(3) Cardservice.com

In *Cardservice International, Inc. v. McGee*,⁵⁸ the plaintiff owned a registered mark for the words "Cardservice International", but the defendant who held a company called "EMS - Card Service on the Caprock" registered *cardservice.com*. Both parties were doing business in the field of credit card and debit card processing. Despite the defendants claim that he was forced to use this domain as the technical limitations do not allow a space between the words "card" and "service", the court found infringement of the plaintiff's mark on the grounds that there is a likelihood of confusion between the plaintiff's mark and McGee's use of *card-service.com* and "Card Service" on the Internet.⁵⁹ The court added that the minor difference between the plaintiff's registered mark and the defendant's use did not

⁵⁵ E.g. the firm Apple Computers sells Apple® computers, Panavision Int'l sells Panavision® film equipment.

⁵⁶ See Dueker *Trademark Law Lost in Cyberspace* at IV.B.

⁵⁷ Civil Docket No. 96-0213-WMB, 1996 WL 376600.

⁵⁸ 950 F. Supp. 737 (E.D. Va. Jan. 16, 1997).

⁵⁹ *Id.* at 740.

preclude liability under the Lanham Act when the unauthorised use is likely to cause confusion.⁶⁰

(4) Conclusion

In the factual situation examined here US cases suggest a right of the trademark owner to prohibit the domain use by the domain holder.

b) German Law

(1) Basis of Claims

According to sec 14 (2), 15 (2) of the German Trademark Act (MarkenG) third parties are prohibited from using any sign identical to a trademark or trade designation in the course of trade. Both secs 14 (2) and 15 (2) MarkenG require a use in course of trade. Thus no claim can arise out of a use by a private individual.⁶¹ If the domain owner is a company advertising its products use in course of trade can be assumed.

(2) Mere Registration

A particular problem might arise if the domain owner has merely registered the name but is not (yet) using it. However, the registration of a domain name can be compared to the registration of a company name at the commercial register which usually indicates the intention to use the name and justifies preventive prohibitory action.⁶² Several German courts have gone so far to consider the mere registration of a domain name as a use in terms of the MarkenG, e.g. in disputes concerning the domains *deutsches-theater.de*⁶³ and *deta.com*.⁶⁴ In addition, the general clause of sec 1 of the Act Against Unfair Competition (UWG) may be applied in respect of the blocking or obstructive intent of the domain holder. Use of a domain name identical to the trademark or trade name of a competitor, with the aim of attaining competitive advantages at the competitor's expense falls within unfair conduct prohibited by sec 1 UWG.⁶⁵

(3) Use as a Trademark

There is some controversy under the new German trademark law as to the question whether the infringing denomination must be used in a trademark sense, i.e. in a distinguishing manner ("kennzeichenmäßig"), as under the old law or whether any use in the course of trade will suffice. It has already been established that domain

⁶⁰ *Id.*

⁶¹ Bettinger *Trademark Law in Cyberspace* at C.I.1.a)aa)(1).

⁶² Nordemann *Internet Domains* at 1893.

⁶³ *LG München I* 17.9.97 - 1 HKO 12216/97 NJW-CoR 98 at 111.

⁶⁴ *LG Braunschweig* 5.8.97 - 9) 188/97 NJW-CoR 98 at 112.

⁶⁵ Bettinger *Trademark Law in Cyberspace* at C.I.1.a)bb).

names are capable of functioning as a trademark.⁶⁶ Thus, when a domain name identical to a trademark or trade name is used, this constitutes use in a trademark sense even if the domain name is not used as a catchword in advertising and marketing, but merely as an Internet address.⁶⁷ For the resolution of the present constellation this controversy is, therefore, of little relevance.

(4) Likelihood of Confusion

If both the trademark and the goods or services offered by the domain holder are identical to the ones of the trademark owner sec 14 (2) (1) MarkenG requires no further condition to prohibit the use of the domain as likelihood of confusion is automatically assumed. If, however, the goods or services are only similar or a commercial designation is used as a domain name, then secs 14 (2) (2) and 15 (2) MarkenG require a likelihood of confusion for a claim to injunctive relief. In the constellation here this would almost always be the case with identical domains and similar goods. Even if from the content of the webpage it is clear that the holder is actually a different person than the trademark owner users will assume an economic or administrative connection between the two companies which also constitutes a substantial risk of confusion.

(5) Conclusion

Under German law, too, the owner of a trademark has the right to prevent competitors from using an identical domain name.

c) *SA Law*

Sec 34 (1) (a) of the SA Trademark Act provides that the rights acquired by registration of a trademark shall be infringed by

“the unauthorised use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion.”

As there is no case law yet, this provision alone will guide a court in deciding domain disputes. Two requirements merit further attention:

(1) Use as a Trademark

If sec 34 (1) (a) covered only the use as a trademark it would be difficult to establish infringement if a domain owner used his domain simply as Internet address without promoting it in marketing or otherwise using it as a catchword. The additional requirement that the use must be “in the course of trade” is superfluous where the use is “as a trademark” and, thus, makes sense only where the use is

⁶⁶ *Supra* III.A.2.d).

⁶⁷ *Bettinger Trademark Law in Cyberspace* at C.I.I.a)aa)(2).

other than a trademark. Consequently, sec 34 (1) (a) does not require “use as a trademark” but is fulfilled with all kinds of uses.⁶⁸

(2) Use in Course of Trade

This requirement does not create any difficulty where the parties are in direct competition. In a case prior to the new Trademark Act a court stated that

“this phrase must be understood as having reference to a trade mark in goods falling into the classes for which the trade mark is registered or for goods which are [closely associated]”⁶⁹

Like in German law, sec 34 (1) (a) is, therefore, inadequate to deal with the issue of cybersquatting (domain-grabbing) because a domain-grabber usually deals with domain names and not with goods for which the mark is registered. Moreover, if he has merely registered the name, he is probably not “using” the name at all in terms of sec 34 (1) (a).

(3) Conclusion

It is submitted that in the cases discussed above and in the factual situation examined here a SA court would come to the same conclusions as German or US courts, also finding infringement because of likelihood of confusion.

2. Protection Against a Company in a Different Sector of Business

a) US Law

(1) Lack of Likelihood of Confusion

When determining whether two marks are confusingly similar one factor is the similarity and nature of the products or services.⁷⁰ Thus, no claim of trademark infringement can arise when the two companies operate in different sectors of business. It is only for NSI's dispute policy not taking into account this fact that domain name holders had to file lawsuits.

(2) Roadrunner.com

In the *Roadrunner* case⁷¹ Roadrunner Computer Systems (RCS) had obtained the domain *roadrunner.com* in 1994, and thereafter offered Internet services in connection with the domain. When Warner Brothers discovered that the domain was

⁶⁸ Webster and Page *Law of Trade Marks* at para. 12.6.

⁶⁹ *Beecham Group plc v. Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd* 1993 1 SA 546 at 559C-D.

⁷⁰ *Lee/ Davidson Intellectual Property* at 13.

occupied by RCS it turned to NSI with reference to the "Roadrunner" trademark registered for "toys, namely, plush dolls, and Halloween costumes and masks." Not having a trademark for "Roadrunner" RCS obtained one in Tunisia,⁷² but NSI refused to accept it for some technical reasons.⁷³ RCS filed suit against NSI, but before the court could address the substantive issues, Warner Bros. declared to NSI it was not continuing to suffer "legal harm" as a result of use of the domain and NSI moved the court to dismiss the case as moot. The court obliged, over the objection of RCS.

(3) Frys.com

Another case involving wholly unrelated goods/ services evoked around the *frys.com* domain: An electronics retailer, Fry's Electronics, brought suit alleging, *inter alia*, trademark infringement against a vendor of French fry machines, French Frys,⁷⁴ after it had learned that the *frys.com* domain was occupied by French Frys. The case resulted in a default judgement against French Frys, but is now on appeal.⁷⁵ The judgement was not based on an (almost impossible to establish) likelihood of confusion but on the "obstructive behaviour" of the owner of French Frys in the court proceedings.

(4) Conclusion

Due to the lack of a likelihood of confusion a trademark owner cannot prevent somebody using an identical name but operating in a different sector of business from using that name as a domain name. Thus, there is only one rule: First come, first served. Only owners of famous trademarks⁷⁶ and those exploiting NSI's flawed domain name policy⁷⁷ seem to have a chance to beat that rule.

b) German Law

(1) No Basis for a Claim

Secs 14 (2) (2), 15 (2) MarkenG require a likelihood of confusion which is determined by the strength of the marks, the degree of similarity of the marks, as well as

⁷¹ *Roadrunner Computer Systems, Inc. v. Network Solutions, Inc.*, No. 96-413-A (E.D. Va. filed March 26, 1996).

⁷² NSI's policy allows 30 days to submit a trademark registration, thus promoting Tunisia as favourite country for a late trademark registration as a trademark can be obtained within 48 hours. See *Bettinger Trademark Law in Cyberspace* at note 51.

⁷³ In detail, the passing of the 30 day period to submit a trademark registration, despite the fact that Warner Bros. gave RCS the courtesy of extending the period several times. See *Abel Trademarks in Cyberspace* at I.C, note 16.

⁷⁴ *Fry's Electronics, Inc. v. Octave Systems, Inc.*, No. 95-CV-02525 - CAL (N.D. Cal.).

⁷⁵ See *Abel Trademarks in Cyberspace* at I.A.

⁷⁶ See *infra* III.B.3.

⁷⁷ See *infra* IV.B.4.

by the similarity of the products or services for which the mark or name is used.⁷⁸ Courts have denied a likelihood of confusion even in the case of identical company names provided the sectors of business were different enough.⁷⁹ Claims based on the general clause of sec 1 UWG or tort law pursuant to sec 823 (1) BGB would fail, too, either because of the lack of acting for the purpose of competition, or generally because there is no breach of honest practices or unlawful interference in an established enterprise.⁸⁰

(2) Extension of the Scope to Different Sectors of Business?

Whereas in the market a conflict would be unlikely to arise because of the different sectors of business, on the Internet both companies are likely to compete for the same domain name. Thus, it has been suggested to extend the scope of sec 14 (2) (2), 15 (2) MarkenG in order to acknowledge a likelihood of confusion between different sectors of business.⁸¹ However, this would only help in the cases where the domain owner has no right to the domain name because of either his name or an identical trademark (e.g. cases of domain-grabbing), but these cases are better dealt with by sec 23 (1) MarkenG. Moreover, this proposal would increase the number of conflicts enormously.

(3) Conclusion

Unless the challenger owns a famous mark in terms of secs 14 (2) (3), 15 (3) MarkenG there seems to be no basis for a successful claim to the domain name. These conflicts cannot be solved under present trademark law, thus the notorious principle of the Internet, first come - first served, applies.⁸² Latecomers are left with the (unsatisfactory) possibility of choosing a slightly different domain name, e.g. by adding a suffix.

c) SA Law

Sec 34 (1) (b) of the Trade Mark Act provides that the rights acquired by registration of a trademark shall be infringed by

“the unauthorised use of a mark which is identical or similar to the trademark registered, in the course of trade in relation to goods or services which are so similar to the goods or services in respect of which the trademark is registered, that in such use there exists the likelihood of deception or confusion.”

⁷⁸ Bechtold *Schutz von Informationen* at II.1.b)bb)(2).

⁷⁹ E.g. *Federal Supreme Court* GRUR 1975, 606 - IFA.

⁸⁰ *Bettinger Trademark Law in Cyberspace* at C.I.2.

⁸¹ *Kur FS Beier* at 272, cited in *Bechtold Schutz von Informationen* at II.1.b)bb)(2).

⁸² *Nordemann Internet Domains* at 1894.

