

Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications

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TRADEMARKS AND THE INTERNET

Document prepared by the Secretariat

I. INTRODUCTION

1. At its twenty-third session, held in Geneva from June 30 to July 2, 2010, the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) requested the Secretariat to prepare a background document summarizing past and current developments in the area of Trademarks and the Internet, in particular the *WIPO Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, and recent developments within the Internet Corporation for Assigned Names and Numbers (ICANN) on domain name issues. SCT members and observers were invited to present their contribution to that work to the Secretariat by September 15, 2010 (see document SCT/23/6, paragraph 18).
2. In accordance with the request made by the SCT, the Secretariat has prepared the present document, which attempts to summarize existing information on the above issues and presents a number of additional considerations for discussion by the Standing Committee.

II. INTERNET DOMAIN NAMES

3. During recent years, the Internet has gained increasing importance for the global movement of goods and services of all kinds. With continued growth at a phenomenal rate, the Internet is now a major global data pipeline, which is more and more used in the mainstream of commerce to sell and deliver goods and services across transnational borders. Issues of intellectual property protection regarding the material available on the Internet are just as important as issues regarding the use of trademarks as vectors of consumer preference in a global marketplace.
4. One of the earliest issues addressed in that context was the bad faith registration of trademarks as domain names. It is well-known that an important break-through in tackling this issue was reached through the first WIPO Internet Domain Name Process, as a result of which ICANN adopted the Uniform Domain Name Dispute Resolution Policy (UDRP). In addition to being the principal global administrator of cases under the UDRP, the WIPO Arbitration and Mediation Center continues to be active in monitoring and following up on ICANN's activities as relevant to identity protection on the Internet. This concerns, in particular, ICANN's proposals for significant expansion of the generic domain name space, as explained in further detail in Annex III to this document.

III. THE WIPO JOINT RECOMMENDATION CONCERNING PROVISIONS ON THE PROTECTION OF MARKS, AND OTHER INDUSTRIAL PROPERTY RIGHTS IN SIGNS, ON THE INTERNET

5. Apart from the work on domain names, the SCT was instrumental in preparing the WIPO "Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (hereinafter "Joint Recommendation"), which was adopted during the thirty-six series of meetings of the Assemblies of the Member States of WIPO (September 24 to October 3, 2001). The Joint Recommendation is the third of a series of instruments in the area of trademark law adopted by the Assemblies of the Paris Union and the WIPO General Assembly.
6. The provisions contained in the Joint Recommendation aim at facilitating the application of territorial laws regarding trademarks and other industrial property rights in signs and territorial laws regarding unfair competition, to the use of signs on the Internet. The provisions are intended to be applied in determining whether, under the applicable law, use of a sign on the Internet has contributed to the acquisition, maintenance or infringement of a mark or another industrial property right in the sign, or whether such use constitutes an act of unfair competition.
7. Under the provisions, the use of a sign on the Internet is treated as the use in a member State, only if the use has a commercial effect in that particular member State. The Joint Recommendation details the factors for determining whether the sign has a commercial effect. Although the list of potentially relevant factors is non-exhaustive, it is intended to assist the competent authority to make a finding of commercial effect. The competent authority is, however, free to determine which factors are relevant in a given case.

8. With respect to the liability of the user of a sign on the Internet in a way that has a commercial effect in a member State, the Joint Recommendation provides that if such a user owns a right in the sign in another member State, or uses the sign with the consent of the owner of such a right, or is permitted to use the sign, he or she will not be liable to the trademark owner in that other State prior to receiving a "notification of infringement". This notice and avoidance of conflict procedure is an attempt to balance the interests of good faith legitimate users on the one hand and owners of rights which might be infringed by such use on the other.
9. The Joint Recommendation contains provisions that instruct the competent authority granting a remedy against the use of a sign on the Internet in a member State to consider the effect of a potential injunction in other States. Any remedy must be proportionate to the commercial effect of the use in that member State. The competent authority should avoid imposing a remedy that would have the effect of prohibiting any future use of the sign on the Internet. The full text of the Joint Recommendation and Explanatory Notes are contained in Annex II to this document.

IV. RECENT DEVELOPMENTS REGARDING TRADEMARKS AND THE INTERNET

10. Almost ten years after the adoption of the Joint Recommendation, the Internet has provided countless new ways for ingenious businesses and individuals to refer to trademarks in a manner that impacts the trademark holder's business. These new methods may not directly associate the mark with goods or services that the user is offering for sale and may even be hidden from the consumer's view. Practices such as the unauthorized use of trademarks as keywords by search engine operators or within listings for non-genuine goods on auction sites, or the use of trademarks on virtual objects that are traded in virtual worlds, constitute clear challenges to the traditional application of trademark law.
11. Recently, a significant number of cases have been brought before national and regional courts. In deciding those cases, courts have resorted to Trademark Law principles often in combination with other statutory law regulating electronic commerce or the enforcement of intellectual property rights. The solutions provided differ from one jurisdiction to another. Annex I to this document contains a succinct summary of new challenges regarding the use of trademarks on the Internet, as shown in a selective sample of cases across different jurisdictions.
 12. *The SCT is invited to*
 - (i) *take note of the contents of Annex I to this document;*
 - (ii) *review the 2001 Joint Recommendation contained in Annex II to this document with a view to determining whether amendments are desirable and appropriate to address the recent developments set out in Annex I;*

(iii) identify any other course of action that might be perceived as useful and appropriate to address specific trademark issues related to the use of trademarks on the Internet;

(iv) note the contents of Annex III to this document and consider possible follow-up, if any.

[Annexes follow]

RECENT DEVELOPMENTS REGARDING TRADEMARKS AND THE INTERNET

I. Liability of Internet Auction Sites for Trademark Infringement

1. The commercial significance of online auction sites continues to escalate, as retailers capitalize on the opportunity to access a vast consumer base, at low cost. At the outset, it is important to note that such sites typically facilitate both professional and amateur retailers. Moreover, depending on the scruples of the seller, a brand name may be exploited unlawfully to attract buyers to non-genuine goods. This dynamic raises significant challenges for trademark owners; challenges, which are intensified by the global nature of the internet and jurisdictional divergences in trademark law.
2. In recent years, litigation in this area has increased strongly, as lawsuits have been taken against large auction sites in multiple jurisdictions. Notwithstanding distinct analogies of fact and legal argument presented in these cases, the judicial outcomes have diverged in different jurisdictions. Variations in domestic law contribute to this divergence, but broader considerations of policy also bear influence on courts. In any event, legal uncertainty currently exists for both auction sites and brand owners. As a result, the practices and procedures of auction sites, and the enforcement strategies of brand owners must be tailored according to jurisdiction.

Policy

3. Before examining the relevant case law, it is helpful to outline the broad issues of policy, which are implicated when a brand owner challenges the conduct of an auction site. Unquestionably, the most important issue in this respect is which party should carry the burden of policing the use of trademarks on the site. One argument is that brand owners should bear this burden, because they have intimate knowledge of their authorized goods and thus are best suited to detect a trademark violation. Furthermore, it is argued that intellectual property holders should enforce their own rights, rather than rely on another party to do it for them. On the other hand, it is claimed that auction sites should bear the burden because they alone have the ability to filter ads, take remedial actions against sellers and ultimately prevent trademark infringements from occurring on their sites. This argument is bolstered by the fact that auction sites profit from all sales conducted on the site, including sales of illegitimate goods. Auction sites resist the burden however, because it threatens to jeopardize their business model. Meanwhile, brand owners claim with equal force that they sustain huge revenue losses due to the manner in which auction sites currently operate.

4. Another policy debate centers on passivity. Internet Service Providers (ISPs) are typically not liable for illegal activity conducted online, on the basis that they are a “mere conduit¹”. In a similar vein, auction sites seek exemption from liability for trademark violations on the basis that they are merely providing a forum for a transaction between a buyer and a seller. In other words, because the website is hosting and is “passive”, rather than actively verifying the claims of sellers, liability for trademark infringement is improper. Brand owners dispute this claim of passivity however, and refer to such examples as the endorsement and support services that auction sites offer to those sellers that reach a high volume of transactions. As discussed below, the manner and extent to which an auction site interacts with sellers and with brand owners is an important consideration for courts when determining an auction site’s liability.

Cases

United States of America

5. In the United States of America, the U.S. Court of Appeals for the Second Circuit recently delivered a seminal judgment in the case of *Tiffany v Ebay*². Regarding the sale of non-genuine jewelry on the site, Tiffany brought suit against Ebay for direct and contributory trademark infringement, trademark dilution and false advertising.
6. The Court rejected the claim of direct infringement on the basis that eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on the site³. Also, the use did not suggest that Tiffany was affiliated with eBay or that Tiffany endorsed the sales⁴. For the purposes of assessing direct infringement, the Court held that eBay’s alleged knowledge of the availability of counterfeit wares on the site was not a basis of such a claim and to impose liability on such grounds would unduly inhibit the lawful resale of genuine Tiffany goods⁵.
7. Regarding the claim of contributory infringement, the Court acknowledged that it was a more difficult issue than direct infringement⁶. An auction site may be liable if it “continues to supply its service to one whom it knows or has reason to know is engaging in trademark infringement⁷”. However, concerning the requisite degree of knowledge, the Court ruled that “for contributory trademark infringement to lie, a

¹ For example, pursuant to Articles 12 and 13 of the Directive on certain legal aspects of electronic commerce in the Internal Market 2000/31/EC (E-Commerce Directive), an ISP is exempt from liability when it serves as a mere conduit or provides temporary caching for the sole purpose of making the transmission of content more efficient, is of a mere technical, automatic or passive nature, and where the ISP has neither knowledge nor control over the content being transmitted or stored.

² *Tiffany v eBay*, 600 F.3d. 93, 98 (2010).

³ *Tiffany v eBay*, 600 F.3d. 93, 103 (2010). Regarding genuine goods, the Court acknowledged that “a significant portion of the ‘Tiffany’ sterling silver jewelry listed on the eBay website was counterfeit” but found that a substantial number of authentic Tiffany goods are also sold on eBay.” *Id.* at 98.

⁴ *Tiffany v eBay*, 600 F.3d. 93, 103 (2010).

⁵ *Tiffany v eBay*, 600 F.3d. 93, 103 (2010).

⁶ *Tiffany v eBay*, 600 F.3d. 93, 103 (2010).

⁷ *Tiffany v eBay*, 600 F.3d. 93, 106 (2010).

service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary⁸. Because eBay, upon acquiring specific knowledge of infringements, removed those listings and suspended repeat offenders, eBay had not failed to uphold this legal standard. Accordingly, eBay was not liable for contributory trademark infringement⁹. Interestingly however, the Court prohibited eBay from “willful blindness¹⁰”. Thus, if eBay has reason to suspect that users of its services are infringing a protected mark, it is not permitted to “look the other way” in an effort to shield itself from liability. In other words, willful blindness is equivalent to actual knowledge¹¹.

8. As to the final two claims, the dilution argument failed because eBay never used the mark to refer to its own product¹² and the false advertising claim was remanded to the District Court¹³.

United Kingdom

9. In the UK, L’Oréal brought suit against eBay¹⁴ claiming, *inter alia*, that eBay had committed trademark violations based on theories of joint liability and primary liability. Regarding joint liability, the Court declared that this was a matter to be determined by national law. The judge acknowledged that eBay “do facilitate the infringement of third parties’ trademarks, including L’Oréal’s trademarks, by sellers; they do know that such infringements have occurred and are likely to continue to occur; and they profit from such infringements except where the rights owner makes a VeRO¹⁵ complaint in sufficient time¹⁶”. However, L’Oreal failed to establish that eBay had procured sellers’ particular acts of infringement and had not proved evidence of common design. The Court ruled (i) eBay is under no legal duty to prevent infringement, and (ii) facilitation with knowledge and intention to profit is not enough¹⁷.

⁸ Tiffany v eBay, 600 F.3d. 93, 107 (2010).

⁹ Tiffany v eBay, 600 F.3d. 93, 109 (2010).

¹⁰ See Tiffany v eBay, 600 F.3d. 93, 109 and 110.

¹¹ Tiffany v eBay, 600 F.3d. 93, 110 (2010).

¹² Tiffany v eBay, 600 F.3d. 93, 112 (2010).

¹³ Tiffany v eBay, 600 F.3d. 93, 114 (2010).

¹⁴ L’Oreal SA v eBay International AG, [2009] E.T.M.R. 53.

¹⁵ eBay’s Verified Rights Owner or VeRO programme is a notice and take-down system that is intended to provide intellectual property owners with assistance in removing infringing listings from the Site. L’Oreal SA v eBay International AG, [2009] E.T.M.R. 53, at 875.

¹⁶ L’Oreal SA v eBay International AG, [2009] E.T.M.R. 53, at 928.

¹⁷ L’Oreal SA v eBay International AG, [2009] E.T.M.R. 53, at 928.

10. With respect to primary liability, L'Oréal targeted eBay's use of L'Oreal trademarks in sponsored links on search engine sites¹⁸. Additionally, L'Oreal challenged use of the marks on the eBay site as subcategories to assist in a search of eBay listings¹⁹. It is important to note that both claims relate only to trademark infringing products. On these issues, the judge decided to refer questions to the European Court of Justice for clarification²⁰. The answers to these questions are pending.

France

11. In France, different courts have reached different conclusions as to eBay's liability for the sale of non-genuine goods. In *LVM v eBay*²¹, the Commercial Court of Paris found in favor of Louis Vuitton and held that eBay was guilty of "serious tortuous acts consisting in abstention and negligence²²". The Court rejected the notion that eBay was a mere host and instead classified eBay as a broker. In this role, eBay had failed in its duty to prevent illicit sales. eBay had "failed to set up effective and appropriate measures to combat trademark infringement" and the "anti-counterfeit measures [were] inadequate because eBay did not require sellers to authenticate their merchandise nor did eBay permanently terminate infringing seller accounts²³".
12. By contrast, a more recent French decision²⁴, resulting from litigation initiated by L'Oréal, has ruled in favor of eBay. According to the Court, eBay had fulfilled its obligation in good faith and had done its due diligence to prevent infringing goods being sold through its site²⁵. In order to ground liability, the case would require evidenced knowledge on the part of eBay of infringing content and a failure to remedy it²⁶.

Belgium

13. In *Lancôme Parfums v eBay*²⁷, the Brussels Commercial Court found that eBay was not liable because it "did not have actual knowledge of illegal information it hosted, or it was not aware of any facts or circumstances suggesting such illegal

¹⁸ L'Oreal SA v eBay International AG, [2009] E.T.M.R. 53, at 929.

¹⁹ L'Oreal SA v eBay International AG, [2009] E.T.M.R. 53, at 860.

²⁰ See C 267/40, 7.11.2009, Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2009:267:0040:0041:en:pdf>.

²¹ Commercial Court of Paris, RG no 2006077799.

²² Rebecca M. Haynes, *Should Designers Pay the Price? A Look at Contributory Trademark Infringement as it Relates to Different Outcomes of Internet Auction Site Liability in the United States and France*, 8 Ave. Maria L. Rev. 223, at 232.

²³ Allison N. Ziegler, *Online Auction House Liability for the Sale of Trademark Infringing Products*, 14 Marq. Intell. Prop. L. Rev. 215, at 230.

²⁴ Case RG 07/11365 L'Oréal SA v eBay France SA, 13 May 2009.

²⁵ Nathan Fan, *L'Oreal v eBay: European Courts Rule eBay Not Liable for Sales of Counterfeit Goods*, May 26, 2009, <http://www.iposgoode.ca/2009/05/1/%E2%80%99oreal-v-ebay-european-courts-rule-ebay-not-liable/>

²⁶ Franck Soutoul and Jean-Phillippe Bresson, *eBay Succeeds Over L'Oreal in France*, Trademark World #219, July/August 2009 15, at 16.

²⁷ Case A/07/06032.

nature, and upon obtaining such knowledge or awareness, it had acted promptly to remove the information or render it inaccessible²⁸. Therefore, eBay was successful in asserting that it was a mere host for the information shown and enjoyed the exemptions conferred by articles 12 to 15 of the E-Commerce Directive²⁹.

Germany

14. A number of German courts have pronounced on the issue of auction site liability for trademark infringement³⁰. The position has been characterized as follows: If a seller³¹ is acting on a commercial footing and the auction site has been provided clear information of infringement, then the site may be secondarily liable as an “interferer” if it fails to prevent infringements by filtering and manual checks³². It appears that the courts have attempted to strike a balance when allocating the burden of monitoring for trademark infringement. Because judges have shown a willingness to protect the business model of the auction sites, there is only an obligation to control only easily identifiable infringements³³.

II. Liability of Search Engines for the Sale of Trademarks as Keywords

15. When Internet users conduct an online search, they are typically exposed to two different sets of results: “natural results³⁴” and “sponsored links³⁵”. Natural results are generated by the search engine in a neutral manner based on relevance to the search terms³⁶. Initially, search engines relied heavily on “meta tags³⁷” to produce natural results, however, the importance of meta tags has been reduced by

²⁸ Kevin K.H. Pun, *Comparative Study on the Liability for Trade Mark Infringement of Online Auction Providers*, E.I.P.R. 2009, 31(11) 559-567, at 561.

