

WIPO



SCT/5/2

ORIGINAL: English

DATE: June 21, 2000

WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA

STANDING COMMITTEE ON THE LAW OF TRADEMARKS, INDUSTRIAL DESIGNS AND GEOGRAPHICAL INDICATIONS

Fifth Session
Geneva, September 11 to 15, 2000

**PROTECTION OF INDUSTRIAL PROPERTY RIGHTS
IN RELATION TO THE USE OF SIGNS ON THE INTERNET**

prepared by the International Bureau

INTRODUCTION

1. The present document contains revised draft provisions concerning protection of industrial property rights in relation to the use of signs on the Internet, with accompanying notes.

2. The provisions are the result of a process which began at the first session of the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) which took place in Geneva from July 13 to 17, 1998. On that occasion, the International Bureau was asked to study the legal problems arising when a trademark is used on the Internet, to scrutinize the suitability of already existing principles of law, and to examine the need for a new, internationally harmonized approach (see documents SCT/2/9 and SCT/2/10).

3. The results of this study were discussed at the second part of the second session of the SCT, from June 7 to 11, 1999. At that meeting, the SCT asked the International Bureau to prepare a questionnaire with hypothetical situations relating to the use of trademarks on the Internet which purpose was to collect information regarding the practice of Member States of WIPO, in the light of their national law. On the basis of the discussions at that session and the information collected by the responses to the questionnaire, the International Bureau prepared a synthesis document (see document SCT/3/2) and an issues paper together with a

revised set of principles (see document SCT/3/4) which were discussed at the third session of the SCT from November 8 to 12, 1999.

4. At that session, the SCT asked the International Bureau to prepare draft provisions concerning the protection of trademarks and other distinctive signs on the Internet. In response to that request, the International Bureau drafted the provisions contained in document SCT/4/4. These provisions were discussed by the SCT at its fourth session, which took place in Geneva from March 27 to 31, 2000. The discussion is summarized in the report of that session (see document SCT/4/6, paragraphs 102 to 152). The present provisions have been drafted in light of that discussion. Since they constitute a new redraft and considerably diverge from the previous draft in SCT/4/4, the International Bureau has refrained from indicating the differences between the present provisions and the provisions submitted under SCT/4/4.

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Notes on the Preamble

0.01 The first and second recitals are intended to clarify that the present provisions do not constitute a self-contained trademark law for the Internet, but are intended to guide the application of existing national or regional laws to legal problems resulting from the use of a sign on the Internet. The global nature of the Internet and new forms of use of signs on the Internet made possible by technological advances both challenge the territorial nature of national or regional laws. These challenges require some modifications in national or regional laws if industrial property rights in marks and other distinctive signs are to be granted an adequate level of protection on the Internet.

0.02 The present provisions deal with situations in which competent authorities are called upon to decide whether the use of a sign on the Internet has, under the applicable national or regional law, contributed to establishing, maintaining or infringing an industrial property right in that sign, or whether such use constitutes an act of unfair competition.

0.03 The question of determining the applicable law is not addressed by the present provisions, but left to the 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. For example, the law relating to satellite advertising could be applied to advertising on the Internet; the law relating to mail order business could be applied to the selling (but not delivery) of products over the Internet, etc.

Preamble

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

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

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 establishment, maintenance or infringement of an industrial property right in a mark or other sign, or whether such use constitutes an act of unfair competition.

Notes on Section 1

1.01 *Items (i) and (ii), and (vi) to (viii)* appear self-explanatory.

1.02 *Item (iii)*. The concept of “sign” is defined in relation to the scope of the present provisions which 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 established, maintained, or infringed, or whether such use constitutes an act of unfair competition. This has two consequences.

1.03 First, the present provisions only deal with the use of signs which, at least in the abstract, can serve to distinguish enterprises, goods, etc. because only the use of such signs can be of relevance under the present provisions. It is assumed that use of a sign that cannot even in the abstract serve as a “distinctive sign” could not establish, maintain or infringe a right in such a sign. As has been pointed out at the fourth session of the SCT (see document SCT/4/6, paragraph 106), it is not required that the sign be actually used to distinguish enterprises, goods, etc., as long as it can be used as such. For these reasons, the word “sign” is used in the sense of “distinctive sign” throughout the present provisions.