Sec 34 (1) (b) is similar to sec 34 (1) (a) with the exception that it does not limit itself to identical goods or services in respect of which the trademark is registered but extends its scope to similar goods.⁸³

(1) Degree of Resemblance

It has been suggested that the degree of resemblance between the marks and the goods or services must be such that their combined effect will be to produce likelihood of deception or confusion.⁸⁴ In determining similarity the following factors have been considered to be relevant:

- the degree of similarity in the respective fields of activity
- the degree of diversification in these fields
- the extent to which the public is aware of diversification or the possibility thereof.⁸⁵

(2) Likelihood of Initial Confusion

Courts have decided that the deception or confusion need last only a fraction of time,⁸⁶ and moreover that this means that proof of the likelihood of initial confusion, even though it is capable of being cleared up, is sufficient.⁸⁷ In determining the likelihood of confusion it is, therefore, crucial whether one looks only at the URL of a webpage or at its actual content. To look only at the URL of a webpage would lead to a likelihood of confusion whenever two companies have registered the same mark for different classes. A user typing *http://www.apple.co.za* into his browser to find Apple Records would be initially confused until realising that he found Apple Computers. The requirement of "use in course of trade" is understood to have reference to the class for which the trademark is registered, thus a court has to look to the goods for which the mark is used in any case. It is, therefore, submitted that South African courts would look to the actual content of a website (i.e. the goods or services offered) and not just the URL (i.e. the label containing the mark) to find a likelihood of confusion, in the same way they would proceed in a traditional infringement case.

(3) Conclusion

It is submitted that South African courts will find no likelihood of deception or confusion in cases where a domain owner and a potential challenger operate in (sufficiently) different sectors of business, even if they own identical trademarks.

⁸³ Webster and Page *Law of Trade Marks* at para. 12.20.

⁸⁴ Webster and Page *Law of Trade Marks* at para 12.23.

⁸⁵ Webster and Page *ibid*.

⁸⁶ *John Craig (Pty) Ltd v. Dupa Clothing Industries (Pty) Ltd* 1977 (3) SA 144 (T) at 151C.

⁸⁷ *International Power Marketing (Pty) Ltd v. Searless Industries (Pty) Ltd* 1983 (4) SA 163 (T) at 170A.

Thus, the same dilemma as in German or US law exists in SA law, namely that there may be more than one legitimate claim to a domain name.

3. Dilution of Famous or Well-Known Marks and Trade Names

Famous or well-known marks are subject to special consideration under art 6bis of the Paris Convention for the Protection of Industrial Property. However, most countries decline to protect a mark as "famous" unless that mark is well-known in the country where the owner of the "famous" mark seeks to enforce his rights.⁸⁸

a) *Forms of Dilution: Blurring and Tarnishment*

Dilution of well-known marks comes in two forms: blurring and tarnishment. Dilution by blurring occurs where the offending use dilutes the uniqueness and distinctive nature of a trademark, e.g. sweets called Rolls Royce.⁸⁹ Dilution by tarnishment occurs when a famous mark is linked to poor quality or unwholesome products, or otherwise displayed in a derogatory manner,⁹⁰ e.g. the use of the words "Enjoy Cocaine" in the same scripts, colour and format as the well-known Coca Cola trademark. All dilution cases have in common that, unlike ordinary trademark infringement, it is not a pre-requisite that the goods or services compete, nor that there is a likelihood of confusion between the competing uses of a mark. Indeed, the court in *Panavision* stated that

"the very purpose of dilution statutes is to protect trademarks from damage caused by the use of marks in non-competing endeavours."⁹¹

b) *US Law*

(1) Dilution Provisions

Sec 3 of the Federal Dilution Act provides that

"[t]he owner of a famous mark shall be entitled (...) to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after a mark has become famous and causes dilution of the distinctive quality of the mark"

and lists eight factors to use in determining whether a mark is famous.⁹² Sec 4 defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."

⁸⁸ D'Amato/ Long *International Intellectual Property Law* at 232.

⁸⁹ Webster and Page *Law of Trade Marks* at para. 12.24.

⁹⁰ Loundy *Trademark Law and Internet Addresses* at V.A.

⁹¹ 945 F. Supp. at 1299.

⁹² 15 U.S.C.A. sec 1125 (c) (1).

(2) Candyland.com (Tarnishment)

The first dilution case on the web involved the toy trademark "Candyland" and sexually explicit materials. The court in *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*⁹³ issued a restraining order and preliminary injunction precluding the defendant from continuing to use the domain *candyland.com* for its "Candyland" website featuring pornographic material. The court apparently was persuaded by evidence that 94% of US mothers are familiar with Hasbro's Candy Land game for children.⁹⁴ Although the court neglected to enumerate its rationale there is no doubt that such a use of a domain name can have a negative effect on the image of the trademark and constitutes dilution by tarnishment. Nevertheless, the court allowed the defendant to display its new Internet address under the URL *http://candyland.com* for 90 days, but did not permit creation of a hyperlink.

(3) Adultsrus.com (Tarnishment)

In *Toys'R'Us, Inc. v. Akkaoui*⁹⁵ the plaintiff held an array of trademarks ending with the phrase "R'Us" while the defendant operated a website featuring a variety of sexual devices under the domain *adultsrus.com*. The court issued a preliminary injunction stating that "Adults'R'Us" tarnishes the "R'Us" family of marks by associating them with a line of sexual products that are inconsistent with the image Toys'R'Us has striven to maintain for itself.⁹⁶ It is noteworthy that the court found dilution even in the absence of an exact use of a trademark.

(4) Gateway.com (Blurring)

The more difficult dilution questions are those that do not involve offensive contents but the blurring of a mark. In *Gateway 2000, Inc. v. Gateway.com, Inc.*⁹⁷ the defendant had registered the domain *gateway.com* already in 1990. Gateway 2000, a personal computer manufacturer founded in 1985, could not prove to the court's satisfaction that its common law mark "Gateway" was already famous when the defendant registered its domain name. Consequently, the court denied Gateway 2000's request for preliminary injunctive relief on its dilution theory.

c) German Law

(1) Dilution Provisions

Sec 10 MarkenG explicitly refers well-known trademarks to the sense in which the words "well-known" are used in art 6bis of the Paris Convention. According to sec 14 (2) (3) third parties are

⁹³ No. C96-130WD, 40 USPQ3d (BNA) 1479 (W.D. Wash. Feb. 9, 1996).

⁹⁴ *Abel Trademarks in Cyberspace* at 1.D.

⁹⁵ 1996 WL 772709 (N.D. Cal. Oct. 29, 1996).

⁹⁶ *Id.* at 3.

⁹⁷ 1997 US Dist. LEXIS 2144 (E.D. N.C. 1997).

“prohibited from using in the course of trade without the consent of the proprietor of the mark any sign identical with, or similar to, the trademark (...) where the trademark has a reputation in the Federal Republic of Germany and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark which has a reputation.”

Sec 15 (3) grants the same protection for trade names. These provisions do not only cover cases of blurring or tarnishment, but also cases of exploitation of another’s reputation (“Rufausbeutung”) (taking advantage of distinctive character and repute),⁹⁸ similar to the common law doctrine of passing-off.

One author distinguishes between the use of the domain name as an address and emphasis of the domain name as a catchword questioning whether use as an address can result in a reduction of the advertising force (i.e. dilution) of a well-known trademark at all.⁹⁹ Citing the Federal Supreme Court he makes clear that the provisions of the MarkenG require a concrete threat to the advertising force of the marks with reputation, cursory affirmation of the impairment of a dominant position would not suffice.¹⁰⁰

(2) Freundin.de

Indeed, German courts have not been as willing as US courts to rely on dilution law to decide domain name disputes. The *LG München*¹⁰¹ confirmed that in interpreting the clause “without due cause” guidelines are still to be drawn from case law pertaining to trademark infringement under former competition and tort law. It expressly stated in a decision involving the *freundin.de* domain that exploiting the first come, first served principle of domain name registrations does not constitute “unfair” behaviour in terms of sec 14 (2) (3) MarkenG.

(3) Conclusion

It seems that courts rather rely on unfair competition law and the right to bear a name than the trademark provisions to solve domain name disputes.

d) SA law

(1) Dilution Provisions

Sec 34 (1) (c) of the Trademark Act provides that the rights acquired by registration of a trademark shall be infringed by

⁹⁸ *Bettinger Trademark Law in Cyberspace* at C.I.3.a)aa).

⁹⁹ *Ibid.*

¹⁰⁰ *Ibid.*

¹⁰¹ 18.7.97 - 21 O 17599/96 NJW-CoR 1997 at 496.

“the unauthorised use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well-known in the Republic [of South Africa] and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark (...)”

Sec 35 extends protection to well-known trademarks in terms of the Paris Convention in circumstances where no registration or goodwill exists in South Africa.

(2) The McDonalds Case

Being a departure from common law and only recently introduced sec 35 has been applied only once so far, in the *McDonalds* case.¹⁰² However, the court did not have to decide about a domain name, but about the requirements of a mark to be “well known”. Interpreting the phrase “well known” the court referred to the principles of passing-off actions, namely that the reputation must extend to a substantial number of members of the public or persons in the trade in question.

(3) Famous or Well-Known?

It will be noted that while US law requires a mark to be “famous”, SA law only requires it to be “well-known” and German law speaks of marks having a “reputation”. One author proposes that there should be a difference between “famous” and “well-known” in the way that “famous” suggests a higher degree of reputation than merely “well-known”.¹⁰³ This statement stands in contrast with the ease with which US courts have found dilution of famous marks. Moreover, all these laws are based on the obligation to protect well-known marks created by art 6bis of the Paris Convention. It is thus submitted that “famous”, “well-known” and “reputation” should be interpreted in the same way.

(4) Conclusion

Owners of famous trademarks in South Africa can defend themselves against dilution of their names by domain names. It is unlikely, however, that SA courts will rely as intensively on dilution provisions as US courts, for infringement provisions will suffice in most cases.

4. Domain-Grabbing

Domain-grabbing, also called cybersquatting, was one of the earliest problems of domain names. Because of the unique nature of domain names it is possible to "pi-

¹⁰² *McDonalds Corporation v. Joburgers Drive-Inn Restaurant (pty) Ltd. and Daxprop CC* 1997 (1) SA 1(A).

¹⁰³ Webster and Page *Law of Trade Marks* at para. 12.27.

rate" names, typically by obtaining SLD registrations within the .com TLD of a well-known company name or brand.

One of the first victims was McDonald's. In 1994, Joshua Quittner, a writer for Wired magazine researching an article about domain name registration, noticed that McDonald's had failed to acquire a website. He inquired at McDonald's why they had not protected their name but received no answer. He then registered *mcdonalds.com* himself, established an e-mail address under *ronald@mcdonalds.com*, and invited his readers to send suggestions what to do with the domain name.¹⁰⁴ Some messengers urged him to use the site to promote vegetarianism,¹⁰⁵ others wanted him to sell the name to McDonald's arch-rival, Burger King. McDonald's applied immense pressure on InterNIC to cancel the registration but in the end agreed to donate US\$ 3.500 to a school for computer equipment and Internet connection in order to have the domain name transferred.¹⁰⁶

a) *Specific Legal Problems*

Cybersquatting raises various legal problems and somehow seems to be designed to escape the application of trademark law.

(1) Commercial Use

The first problem is the commercial use required by almost all trademark laws. Cybersquatters often pretend to use a domain name outside the course of trade, e.g. Dennis Toeppen displayed pictures of the city of Pana on his *panavision.com* website. It is even more questionable whether one can speak of a "use" if the domain name is merely registered, but not yet used as a website or e-mail address. However, German courts have found that the mere registration of a domain name with the intention to sell it "back" to the trademark owner or a third party was sufficient to meet the "commercial use" requirement.¹⁰⁷

(2) Likelihood of confusion

It is even more difficult to find a likelihood of confusion in these cases. Domain-grabbers operate in totally different lines of business and often the type of business cannot be determined at all because a website has not been set up yet. Thus, courts rather relied on the likelihood that Internet users typing in a URL based on a company's name would believe to find that company at the address or at least that there was a relationship between the parties. One German court even proclaimed that for

¹⁰⁴ Dueker *Trademark Law Lost in Cyberspace* at IV.B.