²⁹ *Ibid.*

³⁰ For a list of the judgments, see Mary Bagnall, David Fyfield, Constantine Rebag, Michael Adams, *Liability of Online Auctioneers: Auction Sites and Brand Owners Hammer it Out*, INTA Bulletin Vol. 65 No. 1 (January 1, 2010), at 6.

³¹ This refers to the actual seller of the infringing goods. In other words, the party that is directly liable for trademark infringement.

³² See Kevin K.H. Pun, *Comparative Study on the Liability for Trade Mark Infringement of Online Auction Providers*, E.I.P.R. 2009, 31(11) 559-567, at 563, and Mary Bagnall, David Fyfield, Constantine Rebag, Michael Adams, *Liability of Online Auctioneers: Auction Sites and Brand Owners Hammer it Out*, INTA Bulletin Vol. 65 No. 1 (January 1, 2010).

³³ Mary Bagnall, David Fyfield, Constantine Rebag, Michael Adams, *Liability of Online Auctioneers: Auction Sites and Brand Owners Hammer it Out*, INTA Bulletin Vol. 65 No. 1 (January 1, 2010).

³⁴ Also referred to as organic results or non-sponsored results.

³⁵ See Rachel R. Friedman, *No Confusion Here: Proposing a New Paradigm for the Litigation of Keyword Advertising Trademark Infringement Cases*, 12 Vand. J. Ent. & Tech. L. 355, at 363 (2010).

³⁶ See *Die BergSpechte Outdoor Reisen une Alpineschule Edi Koblmüller v Günter Guni*, Case C-278/08, par 5.

³⁷ “A meta tag” is a list of words normally hidden in a Web site that acts as an index or reference source identifying the content of the Web site for search engines.” Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §25:69 (4th Ed.).

modern search algorithms³⁸. In contrast to natural results, sponsored links appear because certain websites (“advertisers”) pay fees to the search engine to ensure that their links appear following the input of certain search terms (“keywords”).

16. Taking Google as an example, advertisers bid on certain keywords and are charged fees on a “pay per click” basis. In other words, each time a user clicks on a sponsored link, the advertiser is charged a fee by Google. This fee is determined by auction, meaning the advertiser or advertisers who have agreed to pay the most “per click” will appear in a prime location on the results page. Thus, the fee varies according to the popularity of the search term in question.
17. Often, brand owners that appear as the first link in the list of natural results, also bid for a sponsored link to ensure that consumers searching specifically for their brand arrive at their website. However, complications arise when one advertiser bids on a keyword, which constitutes the trademark of a third party. In this situation, a consumer searching for a particular brand may be exposed to a sponsored link from that brand’s competitor. This may cause consumer confusion or lead the consumer to believe that the two brands are affiliated. Naturally, this is problematic from the perspective of the trademark owner. Redress, however, is fraught with difficult questions of trademark law, such as what constitutes an infringing use, and, if the activity is infringing, who should be held liable; the search engine, the advertiser, or both³⁹?
18. Recently, Google has been a defendant in numerous cases, in multiple jurisdictions, because of its “Adwords”⁴⁰ program. Adwords allows an advertiser to bid on the trademarks of another party as keywords. The purchasers of these keywords may be competitors of the brand owner or they may be offering non-genuine goods. In either instance, the brand owner may be susceptible to harm, both financial and reputational.

Cases

United States of America

19. According to a recent case in the United States of America, two issues are critical in a keyword advertising case: first, the plaintiff must establish that there has been a “use in commerce”, second, the plaintiff must show that a “likelihood of confusion” exists. The Second Circuit recently handed down a landmark verdict in the case of *RescueCom v Google*⁴¹, holding that Google’s sale of plaintiff’s trademark as a keyword to competitors, which caused competitor’s advertisements to appear on user’s screens whenever a user searched for the term “Rescuecom”,

³⁸ Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §25:69 (4th Ed.)

³⁹ Jonathan Cornthwaite, *Adwords or Bad Words? A UK Perspective on Keywords and Trademark Infringement*, *E.I.P.R.* 2009, 31 (7), 347-352, at 347.

⁴⁰ For more information on Adwords, see <http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6084>

⁴¹ *Rescuecom Corp. v Google Inc.*, 562 F.3d 123 (2d Cir. 2009).

was sufficient to constitute a “use in commerce”. The Court remanded the case to the U.S. District Court to determine whether or not plaintiff could also establish the second element, “likelihood of confusion”. The outcome of the remand is pending.

European Court of Justice⁴²

20. The European Court of Justice (ECJ) recently handed down its ruling in response to preliminary questions posed by the French *Cour de Cassation*. The ECJ issued a joint ruling, concerning three different cases, but for the purpose of this analysis, the facts pertaining to the Louis Vuitton Malletier (LVM) lawsuit are suitably illustrative. When users entered LVM’s trademarks into Google, sponsored links appeared offering imitation versions of LVM’s products. This occurred because advertisers (i.e. the customers of Google’s Adword program) had chosen keywords that were identical or confusingly similar to LVM’s marks. LVM sued alleging, *inter alia*, that Google had infringed its trademarks. LVM was successful at both the trial court level and at the Court of Appeal. When the case reached the *Cour de Cassation*, that Court sought a preliminary ruling on a number of issues from the ECJ.
21. In analyzing the judgment of the ECJ, it is important to note that the Court ruled on the liability of two distinct parties. On the one hand, the Court’s ruling relates to the liability of the internet referencing service provider (Google). However, the Court also discussed the liability of the advertiser (the customer of Google’s Adwords program). This distinction is important because the potential for establishing trademark infringement differs for each.
22. First, on the issue of “use” as it relates to Google’s liability, the Court held that “an internet referencing service provider which stores, as a keyword, a sign identical with a trademark and organizes the display of advertisements on the basis of that keyword *does not use* (emphasis added) that sign within the meaning of the Trademark Directive”.
23. By contrast, the Court held that use by an advertiser of a sign identical with a trademark as a keyword in the context of an internet referencing service *falls within the concept of use* (emphasis added) “in relation to goods or services” within the meaning of Article 5(1)(a) of the Trademark Directive⁴³.
24. Moving beyond the concept of use, the Court also examined whether Google could avail itself of the safe harbor defence under Article 14 of the E-Commerce Directive. According to the Court, the availability of this defence hinges upon whether Google has played an “active role” that would give it knowledge of, or control over the data stored⁴⁴. It is for the national court to determine whether the internet service provider has behaved in a neutral manner or has been “active” in

⁴² Following the adoption of the Treaty of Lisbon on December 1, 2009, the European Court of Justice (ECJ) has been renamed “The Court of Justice of the European Union”.

⁴³ Google France SARL v Louis Vuitton Malletier SA (C-236/08, C-237/08 & C-238/08) [2010] paragraph 73.

⁴⁴ Google France SARL v Louis Vuitton Malletier SA (C-236/08, C-237/08 & C-238/08) [2010] paragraph 114.

this sense⁴⁵. If such an active role has been played by the keyword operator, then the defence will be unavailable. However, even if the keyword operator has not played an active role, it may still be liable (under the E-Commerce Directive) if it failed to act expeditiously to remove or disable access to an offending ad after obtaining knowledge of the unlawful nature of the ad.

25. Turning again to the liability of the advertiser, the Court focused on the advertising function of a trademark. The trademark owner can prohibit the advertiser from using the mark as a keyword for goods or services identical to those for which the mark is registered, if the ad does not enable the average Internet user or enables the user only with great difficulty, to ascertain whether the goods or services originate from the trademark owner or an undertaking economically connected to it or, on the contrary, originate from a third party⁴⁶.
26. Another decision⁴⁷ was handed down by the ECJ recently following a referral from the Netherlands. The parties to the dispute both manufacture and sell mobile buildings. The plaintiff trades under the mark PORTAKABIN while the defendant trades under the mark PRIMAKABIN. Defendant purchased keywords from Google, which consisted of plaintiff's mark and minor spelling variations thereof. Portakabin brought suit in an effort to enjoin Primakabin's use of the mark in this manner. The *Hoge Raad der Nederlanden* (Supreme Court of the Netherlands) referred a number of questions to the Court of Justice. The ECJ endorsed its ruling in *LVMH v Google* by reiterating that use of a trademark by an advertiser as a keyword is "use in the course of trade"⁴⁸. The Court then provided further clarification on how national courts should proceed in keyword cases.
27. The Court referred to Article 6(1)(b) and 6(1)(c) of the Trademarks Directive, which limit the effects of the trademark holders rights in order to ensure free movement of goods and services within the Community⁴⁹. Whether or not a defendant in a keyword advertising case can rely on these provisions is a matter for the national court to determine⁵⁰ based on whether the use has been "in accordance with honest practices in industrial or commercial matters"⁵¹. This standard involves a "duty to act fairly in relation to the legitimate interests of the trademark proprietor"⁵².

⁴⁵ Google France SARL v Louis Vuitton Malletier SA (C-236/08, C-237/08 & C-238/08) [2010] paragraph 119.

⁴⁶ Google France SARL v Louis Vuitton Malletier SA (C-236/08, C-237/08 & C-238/08) [2010] paragraph 99.

⁴⁷ Portakabin Ltd v Primakabin BV, Case C-558/08.

⁴⁸ Case C-558/08, paragraph 27.

⁴⁹ Case C-558/08, paragraph 57. Under Article 6(1)(b) the trademark holder cannot prohibit a third party from using indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering the service, or other characteristics of goods or services. Under Article 6(1)(c) a third party can use the mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

⁵⁰ Case C-558/08, paragraphs 61 and 65.

⁵¹ Case C-558/08, paragraph 66.

⁵² Case C-558/08, paragraph 67.

28. The Court also discussed Article 7 of the Trademarks Directive, which limits the trademark holders rights based on regional exhaustion⁵³. Under that provision, the trademark owner cannot prohibit use of the mark for the resale of goods which were manufactured and placed on the market within the EEA by the trademark owner or with his consent, unless there is a legitimate reason⁵⁴. The Court declared that a legitimate reason arises where the use is seriously detrimental to the reputation of the mark or the reseller gives the impression that he is economically linked to the trademark owner. The Court went on to provide further guidance for assessing whether a legitimate reason exists: merely using the mark with additional wording such as “used” or “second hand” is not a legitimate reason; removing reference to the mark by relabeling with the resellers name is a legitimate reason; using the mark to advertise the resale of second hand goods, where some of the goods for sale bear the mark and others do not, is not a legitimate reason unless there is a risk of serious damage to the mark’s image due to the volume, presentation or poor quality of the other goods being sold⁵⁵.

United Kingdom

29. In the United Kingdom, Interflora initiated suit against Marks and Spencer⁵⁶ for bidding on its trademark as an Adword. The Court initially referred ten questions to the ECJ for clarification, however following the ECJ’s ruling in *Google v LVM*, the number of questions has been reduced to four⁵⁷. Thus, even after the ECJ’s recent clarifications, the English courts maintain that further clarification is required on what exactly constitutes “use” within the meaning of Article 5(1) and (2) of the Trademarks Directive and Article 9(1) of the CTM Regulation.

India

30. In the case of *Consim Info v Google*⁵⁸ the Madras High Court in Chennai issued a preliminary injunction to prevent Google from selling registered trademarks as keywords to competitors of the trademark owner. The plaintiff, Consim Info operated matrimonial websites and claimed that when a user entered plaintiff’s

⁵³ “The proprietor’s right to prohibit all third parties from using the mark is exhausted where goods have been placed on the market in the EEA under that trademark by the proprietor or with his consent, unless there are legitimate reasons for him to oppose further commercialization of the goods.” Case C-558/08, paragraph 74.

⁵⁴ The reason must be legitimate within the meaning of Article 7(2).

⁵⁵ Case C-558/08, paragraph 93.

⁵⁶ *Interflora Inc. v Marks and Spencer PLC*, [2009] EWHC 1095 (Ch).

⁵⁷ *Interflora Inc. v Marks and Spencer PLC*, [2010] EWHC 925 (Ch).

⁵⁸ Judgment not yet available but see the following: Shamni Pande, *Google Gets a Googly; Imagine Opening a Webiste, Keying in a Few Search Terms and Presto! You are on the Page of a Rival Website*, Business Today, New Delhi, November 1, 2009; *Consim Info Sues Google*, <http://www.medianama.com/2009/09/223-bharatmatrimony-google-naukri-shaadi-simplymarry-case-sues/>; *Consim India Awaiting Madras High Court Verdict in Case Against Google*, http://www.dnaindia.com/india/report_consim-india-awaiting-madras-high-court-verdict-in-case-against-google_1369237; Peter Ollier, *Keyword Disputes Go Global*, Managing Intellectual Property, 25 March 2010, <http://www.managingip.com/Article/2452473/Search-Results/Keyword-disputes-go-global.html?Keywords=keyword+disputes+go+global&Quick=True&OrderType=>.

marks as Google search terms, sponsored links appeared for plaintiff's competitors. It appears that the ruling has not yet been published⁵⁹. Therefore, it is not possible to analyze the reasoning of the Court in this case. Naturally however, the fact that the Court restrained Google's activities in this instance implies that the national law requirement that defendant has used the mark "in the course of trade"⁶⁰ was satisfied.

China

31. In China, two keyword advertising lawsuits⁶¹, one initiated against Google China, the other against Baidu⁶², have yielded different outcomes. In *Google v Guangdong Ganyi Electrical Appliance Co Ltd*, the plaintiff's registered trademark NEDFON was sold by Google as a keyword to a competitor. The Court ruled that the competitor in question had committed trademark infringement. However, Google itself was not held jointly liable for trademark infringement. The Court determined that, although use of a keyword to trigger sponsored links was a form of advertising, Google neither had the ability to check or control the information submitted by the competitor, nor did it have an obligation to examine the legality of that information.
32. The Google case can be contrasted to the case of *Baidu v Shanghai Dazhong House-moving Logistics Co Ltd*. Baidu's bid ranking service allowed Dazhong's competitors to link their websites to the keywords "Dazhong Banchang". Here, the Court ordered Baidu to pay compensation to Dazhong.

Israel

33. In the case of *Matim Li v Crazy Line*⁶³, both parties to the litigation were retailers of ladies fashion. Matim Li claimed that its trademarks had been purchased by Crazy Line through the Google Adword program, so that the Crazy Line website appeared as the first link, in bold, following a user's search for those marks. The Court dismissed Matim Li's claim of trademark infringement on the basis that there was no consumer confusion or likelihood of such. The Court noted in this regard that neither the ad itself, nor the link to the website made reference to plaintiff's trademarks. It is interesting to note that the Court in this case did not focus on whether the marks were being "used" as trademarks, but instead based its

⁵⁹ A search of the Madras Law Journal Online Legal Library (<http://mljlibrary.com>) yielded no judgment for the case. (Search conducted July 21 2010.)

⁶⁰ As provided for by the relevant legislation in India, (Section 29 of the Trademark Act 1999.)

⁶¹ For further information on both cases, see Article by Kangxin Partners on Internet Issues in China, *World Trademark Review*, February/March 2009, available at, <http://www.worldtrademarkreview.com/issues/article.ashx?g=45245d9b-732a-47c2-9d80-22a0c6aff0cc&q=kangxin#search=%22kangxin%22>, see also *Keyword Disputes Go Global*, Peter Ollier, *Managing Intellectual Property*, 25 March 2010.

⁶² Baidu is a Chinese language internet search provider.

⁶³ Decision of the District Court of Tel Aviv-Jaffa, 31 July 2006 – Action No. 000506/06, cited by Zohar Efroni, *Keywording in Search Engines as Trademark Infringement: Issues Arising from Matim Li v. Crazy Line*, *IIC* 2007, 38(2), 204-223.

dismissal on a lack of likelihood of confusion⁶⁴. The Court opined that internet users were aware that much of the information produced following a search would not be directly relevant to their query and that consumers anticipated exposure to advertisements. The Court highlighted the important role that search engines play in allowing users to locate information on the internet and also the need for commercial incentives (paid advertising) to foster continued innovation in the area⁶⁵.

Argentina

34. In the case of *Organización Veraz v Open Discovery*, the plaintiff, a financial services company, sued the defendant for purchasing its mark VERAZ as a keyword. The Court held that the defendant had engaged in an unauthorized use in commerce of the plaintiff's mark with the aim of attracting consumers that were interested in the plaintiff's services⁶⁶. According to the Court, this use could cause confusion or mistake as to the origin of the services or could suggest an association between the two companies⁶⁷. The Court held that in these circumstances, the trademark holder could prevent the unauthorized use of its mark by a competitor⁶⁸.

Australia

35. The Australian Competition and Consumer Commission (ACCC) brought suit against Google and a classifieds website named Trading Post because the latter party purchased keywords constituting the marks of car dealerships. Trading Post was a competitor of these dealerships for automotive sales. This case stands out from the others referred to in this document on the basis that the ACCC did not found its claim on trademark infringement. Rather, the ACCC alleged a violation of the Trade Practices Act 1974, claiming misleading or deceptive conduct and a false representation of an approval or affiliation⁶⁹. Trading Post settled out of court by giving an undertaking not to continue the advertising practices complained of⁷⁰. It appears however, that the case against Google is still pending. Although not founded upon trademark infringement, the allegations made by the ACCC are significant insofar as they relate to the issue of consumer confusion, which as highlighted in many of the cases above, has been deemed determinative of trademark infringement.