1.04 Second, as agreed at the fourth session of the SCT (see document SCT/4/6, paragraphs 105 and 107) the present provisions are not limited to trademark rights, but include all sorts of industrial property rights in signs that might exist under the applicable law without providing an exhaustive list of such rights. Trademark rights are just one example; other examples could include trade names, or geographical indications. The common characteristic of “industrial property rights” in a sign is (i) that 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, and (ii) that these rights are only protected in a commercial context. Under the present provisions, Member States are free to determine what kinds of industrial property rights in (distinctive) signs they recognize. The present provisions would, however, not apply in a purely non-commercial context. In so far, it is left to the law of Member States to determine whether and under what conditions they want to provide protection (see document SCT/4/6, paragraph 121).

1.05 *Item (iv)*. The legal nature of the “competent authority” will depend on the national system in a given Member State. The definition has been drafted broadly in order to accommodate all systems that might exist in Member States.

1.06 *Item (v)*. The present provisions deliberately refrain from defining the “Internet.” Given the rapid technological development of that sector, such a definition might soon be outdated. Instead, this item describes, in a neutral way, the particularity of the Internet, its “global nature”, which challenges the territorial basis of laws relating to industrial property rights in marks or other signs. This seems justified in view of the fact that the problems the present provisions are designed to address result from the tension between the global nature of the Internet and the territorial limitation of industrial property rights in marks or other signs.

PART I
GENERAL

Section 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) “Mark” means a mark relating to goods, to services or to both goods and services;
- (iii) “Sign” means a sign that distinguishes or that is capable of distinguishing, in a commercial context, one person from other persons, one undertaking from other undertakings, or the goods or services of one undertaking from those of other undertakings;
- (iv) “Competent authority” means an administrative, judicial or quasi-judicial authority of a Member State which is competent for determining whether an industrial property right in a mark or other sign has been established, 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) “Use of a sign on the Internet” means any use of a sign that is simultaneously and immediately accessible irrespective of territorial location;
- (vi) “Remedies” means the remedies which a competent authority of a Member State can impose as a result of an action for the infringement of an industrial property right in a mark or other sign;
- (vii) “Act of unfair competition” means any act of competition contrary to honest business practices in industrial or commercial matters as defined in Article 10*bis* of the Paris Convention;
- (viii) “Paris Convention” means the Paris Convention for the Protection of Industrial Property, signed in Paris on March 20, 1883, as revised and amended.

Notes on Section 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 highly relevant in the context of deciding the legal issues listed under subparagraphs (a) and (b).

2.02 Section 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 it might be accessible to Internet users based in that State. The effect of the provision is that only use that has commercial repercussions on the market of 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.

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 Sections 4 and 7.

2.04 The term “commercial effect” has been chosen rather than “in the course of trade” as suggested by one delegation at the third session of the SCT (see document SCT/3/10, paragraph 57), to include situations in which a non-profit company by using the sign on the Internet produced a commercial effect in a particular country 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 have been carried out in that Member State (see document SCT/4/6, paragraph 117).

2.05 It should be noted that the present provisions are only applicable to industrial property rights, i.e. to rights that are only 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 grant such protection in relation to use of a sign on the Internet independently of whether such use has a commercial effect (see document SCT/4/6, paragraph 121).

PART II
USE OF A SIGN ON THE INTERNET

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

Use of a sign on the Internet which has a commercial effect in a Member State as defined in Section 3, shall constitute use of the sign in that Member State for the purposes of determining

- (a) whether an industrial property right in a mark or other sign has been established, maintained or infringed in that Member State, or
- (b) whether such use constitutes an act of unfair competition in that Member State.

Notes on Section 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. This provision gives a non-exhaustive list of factors that a competent authority could take into account when making that determination. As agreed at the fourth session of the SCT (see document SCT/4/6, paragraph 127), the factors are grouped into various categories.

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 commercial activity carried out in conjunction with the use of the sign on the Internet justifies 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), (iii) and (iv)*. These items appear self-explanatory.

3.05 *Item (ii)*. This item refers to what might be called a “territorial disclaimer” (see documents SCT/2/9, paragraphs 37 and 66, and SCT/3/4, paragraphs 12 and 13). 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 produces a commercial effect in these Member States. Such statements can expressly exclude particular Member States. An alternative solution could consist in not including particular Member States in a list indicating all countries in which the goods or services are available. Users are free to choose either a “positive” or a “negative” formulation. However, mere use of “disclaimers” should not shield users of signs on the Internet from every liability. Thus, 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 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.