¹⁰⁵ Burk *Trademarks Along the Infobahn* at para.21.

¹⁰⁶ Chase *Recent Domain Name Disputes* at para. 18.

¹⁰⁷ See e.g. *LG Frankfurt*, January 7, 1997 (2-06 O 711/96), granting a preliminary injunction against a domain-grabber using the *citroen.de* domain name; Bettinger *Trademark Law in Cyberspace* at C.I.4.

establishing a likelihood of confusion it was irrelevant what kinds of services or products were offered on the website because the website itself was the product; thus the products to be compared were the URL as such, regardless of the content.¹⁰⁸ The court thereby disregarded the fundamental principle of trademark law that exactly the same trademark may be used by several companies for different goods or services as long as there is no confusion regarding the origin of such goods or services.¹⁰⁹ The court's approach seems like mutilating trademark law in order to make it fit the limitations of the domain name system.

b) Protection in the US

Against this backdrop it is easy to understand why US courts were so eager to find a mark "famous" and, moreover, diluted in cases of domain-grabbing.¹¹⁰ Dilution claims do not require a likelihood of confusion. At first sight, this seems to leave marks that are not well-known with little opportunity to fight cybersquatters.

c) Supplementary Trademark Protection in Germany

In Germany, marks and names without a reputation are nevertheless protected. Courts have rather relied on the right to bear a name (sec 12 BGB) and unfair competition law (sec 1 UWG) to handle cybersquatting cases. Deliberate registration of another's trademark as a domain name, with the intention of preventing the trademark owner from using his mark as Internet address, constitutes unlawful interference in the commercial activities of the trademark owner's business enterprise and is an act contrary to honest practices in terms of sec 1 UWG.¹¹¹ The bad intention of a domain owner can often be deferred from the fact that he has registered a large number of domain names that correspond to trademarks. The *LG Braunschweig* compared the application for registration of a domain name under someone else's name or trademark to a trademark application in bad faith in the meaning of sec 50 (1) (4) MarkenG¹¹² which provides that "registration of a trademark shall, upon application, be cancelled because of nullity (...) if the applicant was in bad faith upon filing the application."

Sec 12 BGB does not only cover the cases where a confusion of attribution ("Zuordnungsverwirrung"), similar to the likelihood of confusion test in trademark law) exists, but also where someone is denied the right to bear his name by some-

¹⁰⁸ *LG Düsseldorf*, April 4, 1997 – 34 O 191/96 (*epson.de*).

¹⁰⁹ *Bettinger Trademark Law in Cyberspace* at C.I.4.

¹¹⁰ The District Court of Illinois in *Intermatic Inc. v. Toeppen*, 947 F.Supp. 1227, 40 U.S.P.Q. 2d 1412 (N.D. Ill. 1996) found that cybersquatter Toeppen's conduct violated of the Illinois anti-dilution law; in the case *Panavision International, L.P. v. Toeppen*, 945 F.Supp. 1296, 1300 (C.D. Cal. 1996), the court found that "Panavision" was "famous" and ordered that the *panavision.com* domain name be given over to the trademark owner.

¹¹¹ *Bettinger Trademark Law in Cyberspace* at C.I.4.

¹¹² 28.1.97 – 9 O 450/96 (*braunschweig.de*).

one else. The LG Frankfurt¹¹³ held that registering someone else's name as a domain name and thereby preventing him from using his name on the Internet would amount to such a denial. Consequently, it found the right to bear a name infringed even by the mere registration of a domain name. As long as the domain holder has no own title to the name in question, this approach surely will bear just results; it must fail, however, when two people have the same name. It is the limitations of the domain name system which actually precludes the second user from using his name under the same TLD, not the domain holder.

d) Conclusions for South Africa

As it has been shown above and is supported by South African authors, the provisions of the Trademark Act will apply in respect of the unauthorised use of domain names.¹¹⁴ South African courts may also have regard to foreign decisions, all of which ordered cybersquatters to cease to use the "pirated" domain name. In conclusion, where a person has registered a domain name and attempts to hold another company to ransom, legal action may be possible according to the Trademark Act or the common law provisions pertaining to passing-off.¹¹⁵

5. Equal Rights to a Domain Name

These conflicts are also called "character string conflicts" and are characterised by the absence of an intention to trade off a trademarked name and no potential of confusion. Rather, both parties have a valid reason to claim the domain name, be it the registration of a trademark, the name of an individual or another entity, such as a city. The situation has come to a head because company names are often based on generic terms (e.g. *prince* or *united*) and companies tend to choose an abbreviation of their name as a domain name.

a) The Inadequacy of Trademark Law

While traditional trademark law could resolve the situation where the domain owner has no trademark identical to the domain name, the situation where both parties have a trademark identical to the domain name poses serious difficulties. Whereas under trademark law various identical trademarks provided the companies operate in either different sectors of business and/ or geographical areas the same domain name can only be registered once under the same TLD. The problem is worsened by the limited national scope of trademark law as opposed to the global scope of the Internet. Companies with a registration for identical trademarks in identical sectors of business but from different countries both will claim a right to the relevant *.com* domain.

¹¹³ 3.3.97 - 2/6 O 633/96 - *das.de*.

¹¹⁴ Van der Merwe/ Erasmus *Internet Domain Names* at 55.

¹¹⁵ *Ibid.* at 56.

b) US Law

When no famous mark is involved because of the absence of infringement the rule should be obvious: first come, first served. Nevertheless, there have been various challenges to domain names. Trademark owners claimed infringement and dilution, but in most cases this was just an attempt of "stealing a desired domain name from someone who registered it first."¹¹⁶ In this, they were ably assisted by NSI's flawed domain name policy which is responsible for a lot of disputes which would not have occurred otherwise.¹¹⁷ A study has found that only 60 per cent of the known outcomes of string conflict cases favour the original registrant while in 40 per cent of the cases the challenger (most probably unjustly) won; a result that shows the impossibility of trademark law to resolve conflicts between parties with roughly equal claims to name resources.¹¹⁸ Two cases may illustrate this conundrum:

(1) Pike.com

In *Pike et al v. Network Solutions et al*¹¹⁹ the court took away *pike.com* from Peter Pike, a real estate consultant in California, and awarded the name to Floyd Pike, an electrical contractor who repairs power lines in North Carolina. The trademarked logo of the electrical contractor used stylised letters that cannot be reproduced in a domain name. The court should have had a look at the *ty.com* case¹²⁰ and dismissed the claim. Neither was the trademark "Pike" famous nor can a real estate consultant in California be confused with an electrical contractor in North Carolina. The rationale behind the decision remains the court's secret.

(2) Cds.com

In this case a compact disk selling company, CD Solutions, registered *cds.com* in 1996 and was confronted with a claim by CDS (which stands for "Commercial Documentation Services") Networks a year later. Knowing that it had no legally recognisable claim to the domain CDS Networks turned to NSI's domain policy. Although there are eleven other companies in the US holding a trademark for "CDS"¹²¹ NSI threatened to cut off the domain pursuant to its policy. As CD Solutions did not have a trademark registration it had no choice but to go to court. Unsurprisingly, the court ruled that a generic use of the letters "CDS" referring to compact disks could not possibly infringe the rights of the challenger whose trademark was for "printing and desktop publishing for others."¹²² Sadly, it took CD Solutions more than a year's worth of litigation and legal expense to prove a simple

¹¹⁶ Mueller *Trademarks and Domain Names*.

¹¹⁷ Oppedahl *NSI Flawed Domain Policy*, see in detail below at IV.B.

¹¹⁸ Mueller *ibid*.

¹¹⁹ No. 96-CV-4256 US Dist. (N.D. Cal.) Nov 25, 1996.

¹²⁰ *Giacalone v. Network Solutions, Inc. and Ty, Inc.*, No. C-96 20434, 1006 US Dist. LEXIS 20807 (N.D. Cal. 1996).

¹²¹ See the list of Oppedahl *NSI Flawed Domain Policy*.

¹²² *CD Solutions Inc v. Tooker, et al* US Dist Oregon No. 97-CV-793, filed May 27, 1997.

fact: When trademark law does not apply, the first come, first served principle rules.

c) *German law*

It is a firmly established principle of German law that nobody can be enjoined from using his name - privately as well as in the course of trade.¹²³ Thus, no claim can arise under tort or unfair competition law where a domain name is based on the owner's name or trademark. This principle has further implications under trademark and name law.

(1) Trademark Law

This principle has been codified in sec 23 (1) MarkenG which provides that

"the proprietor of a trademark or of a trade designation shall not be entitled to prohibit a third party from using, in the course of trade, his own name or address (...) provided that such use is not contrary to morality."

This provision applies to domain names even if the domain is likely to be confused with an older trademark.¹²⁴ However, in the event of likelihood of confusion, the use of a domain name is only conform to morality if such likelihood has been tried to be avoided.¹²⁵ This is actually a rule derived from the principles that apply to bearers of the same name.

(2) Name Law

Bearers of the same name have to do everything necessary and acceptable in order to reduce a likelihood of confusion.¹²⁶ The priority principle implies that it is usually the bearer of the name whose use started later who has to distinguish himself by adding pre- or suffixes. This is not to be confused with the first come, first served principle of domain name registration as the use of a name may have begun much earlier outside the Internet.¹²⁷ The application of the priority principle to domain name disputes has, therefore, been doubted.¹²⁸ Nevertheless, an important court decision relied on it:

¹²³ *Kur Kennzeichenschutz* at 594.

¹²⁴ *Nordemann Internet Domains* at 1895; *Kur Kennzeichenschutz* at 593 and *Bettinger Trademark Law in Cyberspace* at C.I.1.b) qualify domain names generally as addresses with the result that sec 23 (1) MarkenG applies in every case based on trademark law, thus claims could only be filed if the use of the domain were contrary to acceptable principles of morality.

¹²⁵ *Nordemann Internet Domains* at 1895.

¹²⁶ *Ibid.*

¹²⁷ This principle is also supported by *Ernst Namensrecht* at 428.

¹²⁸ *Bettinger Trademark Law in Cyberspace* at C.I.1.b).

(3) Krupp.de

In this case¹²⁹ the defendant, Erich Krupp, registered the domain *krupp.de* according to his surname in 1995 and, furtheron, offered online services relating to clothes and yachting. In 1997, the plaintiff, Krupp AG Hoesch-Krupp, wanted to register the same domain. It had a trademark registration for "Krupp" in steel and mechanical engineering. According to German law (sec 18 HGB) the defendant was obliged to use his surname as part of his business's name, thus he called his undertaking "W. Erich Krupp Kommunikation."

As both parties operated in completely different sectors of business, a likelihood of confusion was hard to establish. Although "Krupp" is a very famous mark for steel (products), the defendant's right to use his name in the course of trade (sec 23 (1) MarkenG) would have defeated a claim based on dilution. Thus, the court based its decision solely on sec 12 BGB, the right to bear a name, pointing out that the problems of clashing domain names could only be solved by falling back on the principles applicable to persons bearing the same name.¹³⁰

However, the case was special in so far as the fame of the plaintiff was overwhelming: The court acknowledged that "Krupp" had almost become a synonym for the German steel industry.¹³¹ This is why the plaintiff did not have to tolerate other companies beside her bearing the same name. Moreover, the priority principle was not in favour of the defendant either because the crucial date was the acquisition of the name; where and *in which medium* the name would later be used was irrelevant.¹³² In the opinion of the court, the defendant could have added a suffix to his domain name without suffering from a lesser degree of distinction.