⁶⁴ Zohar Efroni, *Keywording in Search Engines as Trademark Infringement: Issues Arising from Matim Li v. Crazy Line*, IIC 2007, 38(2), 204-223 at 212.

⁶⁵ For English translation of the judgment see IIC 2007, 38(2), 238.

⁶⁶ See Graciela Perez de Inzaurruga, *Trademarks and the Internet, Metatags and Keywords; A Latin American Perspective*, https://www.aippi.org/download/reports/forum/forum09/2/ForumSession2_Presentation_Perrez.pdf.

⁶⁷ Graciela Perez de Inzaurruga, *supra*.

⁶⁸ Graciela Perez de Inzaurruga, *supra*.

⁶⁹ See ACCC Press Release # MR 180/07, Available at <http://www.accc.gov.au/content/index.phtml/itemId/792088/fromItemId/142>.

⁷⁰ The Undertaking is available at <http://www.accc.gov.au/content/item.phtml?itemId=826159&nodeId=cf68136e565d04bb6b150000112728a5&fn=Undertaking.pdf>.

Austria

36. In Austria, the online wine store, “Wein & Co” sued a competitor, “Weinwelt” for purchasing its mark as a keyword.⁷¹ When a user entered the term “Wein & Co” the first link listed at the top of the results page was for defendant’s website. The Austrian Supreme Court ruled that this use of the mark as a keyword infringed the rights of the plaintiff on the basis that the appearance of the link above the search results, using the plaintiff’s mark as a header, created a danger of consumer confusion and gave the impression that the defendant was a company closely related to the plaintiff. It is important to emphasize that the facts of this case involved use of plaintiff’s trademark in the header of the ad itself.

III. Trademark Infringement in Virtual Worlds and Social Media

37. In recent years, virtual worlds, or massively multiplayer online role playing games (MMORPGs) have enjoyed an immense surge in popularity⁷². Although the term “virtual world” can encompass many types of online community⁷³, this analysis will, by way of example, consider “Second Life”, an online social community created by Linden Labs⁷⁴.
38. There are a number of reasons why Second Life warrants special attention with respect to trademarks, when compared to other virtual worlds. First, Second Life facilitates and encourages user generated content⁷⁵. This means that there are a vast number of potential infringers that may be difficult to identify in “real life”. User generated content can be sold to other users for virtual currency, which can in turn, be exchanged for “real” currency⁷⁶. This introduces a significant commercial dynamic to the activities occurring in Second Life. Users who create

⁷¹ Supreme Court of Austria (Oberster Gerichtshof), 20 March 2007 – 17 Ob 1/07, MMR 2007, 497. For a discussion of the case, see Wiebke Baars, Marc Schuler, Charles Lloyd, *Keyword-Advertising, Legal Implications in Germany, France and the UK*, Available at http://www.taylorwessing.com/uploads/tx_siruplawyermanagement/Baars_Schuler_Lloyd_CRI.en.pdf.

⁷² See generally, Andreas M. Kaplan and Michael Haenlein, *Consumer Use and Business Potential of Virtual Worlds: The Case of “Second Life,”* International Journal on Media Management, 11: 93-101, (2009).

⁷³ Candidus Dougherty and Greg Lastowka identify three different types of virtual world: game worlds, social worlds and user generated worlds. *Virtual Trademarks*,²⁴ Santa Clara Computer & High Tech. L.J. 749 at 759-773.

⁷⁴ Second Life employs the following terminology: users are referred to as “residents” and residents are represented on screen by their “avatars”. An avatar is a virtual character that the user can control and personalize. Residents interact with each other using their avatars.

⁷⁵ See Mark A. Armitage, *Virtual Trademark Infringement in a Virtual World?* Landslide, March/April 2009.

⁷⁶ See, *The Virtual Brand Footprint: The Marketing Opportunity in Second Life*, available at http://www.popcha.com/combinedstory_whitepaper.pdf.

content retain IP rights in their creations⁷⁷. Many “real life” brands have established themselves within Second Life⁷⁸. Finally, Second Life is the most popular and successful virtual world of its kind⁷⁹.

39. Thus, although Second Life is a virtual environment, there is a real commercial element and a risk that users may create and sell digital content, which infringes the trademark rights of real life brands. Furthermore, there is a risk that users may create and sell digital content in violation of the rights which have accrued to other users of Second Life. Both of these scenarios have given rise to recent litigation. An examination of the cases will help highlight the relevant issues of trademark law in this area.

Cases

United States of America

*Taser International Inc. v Linden Research Inc.*⁸⁰

40. Following the alleged sale of virtual stun guns in Second Life, which were labeled with the TASER mark, the plaintiff initiated suit against Linden in the District of Arizona claiming trademark infringement, dilution by blurring, dilution by tarnishment, in addition to design patent infringement. Although the case was voluntarily dismissed⁸¹, presumably following a settlement, the complaint underscores the willingness of brand owners to enforce their trademarks, notwithstanding that the goods sold were utterly intangible. Unquestionably, the fact that some brands have established an authorized commercial presence in Second Life increases the likelihood that users may be confused as to the origin of the virtual goods. In other words, the user may be led to believe that the brand has authorized virtual reproductions of its products or marks within Second Life.

*Eros LLC. v Linden Research Inc.*⁸²

41. The Taser complaint is an example of a “real life” brand suing for an unauthorized use of its mark in the virtual environment. As alluded to earlier however, it is also possible for a “virtual brand” to bring suit in similar circumstances. In the Eros case, a class action lawsuit was initiated against Linden by Second Life

⁷⁷ See Harris Weems Henderson, *Through The Looking Glass: Copyright Protection in the Virtual Reality of Second Life*, 16 J. Intell. Prop. L. 165 at 172 (2008).

⁷⁸ American Apparel, Gibson Guitars, Coca Cola, Adidas, BMW and Harvard Law School have all established a presence in Second Life.

⁷⁹ Dougherty and Lastowka, *supra*, at 768.

⁸⁰ See Matthew Asbell, *A Stunning Development: Taser International Inc. Sues the Owners of the Second Life Virtual World*, Mondaq, May 11, 2009.

⁸¹ See Matthew Asbell, *A Stunning Development: Taser International Inc. Sues the Owners of the Second Life Virtual World*, Mondaq, May 11, 2009.

⁸² U.S. District Court for the Northern District of California, Case No. 09-CV-4269. The Complaint is available at http://www.3dinternetlaw.com/Trademark/Trademark/Eros_v_Linden_files/Eros%20v.%20Linden%20Complaint.pdf.

content-creators for virtual counterfeiting of their products. The named plaintiff sells adult themed virtual products, which have been described as “software code applications designed to facilitate sexual connections between Avatars⁸³”.

42. By contrast to TASER, the SEXGEN mark has not been applied to tangible “real life” goods. Nonetheless, the plaintiff has registered SEXGEN as a service mark with the USPTO for “providing temporary use of non-downloadable software for animating three-dimensional virtual characters⁸⁴” and is relying on this registration in the pending lawsuit.
43. In cases such as Eros, a crucial analysis for the Court to engage in is whether or not sales, which take place exclusively in the virtual environment, are sufficient to satisfy the “use in commerce” requirement. This is important considering that there is no tangible transfer in the “real world”. However, Eros’ registration clearly anticipates and precludes such a transfer by inclusion of the term “non-downloadable”. Therefore, it is arguable that Eros is providing a service to users of Second Life on a commercial basis and this satisfies the use in commerce requirement. In any event, this seems to be a novel issue of trademark use on the internet and may continue to give rise to litigation.

Hermann Miller

44. In addition to lawsuits, brand owners monitoring Second Life have sought to remedy infringements of their marks through alternative means. When the furniture maker Herman Miller discovered unauthorized use of its AERON mark on virtual chairs, the manufacturer offered legitimate virtual versions of the chairs for free to users in exchange for a return of the virtual knock offs⁸⁵. This example illustrates that retaining control of the mark in the virtual world is as important, and probably more so, than profiting directly from the sale of virtual goods. This is especially true, considering that the unauthorized sale of virtual goods may dilute the mark and erode the mark’s distinctiveness.

Social Media

45. In recent years, online social networking has experienced a dramatic rise in popularity across the globe. Beyond the purely social ramifications, websites such as Facebook, Twitter, MySpace, YouTube and LinkedIn have become forums of immense significance, professionally⁸⁶, politically⁸⁷ and commercially⁸⁸. Focusing

⁸³ Benjamin R. Mulcahy, *Second Life Raises Novel IP Issues, Among Them is Whether Use of a Trademark Exclusively in a Virtual World can be Use in Commerce*, Nat’l L. J. Vol. 30, No. 14, (Dec 3, 2007).

⁸⁴ Registration No. 3483253.

⁸⁵ Kieran G. Doyle, *Brands on the Silver Screen, the Television Screen and the Computer Screen*, Practising Law Institute, Patents, Copyrights, Trademarks Property Course Handbook Series, PLI Order No. 23481, 199 at 221 (April 2010).

⁸⁶ The New York Times reports that 75% of US recruiters and human resource professionals conduct online research about candidates and this research encompasses social networking sites. Jeffrey Rosen, *The Web Means the End of Forgetting*, New York Times Magazine, July 19, 2010.

⁸⁷ See Jose Antonio Vargas, *Politics and Social Networks: Voters Make the Connection*, Washington Post, November 3, 2008.

on the commercial dimension of such websites, it is important to analyze some issues relating to the interests of brand owners and the wider implications for the international trademark law framework.

46. Because the leading social networking sites differ in terms of market orientation, presentation, and policies, it is helpful to proceed by way of example, rather than by discussing the issues in generality.

Facebook

47. Facebook describes itself as a “social utility that helps people communicate more efficiently with their friends, family and coworkers⁸⁹”. This communication is achieved primarily through profile pages or group pages where users can post comments, photographs and links. Although headquartered in the United States of America, 70% of Facebook’s 400 million active users are located in other countries⁹⁰. Thus, activities taking place on Facebook implicate the trademark laws of many jurisdictions.
48. On June 12, 2009 Facebook rolled out “vanity URLs”, which allow users to have a unique identifier/username (e.g. *www.facebook.com/YourName*)⁹¹. This new facility posed a potential risk to the interests of brand owners as users could, theoretically, choose a name consisting of a trademark. Recognizing this concern, Facebook afforded rights holders a “sunrise period⁹²” during which they could register their trademarks as “Facebook URLs” prior to opening registration to the general public.
49. Many brand owners have embraced the “vanity URL” facility and established an official Facebook page to interact and communicate with their customers and other Facebook users⁹³. These pages utilize vanity URLs in the following manner: *www.facebook.com/brandname*. Considering the prevalence of marks being used with authorization throughout the site, there is an increased risk that unauthorized use of marks on the site will lead to consumer confusion. In light of this risk, Facebook has established a mechanism for reporting infringing usernames. If a trademark owner discovers that a third party’s username consists of their registered trademark, they can fill out an automated IP infringement form⁹⁴, so that Facebook can remove the page or disable access.

[Footnote continued from previous page]

⁸⁸ For example, many brands have successfully established themselves on Twitter. See the case studies offered by twitter at *www.business.twitter.com/twitter101/*

⁸⁹ *http://www.facebook.com/?ref=home#!/press/info.php?factsheet*

⁹⁰ *http://www.facebook.com/?ref=home#!/press/info.php?factsheet*

⁹¹ Sally M. Abel, *Trademarks and Rights of Publicity in the Converged World*, 978 PLI/Pat 57, at 61 (2009).

⁹² Adam Smith, *International – Engage: Trademark Protection in Social Media*, World Trademark Review, Nov 4 2009.

⁹³ For illustrative purposes, a Facebook search conducted on July 28, 2010 revealed that among many others, the following brands were operating seemingly official pages: Dell, BMW, Lacoste, Swatch, Renault, Fosters, Walmart, Guinness.

⁹⁴ Available at *http://www.facebook.com/copyright.php?noncopyright_notice=1*

50. Facebook's rules and procedures concerning the registration of usernames are also important to note. Generic terms are not eligible for registration⁹⁵. Thus, there is a correlation between Facebook usernames and trademarks insofar as brand owners should not suffer a commercial impediment simply because they were not first in time to register a term, which is necessary to communicate effectively with the market. Also, Facebook usernames are not transferable⁹⁶. Presumably, this restriction helps to avoid bad faith registrations by parties who do not own the rights for a particular mark. Furthermore, Facebook provides that usernames, which have been removed, will not be made available to other users.
51. If Facebook continues to grow exponentially⁹⁷ and gain commercial significance in multiple jurisdictions, the appropriate framework for dealing with trademark controversies may increase in complexity. For example, the current form for reporting an infringing username requires a trademark registration number⁹⁸. Moreover, the form states a preference for US registration numbers. It is unclear whether the procedure is adequately equipped to deal with territorial conflicts, complaints of brand owners lacking a US registration, or brand owners simply asserting common law rights in their marks.

Twitter

52. Twitter describes itself as "a real-time information network powered by people all around the world that lets users share and discover what's happening now⁹⁹". Users can write and read messages ("tweets") of up to 140 characters in length and these messages are made public to other users of the site¹⁰⁰. Users decide what type of messages they would like to receive, such as messages from friends, messages posted by their favorite celebrities, or messages relating to a particular topic.
53. Like Facebook, Twitter is headquartered in the United States of America but is used internationally and translations are available in French, German, Italian, Japanese and Spanish¹⁰¹.
54. For trademark owners, Twitter carries a risk that people 'tweeting' about a particular brand may mislead other users as to the authorized or unauthorized nature of their use of the mark. This risk of confusion is exacerbated by the constant flow of rapidly disseminating information over the site and the fact that many businesses have established an official profile on Twitter¹⁰².

⁹⁵ <http://blog.facebook.com/blog.php?post=90316352130>

⁹⁶ <http://blog.facebook.com/blog.php?post=90316352130>

⁹⁷ Facebook reports that in January 2009, the site had 150 million active users, whereas by February 2010, the number had grown to 400 million active users. See <http://www.facebook.com/press/info.php?timeline>

⁹⁸ See http://www.facebook.com/help/?page=899#!/help/contact.php?show_form=username_infringement

⁹⁹ www.twitter.com/about

¹⁰⁰ www.business.twitter.com/twitter101

¹⁰¹ www.twitter.com/about

¹⁰² See the case studies offered by twitter at www.business.twitter.com/twitter101/

55. To counteract the risks of trademark infringement, Twitter has enacted a trademark policy¹⁰³, which allows brand owners to report trademark violations. Twitter states that it will suspend a user's account if there is a clear intention to mislead others through the unauthorized use of a mark¹⁰⁴. In instances where an account appears to be confusing users but is not purposefully passing itself off as the brand/company/product, the account holder will be notified and given an opportunity to clear up any potential confusion¹⁰⁵.
56. Twitter has been sued on at least two occasions for trademark infringement; however both cases were voluntarily dismissed. In the case of *La Russa v Twitter Inc.*¹⁰⁶ the plaintiff was a manager of baseball teams in the United States. An anonymous user created a Twitter account in the plaintiff's name, impersonated him and posted inappropriate comments on the deaths of two of his team's pitchers¹⁰⁷. The plaintiff claimed, *inter alia*, that Twitter had committed trademark infringement. In order to succeed on this claim, it would be necessary for plaintiff to prove that the false account was likely to confuse consumers into thinking he endorsed Twitter¹⁰⁸. Plaintiff sought to support this claim by alleging that his photo was used in conjunction with the phrases "Tony La Russa is using Twitter" and "Join today to start receiving Tony La Russa's updates"¹⁰⁹. The plaintiff voluntarily dismissed his claim shortly after filing¹¹⁰.
57. In the case of *Oneok Inc v Twitter Inc.*¹¹¹, a natural gas distributor brought suit against Twitter for allowing a third party to adopt its trademark ONEOK as a username. The complaint alleged that messages posted by the user were misleading insofar as consumers would believe that they were official statements of the company¹¹². This lawsuit was voluntarily dismissed shortly after filing and the Twitter account in question was transferred to the plaintiff¹¹³.

¹⁰³ <http://support.twitter.com/groups/33-report-a-violation/topics/122-reporting-violations/articles/18367-trademark-policy>

¹⁰⁴ <http://support.twitter.com/groups/33-report-a-violation/topics/122-reporting-violations/articles/18367-trademark-policy>

¹⁰⁵ <http://support.twitter.com/groups/33-report-a-violation/topics/122-reporting-violations/articles/18367-trademark-policy>

¹⁰⁶ Case No. CV-09-2503 (N.D.C.A. June 5, 2009).

¹⁰⁷ Adam Smith, *United States – Trademarks and Tweets: Brand Protection on Twitter*, World Trademark Review, June 16 2009.