Section 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, including, but 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 in the Member State or has entered into other commercially motivated relationships with persons in the Member State;

(ii) whether the web site contains a clear and unambiguous statement, in the language or in the languages, used on that web site, and in the language, or in the languages, used in the Member State or Member States disclaimed, to the effect that the user does not intend to deliver the goods or services offered to customers located in a particular Member State, or in particular Member States;

(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 particular 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 the offer of goods or services 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 web site on which or for which the sign is used with the Member State, including:

(i) whether the web site offers means of interactive contact which are accessible to users in the Member State;

[Notes on Section 3, continued]

3.06 The concept of disclaimer used in item (ii) is broader than the one used in Section 10. In Section 3, the statement serves as a precautionary measure by a user who does not necessarily own an industrial property right in the sign he or she uses, and who does not necessarily know of any conflicting rights. Therefore, the effectiveness of the disclaimer is left to the appreciation of competent authorities in each individual case. In Section 10, however, the disclaimer serves as a means for users in good faith, who themselves hold an industrial property right in the sign they use, to avoid liability for the infringement of a particular conflicting right. Section 10 therefore explicitly requires that the statement also contain language designed to avoid confusion with the holder of the conflicting sign, and sets out 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.

3.07 *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.

3.08 *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.

3.09 *Item (ii)* This item appears self-explanatory.

3.10 *Subparagraph (d)*. This subparagraph directs the attention of competent authorities to the web site itself, on which the sign is used, or for which it is used. The latter alternative includes instances of use where the sign does not appear on the web site itself, but is used to direct Internet users to a particular web site, for example if the sign is used in an Internet address or as a meta-tag. It should be noted that a sign can be used on the Internet without there being a web site on which or for which it is used. Such cases are addressed in subparagraph (e) below.

3.11 *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 which provide an obvious relationship with that State, the 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. Thus, the “degree of interactivity” of a web site can be an important factor for determining a commercial effect (see document SCT/2/9, paragraph 35).

[Section 3(1)(d), continued]

- (ii) whether the web site indicates an address, telephone number or other means of contact in the Member State;
 - (iii) whether the web site is registered under the ISO Standard country code 3166 Top Level Domain referring to the Member State;
 - (iv) whether the text of the web site is in a language predominantly used in the Member State;
 - (v) whether the web site has actually been visited by Internet users located in the Member State.
- (e) the relation of the use of the sign with an industrial property right, including:
- (i) if the use is supported by an industrial property right, whether that right is protected in the Member State;
 - (ii) if the use is not supported by an industrial property right but motivated by the subject matter of an existing industrial property right that belongs to another, whether that right is protected under the laws of the Member State.
- (f) any other factors which indicate a commercial effect in the Member State.

(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.

[Notes on Section 3, continued]

3.12 *Item (iii)*. Top Level Domains based on the ISO Standard country code 3166 refer to individual States. If a web site is registered in a Top Level Domain referring to a particular country, this might indicate that the person who runs the web site is targeting that country.

3.13 *Item (iv)*. Language can be a decisive factor if the language used on the web site 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.

3.14 *Item (v)*. It should be noted that the fact alone that a particular web site had been visited by Internet users located in a particular Member State will not suffice for concluding that use of a sign on that web site 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.

3.15 *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 object of an industrial property right protected under the law of that Member State. This link between the sign used and an industrial property right can become relevant in two situations: First, in a positive way (*item (i)*), if the user himself owns an industrial property 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 an industrial property right in a 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. “Cybersquatting” would be the most obvious case of such unauthorized use.

3.16 *Subparagraph (f)*. This item invites competent authorities of Member States to consider any other factors that might be relevant in a particular case.

3.17 *Paragraph (2)*. This provision states expressly that the list of factors is neither cumulative nor exhaustive, following the model of Article 2(1)(c) of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.

Notes on Section 4

4.01 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 an industrial property right in an unregistered mark or other sign; acquiring or maintaining the registration of a mark or other industrial property right in a sign; avoiding abandonment of a right; determining whether a mark has acquired distinctiveness; or determining whether a mark has become well-known.