According to the reasoning of the court there seems to be no party worldwide which could have a better claim to the domain *krupp.de*. In spite of this fact, it did not order the defendant to transfer the name to the plaintiff but merely to give up his registration. This is in conformity with sec 12 BGB which only obliges the infringer to cease and desist, not to improve the legal position of the injured party.¹³³

Two more points should be noted: First, sec 12 BGB can only apply where a mark is seen to be the equivalent of the company's name. Second, the court rejected expressly the first come, first served principle and rather balanced clashing interests by traditional name law principles which give the older name the better right.

¹²⁹ *OLG Hamm* 13.1.98 - 4 U 135/97, NJW-CoR 98 at 175.

¹³⁰ *OLG Hamm* at 176 ("Recht der Gleichnamigen").

¹³¹ *Ibid.*

¹³² *Ibid.*

¹³³ The question of the proper remedy in domain name disputes is discussed below at III.D.

d) Conclusions

In the factual situation examined here only the owners of famous marks and names seem to have a case.¹³⁴ One possible solution could be the application of fundamental principles of trademark and name law, i.e. the priority principle or the obligation of to avoid a risk of confusion. While under traditional trademark law the prior right is deemed to be the better right it is not self-evident why the stronger company should be able to drive out the one with the weaker market position even in the case where the latter was faster to obtain a domain name. It seems to be fairer to stay with the principle first come, first served and correct injustices by applying principles of morality or good faith.¹³⁵ However, it is unlikely that under the present domain name system this problem can be solved legally in a satisfying manner. Technical solutions (discussed below) involve the creation of more generic TLDs, to number consecutively domains, or to introduce more generic SLDs within a ccTLD (e.g. *food.za*) to be open to registration for all users of that business sector.

C. Protection of Similar Domain Names

1. Degree of Similarity

In contrast to the situation in normal trade and commerce where trademark owners may take advantage of a broad spectrum of design options for their marks, companies are severely restricted in selecting a domain name under the assignment regulations currently in force (maximum of 24 letters, no signs other than letters and hyphen, no distinction between capital and small letters).¹³⁶

a) Application of Conventional Standards

One particular question is whether traditional standards according to which the likelihood of confusion is assessed can be applied to domain names in the same way. It has been argued that these standards are too broad for domain names. If domain names were subject to the same strict standards that are usually applied when assessing the visual and acoustical risk of confusion, then the small stock of suitable and remembered names on the Internet would be narrowed down considerably and the operability of the domain name system would be in danger.¹³⁷ Consequently, some authors deny any likelihood of confusion if the domain name differs by only one or two letters from the mark in question.¹³⁸

¹³⁴ See *supra* III.B.3.

¹³⁵ Bettinger *Trademark Law in Cyberspace* at C.I.1.b) suggests such a solution by classifying domain names as addresses in terms of sec 23 (1) MarkenG in order to prevent abuse.

¹³⁶ Bettinger *Trademark Law in Cyberspace* at C.II.

¹³⁷ Kur *Kennzeichenschutz* at 593.

¹³⁸ See the authors cited by Nordemann *Internet Domains* at 1894 fn 25.

On the other hand one author has argued that because of the possibility to register one's mark as a SLD under any of the over 170 ccTLDs name resources were not scarce and even identical trademarks could exist side by side on the Internet.¹³⁹ Interestingly, the same author thinks TLDs to be completely irrelevant in assessing the likelihood of confusion, thus the owner of the mark "C.H.Beck" could claim injunctive relief against both the use of *c-h-beck.de* and *beck.com*.¹⁴⁰ This does not make any sense: While trying to make the case that name resources on the Internet were as diversified as in the "real" world this author's view actually limits the domain name system to the end that one mark could only exist once on the whole world wide web.

Besides, a difference in an Internet address may make a tremendous difference.¹⁴¹ For instance, using the wrong hostname in an e-mail address will send your message to a different entity than the one you intended to mail. Furthermore, in view of the address function of domain names, there is an increased desire in trade and commerce to register short and catchy domain names. These specific aspects must be taken into account in assessing the risk of confusion.¹⁴²

b) Sophistication of Users

Another question concerns the sophistication of the Internet users. Usually, the higher the sophistication the stricter the standards are for risk of confusion. While Internet users have traditionally been fairly sophisticated and would likely be able to distinguish even small differences in an Internet address, with the increasing ease of use which, in part, has led to the huge growth of the Internet and the increase of new users, this assumption as to sophistication may no longer be safe to make.¹⁴³

c) Conclusion

Thus, it cannot be assumed that infringement by likelihood of confusion is only possible if the domain name is identical to the mark. If the domain name differs slightly, one would have to look closer to the contents of the website. In the event that also the businesses of the holder and the trademark owner are similar, a likelihood of confusion may easily occur. Nevertheless, trademark owners will be forced to accept overlapping names, or at least a stronger degree of similarity than is otherwise the case under trademark law.¹⁴⁴

¹³⁹ Nordemann *Internet Domains* at 1894.

¹⁴⁰ *Ibid.* at 1895.

¹⁴¹ Loundy *Trademark Law and Internet Addresses* at 472.

¹⁴² Bettinger *Trademark Law in Cyberspace* at C.II.

¹⁴³ Burk *Trademarks Along the Infobahn* at para 68; Loundy *Trademark Law and Internet Addresses* at 472; Nordemann *Internet Domains* at 1894.

¹⁴⁴ Bettinger *Trademark Law in Cyberspace* at C.II.

2. Relevance of the TLD

Another question is how far protection for marks should be afforded. For instance, can a domain holder under the TLD *.de* enjoin others from using his name or mark under other TLDs, such as *.com* or *.co.za*? As TLDs by nature are only descriptive or generic, they do not constitute a part of the name or mark.¹⁴⁵ Thus, it is argued that the TLD is irrelevant and that a trademark owner can enjoin the use of his trademark under any TLD in the world.¹⁴⁶ It must be admitted that the difference in the TLD does not preclude a risk of confusion.¹⁴⁷ However, such an approach would prevent any distinction of domain names by TLDs and in the end would negate the whole domain name system.¹⁴⁸ For example, it seems very unlikely that any user expects to find a public entity, such as a city, under the TLD *.com*.¹⁴⁹ The OLG Celle took TLDs into account in so far as it held that because of the use of the *.com* suffix it was rather doubtful that the right to bear a name of the city of Celle was infringed by the use of the domain *celle.com*.¹⁵⁰

3. Use as a Hostname

All known domain disputes have evolved around the Second Level Domain, SLD. Of course, the SLD is the most characteristic and, hence, the most important element of a domain name. However, protected marks can also occur as Third Level Domain or hostname in a domain name, e.g. *honda.data.com*. The holder of a SLD can create as many Third Level Domains under his SLD as he likes. For example, the holder of *cars.com* could also register *porsche.cars.com*, *vw.cars.com*, or *toyota.cars.com*. Due to the pairing of the mark used as a hostname with a SLD which belongs to another organisation the chances of consumers being confused drops.¹⁵¹ On the other hand, likelihood of confusion protects not only against misattribution of source, but also against misattribution of sponsorship or endorsement. Infringement by use as a hostname is, therefore, not precluded *per se*. For example, the Bruderhof organisation, a variation of the Anabaptist religious order, claimed trademark dilution and infringement by the name of the newsgroup *alt.support.bruderhof*.¹⁵² Rather, it depends on the degree of distinctiveness of the mark or name and the context for which it is used to determine whether there is likelihood of confusion.¹⁵³ While *porsche.cars.com* definitely infringes Porsche's

¹⁴⁵ Bechtold *Schutz von Informationen* at II.1.b)bb)(2)5.

¹⁴⁶ Nordemann *Internet Domains* at 1895.

¹⁴⁷ Bücking *Namensschutz* at 1889.

¹⁴⁸ Bechtold *ibid*.

¹⁴⁹ Bücking *ibid*.

¹⁵⁰ OLG Celle 21.3.97 - 13 U 202/96 - *celle.com*.

¹⁵¹ Loundy *Trademark Law and Internet Addresses* at 488f.

¹⁵² Abel *Trademarks in Cyberspace* at D.

¹⁵³ Nordemann *ibid*.

trademark (if used in course of trade), this may not be the case where a hostname is only used for network data-routing purposes.¹⁵⁴

D. Proper Remedies

When a court finds trademark infringement in favour of the challenger of a domain name the question arises as to the remedy of that infringement. Should the infringer simply refrain from further operating a website at the domain? Should he actually give up the domain so that others can use it? Or can the court go so far and take away a domain name from one party and give it to another?

1. Traditional Remedies of Trademark Law

When a trademark owner wins a traditional trademark infringement case, the most commonly granted remedy is an injunction, that is, an order that the infringer must cease and desist from particular conduct. The simple reason for this is that if the conduct is continuing and causing harm, no award of money could help compensate the plaintiff, only an injunction will provide adequate relief. Thus, the award of money damages is a possible but very rarely seen remedy. Finally, in extremely rare cases the trademark owner is entitled to destroy the infringer's goods, usually in cases involving counterfeiting. It should be noted that even in these cases the trademark owner is not entitled to keep the goods.

2. Transfer of a Domain Name

a) US Law

There is as yet no well-developed body of law regarding remedies in domain name cases. The act on which most court decisions relied, the Federal Trademark Dilution Act of 1995, provides an exhaustive list of available remedies, and transfer of a domain name is not among them. The chief remedy is an injunction, and in exceptional cases an award of money damages.¹⁵⁵ Nevertheless, some courts ordered that the domain name be transferred from the domain name holder to the trademark owner.

(1) Actmedia.com

A company called Actmedia, Inc., which owns a US trademark registration for "Actmedia", sued the holder of the domain *actmedia.com*, Active Media Int'l Inc. The court found trademark infringement and ordered the domain name be given

¹⁵⁴ Lounchy *Trademark Law and Internet Addresses* at 489.

¹⁵⁵ See 15 USC § 1125(c).

over to the plaintiff.¹⁵⁶ It was silent, however, on the source of its authority to order that the domain name be transferred.

(2) Intermatic.com

This case involved Intermatic Inc., the plaintiff who owned a trademark registration for "Intermatic", and the notorious cybersquatter Dennis Toeppen who had registered the domain *intermatic.com* in order to sell it to Intermatic Inc. Having found violation of the Illinois state anti-dilution law, and having found that "Intermatic" is a unique trademark, the court ordered that the domain be given over to the trademark owner.¹⁵⁷ It did not explain, however, how this remedy followed from the Illinois state anti-dilution law.

In another case against Toeppen involving the domain *panavision.com* the court also ordered the transfer of the domain name, but refused to cite its authority to do so.¹⁵⁸

(3) Analysis of the Cases

In all cases the courts were silent on the important issue that the dilution law on its own terms only permits the court to award injunctive relief. They said nothing to explain where a basis could be found for the extrastatutory relief of an ordered transfer of a domain name. An analysis shows that there is one factor that distinguishes these cases from other dilution/ infringement cases: Each of the trademarks involved was not only famous, but coined, not in the dictionary, and unique. This lead one author to the suspicion that the underlying policy reason for a forced transfer of the domain name is simply judicial economy.¹⁵⁹ If it can be said that there is realistically only one party who could plausibly have use of the domain name, then granting only cease-and-desist relief, possibly followed by registration of the domain name by some third party, would simply lead to a never-ending series of lawsuits. Facing such a scenario it seems to be justified that the court considers exercising its equitable power to order a transfer of the domain name to the plaintiff.¹⁶⁰

b) German Law

The German Trademark Act offers injunctive relief,¹⁶¹ money damage,¹⁶² and destruction of the goods¹⁶³ as remedies, but no transfer of goods (respectively: do-

¹⁵⁶ *Actmedia, Inc., v Active Media Int'l Inc.*, 1996 WL 466527 (N.D. Ill., July 17, 1996) No. 96C3448.