¹⁰⁸ William McGeeveran, *Celebrity Impersonation and Section 230*, June 25, 2009, <http://blogs.law.harvard.edu/infolaw/2009/06/25/impersonation-and-230/>

¹⁰⁹ Jillian Bluestone, *La Russa's Loophole: Trademark Infringement Lawsuits and Social Networks*, 17 Vill. Sports & Ent. L. J. 573, at 575.

¹¹⁰ Lisa M. Thomas and Robert H. Newman, *Five Steps to Protect Your Trademarks in the Web 2.0 World*, INTA Bulletin, May 15, 2010, Vol. 65, No 10.

¹¹¹ Case No. 4:09-cv-00597 (N.D.O.K. Sep 15, 2009)

¹¹² Darren B. Cohen, Meredith B. Pikser, Dr. Alexander R. Klett, Sachin Premnath, *Social Media in Action in Trademarks*, March 8, 2010, <http://www.legalbytes.com/2010/03/articles/social-and-digital-media-law/social-media-in-action-in-trademarks/>

¹¹³ *Ibid.*

58. Although the *La Russa* case and the *Oneok* case did not give rise to judicial pronouncements on Twitter's liability, the facts of these cases illustrate the potential problems facing trademark owners. Because many brands are using an official Twitter page to communicate with their customers, there is a risk that non-authorized use of the brand name on Twitter may confuse consumers into thinking that they are interacting with an official representative of the brand. If the messages are in bad taste¹¹⁴ or convey inaccurate information, this may damage brand reputation.

[Annex II follows]

¹¹⁴ Even official Twitter accounts are susceptible to offensive posts by company employees. See Richard Wray and Charles Arthur, *Vodafone Suspends Employee After Obscene Tweet*, The Guardian, February 6, 2010, available at <http://www.guardian.co.uk/technology/2010/feb/05/vodafone-twitter-obscene-tweet>

JOINT RECOMMENDATION CONCERNING PROVISIONS ON THE PROTECTION OF MARKS
AND OTHER INDUSTRIAL PROPERTY RIGHTS IN SIGNS ON THE INTERNET
(WITH EXPLANATORY NOTES)

*adopted by the Assembly of the Paris Union for the Protection of Industrial Property
and the General Assembly of the World Intellectual Property Organization (WIPO)*

*at the Thirty-Six Series of Meetings of the Assemblies of the Member States of WIPO
September 24 to October 3, 2001*

PREFACE

The Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet, which includes the text of the provisions as adopted by the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) at its sixth session (March 12 to 16, 2001), was adopted at a joint session of the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO) at the Thirty-Sixth Series of Meetings of the Assemblies of the Member States of WIPO (September 24 - October 3, 2001).

Initiated at the first session of the SCT (July 13 to 17, 1998), the issue relating to the protection of marks on the Internet was discussed at the second session, second part of the SCT (June 7 to 11, 1999) and at the third session of the SCT (November 8 to 12, 1999). Draft provisions concerning the protection of marks on the Internet were discussed by the SCT at its fourth session (March 27 to 31, 2000), at its fifth session (September 11 to 15, 2000) and at its sixth session (March 12 to 16, 2001).

The provisions aim at providing a clear legal framework for trademark owners who wish to use their marks on the Internet and to participate in the development of electronic commerce. They are intended to facilitate the application of existing laws relating to marks, and other industrial property rights in signs, on the Internet, and to be applied in the context of:

- determining whether, under the applicable law, use of a sign on the Internet has contributed to the acquisition, maintenance or infringement of a mark or other industrial property right in the sign, or whether such use constitutes an act of unfair competition;
- enabling owners of conflicting rights in identical or similar signs to use these signs concurrently on the Internet;
- determining remedies.

The determination of the applicable law itself is not addressed by the present provisions, but left to the private international laws of individual Member States.

Further to the adoption by the WIPO Assemblies of the Joint Recommendation Concerning Provisions on the Protection of Well-known Marks, in September 1999, and of the Joint Recommendation Concerning Trademark Licenses in September 2000, this Joint Recommendation is the third achievement of the SCT in implementing WIPO's policy of finding new ways to accelerate the development of international harmonized principles. This new approach to the progressive development of international intellectual property law was implemented by WIPO pursuant to the WIPO Program and Budget for the biennium 1998-99.

This volume contains the text of the Joint Recommendation, the accompanying provisions, and explanatory notes prepared by the International Bureau.

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JOINT RECOMMENDATION

The Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO);

Taking into account the provisions of the Paris Convention for the Protection of Industrial Property;

Recommend that each Member State may consider the use of any of the provisions adopted by the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) at its sixth session, as guidelines concerning the protection of marks, and other industrial property rights in signs, on the Internet;

It is further recommended to each Member State of the Paris Union or of WIPO which is also a member of a regional intergovernmental organization that has competence in the area of registration of trademarks, to bring these provisions to the attention of that organization.

[Provisions follow]

PREAMBLE

Recognizing that the present provisions are intended to facilitate the application of existing laws relating to marks and other industrial property rights in signs, and existing laws relating to unfair competition, to the use of signs on the Internet;

Recognizing that Member States will apply, wherever possible, existing laws relating to marks and other industrial property rights in signs, and existing laws relating to unfair competition, to the use of signs on the Internet, directly or by analogy;

Recognizing that a sign used on the Internet is simultaneously and immediately accessible irrespective of territorial location;

The present provisions are intended to be applied in the context of determining whether, under the applicable law of a Member State, use of a sign on the Internet has contributed to the acquisition, maintenance or infringement of a mark or other industrial property right in the sign, or whether such use constitutes an act of unfair competition, and in the context of determining remedies.

PART I
GENERAL

Article 1
Abbreviated Expressions

For the purposes of these Provisions, unless expressly stated otherwise:

(i) “Member State” means a State member of the Paris Union for the Protection of Industrial Property, of the World Intellectual Property Organization, or of both;

(ii) “Right” means an industrial property right in a sign under the applicable law, whether registered or unregistered;

(iii) “Act of unfair competition” means any act of competition contrary to honest business practices in industrial or commercial matters as defined in Article 10bis of the Paris Convention for the Protection of Industrial Property, signed in Paris on March 20, 1883, as revised and amended;

(iv) “Competent authority” means an administrative, judicial or quasi-judicial authority of a Member State which is competent for determining whether a right has been acquired, maintained or infringed, for determining remedies, or for determining whether an act of competition constitutes an act of unfair competition, as the case may be;

(v) “Remedies” means the remedies which a competent authority of a Member State can impose under the applicable law, as a result of an action for the infringement of a right or an act of unfair competition;

(vi) “Internet” refers to an interactive medium for communication which contains information that is simultaneously and immediately accessible irrespective of territorial location to members of the public from a place and at a time individually chosen by them;

(vii) except where the context indicates otherwise, words in the singular include the plural, and vice versa, and masculine personal pronouns include the feminine.

PART II
USE OF A SIGN ON THE INTERNET

Article 2
Use of a Sign on the Internet in a Member State

Use of a sign on the Internet shall constitute use in a Member State for the purposes of these provisions, only if the use has a commercial effect in that Member State as described in Article 3.

Article 3
Factors for Determining Commercial Effect in a Member State

(1) [*Factors*] In determining whether use of a sign on the Internet has a commercial effect in a Member State, the competent authority shall take into account all relevant circumstances. Circumstances that may be relevant include, but are not limited to:

(a) circumstances indicating that the user of the sign is doing, or has undertaken significant plans to do, business in the Member State in relation to goods or services which are identical or similar to those for which the sign is used on the Internet.

(b) the level and character of commercial activity of the user in relation to the Member State, including:

(i) whether the user is actually serving customers located in the Member State or has entered into other commercially motivated relationships with persons located in the Member State;

(ii) whether the user has stated, in conjunction with the use of the sign on the Internet, that he does not intend to deliver the goods or services offered to customers located in the Member State and whether he adheres to his stated intent;

(iii) whether the user offers post-sales activities in the Member State, such as warranty or service;

(iv) whether the user undertakes further commercial activities in the Member State which are related to the use of the sign on the Internet but which are not carried out over the Internet.

(c) the connection of an offer of goods or services on the Internet with the Member State, including:

(i) whether the goods or services offered can be lawfully delivered in the Member State;

(ii) whether the prices are indicated in the official currency of the Member State.

(d) the connection of the manner of use of the sign on the Internet with the Member State, including:

(i) whether the sign is used in conjunction with means of interactive contact which are accessible to Internet users in the Member State;

(ii) whether the user has indicated, in conjunction with the use of the sign, an address, telephone number or other means of contact in the Member State;

(iii) whether the sign is used in connection with a domain name which is registered under the ISO Standard country code 3166 Top Level Domain referring to the Member State;

(iv) whether the text used in conjunction with the use of the sign is in a language predominantly used in the Member State;

(v) whether the sign is used in conjunction with an Internet location which has actually been visited by Internet users located in the Member State.

(e) the relation of the use of the sign on the Internet with a right in that sign in the Member State, including:

(i) whether the use is supported by that right;

(ii) whether, where the right belongs to another, the use would take unfair advantage of, or unjustifiably impair, the distinctive character or the reputation of the sign that is the subject of that right.

(2) [*Relevance of Factors*] The above factors, which are guidelines to assist the competent authority to determine whether the use of a sign has produced a commercial effect in a Member State, are not pre-conditions for reaching that determination. Rather, the determination in each case will depend upon the particular circumstances of that case. In some cases all of the factors may be relevant. In other cases some of the factors may be relevant. In still other cases none of the factors may be relevant, and the decision may be based on additional factors that are not listed in paragraph (1), above. Such additional factors may be relevant, alone, or in combination with one or more of the factors listed in paragraph (1), above.

Article 4 Bad Faith

(1) [*Bad Faith*] For the purposes of applying these provisions, any relevant circumstance shall be considered in determining whether a sign was used in bad faith, or whether a right was acquired in bad faith.

(2) [*Factors*] In particular, the competent authority shall take into consideration, inter alia:

(i) whether the person who used the sign or acquired the right in the sign had knowledge of a right in an identical or similar sign belonging to another, or could not have reasonably been unaware of that right, at the time when the person first used the sign, acquired the right or filed an application for acquisition of the right, whichever is earlier, and

(ii) whether the use of the sign would take unfair advantage of, or unjustifiably impair, the distinctive character or the reputation of the sign that is the subject of the other right.

PART III
ACQUISITION AND MAINTENANCE OF RIGHTS IN SIGNS

Article 5
Use of a Sign on the Internet and Acquisition and Maintenance of Rights

Use of a sign on the Internet in a Member State, including forms of use that are made possible by technological advances, shall in every case be taken into consideration for determining whether the requirements under the applicable law of the Member State for acquiring or maintaining a right in the sign have been met.

PART IV
INFRINGEMENT AND LIABILITY

Article 6
Use of a Sign on the Internet, Infringement of Rights and Acts of Unfair Competition

Use of a sign on the Internet, including forms of use that are made possible by technological advances, shall be taken into consideration for determining whether a right under the applicable law of a Member State has been infringed, or whether the use amounts to an act of unfair competition under the law of that Member State, only if that use constitutes use of the sign on the Internet in that Member State.

Article 7
Liability for Infringement and Acts of Unfair Competition Under the Applicable Law

Except where otherwise provided for in these provisions, there shall be liability in a Member State under the applicable law when a right is infringed, or an act of unfair competition is committed, through use of a sign on the Internet in that Member State.

Article 8
Exceptions and Limitations Under the Applicable Law

A Member State shall apply the exceptions to liability, and the limitations to the scope of rights, existing under the applicable law when applying these provisions to the use of a sign on the Internet in that Member State.

PART V
NOTICE AND AVOIDANCE OF CONFLICT

Article 9
Use Prior to Notification of Infringement

If the use of a sign on the Internet in a Member State is alleged to infringe a right in that Member State, the user of that sign shall not be held liable for such infringement prior to receiving a notification of infringement, if:

- (i) the user owns a right in the sign in another Member State or uses the sign with the consent of the owner of such a right, or is permitted to use the sign, in the manner in which it is being used on the Internet, under the law of another Member State to which the user has a close connection;
- (ii) any acquisition of a right in the sign, and any use of the sign, has not been in bad faith; and
- (iii) the user has provided, in conjunction with the use of the sign on the Internet, information reasonably sufficient to contact him by mail, e-mail or telefacsimile.

Article 10
Use After Notification of Infringement

If the user referred to in Article 9 has received a notification that his use infringes another right, he shall not be held liable if he

- (i) indicates to the person sending the notification that he owns a right in the sign in another Member State, or uses the sign with the consent of the owner of such a right, or that he is permitted to use the sign, in the manner in which it is being used on the Internet, under the law of another Member State to which he has a close connection;
- (ii) gives relevant details of that right or permitted use; and
- (iii) expeditiously takes reasonable measures which are effective to avoid a commercial effect in the Member State referred to in the notification, or to avoid infringement of the right referred to in the notification.

Article 11
Notification Under Articles 9 and 10

The notification under Articles 9 and 10 shall be effective if it is sent by the owner of a right or his representative, by mail, e-mail or telefacsimile, and indicates, in the language, or in one of the languages, used in conjunction with the use of the sign on the Internet, the following:

- (i) the right which is alleged to be infringed;
- (ii) the identity of the owner of that right and information reasonably sufficient to contact him or his representative by mail, e-mail or telefacsimile;
- (iii) the Member State in which that right is protected;
- (iv) relevant details of such protection allowing the user to assess the existence, nature and scope of that right; and
- (v) the use that is claimed to infringe that right.

Article 12 Disclaimer as a Measure Under Article 10

Member States shall accept, inter alia, a disclaimer, by a user referred to in Article 9, as a reasonable and effective measure under Article 10, if:

- (i) the disclaimer includes a clear and unambiguous statement in conjunction with the use of the sign, to the effect that the user has no relationship with the owner of the right which is alleged to be infringed, and does not intend to deliver the goods or services offered to customers located in a particular Member State where the right is protected;
- (ii) the disclaimer is written in the language or in the languages used in conjunction with the use of the sign on the Internet;
- (iii) the user inquires, before the delivery of the goods or services, whether customers are located in the Member State referred to in item (i); and
- (iv) the user in fact refuses delivery to customers who have indicated that they are located in that Member State.

PART VI REMEDIES

Article 13 Remedy Proportionate to Commercial Effect

- (1) The remedies provided for the infringement of rights or for acts of unfair competition in a Member State, through use of a sign on the Internet in that Member State, shall be proportionate to the commercial effect of the use in that Member State.
- (2) The competent authority shall balance the interests, rights and circumstances involved.

(3) The user of the sign shall, upon request, be given the opportunity to propose an effective remedy for consideration by the competent authority, prior to a decision on the merits of the case.

Article 14 Limitations of Use of a Sign on the Internet

(1) In determining remedies, the competent authority shall take into account limitations of use by imposing reasonable measures designed:

- (i) to avoid a commercial effect in the Member State, or
- (ii) to avoid infringement of the right or to avoid the act of unfair competition.

(2) The measures referred to in paragraph (1) may include, inter alia:

(a) a clear and unambiguous statement in conjunction with the use of the sign on the Internet, to the effect that the user has no relationship with the owner of the infringed right or the person affected by the act of unfair competition, written in the language or in the languages used in conjunction with the use of the sign on the Internet, and any other language indicated by the competent authority;

(b) a clear and unambiguous statement in conjunction with the use of the sign on the Internet to the effect that the user does not intend to deliver the goods or services offered to customers located in a particular Member State, written in the language or in the languages used in conjunction with the use of the sign on the Internet, and any other language indicated by the competent authority;

(c) an obligation to inquire, before the delivery of the goods or services, whether customers are located in that Member State, and to refuse delivery to customers who have indicated that they are located in that Member State;

(d) gateway web pages.

Article 15 Limitation on Prohibition to Use a Sign on the Internet

(1) Where the use of a sign on the Internet in a Member State infringes a right, or amounts to an act of unfair competition, under the laws of that Member State, the competent authority of the Member State should avoid, wherever possible, imposing a remedy that would have the effect of prohibiting any future use of the sign on the Internet.

(2) The competent authority shall not, in any case, impose a remedy that would prohibit future use of the sign on the Internet, where

(i) the user owns a right in the sign in another Member State, uses the sign with the consent of the owner of such a right, or is permitted to use the sign, in the manner in which it is being used on the Internet, under the law of another Member State to which the user has a close connection; and

(ii) any acquisition of a right in the sign, and any use of the sign, has not been in bad faith.

[Explanatory Notes follow]

EXPLANATORY NOTES*
prepared by the International Bureau

Notes on the Preamble

0.01 The first and second recitals clarify that the present provisions do not constitute a self-contained industrial property law for the Internet, but are intended to guide the application of existing national or regional industrial property laws to legal problems resulting from the use of a sign on the Internet.

0.02 The third recital emphasizes the main particularity of the Internet, its “global nature” which challenges the territorial nature of national or regional laws. These challenges require some modifications in national or regional laws if marks and other rights in distinctive signs are to be granted an adequate level of protection on the Internet.