4.02 The provision does not require Member States to provide the legal possibilities for acquiring or maintaining industrial property rights in marks or other 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 be taken into account, provided that such use can be deemed to have taken place in that Member State (see Section 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. Section 4 merely requires that use of a sign on the Internet that has a commercial effect in a Member State be treated in the same way as use in that Member State outside the Internet.

PART III
ACQUISITION AND MAINTENANCE OF INDUSTRIAL PROPERTY RIGHTS IN
MARKS OR OTHER SIGNS

Section 4

*Consideration of Use of a Sign on the Internet in a Member State for
Determining Acquisition and Maintenance of Industrial Property Rights in Marks
or Other Signs in that Member State*

Irrespective of any other requirements under the applicable law, use of a sign on the Internet shall be taken into consideration for determining whether the criteria under the applicable law of a Member State have been met for acquiring or maintaining industrial property rights in marks or other signs, if such use has a commercial effect in that Member State.

Notes on Section 5

5.01 This provision states the general principle that, with regard to liability for infringement, use of a sign on the Internet that can be deemed to have taken place in a particular Member State in accordance with Section 7 shall, under the applicable law, be treated in the same way as use in that Member State outside the Internet. The only exceptions to that principle are contained in Sections 8 (exceptions and limitations under the applicable law) and 9 (simultaneous use of signs).

5.02 The provision does not specify the conditions for determining whether such use infringes an industrial property right in a mark or other distinctive sign. This determination has to be made under the applicable law of the Member State in question.

PART IV
LIABILITY

Section 5
Liability for Infringement Under the Applicable Law

Except in the cases provided for in Sections 8 and 9 below, there shall be liability, under the applicable law, for the infringement of an industrial property right in a mark or other sign through use of a sign on the Internet.

Notes on Section 6

6.01 *Paragraph (1)*. This provision generally requires Member States to protect industrial property rights in marks and other signs in situations which might appear unusual if compared with forms of use outside the Internet (see documents SCT/2/9, paragraphs 23 to 27, and SCT/3/4, paragraphs 27 to 31), 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” form of use that might be possible in the future.

6.02 It should be noted, however, that Section 6 does not require Member States to consider such forms of use as generally infringing industrial property rights in marks or other 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 Section 10). Section 6 does not interfere with national laws, but emphasizes and specifies the general principle, contained in Section 5, that industrial property rights in marks or other signs shall be protected, under the applicable national or regional laws, regardless of whether the infringing use takes place on or outside of the Internet.

6.03 *Paragraph (2)*. This provision appears self-explanatory.

Section 6
New Forms of Uses Made Possible by Technology

(1) Each Member State shall protect industrial property rights in marks and other signs, under the law applicable in that Member State, with respect to forms of use of signs on the Internet in the Member State that are made possible by technological advances.

(2) The protection referred to in this paragraph may be provided under any of the laws relating to industrial property rights in marks or other signs, including unfair competition laws, of the Member State, at the Member State's option.

Notes on Section 7

7.01 Mere use of a sign on the Internet shall not be considered as infringing industrial property rights in marks or other signs protected 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 produced a commercial effect and can, therefore, be deemed to have taken place in that Member State (see Sections 2 and 3).

7.02 At its fourth session, the SCT decided to address matters of unfair competition on the Internet in the context of the present provisions (see document SCT/4/6, paragraph 154). Since the present provisions deal with the use of signs on the Internet, they can only address the question as to when and under what conditions such use 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.

Section 7

*Consideration of Use of a Sign on the Internet in a Member State as Infringement
of Industrial Property Rights in Marks or Other Signs Protected in that Member State*

Irrespective of other requirements under the applicable law, a determination that use of a sign on the Internet infringes an industrial property right in a mark or other sign under the law of a Member State, or that such use constitutes an act of unfair competition under the law of that Member State, shall require that such use has a commercial effect in that Member State.

Notes on Section 8

8.01 This provision generally requires Member States to treat use of a sign on the Internet in the same way as use of a sign outside the Internet, provided, of course, that the use on the Internet can be considered to have taken place in the Member State in question. This means that all exceptions to liability or limitations to the scope of industrial property 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 does not oblige Member States to recognize particular exceptions or limitations, such as “fair use” or “free speech.” It is left to the applicable law to determine the forms of use that could benefit from an exception or limitation.