¹⁵⁷ *Intermatic Inc. v Toeppen*, 1996 US Dist. Lexis 14878, 40 USPQ2d (BNA) 1412 (N.D. Ill., 1996).

¹⁵⁸ *Panavision Int'l L.P. v Toeppen*, 945 F.Supp. 1296, USPQ2d (C.D. Cal., 1996)

¹⁵⁹ *Oppedahl Remedies in Domain Name Lawsuits.*

¹⁶⁰ *Ibid.*

¹⁶¹ Sec 14 (5), 15 (4) MarkenG.

¹⁶² Sec 14 (6), 15 (5) MarkenG.

main names) to the trademarks owners. Early decisions of local courts ignored that fact and ordered the domain name to be transferred, e.g. the court of first instance for *krupp.de*.¹⁶⁴ However, German courts do not have the privilege of equitable power and, therefore, have no authority to order the transfer of a domain name.

(1) Krupp.de

The regional appeal court of Hamm had to decide about the *krupp.de* domain.¹⁶⁵ It found that even a private individual called Krupp could infringe the steel company Krupp's right to bear a name. In this, the case resembles to the fact pattern found in US law: There could possibly be no better claim to the domain than the one of the Krupp-Hoesch AG. Nevertheless, the court held that the only possible remedy was a cease-and-desist order, but no transfer of the domain name. In the opinion of the court the defendant was not obliged to improve the legal position of the plaintiff regarding its name. Thus, the defendant had only to give up the registration of the domain but not give his consent to a transfer.

(2) Conclusion

Due to lack of authority it is impossible under German law to order the transfer of a domain name.

c) *Recommendation for SA*

The SA Trademark Act does not offer the remedy of transfer of goods, either. It is suggested here, however, that courts exercise their equitable power to order the transfer of a domain name in exceptional circumstances, that is only one party is entitled to the domain name. This finding would require at a minimum a trademark search in the available trademark databases, a company-name search as well as a search on the Internet via web search engines like Altavista or Metacrawler.¹⁶⁶ Only after a thorough and credible showing that there are no other colourable claimants to the domain name should a court sitting in equity consider the transfer of a domain name. Otherwise, the court should decline to so order.

E. Registration of Generic and Descriptive Domain Names

The issue of registration of generic terms and the need to reserve them for public use has only come up recently. In the US Procter and Gamble caused a sensation when it registered over 200 descriptive domain names, e.g. *badbreath.com*,

¹⁶³ Sec 18 MarkenG.

¹⁶⁴ *LG Bochum*, 14 O 33/97 - 24.4.97.

¹⁶⁵ *OLG Hamm*, 4 U 135/97 - 13.1.98.

¹⁶⁶ *Oppedahl Remedies in Domain Name Lawsuits*.

cough.com, *dandruff.com*, or *diarrhea.com*. But the problem seems to be a specific German one, for only German authors and courts have dealt with it so far. This is probably due to the failure of the DENIC assignment rules to introduce generic TLDs under the *.de* ccTLD, e.g. *.co.de*, *.ac.de*, or *.org.de* like in SA or the UK. Instead, everyone can register his name as a SLD right under the *.de* TLD. The registration of generic terms has been tried to challenge under trademark and unfair competition law.

1. Analogy to Unregistrable Marks

It has been suggested to draw an analogy to generic or descriptive marks that cannot be protected as trademarks.¹⁶⁷ Sec 8 (2) (1) and (2) MarkenG (Absolute Bars to Protection) provide that

“trademarks which are devoid of any distinctive character with respect to the goods or services, [or] which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, intended purpose, value, geographical origin, time of production of the goods or the rendering of the services, or other characteristics of the goods or services (...) shall not be registered.”¹⁶⁸

This provision's rationale is to prevent a legal monopoly in generic marks. Therefore, and because of the channelling effect of descriptive terms, sec 8 (2) MarkenG should be applied to domain names according to some authors.¹⁶⁹

However, registration of generic domain names and trademarks cannot be equalled with such ease. First, the registration of a domain name does not monopolise the mark, but only the domain name. The mark can still be used by competitors to designate their goods, even on the Internet, just at another address. Thus, the effect of registration is a different one.¹⁷⁰ But sec 8 (2) MarkenG only wants to prevent legal monopolies, not factual ones.

Moreover, because of the legal consequences of a trademark registration, these procedures require a public examining and supervision machinery which is not available for domain name registration as the law stands.¹⁷¹ The purpose of domain name registration procedures, as opposed to trademark registration, is merely to prevent double assignment of the same domain name.

The OLG Frankfurt had to decide about an objection to the registration of *wirtschaft-online.de* (meaning business-online). It rejected the analogous application of sec 8 (2) MarkenG to domain names and held that because descriptive do-

¹⁶⁷ Kur *Internet Domain Names* at 328f.

¹⁶⁸ The equivalent of the SA Trademark Act would be sec 10 (Unregistrable trade marks).

¹⁶⁹ Kur *ibid.*; Weinknecht *Anmerkung*.

¹⁷⁰ Bettinger *Anmerkung*.

¹⁷¹ Schanda *Internet Domain Names* at III.B.2.

main names do not infringe other people's rights in distinctive marks, restriction of the choice of descriptive domains could only ensue from general provisions of unfair competition law.¹⁷²

2. Channelling Function/ Unfair Competition

It follows from the dramatically increasing number of domain names that Internet users prefer short, simple, and descriptive addresses because they are easy to remember. Thus, domain names like *lawyer.com* or *health.com* can channel more traffic to their respective websites than *attorneys-miller-smith.com* or *doctor-davis.com* could do. It has been suggested that because of this channelling function the registration of descriptive domain names would fall into the category of "gaining an unfair competitive advantage by breach of law" ("Vorsprung durch Rechtsbruch").¹⁷³ However, as long as no law concerning the registration and use of online addresses exists that could be infringed, no law can be breached either.¹⁷⁴

It seems more appropriate to draw a parallel to the categories of unfair competition by "prevention of competition" ("Verhinderungswettbewerb") or "impeding of free competition" ("Beeinträchtigung des Leistungswettbewerbs").¹⁷⁵ Whether a competitor can successfully prevent the registration of a descriptive domain name depends on the ability of the channelling function to impair the market.¹⁷⁶ This, in turn, depends on user habits in the field of online-media. The *OLG Frankfurt* declined to explore these habits in expedited proceedings. However, to prove a sufficient degree of this channelling effect will be difficult.¹⁷⁷ Most new users start searching the net by trying some easy addresses. However, the more sophisticated they become the less they rely on these inefficient ways of finding information on the Internet. The use of search engines, meta search engines, or simply bookmarks hardly requires descriptive, easy to remember domain names. With the introduction of more generic international TLDs the channelling effect will probably further decrease.

3. Right to a Subdomain?

The sharing of a domain could be a pragmatic solution to the problem. Some cases have already occurred in practice. For example, the domain *schenk.com* is a shared domain: At *http://www.schenk.com* a user can find an index to all subdomains, including the author's *oliver.schenk.com*. However, this solution could only please if every interested user had a legal right to demand the creation of a subdomain from the holder of the generic domain. The situation resembles a bit to the one of mo-

¹⁷² *OLG Frankfurt am Main*, 17.2.97 – 6 W 5/97 NJW-CoR 97, 173.

¹⁷³ *Kur Internet Domain Names* at 330.

¹⁷⁴ *Schanda Internet Domain Names* at III.B.2.

¹⁷⁵ *Bettinger Anmerkung*.

¹⁷⁶ *Kur ibid.*

¹⁷⁷ *Bettinger ibid.*

nopolists: They, too, have to grant access to their services or goods to all customers on an equal basis. Unfortunately, there is no general rule in German law that would stipulate that generic and descriptive terms are to be reserved for the public or to be held open for all competitors.¹⁷⁸

Thus, users demanding a subdomain can only hope for the goodwill of the domain holder. While they are likely to be lucky if the domain is based on the family name of a private individual (e.g. *schenk.com*), this may not be the case with commercially valuable descriptive domains like, for example, *books.com*. The domain holder's interest is to keep others away from the channelling effect of his domain name while, on the other side, a competitor's interest lies not in the obtaining of a subdomain, but rather in the prevention of the domain holder from profiting of this effect.¹⁷⁹

4. Conclusion

At the moment it is hard to prove an impeding of free competition by the channelling effect of descriptive or generic domain names. User habits regarding their search criteria are still to be explored. Thus, the registration of generic or descriptive domain names cannot be prevented by competitors via legal remedies nor can they demand a subdomain.

F. Procedural Concerns: Jurisdiction

In numerous cases involving trademarks or other content on the Internet, the first issue the court confronts is jurisdiction. Conflicts involving foreign countries are particularly problematic due to the international nature of the Internet. Most problematic is applying traditional principles of jurisdiction, which speak in terms of a party's purposeful establishment of minimum contacts with a state, to the Internet, an instrumentality that is global in scope. For example, a user may put up a page containing marks cleared for use in the US and receive a cease and desist demand from a company with trademark rights in Germany.

1. US Law

According to the analysis of one author most decisions in trademark infringement actions indicate that a non-resident commercial entity accused of trademark infringement will be subject to jurisdiction in a given forum based solely on its contacts with that forum via the Internet.¹⁸⁰ The following two decisions, however, show that there is more to establish jurisdiction.

¹⁷⁸ Kur *Internet Domain Names* at 329.

¹⁷⁹ *Ibid.*

¹⁸⁰ Samson *Trademark Lawsuits in Cyberspace*.

a) *Playmen.it*

In *Playboy Enterprises, Inc. v Chuckleberry Publishing, Inc.*,¹⁸¹ Playboy sought to have defendant Tattilo held in contempt for violating a permanent injunction issued in a 1981 trademark infringement action which enjoined Tattilo from “distributing in the US (...) publications and related products” bearing the name “Playmen.” Tattilo has owned the Italian trademark “Playmen” since 1967. It offered a service that allowed users to download information and photographs from the Italian “Playmen” magazine which was located at the domain *playmen.it*. Significantly, the server was in Italy, but the service specifically courted US users.

The district court found that it had jurisdiction over the Italian website based on retention of jurisdiction over the defendant for the purpose of enforcing the permanent injunction issued in 1981. It directed Tattilo to either cease operating the site, or prevent US users from accessing it. The court did recognise limits on its jurisdiction, holding that it had neither the jurisdiction nor desire to prohibit the creation of Internet sites around the globe. Nor, determined the court, could it

“prohibit Tattilo from operating its Italian website, merely because the site is accessible from within one country in which its product is banned. To hold otherwise would be tantamount to a declaration that this Court, and every other court throughout the world, may assert jurisdiction over all information providers on the global World Wide Web. Such a holding would have a devastating impact on those who use this global service.”¹⁸²

Nonetheless, the court ruled that it had the power to deny a website hosted on a foreign server access to US citizens. It held that it is irrelevant whether a user requests images from a server in Italy or whether Tattilo sends them. By inviting US users to download the pictures, Tattilo caused and contributed to their distribution in the US.

b) *Blue Note Jazz Club*

The court in *Benusan Restaurant Corp. v. King*¹⁸³ reached a different result. This case concerned not the registration of a domain name, but the use of a company designation on the Internet. A New York court refused to exercise jurisdiction over an allegedly infringing commercial website hosted on a server in Missouri, notwithstanding the site’s accessibility to New Yorkers. The Missouri jazz club “The Blue Note” advertised on the Internet, but did not mail tickets out of the state. The mere fact that Internet users in New York were able to obtain information on the Missouri club was not equalled with advertising or sale of the services offered in New York. Even if one assumed that users were deceived as to relations

¹⁸¹ 939 F.Supp. 1032 (S.D. N.Y., June 19, 1996), 1996 WL 337276.