0.03 The purpose of the present provisions is, therefore, to provide a link between the global Internet and territorial laws and to make these laws Internet-compatible. The present provisions deal with all situations in which a competent authority is called upon to decide whether the use of a sign on the Internet has, under the applicable national or regional law, contributed to acquiring, maintaining or infringing a right in that sign, or whether such use constitutes an act of unfair competition. They also apply in the context of determining remedies.

0.04 The question of determining the applicable law is not addressed by the present provisions, but left to the private international laws of individual Member States. Once the applicable national or regional law has been determined, it should be applied, directly or by analogy, wherever this is possible.

Notes on Article 1

1.01 Items (i), (iii) and (v) appear self-explanatory.

1.02 Item (ii). The present provisions are not limited to trademark rights, but include all types of industrial property rights in signs existing under the applicable law. The provisions do not limit the freedom of Member States to determine the conditions for the protection of individual types of rights. Unregistered rights are included to the extent they are recognized under the applicable law. The provisions do not provide an exhaustive list of industrial property rights in signs. Trademark rights are just one example; other examples could include trade names, or geographical indications. Item (ii) describes the scope of industrial property rights in signs protected under national laws by reference to the following common characteristics of such rights: (i) they belong to one person or a group of persons (whether individualized or, as in the case of collective marks or geographical indications, defined in abstract terms) who may exclude every other person from using the sign (“exclusive rights”), and (ii) these rights are only protected

* These notes were prepared by the International Bureau of the World Intellectual Property Organization (WIPO) for explanatory purposes only.

in a commercial context. The present provisions neither limit the freedom of Member States to determine what kinds of industrial property rights in signs they recognize, nor interfere with obligations existing under international treaties, such as the Paris Convention. The present provisions do not apply in a purely non-commercial context. It is left to the law of Member States to determine whether and under what conditions they want to apply the provisions in a non-commercial context.

1.03 The concept of “sign” is not defined in the provisions. However, it follows from the purpose of the provisions that they only refer to “distinctive” signs. The provisions deal with the question whether the use of a sign on the Internet can be considered in the context of determining whether an industrial property right in that sign has been acquired, maintained, or infringed, or whether such use constitutes an act of unfair competition. Therefore, the provisions only deal with the use of signs which, at least in the abstract, can serve to distinguish enterprises, goods, etc. irrespective of whether the user of the sign owns a right in that sign. Use of a sign that cannot even in the abstract serve as a “distinctive sign” could not contribute to acquiring, maintaining or infringing a right in such a sign, and would therefore be of no relevance for the purpose of these provisions. It is not required that the sign be actually used to distinguish enterprises, goods, etc., as long as it can be used as such.

1.04 Item (iv). The legal nature of the “competent authority” will depend on the national system in a given Member State. Item (iv) does not interfere with the power of Member States to determine competence. It has been drafted broadly in order to accommodate all systems that might exist in Member States.

1.05 Item (vi). This item gives a description of the term “Internet” without attempting to provide a comprehensive definition. This is emphasized by the use of the words “refers to” instead of the word “means” used in the other items. Given the rapid technological development of that sector, a definition of the term “Internet” might soon be outdated. As is emphasized in the Preamble, one of the main particularities of the Internet is its “global nature,” the fact that a sign used on the Internet is simultaneously and immediately accessible irrespective of territorial location. This particular feature challenges the territorial basis of laws relating to marks or other industrial property rights in signs, and which therefore requires the application of the present provisions. The fact that the Internet allows a potentially unlimited number of users to access certain content distinguishes it from telephone networks. Its public nature distinguishes it from private networks or Intranets. Its interactivity, and the fact that it provides content to individual members of the public at a time and from a place individually chosen by them distinguishes it from television and broadcasting. With regard to the last-mentioned aspect, item (vi) follows the wording of Article 8 of the WIPO Copyright Treaty (WCT) and Article 14 of the WIPO Performances and Phonograms Treaty (WPPT).

1.06 Item (vii). This item has been added in order to facilitate the drafting of the provisions. A similar provision is contained in Article 1(xv) of the Patent Law Treaty.

1.07 References in the provisions to individual users or individual right owners also include legal entities recognized under the applicable law. Such entities can be regarded as users of a sign or owners of a right to the extent that they have competence to act or to own a right under the applicable law. The provisions do, however, not interfere with the power of Member States to determine the conditions for recognizing legal entities, and to regulate their structure and legal competence.

Notes on Article 2

2.01 The question whether use of a sign on the Internet can be regarded as having taken place in a particular Member State is relevant for deciding whether such use should count towards deciding whether the user has acquired, maintained or infringed a right that is protected in the Member State, or whether he has committed an act of unfair competition in that Member State.

2.02 Article 2 is based on the assumption that not each and every use of a sign on the Internet should be treated as taking place in the Member State concerned, even though the use might be accessible to Internet-users based in that State. The effect of the provision is that only use that has commercial repercussions in a given Member State, or, in other words, use that has a “commercial effect” in that Member State, can be treated as having taken place in that Member State. The provisions introduce the term “use of a sign on the Internet in a Member State” as a shorthand expression for use of a sign on the Internet which is deemed to have taken place in a Member State as a result of its commercial effect.

2.03 The provision is only intended to deal with the question of whether use of a sign on the Internet can be deemed to have taken place in a particular Member State. The legal effects of such use in that Member State would have to be determined under the applicable law in accordance with Articles 5 and 6.

2.04 The term “commercial effect” has been chosen rather than “in the course of trade,” in order to include situations in which a non-profit company has produced a commercial effect in a particular country by using the sign on the Internet without using it “in the course of trade.” It should be noted that use of a sign on the Internet can have a commercial effect even before any business transactions are carried out in that Member State.

2.05 The present provisions are only applicable to rights that are protected in a commercial context. In so far as Member States also protect certain rights in signs, such as personality rights, in a purely non-commercial context, they are free to either to grant such protection in relation to use of a sign on the Internet independently of whether such use has a commercial effect, or to apply the present provisions.

Notes on Article 3

3.01 Paragraph (1). The determination of whether use of a sign on the Internet has produced a commercial effect in a particular Member State, and whether such use can be deemed to have taken place in that Member State, shall be made on the basis of all relevant circumstances. A competent authority is free to determine which factors are relevant in a given case. Once it has identified the relevant factors, it is obliged to take them into account. Paragraph (1) provides a non-exhaustive list of factors that can be relevant. The factors are grouped into various categories for clarity.

3.02 Subparagraph (a). This subparagraph contains two general principles and, in that regard, supplements all following items. First, doing business in a Member State is the most obvious way of creating a commercial effect in that State. Second, planning to do business in a Member State can have a commercial effect in that Member State. It should be noted, however, that use of a sign on the Internet might have a commercial effect in a Member State even if the user was not yet planning to do business in that particular Member State.

3.03 Subparagraph (b). This subparagraph invites a competent authority to determine whether the level and character of commercial activity carried out in conjunction with the use of the sign on the Internet contributes to a finding that such use has a commercial effect in that Member State. This does not mean, however, that there always has to be some commercial activity in the Member State; use of a sign on the Internet can have a commercial effect in a Member State even though the user of the sign does not, or not yet, carry out any commercial activity.

3.04 Item (i). The location of actual or prospective customers in the Member State is an important factor for determining whether use of the sign in the context of actual delivery of goods or services, or in the context of other commercially motivated relationships has a commercial effect in that State. Customers are located in the Member State if they are physically present in the Member State at the time of the relevant activity. For the purposes of these provisions, “location” is a purely factual concept, for which mere presence in the State should be sufficient. “Other commercially motivated relationships” include activities of the user that are, like direct mailing of advertisements or product information, aimed at prospective customers in preparation for the eventual future conclusion of commercial contracts.

3.05 Item (ii). This item refers to what might be called a “territorial disclaimer.” If a web site contains a statement to the effect that the goods or services offered are not available in particular Member States, it is less likely that such use would produce a commercial effect in those Member States. Such statements can either be drafted in a “positive” or in a “negative” way: The user can, for example, expressly exclude particular Member States (“No delivery to customers located in countries X, Y and Z”), or he can provide an exclusive list of countries in which the goods or services are available (“Delivery only to countries A, B, and C”), which would implicitly exclude all countries which are not listed. Since mere use of “disclaimers” should not shield users of signs on the Internet from every liability, the item invites the competent authority to inquire whether the user has adhered to his stated intent. It is recalled that “location” is used in a purely factual way, and does not require any continuous presence in the Member State, such as the term “domicile” (see Note 3.04 above).

3.06 As currently drafted, “disclaimers” constitute merely one factor among other factors which a competent authority can consider for determining whether the use of a sign on the Internet has produced a commercial effect in the Member State concerned. The use of “disclaimers” can, therefore, be outweighed by other factors, such as actual delivery of goods to customers located in the Member State. A competent authority can also hold, for example, that a disclaimer was not effective in an individual case because it was not drafted clearly enough, because it was not placed obviously enough, or because it was written in a language that is not understood in the Member State in question. In sum, the determination as to whether a disclaimer is effective or not is ultimately left to competent authorities of Member States.

3.07 The concept of disclaimer used in item (ii) of Article 3 is broader than the one used in Article 12. In Article 3, the statement serves as a precautionary measure by a user who does not necessarily own a right in the sign he uses, and who does not necessarily know of any other existing rights. This could be one way of reducing the need to do a “global search” for existing rights, which is often difficult and prohibitively expensive. In item (ii) of Article 3, the effectiveness of the disclaimer is left to the appreciation of competent authorities in each individual case. In Article 12, however, the disclaimer serves as a means for users in good faith, who own a right in the sign they use, to avoid liability for the infringement of a particular right, after having been notified by the owner of that right. Article 12 therefore explicitly requires that the disclaimer also contain a statement designed to avoid confusion with the holder of the allegedly infringed right. Article 12 further sets out, in items (iii) and (iv), the specific actions the user must take in order to abide by the disclaimer. Under these circumstances, the disclaimer can effectively shield the user from liability.

3.08 Items (iii) and (iv). These items appear self-explanatory

3.09 Subparagraph (c). This subparagraph invites a competent authority to determine whether the goods or services offered in conjunction with the use of the sign on the Internet relate or can relate to a particular Member State. Again, this does not mean that use of a sign on the Internet can only have a commercial effect in a particular Member State if it takes place in conjunction with the offer of goods or services over the Internet. As in the example of advertisement targeted at a particular Member State, use of a sign on the Internet can have a commercial effect in a particular Member State without any goods or services being offered over the Internet.

3.10 Item (i). This item refers to national laws which set conditions for the marketing of particular goods or services, such as product regulations. Use of a sign on the Internet in conjunction with the offer of goods or services that do not comply with the product regulations of a particular Member State is less likely to produce a commercial effect in that Member State because, in such a case, the goods or services could not lawfully be delivered in that State.

3.11 Item (ii) This item appears self-explanatory.

3.12 Subparagraph (d). This subparagraph directs the attention of competent authorities to the manner of use of the sign on the Internet. A sign can be used on a web site, in an e-mail or an e-mail heading. It can also be used to direct Internet users to a particular web site, for example if it is used in an Internet domain name or as a meta-tag without being visible on the web site itself. It should be noted, however, that a sign can be used on the Internet without there being a web site on which or for which it is used. Therefore, the item does not explicitly mention any specific forms of uses.

3.13 Items (i) and (ii). These items include all means which enable Internet users located in a particular country to communicate with the user of the sign in question. In addition to an address or telephone number in the Member State (item (ii)) which provide an obvious relationship with that State, a web site can offer means of interactive contact which allow customers located in the Member State not only to communicate with the user via e-mail, but also to place orders or to obtain delivery directly via the Internet. Similarly, if the sign was used in an e-mail which was sent to (potential) customers in the Member State, the recipients could directly reply to that e-mail, and thus easily communicate with the user of the sign. Thus, the "degree of interactivity" of the use can be an important factor for determining a commercial effect.

3.14 Item (iii). Top level domain names based on the ISO Standard country code 3166 refer to individual States. For example, ".ch" refers to Switzerland, ".fr" to France and ".ru" refers to the Russian Federation. If a domain name, which identifies a web site or an e-mail address, is registered in a top level domain referring to a particular country, this might indicate that use of the sign as part of, or in conjunction with, that domain name is in some way connected to that country.

3.15 Item (iv). Language can be a decisive factor if the language used in conjunction with the use of the sign is not widely spoken outside the Member State in question. However, the more widely a language is used outside the Member State, the less conclusive is the evidence provided by its use.

3.16 Item (v). It should be noted that the fact alone that a particular Internet location, such as a web site, has been visited by Internet users located in a particular Member State may not suffice for concluding that use of a sign on that Internet location has a commercial effect in that Member State. Even though such visits will probably not be conclusive as such, they can nevertheless constitute one factor among others for determining whether the use of a sign on the

Internet has a commercial effect in that country. It is recalled that the term “location” is used in a purely factual way, and does not require any continuous presence in the Member State, such as the term “domicile” (see Note 3.04 above).

3.17 Subparagraph (e). This subparagraph highlights the importance of any right in the sign used. Use of a sign on the Internet can have a commercial effect in a Member State if the sign is the subject of a right protected under the law of that Member State. This link between the sign used and a right in that sign can become relevant in two situations: First, in a positive way (item (i)), if the user himself owns a right in the sign. If the user has, for example, registered a mark in a particular Member State, this can serve as an indication that he or she intends to engage in activities which have a commercial effect in that State. Second, in a negative way (item (ii)), if someone else owns a right in the sign under the law of a particular Member State. If the user, knowing of that right, nevertheless uses the sign, for example because he or she wants to profit from the goodwill embodied in that sign, such use can have a commercial effect in the State in which the right is protected, be it only because the commercial value of the sign for the right holder is diminished. Such use is generally considered to be use in “bad faith.” “Cybersquatting” would be the most obvious case of such unauthorized use. Thus, item (ii) would allow a competent authority to find a link between such cases of bad faith use, and the country in which the infringed right is protected. In order to clarify that item (ii) refers to the effect of bad faith use, it follows the wording of Article 4(2)(ii).

3.18 Paragraph (2). This provision states expressly that the list of factors is neither cumulative nor exhaustive, but functions as a checklist of factors which might be relevant in a given case, without obliging the competent authority to express an opinion about every listed factor. Paragraph (2) follows the model of Article 2(1)(c) of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.

Notes on Article 4

4.01 It should be noted that Article 4 does not introduce bad faith as a prerequisite of liability for infringement. However, since use of a sign on the Internet in bad faith is relevant in the context of Article 9 and 15, it is necessary to include a provision describing this concept in Part II which deals with use of a sign in the Internet in a general way.

4.02 Paragraph (1). This provision requires competent authorities to consider all relevant circumstances when determining bad faith. A competent authority will determine bad faith in accordance with the applicable law. Accordingly, for determining whether a right has been acquired in bad faith, the law under which the right has been acquired will have to be applied, whereas the question whether a sign was used in bad faith can be determined under the law of the State in which the sign was used.

4.03 Paragraph (2). This provision sets out, by way of example, the factors that appear particularly relevant in the context of the determination under paragraph (1). Member States are, however, free to adopt different standards for determining bad faith. The factors are stated in an abstract and general way. A more detailed list of factors could only provide examples for “unfair advantage” or “unjustifiable impairment,” such as those which are included in the Report of the WIPO Internet Domain Name Process (paragraph 172). Such a list might, however, rather be perceived as a limitation of relevant factors. A more general formulation chosen in the present provisions allows competent authorities of Member States to adapt their reasoning to the merits of each individual case.

4.04 Item (i). This item specifies that users must have had knowledge of the conflicting right at the time when they acquired the right or started to use the sign. If a user later becomes aware of a conflicting right, he would not be considered to have acted in bad faith. The expression “could not have reasonably been unaware” is used instead of the term “reason to know” in order to avoid the inclusion of broad constructive knowledge provisions under certain national laws. A similar provision is contained in Article 4(5)(c) of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks. It should be noted that knowledge, or the fact that the user could not reasonably have been unaware of the conflicting right, alone, would not be sufficient for a finding of bad faith.

4.05 Item (ii). This item introduces an additional element of bad faith, namely that the sign was used with a view to profit from the goodwill associated with the sign protected by the right of another, or to impair its distinctive character or reputation. However, because of the difficulty of proving a certain intent, an objective formulation has been adopted.

Notes on Article 5

5.01 This provision confirms that use of a sign on the Internet shall be taken into consideration for determining whether rights in the sign have been acquired or maintained through use in a particular Member State. Instances in which a right can be acquired or maintained through use include, inter alia: acquiring or maintaining a right in an unregistered mark or other sign; acquiring or maintaining the registration of a mark; avoiding abandonment of a right; determining whether a mark has acquired distinctiveness; or determining whether a mark has become well-known. If relevant under the applicable law, use of a sign on the Internet by another can also be considered as prior use of a sign in that Member State.