Section 8
Exceptions and Limitations

A Member State shall apply exceptions to liability, or limitations to the scope of industrial property rights in marks or other signs under the applicable law to use of a sign on the Internet in that Member State.

Notes on Section 9

9.01 Because of the territoriality of industrial property rights in marks or other signs, different owners can hold industrial property 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 (see document SCT/3/4, paragraphs 18 to 25).

9.02 In the previous draft (see document SCT/4/4, Section 8(2)) a general exception from liability had been proposed for the benefit of right holders who use their sign on the Internet in good faith. This general exception met with opposition from several delegations at the fourth session of the SCT, even though there seemed to be support for the general principle that no one should be obliged to undertake a worldwide search for conflicting registered or unregistered industrial property rights before using a sign on the Internet (see document SCT/4/6, paragraphs 136 to 142).

9.03 Section 9 now provides for what might be called a “notice and avoid conflict” procedure in an attempt to balance the interests of good faith legitimate users and owners of conflicting rights. Users in good faith would be exempt from liability up to the point when they are notified of a conflicting right. As a consequence, they could not be subjected to any injunction, or held liable for any damages occurring, before notification. Users would, therefore, not be forced to undertake a worldwide search for conflicting rights before using their sign on the Internet. However, once they have been notified of a conflicting right, they have to take reasonable measures for avoiding or ending the conflict.

9.04 *Paragraph (1)* exempts users of signs on the Internet from liability for the infringement of conflicting rights 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 produced a commercial effect in the Member State where the conflicting right is protected, as set out in Section 7, because otherwise there would be no need for an exception.

9.05 *Item (i)* Only users who hold an industrial property right in the sign under the law of a Member State other than the Member State in which the conflicting right is protected, can benefit from the exception.

9.06 *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 Section 11.

9.07 *Item (iii)* Owners of conflicting rights can only notify the user of the sign on the Internet, if the latter has provided sufficient contact information in conjunction with the use. If the user fails to do so, he can not benefit from the exception under paragraph (1).

Section 9
Simultaneous Use of Signs

(1) [*Exception from Liability*] If the use of a sign on the Internet in a Member State infringes an industrial property right in a mark or other sign in that Member State in accordance with Section 7, the user of that sign shall not be held liable for such infringement prior to receiving a notification that his use infringes an industrial property right in a mark or other sign protected under the law of another State if

- (i) he owns an industrial property right in the sign in another Member State;
- (ii) he has not acquired the right or used the sign in bad faith; and
- (iii) he has provided, on the web site on which or for which the sign is used, information reasonably sufficient to establish his identity, and to contact him by mail, e-mail or telefacsimile.

(2) [*Measures to Avoid Conflict*] If the user referred to in paragraph (1) has received a notification that his use infringes an industrial property right in a mark or other sign protected under the law of another Member State (“conflicting right”) he shall not be held liable if he expeditiously takes measures which are effective

- (i) to avoid a commercial effect in that Member State without unreasonably burdening his commercial activity, and
- (ii) to avoid confusion with the owner of the conflicting right.

(3) [*Notification*] The notification shall be effective under paragraphs (1) and (2) if it indicates in writing:

- (i) the right which is claimed to have been infringed by the use of the sign on the Internet;
- (ii) the owner of the right and information reasonably sufficient to contact him by mail, electronic mail or telefacsimile;
- (iii) the State in which the right is protected;
- (iv) details of such protection; and
- (v) the use that is claimed to infringe the right.

[Notes on Section 9, continued]

9.08 *Paragraph (2)* 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 takes certain measures. 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; taking efficient measures has to be accorded the highest priority.

9.09 The measures themselves are described only with reference to their objective, namely, on the one hand, to avoid a commercial effect in the Member State (or Member States) in which the conflicting right is protected, and, on the other hand, to avoid confusion with the owner of the conflicting right. Measures to avoid a commercial effect should, however, not “unreasonably burden” the commercial activity the user carries out over the Internet. Thus, the user should not be forced, 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 Section 14 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 mediation or arbitration, but are not obliged to do so. If the user adopts certain measures unilaterally, a competent authority which is called upon to decide whether the user can be held liable for the infringement of a conflicting right will have to decide whether the measures adopted by the user are sufficient. Member States are, however, obliged to accept the measures set out in Section 10 as sufficient under paragraph (2).