¹⁸² 1996 WL 337276, at 8, quoted after Samson *Trademark Lawsuits in Cyberspace*.

¹⁸³ 1996 WL 509716 (S.D.N.Y. Sept. 9, 1996).

between the jazz club in Missouri and the New York club, the infringement would not have taken place in New York, but in Missouri.

c) Conclusion

What distinguishes *Playmen* from *Blue Note* is the fact that the Playmen website specifically courted US users whereas the Blue Note club targeted only customers in its area. The criterion of the intended customer region seems to be suitable to avoid the scenario painted by the *Playmen* court.

2. German Law

If the infringing party does not have another contact with the forum, international jurisdiction depends upon whether the defendant's actions amounted to a tortious act in the jurisdiction of the forum court according to sec 32 Code of Civil Procedure (ZPO). That means that at least part of the act has to be committed within the forum. Trademark infringement is a tort in the sense of this provision.

a) Concertconcept.com and Epson.de

Unfortunately, German regional courts have interpreted this provision in the sense that any activity on the Internet that is visible in Germany brings the actor under the jurisdiction of the German courts:

The LG Berlin enjoined MCN, a Kansas City web design, Internet service, and domain name brokerage firm, from using the domains *concertconcept.com*, *concertconcept.de*, *concert-concept.com*, and *concert-concept.de* because they violated the rights of a German company in its trade name and mark.¹⁸⁴ The court found jurisdiction over the defendant on the grounds that the domain names were accessible at the plaintiff's location in Germany. It specifically noted that it is irrelevant to German jurisdiction whether the defendant's host computer was in the US or whether the domain was registered in the US - the only relevant criteria was that the website could be read in the district of the court.

The LG Düsseldorf reached the same conclusion, albeit *in dicta*, in a dispute involving the domain *epson.de*.¹⁸⁵ In ordering removal of the defendant's domain registration, the court offered that it makes no difference whether the TLD *.com* or *.de* is used, as long as the website is visible in Germany.

b) Analogy to the Distribution of Press Items

This exercise of jurisdiction over a domain name dispute on the basis of accessibility of a foreign registered site within the forum country goes far beyond the most expansive extraterritorial exercise of jurisdiction in the US or elsewhere. German

¹⁸⁴ LG Berlin 20.11.96 - 97 O 193/96.

¹⁸⁵ LG Düsseldorf 4.4.97 - 34 O 191/96.

authors have been more cautious and suggested inferring guidelines from the case law handed down by the Supreme Court (BGH) on international jurisdiction in connection with cross-border distribution of press items.¹⁸⁶ There, jurisdiction only exists where the newspaper or magazine is distributed in the course of regular trade or according to its purpose and not just coincidentally.¹⁸⁷ Thereby cases are excluded in which press items arrive accidentally in an area in which the publisher or editor did not intend or calculate that distribution might take place.¹⁸⁸ Of course, unless protected by a password, the destination of a website is not always easy to determine, especially if an international TLD is used, such as *.com*. However, an intention of dissemination in Germany could be inferred from the use of the TLD *.de*.¹⁸⁹

c) *Steiff.com*

The LG Stuttgart had to decide a dispute involving the domain *steiff.com*.¹⁹⁰ The defendant ran a non-commercial fan website for “Steiff” dolls at the domain *steiff.com* and maintained its server in the US. The plaintiff, the German plush doll manufacturer “Steiff”, wanted to have that domain - in addition to its existing *steiff.de* domain. The court at first sight seemed to heed the above mentioned approach when it compared the Internet to other mass media and applied the doctrine of “intended area of distribution” derived from press items. It then held, however, that because the *.com* TLD was intended for the whole world (as opposed to a regional ccTLDs such as *.de*) the defendant intended distribution in the whole world - which included the district of Stuttgart.

It is unlikely that the court saw the consequences of its finding. It is suggested here that in case of a generic TLD no conclusion can be drawn other than from the actual content of the website. While it may be safe to conclude the intended area of distribution from the chosen regional ccTLD, one cannot conclude from an “international” generic TLD that the whole world is the intended area of dissemination. To hold otherwise would give any court in the world jurisdiction over each and every generic TLD.

d) *Conclusion*

The situation on the Internet is very much the same as the one of press items. Courts should, therefore, only assert jurisdiction where the website is actually intended for the audience of the forum state. Otherwise a company active on a purely national or regional basis would be subject to suit in the courts of virtually all countries in the world and had to scan the trademark databases of all these coun-

¹⁸⁶ Bettinger *Trademark Law in Cyberspace* at C.IV.; Ubbert *Internet-Domains* at 502.

¹⁸⁷ See e.g. BGH GRUR 1971, 151 at 153 - *Tampax*.

¹⁸⁸ Bettinger *ibid*.

¹⁸⁹ Ubbert *Internet-Domains* at 503.

tries for possible trademark infringement. Such a result would be totally unreasonable and the German courts should correct their interpretation of the law.

IV. Domain Name Dispute Policy

This chapter deals with the issue whether registration authorities should take responsibility for ensuring that a domain name does not conflict with trademark rights, and what would be the best policy to solve disputes concerning domain names.

A. The Different Policies

1. NSI's Policy

Originally, assignment of domain names was carried out free of charge, according to the first come, first served principle, for every conceivable domain name without legitimation being necessary. Neither were conflicts between domain names and trademarks examined, nor was there an obligation to actually use a domain name.

a) Evolution of the Dispute Policy

After the first domain name disputes named NSI (which runs InterNIC) as a defendant because of its assignment procedures,¹⁹¹ NSI adopted its "Domain Name Dispute Policy" in November 1995, which has been revised several times since. Now NSI notes expressly that it has neither the resources nor the legal obligation to evaluate whether or not a domain name infringes the rights of a third party. Under the current policy,¹⁹² the owner of any trademark registration in the world may challenge use of an identical SLD by submitting the registration certificate to NSI, along with proof that the trademark owner has sent the domain holder written notice of the trademark owner's claim that the use and registration of the domain name violates the trademarks owner's legal rights.

b) The 30-Day Letter

If the creation date of the domain postdates the effective date of the trademark registration, then NSI gives the domain holder 30 days to prove its ownership of a trademark registration for the same mark in the US or any other country. Initially, domain holders not owning a trademark used this 30-day period to obtain a trademark registration in a country where the registration procedure took only a day, e.g. Tunisia. Meanwhile, this gap has been closed and the trademark registration date of a challenged domain holder must be prior to the filing of the 30-day letter.

¹⁹⁰ *LG Stuttgart* 1.10.97 - 17 O 365/97.

¹⁹¹ E.g. *KnowledgeNet v. David L. Boone et al.* (N.D. Ill., Dec 2, 1996).

¹⁹² Revision 03, effective February 28, 1998, available at <http://www.networksolutions.com/legal/dispute-policy.html>.

c) *Suspension of Domain Names*

If the domain holder can either produce a trademark registration or prove that the creation of the domain name predates the effective date of the challenger's trademark registration, then he will be able to keep the domain. Otherwise he must give up the domain, with a 90-day transition period if the domain holder cooperates. If a domain is disputed, NSI will put it on "hold" status, that means it is not available to anyone, pending the outcome of the dispute between the parties. With the Dispute Policy every applicant of a domain name agrees to indemnify and hold harmless the organisations involved in the assignment procedure.

In the latest revision, NSI also broadened its discretion in domain name disputes by pronouncing that it may require "suspension, transfer, or other modifications to a domain name."

2. DENIC's Policy

DENIC, like InterNIC, rests on the premise that domain names will be allocated on a first come, first served basis, without investigating a possible collision with existing trademarks. Applicants are entitled to register any conceivable domain name, i.e. domain names do not have to be derived from the name of the company or individual and may constitute generic terms. While initially there was no obligation to actually use the domain name, it is now no longer possible to reserve domains.

Applicants must declare that rights of third parties are not violated consciously by their application and agree to resolve any conflict that may arise with registered or protected names.¹⁹³ There is no indemnity clause neither for DENIC nor IV-DENIC, but the guidelines state that IV-DENIC cannot be made liable for "conflicts with respect to names."

3. UniForum SA's Policy

The registration procedures and principles for the *.co.za* domain are based on the ones adopted by NSI for the *.com* domain.¹⁹⁴ Domain names are allocated on a first come, first served basis, Uniforum SA denies any obligation to "to determine the right of the applicant to register a domain name" (clause 4) and has contracted out of any liability (clause 11). The applicant's excessive warrants include that his "use or registration of the domain name does not or will not interfere with, nor infringe the right of any third party in any jurisdiction with respect to trademark, service mark, tradename (...) or any other intellectual property right" (clause 5.1.4). The terms and conditions for registration in the *.ac.za* space are virtually identical.¹⁹⁵

¹⁹³ See <http://www.denic.de/vergabebestimmung.html>, guideline as of Nov 11, 1997.

¹⁹⁴ See <http://co.za/annexure.html>, terms and conditions as of Oct 9, 1998.

¹⁹⁵ See Annexure "A" of <http://www2.frd.ac.za/uninet/docs/aczaform.html>.

B. The Problem with NSI's Solution

NSI's main objective to adopt its Dispute Policy was not to accommodate the valid concerns of trademark owners but simply to avoid being sued. However, far from shielding NSI from litigation, the Dispute Policy – at least earlier versions of it – actually may have spawned it.¹⁹⁶ Many flaws of the Policy have given rise to severe criticism:

1. Failure to Conform to Normal Trademark Law

When confronted with a domain name challenger, NSI only examines formal requirements like registration of the marks and the dates to determine the time when use commenced. NSI does not investigate whether the domain name is used for identical goods and services to those for which the trademark is registered, or whether the use of the domain name entails a risk of confusion.

The policy does not take into account that in spite of a registration identical to a trademark there might be no infringement at all, either because the domain holder operates in a completely different sector of business or because he does not use the domain in the course of trade, but privately. The Policy overlooks the very real possibility that many different parties may each legitimately claim equal rights to use a particular mark or name. NSI's Policy automatically assumes trademark infringement, as if every domain holder was a (potential) cybersquatter.

As a result, the NSI system is biased unfairly in favour of those who have obtained trademark registrations because it ignores common law rights and infringement analysis (likelihood of consumer confusion).¹⁹⁷ It favours owners of registered trademarks not only over other trademark owners, but also over every private individual holding a domain on the Internet for private use.

2. Right of Due Process

Moreover, NSI provides every trademark owner with a remedy that corresponds to proceedings for a preliminary injunction without the diligent examination that a court would have given to the case. NSI will cut off a domain after the notice of a challenger without hearing the domain holder. It has, therefore, been accused of violating the rights of due process and non-discriminatory administration of its customers.¹⁹⁸

3. Pro US bias

Another problem was the "date of first use". In most of the countries of the world there is no such thing as a "date of first use" but only a registration date. This

¹⁹⁶ Abel *Trademarks in Cyberspace* at C.

¹⁹⁷ *Ibid.*

¹⁹⁸ EFF *Comments on WIPO's DNS IP Proposal.*; Oppedahl *NSI Flawed Domain Name Policy.*

amounted to a profound pro US bias in the NSI Policy since it meant that US challengers with a "date of first use" that might be decades prior to the registration date would prevail over non US challengers who could only produce a later registration date.¹⁹⁹ Meanwhile, the term "date of first use" has been replaced by "effective date", but the problem of proper interpretation remains.