5.02 The provision does not require Member States to provide the legal possibilities for acquiring or maintaining rights in marks or other industrial property rights in signs through use. However, if use of a sign is relevant in these contexts under the law of a Member State, use on the Internet shall also be taken into account, provided that such use can be deemed to have taken place in that Member State (see Article 2). It should be noted that the provision does not specify the legal requirements for acquiring or maintaining a right in a sign through its use. This determination is left to the applicable law. Article 5 merely requires that use of a sign on the Internet that has a commercial effect in a Member State be subject to the same general principles as use in that Member State outside the Internet.

5.03 The provision also reminds competent authorities that “new” forms of use should not be discarded only because they are new. However, the final determination as to whether a particular “new” form of use can be taken into account for the purposes of acquiring or maintaining a right is left to the applicable law.

Notes on Article 6

6.01 Mere use of a sign on the Internet shall not be considered as infringing any rights in that sign which might exist under the law of a particular Member State. Use on the Internet shall only be taken into consideration under the laws of a particular Member State if such use has a commercial effect and can, therefore, be deemed to have taken place in that Member State (see Articles 2 and 3).

6.02 The present provisions also address matters of unfair competition on the Internet. They are, however, limited to the question as to when and under what conditions use of a sign on the Internet can constitute an act of unfair competition in Member States. Consistent with the

approach generally adopted in the present provisions, the substantive criteria for determining that use of a sign on the Internet constitutes an act of unfair competition in an individual case are left to the applicable law of Member States. Such an approach is also mandated by the fact that the private international law rules of unfair competition have not been harmonized. Therefore, the present provisions merely provide that use of a sign on the Internet shall only be considered as an act of unfair competition under the law of a Member State, if such use has a commercial effect in a particular Member State.

6.03 Article 6 also requires Member States to protect rights in marks and other signs in situations which might appear unusual if compared with forms of use outside the Internet, such as use of signs in banner advertisements, sale or purchase of signs as keywords for search engines, use as metatags, use in Uniform Resource Locators (URLs), use as search terms, or any other “new” forms of use that might be possible in the future.

6.04 It should be noted, however, that Article 6 does not require Member States to consider such forms of use as generally infringing marks or other industrial property rights in signs. Whether an infringement has in effect taken place will be determined under the applicable law, including any exceptions which might apply in certain situations, such as “fair use” of descriptive terms (see Article 8). Article 6 in effect obliges Member States to monitor new and emerging, possibly circumventive, forms of use, and to provide protection under their national laws. This protection may be provided under any of the laws relating to marks or other industrial property rights in signs, including unfair competition laws, of the Member State, at the Member State’s option.

Notes on Article 7

7.01 This provision states the general principle that the user of a sign on the Internet shall, under the applicable law on distinctive signs or unfair competition of a Member State, be liable for such use which constitutes an infringement or an act of unfair competition if use of the sign on the Internet can be deemed to have taken place in that Member State in accordance with Sections 2 and 6. The only exceptions to that principle are provided for by Section 8 (Exceptions and Limitations under the applicable law) and contained in Part V (Notice and Avoidance of Conflict).

7.02 The provision does not specify the conditions for determining whether such use in fact infringes a right which is protected under the law of a particular Member State, or whether it constitutes an act of unfair competition. This determination has to be made under the applicable law of that Member State. Similarly, liability of intermediaries, such as online service providers, is not specifically addressed under these provisions, but left to the applicable law.

Notes on Article 8

8.01 This provision generally requires Member States to apply any existing exceptions and limitations under the applicable law in respect of liability that arises in connection with the use of a sign on the Internet, provided, of course, that the use on the Internet can be considered to have taken place in the Member State in question in accordance with Section 2. This means that all exceptions to liability or limitations to the scope of rights existing under the law applicable in that Member State have to be available to users of a sign on the Internet. However, the provision neither obliges Member States to recognize particular exceptions or limitations, such as “fair use” or “free speech,” nor requires them to introduce particular exceptions or limitations for use of signs on the Internet. It is left to the applicable law to determine the forms of use that could benefit from an exception or limitation.

Notes on Article 9

9.01 Because of the territoriality of marks and other industrial property rights in signs, different owners can hold rights in identical or similar signs in different countries. This can create problems if the sign is used on the Internet. Because of the necessarily global nature of the Internet such use might be considered as infringing a right under the law of a Member State in which the right of the user is not recognized. Similar conflicts arise when the use of a sign is permitted in one country, but is considered to infringe the right of someone else under the law of another country.

9.02 Part V provides for what might be called a “notice and avoidance of conflict” procedure in an attempt to balance the interests of good faith legitimate users who hold a right in the sign they use or are otherwise permitted to use that sign on the one hand, and owners of rights which might be infringed by such use on the other. It also implements the general principle that no one should be obliged to undertake a worldwide search for registered or unregistered rights before using a sign on the Internet. Right holders, or persons who are otherwise permitted to use the sign, are exempt from liability up to the point when they receive a notification of infringement provided that they use the sign in good faith, and provide in conjunction with the use of the sign on the Internet, sufficient information to be contacted. As a consequence, they cannot be subjected to any injunction, or held liable for any damages occurring, before notification. Such users are, therefore, not compelled to undertake a worldwide search for existing rights before using the sign on the Internet. However, once they have received a notice of infringement, they have to take certain measures for avoiding or ending the conflict. If they do so, they are not only exempt from any liability for any infringing use prior to notification, but continue to be exempt for any such use after notification.

9.03 Articles 9 to 12 do not apply to cases where the use of a sign on the Internet is considered an act of unfair competition in a Member State. In most cases of unfair competition, there is no clearly specified right holder who could start the “notice and avoidance of conflict” procedure by sending a notification. The unfair competition laws of individual countries diverge widely with regard to the question who has standing to bring an action in unfair competition. It should be noted, however, that nothing would prevent a Member State from applying the “notice and avoidance of conflict” procedure to acts of unfair competition as well.

9.04 Article 9 exempts users of signs on the Internet from liability for the infringement of a right up to the point of notification, provided that all conditions listed in items (i) to (iii) are met. The provision is, of course, only applicable when the use on the Internet has a commercial effect in the Member State where the allegedly infringed right is protected, as set out in Articles 2, 3 and 6, because otherwise the user could not be held liable. It should be noted that the “notice and avoidance of conflict” procedure does not result in a permanent restriction or limitation of rights that are infringed by the use of a sign on the Internet; liability for infringement begins with the notification if the user does not comply with the requirements set out in Articles 10 to 12.. Nothing in this provision shall derogate from the existing obligations that Member States may have to each other under existing international conventions and agreements concerning industrial property.

9.05 Item (i) Only users who own a right in the sign in another Member State, users who use the sign with the consent of the owner, or users who are otherwise permitted to use the sign can benefit from that procedure.

9.06 The phrase “otherwise permitted to use the sign” is understood to refer to:

- (i) the use of the sign by a user who has a right in that sign which is, like his personal name, protected in a non-commercial context;

- (ii) the fair use of generic or descriptive terms.

Member States may also apply the “notice and avoidance of conflict” procedure if the use is permitted in another Member State for other reasons or simply because no other person owns a right in the sign in that other Member State.

9.07 The term “close connection” describes a certain relationship between the user of the sign and the Member State under the laws of which he is permitted to use the sign. Such a relationship is obvious in cases where the user owns a right in that sign under the laws of a particular Member State. If the user, however, does not own a right in the sign, he should not be able to rely on the laws of a country with which he has no relationship whatsoever for asserting that his use was permitted. He should have valid reasons for this assertion, which would have to be based on his relationship with a country that permits the use. Domicility would satisfy this requirement. Since the present provisions are concerned with use which has a commercial effect, the “close connection” would typically be of a commercial nature. Obvious examples for such a “close connection” would be the relationship with a country in which the user has his seat or headquarters, or a real and effective industrial or commercial establishment in the sense of Article 3 of the Paris Convention for the Protection of Industrial Property. The user would also have a “close connection” with a country in which he carries out a substantial part of his business.

9.08 Item (ii) The exception from liability does not apply if the user has acquired or used the right in bad faith. The criteria for determining whether a right was acquired or used in bad faith are set out in Article 4.

9.09 Item (iii) The user can only be notified if he has provided sufficient contact information in conjunction with the use. If he fails to do so, he can be held liable for any infringement even without having received a notification of infringement.

Notes on Article 10

10.01 Article 10 sets out the consequences of an effective notification. After notification, the user of a sign on the Internet only continues to be exempt from liability if he substantiates his own right in the sign, or spells out why he is permitted to use the sign, in accordance with items (i) and (ii), and, in addition to this substantiation, takes the measures set out in item (iii). The time period within which the user has to act is not specified because the time to implement the measures might be different in each individual case. However, the user has to act “expeditiously,” which means that he or she has to act as quickly as possible under the given circumstances.

10.02 In item (iii), the measures are described only with reference to their objective, namely, to avoid a commercial effect in the Member State in which the allegedly infringed right is protected, or to avoid infringement of that right through other means.. The user can, however, only be expected to take “reasonable” measures. Such measures should not unreasonably burden the commercial activity the user carries out over the Internet. Thus, the user should not be obliged, for example, to stop every activity on the Internet which would, of course, be the most effective way of avoiding a commercial effect in any given country (see also Article 15 for remedies). The parties to the conflict are free to determine which measures would achieve these objectives in a given case. They are, of course, free to have recourse to alternative dispute resolution procedures, but are not obliged to do so. If the user adopts certain measures unilaterally, the competent authority, which is called upon to decide whether the user can be held liable for the infringement of the other right, will have to decide whether the measures adopted by the user are sufficient. Member States are, however, obliged to accept the measure set out in Article 12 as sufficient under Article 10.

Notes on Article 11

11.01 Article 11 sets out the requirements under which a notification has the effect described in Article 10. The owner of the allegedly infringed right has to enable the user to assess the case and to respond to the notification. Therefore, the owner of the allegedly infringed right has to present a prima facie case of infringement (items (i), (iii) to (v)), and to furnish sufficient contact information (item (ii)). If the notification fails any of the requirements listed in items (i) to (v), it shall not be considered effective and the user continues to be exempt from liability. Whether the notification becomes effective once it has been sent or only on receipt is, however, left to the applicable law.

11.02 The notification can also be sent by a person other than the owner if the sender acts as the “representative” of the owner. The term “representative” includes every person that is authorized under the applicable law (i.e. the law under which the right is protected) to take steps for enforcing the right. Thus, the term can also include a licensee having this authority under the applicable law.

11.03 The notification has to be sent by mail, e-mail or telefacsimile. This requirement ensures that the required information exists in, or, as in the case of e-mail, can be reduced to, a physical embodiment. Oral notification by telephone or the like would thus not be sufficient.

11.04 The notification has to be drafted in the language, or in one of the languages, used in conjunction with the sign on the Internet. This requirement seems justified in view of the fact that the user of the sign has to act under time pressure under paragraph (2), and must therefore be in a position to understand the notification.

Notes on Article 12

12.01 This provision is meant to give right holders, and other permitted users, who use their sign on the Internet in good faith, some degree of legal certainty as to how to avoid liability for the infringement of another right after having received a notification of infringement. The effect of Article 12 is that such users cannot be held liable for the infringement of the other right provided that they fulfill all the requirements set out in Article 12. Hence, a disclaimer under Article 12, has to be accepted as an effective measure described in Article 10(iii), and can, therefore, shield right owners and other permitted users from liability.

12.02 The disclaimer has to include the two statements listed in item (i) in order to avoid confusion with the owner of the conflicting right, and to avoid a commercial effect in the Member State in which the other right is protected. The user also has to take certain qualified actions in order to render the disclaimer effective under Article 10 (item (iii)).

12.03 The statements listed in item (i) have to appear “in conjunction” with the use of the sign. If the sign is used on a web site, the statement would have to appear on that web site. The provisions do not address further details, such as the exact location or the size of the statements, or whether it would suffice to place a link on the relevant page which leads to the statements. This determination is left to the competent authorities of Member States.

12.04 Item (i). Once users have received a notification of conflict, they can be expected to make the statements set out in item (i), in order to avoid confusion with the owner of the other right on the one hand, and to avoid a commercial effect with a particular Member State on the other.

12.05 Item (ii). The user should be able to remove the commercial effect caused by his use in one language, and to avoid liability for infringement, by making the prescribed statements in the same language.

12.06 Item (iii) and (iv). The disclaimer is only effective under Article 10 if the user abides by it as described in items (iii) and (iv). This procedure should, however, not unreasonably burden his commercial activity. The user should, therefore, not be expected to verify the statements made by his customers. If the goods or services are physically delivered, it is in the own interest of customers to indicate their address correctly. If payments are effected via credit card, most companies require a billing address. If, however, the goods or services are directly delivered over the Internet, a business has in most cases no means to find out, in the normal course of business, where their customers are really located. In line with the rationale that the user should only be required to take measures which do not unreasonably burden his or her commercial activity, it seems justified to pose the remaining risk of false indications on the owner of the other right, that is the right which is alleged to be infringed. It is recalled that the term "location" is used in a purely factual way, and does not require any continuous presence in the country, such as the term "domicile" (see Note 3.04 above).

12.07 Unlike Article 14, Article 12 does not mention "gateway web pages." The reason for this is that Article 12 describes measures which a user can take unilaterally in order to avoid liability. The establishment of gateway pages, however, would require consent of all parties involved. Gateway web pages can, of course, be adopted under Article 10 by way of consent between the user and the owner of the allegedly infringed right, but not as a unilateral measure of the user.

12.08 Article 12 is part of the "notice and avoidance of conflict" procedure set out in Articles 9 to 11. As a consequence, right owners and other permitted users, who use their sign in good faith, can only rely on a disclaimer in the context of this procedure, i.e. once they have received a notification of infringement as set out in Articles 10 and 11. It should be noted, however, that a right owner or other permitted user in good faith, who is aware of another right without having been notified, would probably not produce a commercial effect under Article 2 if he takes all the measures set out in Article 12, and could, therefore, not be held liable for the infringement of that right. This would, however, have to be decided by a competent authority in the individual case.

Notes on Article 13

13.01 This provision emphasizes the necessity to adapt national or regional laws on remedies to infringements taking place on the Internet, and to take account of the fact that marks and other industrial property rights in signs, as well as the means for enforcing these rights, are territorial in nature, whereas the Internet is global. The same is generally true for the laws against unfair competition which apply only to acts which affect the market of a certain country. Such laws cannot claim authority over acts occurring in foreign countries. Thus, by being linked to certain national markets, unfair competition laws are also territorially limited.

13.02 Paragraph (1). In principle, a decision as to remedies should take into account the territorial limitation of marks or other industrial property rights in signs. Remedies should, therefore, be limited, as far as possible, to the territory in which the right is recognized, and they should only be available if the allegedly infringing use of the sign can be deemed to have taken place in that territory (see Article 6). This is determined with regard to the "commercial effect" of such use in the Member State in question (see Articles 2 and 3). Thus, the "commercial effect" of Internet use should serve as a yardstick for determining a "proportionate" remedy. Use of a sign on the Internet that infringes a right which is protected under the laws of a Member State should not be prohibited any more than is proportionate to the commercial effect that such use has produced in that Member State. Injunctions should generally be limited to what is necessary to

prevent or remove the commercial effect in the Member State in which the infringed right is protected, and damages should be granted only for the commercial effect of the use in that Member State.

13.03 Similarly, remedies for acts of unfair competition should only be granted if the allegedly unfair use on the Internet can be deemed to have occurred in the Member State concerned (Article 6), and they should be limited as far as possible to removing the commercial effect from the Member State in which the unfair competition law applies.

13.04 Paragraph (2) emphasizes the need for a balanced approach. In addition to the interests of the parties involved, a competent authority could also take account, *inter alia*, of the number of Member States in which the infringed right is also protected, the number of Member States in which the infringing sign is protected by a right, or the relative extent of use on the Internet.

13.05 Paragraph (3). The user of the sign might, in a given case, be in a position to propose a remedy which is equally (or more) effective as the remedy envisaged by the competent authority, but less burdensome for him. Thus, a defendant should, in an infringement procedure, have the right to propose a remedy. This does not mean, however, that the competent authority is obliged to ask the defendant for proposals; paragraph (3) is a mere application of the principle that defendants have a right to be heard before a decision on the merits is taken. This is emphasized by the words "upon request". The final decision at the end of the infringement procedure is, of course, left to the competent authority. Furthermore, the provision does not interfere with the authority of courts or other competent authorities under the applicable law to order provisional measures without hearing the other party (*inaudita altera parte*); the right to be heard can be given at a later stage in the proceedings before a decision on the merits is taken.

Notes on Article 14

14.01 This provision further specifies the general principle of proportionality contained in Article 13. Under normal circumstances, remedies should not have the effect of forcing the user of a sign on the Internet to abandon any use of that sign on the Internet because the right, or the law against unfair competition, which they are meant to enforce is territorially limited.

14.02 Paragraph (1) For this reason, paragraph (1) requires competent authorities, in designing remedies, to consider limitations of use designed to avoid a commercial effect in the Member State in which the infringed right is protected, or in which the law against unfair competition applies. If there is not commercial effect, the user can no longer be considered to infringe a right or to commit an act of unfair competition in that Member State (Article 6). The competent authority can also order the user to avoid the infringement or the act of unfair competition in the Member State by other means. These objectives mirror the ones listed in item (iii) of Article 10. The situation is, however, different: Whereas Articles 9 to 12 deal with measures that right owners in good faith can adopt to avoid liability for the infringement of another right, Article 14 addresses a situation in which a court has already found an infringement or an act of unfair competition and is now determining a proportionate remedy.