9.10 *Paragraph (3)* sets out the requirements under which a notification can have the effect described in paragraph (2). The owner of the conflicting right has to enable the user to assess the case and to respond to the notification. Therefore, the owner of the conflicting right has to present a *prima facie* case of infringement and to furnish sufficient contact information. If the notification fails the requirements listed in paragraph (3), the user continues to be exempt from liability.

Notes on Section 10

10.01 This provision is meant to give right holders who use “their” sign on the Internet some degree of legal certainty as to how to avoid liability for the infringement of conflicting rights which they are already aware of. The effect of Section 10 is that such users cannot be held liable for the infringement of a conflicting right provided that they fulfill all requirements set out in Section 10.

10.02 The disclaimer has to include two elements in order to achieve the objectives set out in Section 9(2), namely avoiding a commercial effect in the Member State in which the conflicting right is protected (subparagraph (a)), and avoiding confusion with the owner of the conflicting right (subparagraph (b)).

10.03 *Subparagraph (a)*. In order to avoid a commercial effect with a particular Member State, users have to declare that they refuse delivery to customers located in that Member State, and abide by that declaration as described in items (i) to (iv). This procedure should, however, not unreasonably burden their commercial activity. They should, therefore, not be expected to verify the statements made by their customers. If the goods or services are physically delivered, it is in the own interest of customers to indicate their address correctly. 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 located.

10.04 *Subparagraph (b)*. Once users have been notified by the owner of a conflicting right, they can be expected to make the statement set out in subparagraph (b) in order to avoid any confusion with him or her.

10.05 As currently drafted, Section 10 does not explicitly address two further questions:
(i) Since knowledge of a conflicting right in another Member State alone does not suffice for a finding of bad faith under Section 11, a right holder can start using a sign on the Internet in good faith even though he already knows of a conflicting right in another Member State. Should such a user be able to avoid liability in that Member State by using a disclaimer as described in Section 10 from the outset, i.e., independently of any notification under Section 9? (ii) Should the possibility of avoiding liability through use of a disclaimer under Section 10 be available independently of whether the user owns a right in the sign he uses, as long he uses it in good faith?

Section 10
Disclaimer

Member States shall accept, *inter alia*, a disclaimer as a measure to avoid a commercial effect in a Member State, and to avoid confusion with the owner of a conflicting right if the disclaimer includes the following:

(a) a clear and unambiguous statement in conjunction with the use of the sign, to the effect that the user does not intend to deliver the goods or services offered to customers located in a particular Member State, or in particular Member States, if

(i) that statement is contained on the web site on which or for which a sign is used,

(ii) that statement is written in the language or in the languages, used on that web site, and in the language, or in the languages, used in the Member State or Member States disclaimed,

(iii) the user requests the address of customers before the delivery of the goods or services, and

(iv) he refuses delivery to customers who have indicated that they are based in that Member State; and

(b) 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 conflicting right, written in the language, or in the languages, used on the web site, and in the language, or in the languages, used in the Member State or Member States where the conflicting right is protected.

Notes on Section 11

11.01 *Paragraph (1)*. This provision requires competent authorities to consider all relevant circumstances when determining bad faith.

11.02 *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.

11.03 *Item (i)*. As was suggested at the third session of the SCT, this item specifies that users must have had knowledge, or reason to know, 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 sign, he or she would not be considered to have acted in bad faith. 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 reason to know, alone, would not be sufficient for a finding of bad faith.

11.04 *Item (ii)*. This item introduces an additional element, namely that the right in the sign was acquired or 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.

Section 11
Bad Faith

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

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

(i) whether the person who used the sign, or acquired or used the right in the sign, had, at the time when the sign was first used or registered, or an application for its registration was filed, knowledge of the other right; and

(ii) whether the use of the sign would take unfair advantage of or unjustifiably impair the distinctive character or the reputation of the conflicting right.

Notes on Section 12

12.01 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 industrial property rights in marks and other signs, as well as the means for enforcing these rights, are territorial in nature, whereas the Internet is global (see documents SCT/3/4, paragraphs 15 and 16, and SCT/2/9, paragraphs 67 to 69).