4. Reverse Domain Name Hijacking

In the early days of domain name disputes the main problem was cybersquatting - people "hijacking" famous trademarks by registering them as domain names. NSI's dispute policy has led to what some refer to as "reverse" domain name hijacking: This time it is the trademark owners who try to take away somebody else's domain without being entitled to do so. NSI's omission to inquire whether there is actual trademark infringement can be exploited by trademark owners to cut off a domain name: The owner of a registered trademark can prevent a domain name from being used until the dispute has been resolved in court, even if he has no right of prevention under trademark provisions.²⁰⁰ Domain holders fearing the costs involved in litigation might be forced to give up their domain name and can thus be driven out of business. If NSI had not its flawed policy which encourages those with meritless claims to turn to NSI rather than to the courts, then innocent domain name owners would not have incurred extensive legal expenses.²⁰¹ The last phenomenon, however, is also caused by the fact that under US law the party that wins a court case 100 per cent is not automatically refunded 100 per cent of the legal expenses.

5. Cases Involving the Dispute Policy of NSI

a) *Roadrunner.com*

The *Roadrunner*²⁰² case has already served as an example of how companies that existed peacefully side by side under traditional trademark law can become competitors for the same domain name.²⁰³ The case is a good example of the failure of NSI's dispute policy to take into account the cornerstone of trademark infringement analysis: likelihood of confusion. Consumer confusion can only arise in the context of similar goods and services, for which a mark is registered. Plush dolls and computers are very hard to confuse with each other. Except in the relatively rare dilution cases, NSI's dispute policy awards the holder of a trademark registration certificate a far greater scope of protection against use of the same name than

¹⁹⁹ Oppedahl *ibid.*

²⁰⁰ Bettinger *Trademark Law in Cyberspace* at B.III.1.

²⁰¹ Oppedahl *NSI Flawed Domain Name Policy.*

²⁰² *Roadrunner Computer Systems, Inc. v Network Solutions, Inc.*, No 96-413-A (E.D. Va. March 26, 1996)

²⁰³ See *supra* III.B.2.a)(2).

most trademark owners could ever hope to achieve in seeking to prevent use of the same mark, company name or designation other than a domain name.²⁰⁴

b) DCI.com

In this case,²⁰⁵ NSI was sued by software manufacturer Data Concepts, Inc. over the domain name *dci.com*. The plaintiff sought a declaratory determination that it has rights to continue using the *dci.com* domain name. The case was triggered by NSI's giving notice to Data Concepts that it was going to put the *dci.com* domain on hold status in response to a complaint from Digital Consulting, the owner of a federally-registered trademark on "DCI" for business management software. Although Data Concepts claimed to have used "DCI" as a trademark in interstate commerce and internationally in connection with data management since at least 1982, four years prior to Digital Consulting's trademark use of DCI, Data Concepts did not have a trademark registration to trump Digital Consulting's under the dispute policy. Having no other choice, Data Concepts had to file suit and spend a lot of money to keep its domain name. This case highlights another serious inequity inherent in the dispute policy, that of favouring trademark owners who have registered their marks to those who have not registered, but who nonetheless may have superior trademark rights.²⁰⁶

c) Ty.com

In this case²⁰⁷ the plaintiff, Giacolone, directly challenged the NSI Policy, claiming that it violated his rights of due process by denying him a hearing and requiring him to post a bond to retain his name. Giacolone had registered *ty.com* as his Internet domain name in 1995. "Ty" was an abbreviation for "Tech Yard" which was the name of his website. The defendant, Ty, Inc., had a registered trademark for plush toys consisting of the letters "t" and "y" inside a small red heart. Giacolone claimed that Ty was unlawfully attempting to extend the scope of its trademark registration to areas in which it had no legal right of protection. Ty had no trademark registration at all on the word "Ty", but only a design mark with "Ty" inside a heart for use on plush toys. Ty claimed that it was simply taking advantage of an existing NSI Policy to which Giacolone had consented and that it had done nothing wrong.

The court was the first to enjoin a trademark holder from interfering with use of a domain name, pending final judgement on the complaint. It required Ty "to take any and all steps necessary to see that Plaintiff's right to use the domain is undisturbed and not suspended or interfered with in any way due to (...) [Ty's] alleging

²⁰⁴ Abel *Trademarks in Cyberspace* at C.

²⁰⁵ *Data Concepts, Inc. v Digital Consulting, Inc. and Network Solutions, Inc.*, No. 3-96-0429 (M.D. Tenn., May 8, 1996).

²⁰⁶ Abel *Trademarks in Cyberspace* at C.

²⁰⁷ *Giacolone v Network Solutions, Inc. & Ty, Inc.*, No. C-96 20434 (N.D.Cal., June 14, 1996).

trademark infringement claims.” Ty’s appeal was pending when the case settled. In exchange for an undisclosed amount, Giacolone transferred the domain to Ty.

The case raised the issue of what NSI considered to be an *identical* mark as is required for initiating a challenge under the Dispute Policy. NSI was criticised of casting uncertainty to domain holders by determining whether names are identical on a case-by-case basis.²⁰⁸ Meanwhile NSI has changed its policy again and the latest revision requires a trademark identical to a domain with no accompanying design.

d) Pokey.org

The abuse of NSI’s Dispute Policy has led to the harassment of not only various businesses on the Internet without registered trademarks but even private individuals. For example Prema Toy Co., the owner of the trademark on the toys “Gumby” and “Pokey”, tried to shut down the website of a 12-year-old child, nicknamed “Pokey” all his life due to his overdue birth, who received *pokey.org* and some Web software as a birthday present.²⁰⁹ His website was not infringing any trademark rights of the toy company, and anyway, “Pokey” is a common nickname in the US and dictionary word.²¹⁰

C. Designing a Good Dispute Policy

While the NSI Policy probably makes sense in those situations where one party has a clear right to the domain name in all international classes because of the strength of its registered trademark (i.e. “famous” trademarks in the sense of the dilution provisions), it clearly does not function properly in the majority of cases where the trademark owner has no right to use the domain in areas outside the classes for which its trademark is registered.²¹¹ However, only a tiny fraction (probably less than one per cent) are indeed unique.²¹²

1. Dispute Resolution by the Registrar?

The question must be asked whether registration authorities should take responsibility at all that domain names do not infringe on trademarks. The problem is when a registrar designs a dispute resolution policy that yields outcomes that differ from what a court would do, it can be sure of getting sued. To apply the same extensive examination of trademark law as a court would be a time consuming and expensive burden on a registrar. The success of the Internet, however, is mostly due to its nature as a cheap, fast mass medium open to every individual of society. Currently,

²⁰⁸ Abel *ibid.*

²⁰⁹ See EFF *Comments on WIPO’s DNS IP Proposal.*

²¹⁰ Oppedahl *ibid.*

²¹¹ Abel *ibid.*

²¹² Oppedahl *Analysis and Suggestions Regarding NSI Dispute Policy.*

registration of a domain name in South Africa costs R50 a year and the registration process takes approximately 20 seconds (!).²¹³ The NSI Policy, applied carefully and conform to trademark law, would not only increase the registration fees immensely, but also stretch the registration procedure indefinitely. After significant study and consideration, the International Trademark Association (INTA) concluded that NSI's Policy is unworkable and cannot be fixed, because neither NSI, nor any future registrar should be a tribunal for trademark dispute resolution or be expected to be a specialist in trademark matters.²¹⁴

2. The Doctrine of Interpleader

The solution is refraining from deciding any dispute at all - in other words: the doctrine of interpleader.²¹⁵ If sued, the registrar simply tenders the domain name to the court, stating that it will comply with the final order of the court. Thus, it minimises legal expenses and does not have to judge trademark infringement claims for which it is incompetent. This is also the recommended policy of RFC 1591.²¹⁶

In a reverse domain name hijacking case involving the *clue.com* domain NSI first attempted to try the interpleader theory in federal court,²¹⁷ offering to deposit the domain name with the federal court and asking to be released as a party to the state court action filed by Clue Computing²¹⁸ and be discharged from any liability. The court, however, ruled that NSI could not fulfil the interpleader requirement of depositing the domain name with the federal court because the domain was not under NSI's control as long as the state court's injunction against NSI was still in effect. The example of Germany shows that NSI was on the right way: IV-DENIC does not have any opposition procedure corresponding to NSI's Dispute Policy and has never been sued in any domain name dispute so far.

3. Conclusion

The best dispute policy of a registrar is not to decide any dispute at all, but simply to state that it will comply with any order of a court.

²¹³ Mark Elkins of Uniform at the *WIPO regional consulting in Cape Town* on October 7, 1998, see <http://wipo2.wipo.int/process/eng/cp-transcript1.html>.

²¹⁴ Responses of the INTA to US Government's RFC on Internet Domain Names, quoted by Oppedahl *NSI Flawed Domain Name Policy*.

²¹⁵ Oppedahl *Analysis and Suggestions Regarding NSI Dispute Policy*.

²¹⁶ RFC 1591 reads: "In case of a dispute between domain name registrants as to the rights to a particular name, the registration authority shall have no role or responsibility other than to provide the contact information to both parties.", see

<http://andrew2.andrew.cmu.edu/rfc/rfc1591.html> at 4.1) (page 6).

²¹⁷ *Network Solutions, Inc. v Clue Computing, Inc. & Hasbro, Inc.*, 946 F.Supp. 858 (D.Co. 1996).

²¹⁸ *Clue Computing, Inc. v Network Solutions, Inc.*, No 96-CV694 (D.Co, June 13, 1996).

V. Other Solutions at the Point of Registration

Various authors and Internet stakeholders have made more technical proposals to solve the dilemma of trademarks and domain names. The focus has been on the reformation of the domain name system. On February 4, 1997, the 11-person International Ad Hoc Committee (IAHC)²¹⁹ created by the Internet Society (ISOC) in October 1996 at the request of IANA, issued its plan for the modification and enhancement of the gTLD space. According to the IAHC plan, known as gTLD Memorandum of Understanding (gTLD-MoU),²²⁰ new TLDs shall be introduced and administration of the newly introduced TLDs shall no longer be carried out centrally, but by a number of new registries throughout the world. Moreover, disputes shall be resolved by Administrative Domain Name Challenge Panels (ACPs). Although the IAHC has dissolved itself and the US government has taken over the reformation of the DNS, IAHC's proposals are still relevant.

A. Introduction of new gTLDs

To increase the available domain space and reduce the cachet of the *.com* TLD, the IAHC proposed the creation of seven new gTLDs (in addition to the existing *.com*, *.org*, and *.net*), in detail: *.firm* for businesses or firms; *.store* for businesses selling goods; *.web* for entities emphasising activities involving the World Wide Web; *.arts* for entities emphasising cultural and entertainment activities, *.rec* for entities emphasising recreational entertainment; *.info* for sites offering information services; and *.nom* for sites supported by individuals. It has also been suggested to introduce new gTLDs competing with the *.com* domain, e.g. *.alt*, *.biz*, *.corp*, *.inc*, or *.ltd*. Another proposal is to establish new TLDs corresponding to each of the 42 international trademark classifications.²²¹ For example, Warner Brothers could have obtained *roadrunner.toys* for its "Roadrunner" plush toys, while Roadrunner Computer Systems might have *roadrunner.comp*.

1. Overlapping Trademarks and Lines of Business

Critics have pointed out that even within a single international trademark classification it is commonplace to find dozens of companies with the same name.²²² This is possible in the real world because their lines of businesses do not overlap. Moreover, trademark owners tend to want to protect not only their present line of business, but also future possible markets. It would be likely for Warner Brothers to register *roadrunner.food*, *roadrunner.air* etc., just to keep open the possibility

²¹⁹ Members of the IAHC included representatives of, *inter alia*, the World Intellectual Property Organisation (WIPO), the International Trademark Association (INTA), the International Telecommunications Union (ITU), ISOC, IANA, and the National Science Foundation (NSF).

²²⁰ Available at <http://www.iahc.org/gTLD-MoU.html>.