14.03 Paragraph (2) gives examples for proportionate limitations of use. Unlike Article 12, Article 14(2) does not require a competent authority to adopt one or all of the measures listed. Competent authorities are free to choose other remedies which are effective and proportionate in a given case.

14.04 Subparagraphs (a) to (c) mirror the disclaimer described under Article 12, but in this case the disclaimer is imposed by way of an injunction. In such a case, the competent authority is free to determine the language of the disclaimer, and to take account of laws regulating the use of languages by official authorities.

14.05 Subparagraph (d) proposes an alternative measure which has already successfully been applied in practice: owners of mutually infringing rights could be required either to set up a gateway page through which the web site of both right holders could be accessed, or to provide links from one web site to the other.

Notes on Article 15

15.01 Paragraph (1). This provision contains another implementation of the general principle of proportionality set out in Article 13. An injunction to cease every use of a sign on the Internet would go far beyond the territory for which the infringed right in that sign has effect. It would have an effect which is as global as the Internet and could, therefore, also be called a “global injunction.” Applying the principle of proportionality, therefore, means that competent authorities should, as far as possible, refrain from granting such “global injunctions.” However, the provision does not completely exclude prohibitions of use, which can be justified particularly in cases of bad-faith use, such as cybersquatting. The provision does, therefore, not interfere with national anti-cybersquatting laws which provide for prohibitions of use in such cases of use in bad faith.

15.02 Paragraph (2). This provision generally exempts users from “global injunctions” if they do not act in bad faith as described in Article 4, and if they either hold a right in that sign themselves, or are otherwise permitted to use the sign on the Internet in the way they use it. It should be noted that the concept of “permitted use” in Article 15 is wider than the one in Article 9. In Article 9, “permitted use” is limited to the fair use of generic or descriptive terms, and to use which is supported by a non-commercial right such as a personal name (see Note 9.06 above). For the purpose of applying Article 15, however, no such limitation exists. Under this provision, there are many additional reasons why users might be permitted to use a sign in a particular way even if they do not own a right in it as defined in Article 1(ii); the user might, for example, be permitted to use the sign simply because no other person owns a right in it. If his use is merely permitted, the user could not rely on Articles 9 to 12 in order to avoid liability for the infringement of rights protected under the laws of other countries. The effect of paragraph (2) is that, in cases of permitted good-faith use, a competent authority can only apply limitations of use, such as those described in Article 14.

[Annex III follows]



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Internet Domain Names

prepared by the Secretariat

1. The Internet Domain Name System (DNS) raises a number of challenges for the protection of intellectual property, which, due to the global nature of the Internet, call for an international approach. WIPO has addressed these challenges since 1998 by developing specific solutions, most notably in the First¹ and Second² WIPO Internet Domain Name Processes. In particular, the WIPO Arbitration and Mediation Center (WIPO Center) provides trademark owners with an efficient international mechanism to deal with the bad-faith registration and use of domain names corresponding to their trademark rights.
2. This document provides an update on the domain name-related activities of WIPO, as previously reported in WO/GA/38/12³. It covers the WIPO Center's administration of domain name disputes under different policies and various related aspects of the DNS, as well as selected policy developments, in particular the introduction of new generic

¹ *The Management of Internet Names and Addresses: Intellectual Property Issues – Final Report of the First WIPO Internet Domain Name Process*, WIPO publication No. 439, also available at <http://www.wipo.int/amc/en/processes/process1/report>.

² *The Recognition of Rights and the Use of Names in the Internet Domain Name System – Report of the Second WIPO Internet Domain Name Process*, WIPO Publication No. 843, also available at <http://www.wipo.int/amc/en/processes/process2/report>.

³ http://www.wipo.int/edocs/mdocs/govbody/en/wo_ga_38/wo_ga_38_12.pdf.

top-level domains (gTLDs), internationalized domain names (IDNs), and the status of the recommendations made by the Member States of WIPO in the context of the Second WIPO Internet Domain Name Process.

I. DOMAIN NAME CASE ADMINISTRATION

A. Uniform Domain Name Dispute Resolution Policy

3. The WIPO Center administers dispute resolution procedures principally under the Uniform Domain Name Dispute Resolution Policy (UDRP). The UDRP was adopted by the Internet Corporation for Assigned Names and Numbers (ICANN) on the basis of recommendations made by WIPO in the First WIPO Internet Domain Name Process. The UDRP is limited to clear cases of bad-faith, abusive registration and use of domain names. It does not prevent either party from submitting a dispute to a competent court of justice. However, the UDRP has proven highly popular among trademark owners, and very few cases that were decided under the UDRP were also brought before a national court of justice⁴.
4. Since December 1999, the WIPO Center has administered more than 17,500 UDRP and UDRP-based cases. Demand for WIPO's domain name dispute resolution services continued in 2009 with trademark holders filing 2,107 complaints. While this caseload represents a 9.5% decrease over 2008, it covers the highest number of individual domain names in a given year (4,688) since the UDRP was launched ten years ago. Following the introduction by WIPO of its paperless UDRP procedure in December 2009, the first five months of 2010 have seen an increase of some 20% in cases filed compared to the same period in 2009.
5. A diverse mixture of individuals and enterprises, foundations and institutions used the WIPO Center's dispute resolution procedures in 2009. The top five sectors for complainant business activity were Biotechnology and Pharmaceuticals, Banking and Finance, Internet and IT, Retail, and Food, Beverage and Restaurants. Pharmaceutical manufacturers remained the top filers due to numerous permutations of protected names registered for web sites offering or linking to online sales of medications and drugs. WIPO UDRP proceedings have so far involved parties from 155 countries. Reflecting the truly global scope of this dispute mechanism, in 2009 alone, named parties to WIPO cases represented over 110 countries. WIPO UDRP proceedings have so far been conducted in 18 different languages, namely (in alphabetical order), Chinese, Danish, Dutch, English, French, German, Hebrew, Italian, Japanese, Korean, Norwegian, Polish, Portuguese, Romanian, Russian, Spanish, Swedish, Turkish in function of the language of the applicable registration agreement of the domain name at issue.
6. Since the year 2000 all panel decisions are posted on the WIPO Center's website. To facilitate access to these decisions according to subject matter the WIPO Center also offers an online searchable Legal Index⁵. This Index has become a highly-frequented professional resource, allowing panelists, parties, academics or any interested person to familiarize themselves with WIPO case precedent, and is one of the Organization's most

⁴ See Selected UDRP-related Court Cases at <http://www.wipo.int/amc/en/domains/challenged>.

⁵ The WIPO Legal Index is available at the Center's web site at <http://www.wipo.int/cgi-bin/domains/search/legalindex>.

visited web pages. The Index is updated periodically to include new search categories that primarily reflect developments in the Domain Name System itself⁶. In addition to its Legal Index, the WIPO Center also offers an overview of broad decision trends on important case issues, via the WIPO Overview of WIPO Panel Views on Selected UDRP Questions which distills thousands of UDRP cases handled by the WIPO Center. The Overview is a globally used instrument to help maintain the consistency of WIPO UDRP jurisprudence.⁷

7. The WIPO Center also maintains on its web pages an extended statistics search facility in relation to WIPO domain name dispute resolution, intended to assist WIPO case parties and neutrals, trademark attorneys, domain name policy makers, the media and academics. Available statistics cover many categories, such as “areas of complainant activity”, “named respondents”, “domain name script” and “25 most cited decisions in complaint⁸”.
8. In addition, the WIPO Center regularly organizes Domain Name Dispute Resolution Workshops for interested parties⁹ and meetings of its Domain Name Panelists. The year 2009 marked the tenth anniversary of the introduction of the UDRP and in recognition of this milestone the WIPO Center turned its annual Panelists Meeting into an open Conference, “10 Years UDRP – What’s Next?”. This Conference drew lessons from the UDRP experience of the WIPO Center, panelists, parties, and other stakeholders, with a view to informing similar or other processes in the future of the DNS and in the broader context of intellectual property, and exemplifies the WIPO Center’s commitment to monitoring and guiding developments in the DNS¹⁰.

B. Country Code Top-Level Domains

9. While the mandatory application of the UDRP is limited to domain names registered in gTLDs, such as .biz, .com, .info, .net, and .org, the WIPO Center also assists many ccTLD registries in their establishment of registration conditions and dispute resolution procedures that conform with international standards of intellectual property protection. These procedures are mostly modeled after the UDRP, but may take account of the particular circumstances and needs of individual ccTLDs. Following further additions during the past 12 months, the WIPO Center provides domain name dispute resolution services to 62 ccTLD registries¹¹. In line with a global increase in the share of ccTLD registrations in recent years, the collective percentage of disputed ccTLD domain names in WIPO cases has been increasing, from less than 1% in the year 2000, to 7% in 2007, and 14% in 2009. The growth in demand for dispute resolution services among the ccTLD registries reflects the expansion of the Internet across regions.

⁶ Most recently added Index categories include: Timing of Rights; Pay-per-click and other landing pages; Prior knowledge/Notice of Mark; Willful blindness; Constructive notice; Knew of should have known; Registrant search obligation; and, Consent to transfer.

⁷ The Overview is available at the Center’s web site at <http://www.wipo.int/amc/en/domains/search/overview>.

⁸ The portal page of this facility is located at <http://www.wipo.int/amc/en/domains/statistics>.

⁹ See the list of events organized by the Center at <http://www.wipo.int/amc/en/events>.

¹⁰ Program and presentations for this Conference are located at <http://www.wipo.int/amc/en/events/workshops/2009/10yrs-udrp/index.html>.

¹¹ The full list of ccTLDs which have retained the Center as domain name dispute resolution provider is available at <http://www.wipo.int/amc/en/domains/ccTld>.

C. WIPO “eUDRP” Implementation

10. Following extensive research, the WIPO Center submitted a proposal to ICANN, in December 2008, to remove the requirement to submit and distribute paper copies of pleadings relating to the UDRP process, primarily through the use of email¹². This forward-looking proposal emanated from awareness of environmental challenges and the recognition that Internet-based communication has become ubiquitous. Following ICANN acceptance in October 2009, the WIPO Center became the first UDRP provider to offer this electronic filing option from December 14, 2009, when amended WIPO practice took effect. WIPO’s eUDRP procedure benefits all stakeholders by eliminating the use of vast quantities of paper and the associated production and shipping costs, as well as improving the timeliness of UDRP proceedings without prejudicing either complainants or respondents.

D. UDRP Policy Development

11. Significant developments in the DNS pose continuing challenges for intellectual property rights owners, in particular trademark owners, in policing and enforcing their rights. Such developments include the growth in the number of professional domain name dealers and the volume of their activity, and the use of computer software to automatically register expired domain names and their “parking” on pay-per-click portal sites. Domain names used to be primarily identifiers for businesses and other Internet users, but are increasingly taking on aspects of commodities for speculative gain. Whereas traditionally domain name abuse involved the registration of domain names by individuals seeking to sell the “squatted” names, nowadays a growing number of “domainers” are deriving income from the large-scale automated registration of domain names corresponding to third-party identifiers.
12. As the leading provider of case administration services under the UDRP, WIPO must monitor these developments with a view to continually adjusting its practices. One such area of attention is the widespread use of privacy and proxy registration, which according to some ICANN estimates involves 25% of domain name registrations. In combination with the reliability of “Whois” registrant contact data, this poses significant challenges for filing parties, providers, and panels in ascertaining respondent identity in UDRP proceedings. A broader UDRP-related development which may present new concerns for trademark owners is described in paragraph 31 herein.

II. POLICY DEVELOPMENTS IN THE DOMAIN NAME SYSTEM

13. Two policy developments in relation to ICANN will in particular present not only opportunities but also serious legal and practical challenges for intellectual property rights owners and users, namely the introduction of further new gTLDs and of IDNs at the top level.

¹² Full details of WIPO’s eUDRP implementation are available at <http://www.wipo.int/amc/en/domains/rules/eudrp/>.
<http://www.wipo.int/export/sites/www/amc/en/docs/icann301208.pdf>.

A. New Generic Top-Level Domains

14. In September 2007, ICANN's policy formulating body, the Generic Names Supporting Organization (GNSO), issued a set of recommendations (GNSO New gTLD Report)¹³ to ICANN to implement a process that allows for the introduction of further new gTLDs, potentially broadly expanding their currently limited number¹⁴. These GNSO recommendations were approved by ICANN's Board in June 2008 (ICANN's New gTLD Program)¹⁵. Subsequently, ICANN published Versions I, II, III, and, on May 31, 2010, IV of a Draft Applicant Guidebook for New gTLDs, containing information in relation to the application process and conditions for New gTLDs¹⁶. Informal communications as of June 2010 suggest that a final Applicant Guidebook is expected to be published by early 2011, in which case applications for new gTLDs could be received still in 2011 with registrations of individual domain names following¹⁷.

15. The GNSO New gTLD Report includes the following recommendation, of particular relevance for trademark owners:

"Recommendation 3: Strings must not infringe the existing legal rights of others that are recognized or enforceable under generally accepted and internationally recognized principles of law.

Examples of these legal rights that are internationally recognized include, but are not limited to, rights defined in the Paris Convention for the Protection of [Industrial] Property (in particular trademark rights), the Universal Declaration of Human Rights (UDHR) and the International Covenant on Civil and Political Rights (ICCPR) (in particular freedom of expression rights)."

16. On its part, ICANN's Governmental Advisory Committee (GAC) issued in 2007 the "GAC Principles regarding New gTLDs," which state *inter alia*:

"2.3 The process for introducing new gTLDs must make proper allowance for prior third party rights, in particular trademark rights as well as rights in the names and acronyms of inter-governmental organizations (IGOs)¹⁸."

17. In its Press Release of March 23, 2010, providing an annual overview of the activities of the WIPO Center, WIPO noted that ICANN's New gTLD Program, forecasting an unprecedented expansion of the DNS, is a source of concern for brand owners and consumers¹⁹. In this connection, the Final Report of the First WIPO Internet Domain Name Process had recommended, *inter alia*, that new gTLDs be introduced in a controlled manner. Intellectual property stakeholders generally fear that in the absence

¹³ ICANN GNSO Final Report on the Introduction of New Generic Top Level Domains, at <http://gns0.icann.org/issues/new-gtlds/pdp-dec05-fr-part1-08aug07.htm>.

¹⁴ There are currently 21 gTLDs, such as .com, .biz, and .net.

¹⁵ <http://www.icann.org/en/announcements/announcement-4-26jun08-en.htm>.

¹⁶ <http://www.icann.org/en/topics/new-gtlds/draft-rfp-redline-28may10-en.pdf>.

(Previous drafts were published respectively on October 24, 2008: <http://www.icann.org/en/topics/new-gtlds/draft-rfp-24oct08-en.pdf>, February 18, 2009: <http://www.icann.org/en/topics/new-gtlds/draft-rfp-clean-18feb09-en.pdf>, and, October 4, 2009: <http://www.icann.org/en/topics/new-gtlds/draft-rfp-redline-04oct09-en.pdf>.)

¹⁷ See generally, <http://www.icann.org/en/topics/new-gtld-program.htm>.

¹⁸ http://gac.icann.org/web/home/gTLD_principles.pdf.

¹⁹ http://www.wipo.int/pressroom/en/articles/2010/article_0007.html.

of adequate safeguards, ICANN's planned expansion will give rise to trademark abuse, consumer confusion, and a general undermining of public trust in the DNS, with a heavier enforcement burden on trademark owners.

18. Based on these concerns, the WIPO Center has been working with stakeholders to attempt to safeguard the observance of general principles of intellectual property protection in the event that the introduction of new gTLDs will proceed as intended by ICANN. Within the framework of existing international trademark norms, the input of the WIPO Center aims to help prevent disputes, and where such disputes arise, to create administrative mechanisms as low-threshold alternatives to court litigation, in foreign jurisdictions or otherwise.
 - (i) Pre- (TLD) Delegation Dispute Resolution Procedure
19. In reply to ICANN's request for "Expressions of Interest from Potential Dispute Resolution Service Providers for New gTLD Program," of December 21, 2007, the WIPO Center communicated to ICANN in a letter dated January 18, 2008 its readiness to assist ICANN in devising and applying dispute resolution procedures in relation to the introduction of new gTLDs to the extent these involve disputes based on intellectual property rights. Since then, the WIPO Center has worked with ICANN in the confirmation of the substantive criteria of the pre-delegation procedure, which are rooted in the "WIPO Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet"²⁰, adopted by the WIPO General Assembly in September 2001, and the development of procedural rules for "Legal Rights Objections" as integrated in ICANN's Draft Applicant Guidebook²¹. This proposal appears to have met with broad support, and the WIPO Center has accepted to administer disputes under these procedural rules²².
 - (ii) WIPO-Proposed Post- (TLD) Delegation Dispute Resolution Procedure
20. From early 2008 the WIPO Center has advocated to ICANN the usefulness of a permanent administrative option, additional to the procedure described in the preceding paragraph, that would allow for the filing of a complaint with respect to an approved new gTLD registry operator whose actual manner of operation or use of its registry is alleged to cause or materially contribute to trademark abuse. On February 5, 2009, the WIPO Center communicated to ICANN a concrete substantive proposal for a trademark-based post-delegation dispute resolution procedure addressing such potential gTLD registry behavior. This proposal, which was published in a letter from the WIPO Center to ICANN dated March 13, 2009²³, is intended to act as a form of standardized assistance to ICANN's own compliance oversight responsibilities, provide an administrative alternative to court litigation, encourage responsible conduct by relevant actors including through the provision of safe harbors for good-faith registry operators, and enhance the security and

²⁰ http://www.wipo.int/about-ip/en/development_iplaw/pub845-toc.htm.