12.02 *Paragraph (1)*. In principle, a decision as to remedies should take into account the territorial limitation of industrial property rights in marks or other signs. Remedies should, therefore, be limited, as far as possible, to the territory in which the industrial property 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 Section 7). This is determined with regard to the “commercial effect” of such use in the Member State in question (see Sections 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 an industrial property right in 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 (or the Member States) in which the infringed right is protected, and damages should be granted only for the commercial effect of the use in that Member State.

12.03 *Paragraph (2)* sets out other circumstances which might be relevant when determining proportionate remedies.

12.04 *Paragraph (3)*. The defendant might, in a given case, be in a position to propose a remedy which is equally effective as the remedy envisaged by the competent authority, but less burdensome for him or her. Whether the remedy really is equally effective would have to be determined by the competent authority.

PART V
REMEDIES

Section 12
Remedy Proportionate to Use in Member States

(1) The remedies provided for the infringement of industrial property rights in marks or other signs 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) If possible under the applicable law, the competent authority shall balance the interests, rights and circumstances involved. It shall take into account, *inter alia*, the number of Member States in which the conflicting right is also protected, the number of Member States in which the infringing sign is protected by an industrial property right, and the relative extent of use on the Internet.

(3) The Defendant shall be given the opportunity to propose an equally effective alternative remedy.

Notes on Section 13

13.01 This provision further specifies the general principle of proportionality contained in Section 12. 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 industrial property right which they are meant to enforce is territorially limited.

13.02 *Paragraph (1)* For this reason, paragraph (1) requires competent authorities to consider limitations of use designed, on the one hand, to avoid a commercial effect in the Member State, or in the Member States, in which the infringed right is protected, and to avoid any confusion with the owner of that right on the other hand.

13.03 *Paragraph (2)* gives examples for such limitations, some of which were mentioned at the fourth session of the SCT (see document SCT/4/6, paragraph 150). It should be noted that, unlike Section 10, Section 12(2) does not require a competent authority to adopt the measures listed. Competent authorities are free to choose other effective and proportionate remedies in a given case.

13.04 *Subparagraphs (a) and (b)* mirror the disclaimer described under Section 10 which could also be imposed by way of an injunction.

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

Section 13
Limitations of Use of a Sign on the Internet

(1) In determining remedies, the competent authority shall consider limitations of use by imposing measures designed:

- (i) to avoid a commercial effect in the Member State without unreasonably burdening the user's commercial activity, and
- (ii) to avoid confusion with the owner of the conflicting right.

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

(a) a clear and unambiguous statement to the effect that the user does not intend to deliver the goods or services offered to customers located in a particular Member State, or in particular Member States, if

(i) that statement is contained on the web site on which or for which a sign is used,

(ii) that statement is written in the language or in the languages, used on that web site, and in the language, or in the languages, used in the Member State or Member States disclaimed,

(iii) the user requests the address of customers before the delivery of the goods or services, and

(iv) if the user refuses delivery to customers who have indicated that they are based in that Member State; and

(b) a clear and unambiguous statement to the effect that the user has no relationship with the owner of the conflicting right, written in the language, or in the languages, used on the web site, and in the language, or in the languages, used in the Member State or Member States where the conflicting right is protected; or

(c) gateway web pages providing links to all owners of conflicting rights.

Notes on Section 14

14.01 This provision contains another specification of the general principle of proportionality set out in Section 12. An injunction to cease every use of a sign on the Internet would go far beyond the territory in which a conflicting industrial property right in that sign exists (see documents SCT/2/9, paragraphs 67 to 69, and SCT/3/4, paragraphs 15 and 16). It would have an effect which is as global as the Internet and could, therefore, also be called a “global injunction.” Competent authorities could take this into account in the context of applying the general principle of proportionality contained in Section 12. However, Section 14 generally exempts such users from “global injunctions” if they hold a right in the sign they use on the Internet, and do not act in bad faith as described in Section 11. The effect of Section 14 is that, in such cases, a competent authority can only apply limitations of use, such as those described in Section 13.

Section 14
Prohibition to Use a Sign on the Internet

Where the use of a sign on the Internet in a Member State infringes an industrial property right in a mark or other sign protected under the laws of that Member State, the Member State shall not impose a remedy that would prohibit future use of the sign on the Internet if the user:

- (i) is the owner of a demonstrable industrial property right in the sign under the law of another Member State; and
- (ii) has not acquired or used the right in bad faith as defined in Section 11.

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