²²¹ See the references at Oppedahl *Analysis and Suggestions Regarding NSI Dispute Policy* note 25.

²²² Oppedahl *ibid*.

of future extension. Interestingly, the initial proposal of the IAHC to introduce more than 150 new gTLDs by the end of 1996 was met by the strongest objections from trademark owners. Especially big companies operating in different kinds of business feared that they either would have to register a domain name in each and every product class that they are producing goods in or that the problem of policing their marks would just be multiplied by so many new TLDs.

2. The Predominance of the .com Domain

One of the intended effects that is common to all these proposals is to relieve the pressure from the "overcrowded" .com domain space. More trademark owners should be enabled to obtain SLDs that match their trade names or trademarks. However, for several reasons it is unlikely that this effect will realise: First, nobody who has already obtained a .com domain will give it up to register in another one because he would lose a lot of work already invested in making known his website address. Second, there are already over 170 TLDs, yet country specific ones. Anybody whose preferred SLD was already taken in the .com domain could have registered under these ccTLDs, e.g. .to or .cc. As long as people try to guess a company's Internet address and expect them to be found at the .com domain, there is little reason to think that adding more TLDs will change the perception that .com is the place to be.²²³

3. Positive Effects

On the other hand, the introduction of new, non-geographic TLDs is not such a bad idea. First, until now, there is no special TLD predestined for private individuals. Users wanting to set up a private Homepage on the web have to compete with businesses in the .com domain, network providers in the .net domain, or organisations in the .org domain. With the introduction of the .nom domain these people would finally have a "home".

a) Reduction of the Significance of a Domain

Some authors have expressed the hope that with the passage of years the perception that it is crucial to have an easily guessed .com domain will fade. Among various other factors the introduction of new TLDs may lead to this development: When people start using the new TLDs as much as the .com domain, it will be more difficult to guess a domain name. For example, would you look for the Disney company under *disney.kids*, *disney.games*, *disney.comics*, *disney.toys*, or *disney.film*? Because of this and an increasing sophistication users are likely to rely rather on search engines than on inefficient guessing. Especially meta search engines are capable of covering a major part of the Internet and providing better re-

²²³ *Ibid.*

sults.²²⁴ Another contributing factor to this development is the growing use of the third level domain of one's provider (e.g. the German TV channel *zdf.msn.de*) or a provider's subdirectory (e.g. *angelfire.com/user*) which is already a common phenomenon with free private homepages.

b) Consequences for Trademark Law

By using a search engine, following the link and setting a bookmark in one's browser (also called "favourite") users will not have to remember a domain name anymore. The significance of a domain name will eventually be reduced to the function of a technical address, similar to an IP number.²²⁵ The smaller the significance of a domain is to find a company on the web, the less a domain name performs the function of a name and the less capable it will be to distinguish goods by their source or origin. If in the long run domain names are not able any more to function as and to infringe trademarks, like some authors expect,²²⁶ still remains to be seen. This question also depends on the marketing strategy of companies, i.e. if they advertise their domain name.

The pace of the progress of Internet technologies (not to confuse with the DNS) makes it hard to predict future developments. For example, the way people interact with the Internet may drastically change by a shift from character-based input to speech recognition.²²⁷ It is also likely that new meta levels (in addition to the search engine capabilities) will be developed and imposed between the user and the domain name system, making it less important for a company to have its exact name as a domain name. One example is the "RealNames" Service, a new way to locate companies, brands and products on the Internet. It enables consumers to navigate directly to a specific web page, using simple words and phrases in any human language, without having to remember a domain name or a more complicated URL.²²⁸

B. Introduction of Various Registrars

The gTLD-MoU of IAHC contemplated numerous registrars dispersed worldwide who were to share the administration of all of the gTLDs. Within the gTLD space, registrar policy would be uniform as to dispute policy and extended information required by an applicant for a domain name. The White Paper²²⁹ of the US government envisioned the splitting up of registrar and registry functions and the addition of five new registrars. At least initially, each registrar would be free to adopt

²²⁴ Meta search engines search "normal" search engines and summarise the results, e.g. www.metacrawler.com or meta.rrzn.uni-hannover.de.

²²⁵ Hahn/ Wilmer *Vergabe von Top-Level-Domains* at 486.

²²⁶ Hahn/ Wilmer *ibid.*; Oppedahl *ibid.*

²²⁷ Oppedahl *ibid.*

²²⁸ See <http://company.realnames.com/WhatAreRealNames/WhatAreRealNames.html> for details.

²²⁹ Available at http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm.

its own policy. The White Paper recommended forming a US corporation comprised of a representative group of Internet users to oversee the core computers that monitor the millions of domain names.

The IAHC plan provided for a system of settling disputes, including online mediation and expedited online arbitration with respect to intellectual property disputes involving domain names. The system involved the implementation of a stated policy by Administrative Domain Name Challenge Panels (ACPs). The White Paper recommended that domain name registrants agree at the time of registration or renewal

- i. to submit infringing domain names to the jurisdiction of a court where the registry, registry database, registrar, or "A" root server are domiciled;
- ii. to submit to and be bound by alternative dispute resolution systems developed by the new corporation for the purpose of resolving such disputes (registries and registrars would be bound by those decisions);
- iii. to refrain from use of famous trademarks as domain names in the TLDs except by the designated trademark owner.

The World Intellectual Property Organisation (WIPO) has been called to develop a specific process to resolve trademark/ domain name disputes.²³⁰

C. Dispute Prevention

1. Opposition Period at Registration

It has been suggested to establish a 30-day opposition period for any newly designed domain name.²³¹ During that 30-day period, an opposer could invoke opposition proceedings and the registrar would disable the domain name. Such an opposition period is known from the trademark registration procedures of most countries. On the one hand, this proposal could prevent the damage done by dilution to the reputation of famous trademarks and trade names, because there would be no opportunity to dilute a mark if the owner of the mark regularly scanned new domain name registrations. It has also been claimed that such an opposition period would give more stability and security to those domain names that have survived the 30-day period.²³²

On the other hand, such a procedure would stretch the time to register a domain name from currently a few seconds to 30 days at least, not to mention the time it would take for a domain name applicant to fight an unjustified opposition of a trademark owner. Moreover, it is hard to see that a domain name should be more stable or safe after this period: If the domain name infringes any trademark in any

²³⁰ WIPO's RFC can be found at <http://wipo2.wipo.int/process/eng/processhome.html>.

²³¹ US government Green Paper Plan For Domain Name Regulation, available at <http://www.ntia.doc.gov/ntiahome/domainname/dnsdrft.htm>.

²³² Oppedahl *NSI Flawed Domain Name Policy*.

jurisdiction in the world, the trademark owner can still get a court ordering the domain holder to refrain from using the domain. Given the possibility of preliminary injunctive relief and expedited proceedings that most legal systems offer, the advantage of preventing damage before it is done seems minimal. This proposal would do more harm than good and has been abandoned by the US government after loud criticism from the Internet community.

2. Trademark Database

Another possibility is to create an international database of trademarks and trade names. Domain name applicants could check the validity of a proposed domain name. Registrars could simply refuse to assign a domain name contained in the database to anyone else than the designated trademark owner. Or, more sophisticated, they could even draw from the example of patent and trademark offices and investigate whether a proposed domain name infringes trademarks prior to registration.

Several points are to note here. First, it would be a very expensive and time consuming task to investigate trademark infringement. Unless done by a state authority this investigation would increase registration fees astronomically and pose a serious barrier to free access for everyone to the Internet. Second, the registration procedure would be delayed indefinitely with the likely result of blocking innovations on the Internet.²³³

A simple trademark database is unlikely to prevent disputes regarding trademark infringement cases. The problem of identical trademarks in different sectors of business would still remain unsolved, not to mention international conflicts. Moreover, to distinguish an (infringing) cybersquatter from a (non-infringing) private user, the registrar would be obliged to require a reason for registering and the intended use in order to determine likelihood of confusion. Public interest organisations like the Electronic Frontier Foundation (EFF) have already expressed their concern in this regard about human rights such as free expression and free association being impacted upon.²³⁴

Probably only the owners of famous trademarks could be the real benefactor of such a database. But not every use of a famous trademark constitutes dilution (e.g. *porsche-fanclub.org*) and a trademark may only be famous in some countries, but not in the whole world. What is more, trademark owners only constitute a part of all Internet users, and marks so unique that they could qualify for such an international database only constitute about one per cent of all trademarks.²³⁵ It is hard to see why the whole Internet community should bear the costs of what can only benefit a tiny part of them.

²³³ Dippelhofer *Domain-Namen Rechtsschutz* at 6.

²³⁴ EFF *Comments on WIPO's DNS IP Proposal*..

D. Recent Developments

Meanwhile, the Internet Corporation for Assigned Names and Numbers (ICANN) has been created to take over the duties now performed under US government contract by IANA and other entities. The purpose of the corporation is to manage the domain name system, including

- (i) setting policy for and allocating Internet registries;
- (ii) overseeing the operation of the authoritative Internet root server system;
- (iii) evaluating and implementing, as necessary, the expansion of top-level domains (TLDs) (including country code or national TLDs, second level domains (SLDs) and gTLDs); and
- (iv) maintenance of the universal connectivity of the Internet.²³⁶

WIPO has proposed an online dispute system to be set up under ICANN. New domain names would only be accepted on condition of recognition of the dispute system, whose rulings would be obligatory and would be enforced by ICANN, which would have the authority to cancel sites found to be breaking intellectual property rights.²³⁷

For the last seven years, Network Solutions has had a lock on the business of registering Web addresses ending in *.com*, *.net*, and *.org*. The US government has mandated a transition to a competitive domain name registration now. Five new registrars will begin test operations in April 1999, and the market will open in June 1999.

VI. Conclusions

In spite of some misguided court decisions, the overall picture shows that trademark law is quite well equipped to handle domain name disputes. The majority of cases occurring in practice can be resolved by applying existing laws. Where there is no law, the general rule of domain name registration applies: first come, first served. However, concerns of the Internet community should be taken seriously, as trademark owners have been able to claim property rights in domain names that go far beyond the rights they have under existing legislation and case law governing trademarks. After all, real trademark infringement using domain names is rarer than the hype created by intellectual property owners wants one to believe.²³⁸

If disputes around domain names arise, they should be dealt with by competent authorities, that is courts or arbitration panels that a domain name registrant might have submitted to at registration. Registration authorities are badly equipped to

²³⁵ Oppedahl *Analysis and Suggestions Regarding NSI Dispute Policy*.

²³⁶ See <http://www.icann.org> for details.

²³⁷ WIPO spokeswoman Samar Shamoun to Reuters on January 14, 1999, see *World body aims to end "cybersquatting"* at <http://www.news.com/News/Item/0,4,30939,00.html>.

²³⁸ A recent study suggests that only 0.0128% of the generic TLDs administered by NSI infringes trademark, see Mueller *Trademarks and Domain Names*.

resolve those disputes and should adopt a policy of non-interference, or strict compliance with court decisions and arbitral awards. In exchange, they should be indemnified against legal liability by their customers.

What remains to be seen is whether the addition of more generic TLDs will result in an increased policing burden on trademark owners, or rather take away the incentive of cybersquatters to occupy favourite domain names in the artificially scarce *.com* domain. The same solution should be considered to ease the domain bottleneck at the national level, e.g. Germany should introduce generic TLDs like *.com.de*, *.nom.de* and the like. Another possibility would be to deny to domain holders the monopoly over sub-level domains, and instead introduce the right to sub-level domains at the point of registration, at least for generic and descriptive domain names.

The pace of progress of new Internet technologies makes it hard to predict the future. Some developments could reduce the significance of domain names to the point that they are irrelevant to trademark laws. Until then, however, the "law of domain names" as a specific sector of trademark law will play an important role in legal practice.