²¹ See section 3.2 of the Draft Applicant Guidebook Versions I, II, III, and IV.

²² See WIPO Rules for New gTLD Dispute Resolution and Schedule of Fees and Costs, respectively at <http://www.icann.org/en/topics/new-gtlds/draft-wipo-rules-28may10-en.pdf>, and <http://www.icann.org/en/topics/new-gtlds/draft-wipo-fees-28may10-en.pdf>.

²³ <http://www.wipo.int/amc/en/docs/icann130309.pdf>.

stability of the DNS. The WIPO Center's suggestion recognizes the opportunity which ICANN and its registration stakeholders have, at this stage of planning, to incorporate such a mechanism within their contractual framework, in a positive, pro-active manner designed to minimize burdens associated with anticipated levels of infringement.

21. Given the perceived convergence of registry, registrar, and registrant roles within the DNS, the WIPO Center has further recommended, taking account of its UDRP-based experiences, that ICANN consider extending the concept behind this post-delegation proposal for registries also to registrar conduct²⁴.
 - (iii) Complementary Rights Protection Mechanisms
22. While the UDRP will remain an important curative tool for particular disputes involving the considered transfer of a disputed domain name to the trademark owner, the WIPO Center has also advocated the additional availability of other appropriate second-level Rights Protection Mechanisms (RPMs) to safeguard legitimate trademark interests in the DNS. Here again, the WIPO Center noted the need to strike a reasonable balance between the protection of trademark rights recognized by law, the practical interests of good-faith registration authorities to encounter minimal operational burdens, and the legitimate expectations of *bona fide* domain name registrants. With these interests in mind, the WIPO Center on April 13, 2009, communicated to ICANN a discussion draft of an Expedited (Domain Name) Suspension Mechanism (ESM)²⁵. This RPM would succinctly address domain name disputes at the second (and lower) level, expanding the present UDRP option for brand owners to combat cybersquatting in a cost and time effective manner.
 - (iv) ICANN Implementation Recommendation Team; ICANN Special Trademarks Issues Review Team
23. In response to public comments made on ICANN's Draft Applicant Guidebook, ICANN defined trademark protection as an "overarching" issue requiring further consideration by relevant parties, and ICANN's Board resolved in March 6, 2009 to request the ICANN Intellectual Property Constituency to convene an "Implementation Recommendation Team" (IRT) to develop and propose solutions to the issue of trademark protection vis-à-vis new gTLDs²⁶.
24. The IRT published its Draft²⁷ and Final²⁸ Reports respectively on April 24, and May 29, 2009; these Reports distill and adapt a range of differing concepts and proposals including the WIPO Center's above-mentioned Post-Delegation and ESM proposals. The IRT recommendations included the creation of a central "Clearinghouse" to collect and validate certain intellectual property rights and other data, and a "Globally Protected Marks List" to reflect conditions deemed appropriate in the context of the DNS. It appears that ICANN may be dropping this IRT concept of a formal "Globally Protected marks List" from consideration.

²⁴ <http://www.wipo.int/amc/en/docs/icann260310rap.pdf>, see also letters referenced at footnotes 29 and 30.

²⁵ <http://www.wipo.int/amc/en/docs/icann030409.pdf>.

²⁶ <http://www.icann.org/en/minutes/resolutions-06mar09.htm#08>.

²⁷ <http://www.icann.org/en/topics/new-gtlds/irt-draft-report-trademark-protection-24apr09-en.pdf>.

²⁸ <http://www.icann.org/en/topics/new-gtlds/irt-final-report-trademark-protection-29may09-en.pdf>.

25. The WIPO Center provided targeted comments on the Draft and Final IRT Reports through in-person discussions and letters to ICANN and the IRT of May 10²⁹, and June 18, 2009³⁰. These letters identified a number of aspects in which adaptations of the WIPO Center's Post-Delegation and ESM proposals may have the effect of limiting their intended effectiveness. While the IRT's Final Report accounts for several of the key trademark protection-based points raised by the WIPO Center, areas of concern remained outstanding in particular as to independent and effective system design, both in operational and in substantive terms.
26. Subsequent to the Final IRT Report, ICANN through its staff further adapted the concept of a Post-Delegation mechanism in Version III of its Draft Applicant Guidebook. In a letter of November 20, 2009³¹, the WIPO Center reiterated that, in such form, the Post-Delegation Dispute Resolution Procedure (PDDRP) would be of more limited effect, as it would not encompass registry conduct in relation to widespread trademark abuse undertaken by domain name registrants. The WIPO Center further noted that an alternative, broader scope of the PDDRP would involve the identification of realistic safe harbors for registries, who on that basis could responsibly partner with intellectual property stakeholders toward DNS credibility and integrity.
27. Following the work of the IRT, ICANN's Board requested that the GNSO provide input on whether it would approve the proposed ICANN staff Clearinghouse and Uniform Rapid Suspension procedure (URS) (the URS adopts the concept but not the design of the WIPO Center's ESM proposal), or alternatively whether the GNSO would propose other equivalent or indeed more effective and implementable RPMs. The GNSO created a Special Trademarks Issues Review Team (STI) which in its Report³² analyzed and proposed further adaptations to the URS and the Clearinghouse. In a letter of January 26, 2010³³, the WIPO Center submitted comments on the STI Report noting that unworkable compromise detracts from the fundamental goal of minimizing rights abuse in the DNS without excessive need for court intervention. In specific reply to an ICANN STI proposal which would impact trademark owners in jurisdictions that do not conduct "substantive review" of applications, the WIPO Center further cautioned that ICANN policies should respect trademark law.
28. On February 15, 2010, ICANN released another round of documents proposing further adaptations to RPMs including the PDDRP, URS, and Clearinghouse.
29. Noting ICANN's proposed limitation of the PDDRP to registry operator "affirmative conduct", in a letter of March 26, 2010³⁴, the WIPO Center proposed that ICANN registration authorities give consideration to a mechanism which would address willful blindness on their part – without involving a sweeping policing duty for such authorities, who should benefit from realistic safe harbors.

²⁹ <http://www.wipo.int/amc/en/docs/icann100509.pdf>.

³⁰ <http://www.wipo.int/amc/en/docs/icann180609.pdf>.

³¹ <http://www.wipo.int/amc/en/docs/icann201109.pdf>.

³² <http://gns0.icann.org/issues/sti/sti-wt-recommendations-11dec09-en.pdf>.

³³ <http://www.wipo.int/amc/en/docs/icann260110.pdf>.

³⁴ <http://www.wipo.int/amc/en/docs/icann260310pddrp.pdf>.

30. Concerning the URS and Clearinghouse, in separate letters of March 30, 2010³⁵, the WIPO Center submitted comments emphasizing the need for the URS to complement and interoperate with the existing UDRP so as to offer a time and cost effective additional enforcement option. The WIPO Center further cautioned that RPMs should respect national and international trademark registration and protection norms, in particular with respect to the Clearinghouse.

(v) Calls for review of the WIPO-initiated UDRP

31. Separately, on February 12, 2010, an ICANN-convened Registration Abuse Policies Working Group (RAP WG) produced an Initial Report³⁶ which recommended *inter alia*, the initiation of an ICANN Policy Development Process to assess the current state of the UDRP. In a letter of March 26, 2010³⁷, the WIPO Center submitted comments noting that the apparently envisaged ICANN committee process risks compromising or destabilizing the (WIPO-initiated) UDRP, which is universally acknowledged to be an internationally effective enforcement tool in the interests of all parties. Any such ICANN process could increase enforcement burdens on trademark owners and compliance exposure for registration authorities. Also, against the backdrop of the ICANN New gTLD Program, the WIPO Center suggested that rather than seeking to amend the time-tested UDRP, as actively maintained primarily by the WIPO Center³⁸, attention logically should focus on the complementary qualities of new mechanisms under consideration.

(vi) Continuing DNS Policy Discussions

32. Following participation at a meeting of the ICANN Intellectual Property Constituency (IPC) and at the ICANN Meetings in Nairobi, Kenya, and Brussels, Belgium, the WIPO Center continues to advocate, as outlined above, balanced RPMs vis-à-vis ICANN's plans to allow for a potentially limitless expansion of the DNS. The WIPO Center has been contributing to discussions aimed at addressing trademark abuse in the DNS, and monitors ICANN's development of decisions that remain outstanding in its New gTLD Program. These issues are also subject to monitoring by the ICANN GAC.

B. Internationalized Domain Names (IDNs)

33. As noted, another significant policy development in the DNS currently being addressed by ICANN is the introduction of IDNs (non-Latin script) at the top level. IDN gTLDs are being discussed in part in connection with the ICANN New gTLD Program where potential new gTLD applications are expected to be made for IDNs.

³⁵ <http://www.wipo.int/amc/en/docs/icann300310urs.pdf>, and <http://www.wipo.int/amc/en/docs/icann300310tmch.pdf>.

³⁶ <http://www.icann.org/en/announcements/announcement-12feb10-en.htm>.

³⁷ <http://www.wipo.int/amc/en/docs/icann260310rap.pdf>.

³⁸ Examples of such stewardship include the provision on a non-profit basis for the benefit of parties globally: Legal Index of WIPO UDRP Panel Decisions; WIPO Overview of WIPO Panel Views on Selected UDRP Questions; WIPO Advanced Workshop on Domain Name Dispute Resolution; WIPO Conference: 10 Years UDRP – What's Next?; and, WIPO Panelists Meetings.

34. Separately, ICANN's Final Implementation Plan for IDN ccTLD Fast Track Process was published on November 16, 2009³⁹. This has already allowed for the introduction of several IDN ccTLDs, associated with the two-letter codes in the ISO 3166-1 standard⁴⁰. As of June 2010, ICANN has received a total of 21 requests for IDN ccTLD(s) representing 11 languages. Approved requests continue to be delegated into the DNS root zone.

C. Domain Names and Other Identifiers

35. In addition to and in connection with the above developments, there are further developments taking place at ICANN in relation to the protection of non-trademark identifiers.
36. It is recalled that the First WIPO Internet Domain Name Process addressed the relationship between domain names and trademarks. The Second WIPO Internet Domain Name Process concerned the relationship between domain names and five other types of identifiers that had not been addressed, namely, International Nonproprietary Names for pharmaceutical substances (INNs), the names and acronyms of international intergovernmental organizations (IGOs), personal names, geographical identifiers, including country names, and trade names.
37. At its meeting from September 23 to October 1, 2002, the WIPO General Assembly recommended amending the UDRP in order to provide protection for country names and for the names and acronyms of IGOs⁴¹. The WIPO Secretariat transmitted these recommendations (WIPO-2 Recommendations) to ICANN in February 2003⁴².
38. Following further WIPO communications, in a letter dated March 13, 2006⁴³, the then President and CEO of ICANN informed the Secretariat that it had not been possible to achieve a consensus among the various constituencies of ICANN. Since, by virtue of its Bylaws, ICANN was dependent on its "bottom-up consensus-seeking procedures" to introduce new policies or modify existing ones, the then President and CEO of ICANN expressed doubts as to whether a re-launch of such a consensus-seeking procedure would result in a basis for moving forward with the WIPO-2 Recommendations as a whole. The letter however indicated that progress might be possible with regard to the protection of names and acronyms of IGOs for which an established basis exists in international law.
39. In view of the statement made by the President and CEO of ICANN, it then appeared unlikely that ICANN would move to implement the part of the WIPO-2 Recommendations that concerns the protection of country names at second level of existing gTLDs. As to the WIPO-2 Recommendations on IGO names and acronyms, upon the request of the GNSO Council, ICANN staff produced on June 15, 2007, an Issues Report on Dispute Handling for IGO Names and Abbreviations⁴⁴, recommending as follows:

³⁹ <http://www.icann.org/en/topics/idn/fast-track/idn-cctld-implementation-plan-16nov09-en.pdf>.

⁴⁰ http://www.iso.org/iso/english_country_names_and_code_elements.

⁴¹ http://www.wipo.int/edocs/mdocs/govbody/en/wo_ga_28/wo_ga_28_3.pdf; see also documents SCT/9/8, paragraphs 6 to 11; and, SCT/9/9, paragraph 149.

⁴² <http://www.wipo.int/amc/en/docs/wipo.doc>.

⁴³ A similar letter was sent to the then Chairman of the GAC, Mr. Sharil Tarmizi. It is posted on ICANN's web site at: <http://www.icann.org/correspondence/twomey-to-tarmizi-13mar06.pdf>.

⁴⁴ *GNSO Issues Report on Dispute Handling for IGO Names and Abbreviations* is posted on ICANN's web site at, <http://gns0.icann.org/issues/igo-names/issues-report-igo-drp-15jun07.pdf>.

“Staff does not recommend a PDP [Policy Development Process] on the protection of IGO names and abbreviations at this time. If staff was recommending a PDP, it would be within the scope of the GNSO;

“Staff recommends that new gTLD agreements may provide for protection of IGO names and abbreviations as a contractual condition for new gTLDs;

“Staff recommends that a separate Dispute Resolution Procedure [DRP] be developed for IGO names and abbreviations as domain names at the second or third level in new gTLDs and that a framework be developed for handling objections or challenges related to IGO names and abbreviations in the upcoming application round for new gTLDs. Staff believes that this action will be more efficient than launching a PDP at this time;

“Once the DRP has been developed, staff recommends that the GNSO Council consider launching a PDP to investigate its application to existing gTLDs;

“In the alternative, the GNSO Council may consider forming a Working Group or assistance group to collaborate on a DRP for IGO names and abbreviations and conduct a PDP for application of the DRP to existing gTLDs;

“The GNSO Council may also consider extending the work of the Protections of Rights of Others (PRO) Working Group to develop a DRP for IGO names and abbreviations.”

40. On June 27, 2007, the GNSO Council requested ICANN staff to provide a report on a draft IGO Domain Name Dispute Resolution Procedure, primarily foreseen for new gTLDs. Such Report was produced by ICANN Staff on September 28, 2007⁴⁵, but to date has not been adopted by the GNSO Council.
41. While the WIPO-2 Recommendations were made in the context of the DNS at that time, *i.e.*, prior to ICANN's plans for a broad expansion of the DNS, protection of geographical names and names and acronyms of IGOs is being reconsidered under ICANN's New gTLD Program, without ICANN as yet having articulated a formal position in the Draft Applicant Guidebook.
42. As to geographical terms, ICANN's GAC, in particular, has expressed concerns about their protection in the new gTLDs. In 2007 it issued the “GAC Principles regarding New gTLDs⁴⁶”, which states *inter alia*:

“2.2 ICANN should avoid [in the introduction of new gTLDs] country, territory or place names, and country, territory or regional language or people descriptions, unless in agreement with the relevant governments or public authorities.

[...]

⁴⁵ <http://gns0.icann.org/drafts/gns0-igo-drp-report-v2-28sep07.pdf>.

⁴⁶ http://gac.icann.org/web/home/gTLD_principles.pdf.

2.7 Applicant registries for new gTLDs should pledge to:

(a) Adopt, before the new gTLD is introduced, appropriate procedures for blocking, at no cost and upon demand of governments, public authorities or IGOs, names with national or geographic significance at the second level of any new gTLD.

(b) Ensure procedures to allow governments, public authorities or IGOs to challenge abuses of names with national or geographic significance at the second level of any new gTLD.”

43. The GAC submitted, upon the ICANN Board’s request, letters dated April 24, May 26, and August 18, 2009 to ICANN recommending *inter alia*, specific measures to protect geographic names in new gTLDs, including reserving names. Version IV of ICANN’s Draft Applicant Guidebook would require an applicant for a geographic name-based gTLD string to submit a statement of support for or non-objection from the relevant governments or public authorities. The GAC in its Nairobi Communiqué⁴⁷ has called for a mechanism to address derivation from conditions of approval, and also inclusion of commonly used abbreviations or regions not listed in ISO 3166-2. These GAC recommendations will be subject to further ICANN GNSO discussion and ICANN Board approval.
44. The Secretariat will continue to monitor these developments and provide input where possible.

The WIPO General Assembly is invited to take note of the contents of this document.

[End of Annexes and of document]

⁴⁷ <http://nbo.icann.org/meetings/nairobi2010/presentation-gac-soac-reports-12mar10-en.pdf>.