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#### **SUMMARY OF THE STUDY CONCERNING THE USE OF TRADEMARKS ON THE INTERNET, AND POSSIBLE PRINCIPLES FOR DISCUSSION**

*prepared by the International Bureau*

#### **INTRODUCTION**

1. Following 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, the International Bureau was asked to prepare a study, for the consideration of the Standing Committee, on the basis of the following two questions:

- (i) How can a relationship be determined between a sign or mark that is used on the Internet and particular goods or services? and
- (ii) How can a relationship be determined between a sign or mark that is used on the Internet and a particular country or territory?

2. In order to prepare the study requested by the Standing Committee, the International Bureau sought advice concerning the two questions posed. To that end, Circular C. 6081 containing the two questions together with a request for reply was sent on August 7, 1998, to all States, intergovernmental organizations and non-governmental organizations which had been invited to participate in the SCT. In addition, the questions were posed to eleven independent experts.

3. Responses were received from eight States, four non-governmental organizations and eight independent experts. The replies received from two States indicated that, while those States were interested in the subject matter to which the questions pertained, they did not have sufficient experience, or sufficient time to consult with their interested circles, allowing them to offer substantive comments on those questions. The following is a synthesis of the main issues raised in the global responses received, without necessarily reproducing every detail of all responses. (The full text of the responses is available upon request from the International Bureau).

## SECTION I: SUMMARY OF THE RESPONSES TO THE WIPO CIRCULAR CONCERNING THE USE OF TRADEMARKS ON THE INTERNET

*Ad question (i): How can a relationship be determined between a sign or mark that is used on the Internet and particular goods or services?*

4. In general, the opinion seems to prevail that this question should be answered in applying rules and principles of established trademark law. In particular, many comments received on that question pointed out that, where a sign was used on the Internet in order to promote particular goods or services, the relationship between a sign or a mark and the goods or services would be determined in the same manner as in respect of other means of advertising such as, for example, advertisements in the printed press or in broadcasting. Furthermore, the mark and the goods or services on which it is used should appear together on the Internet and be clearly identifiable, or, the “symbol must be used conspicuously in the general manner of a trademark to identify the source of the goods or services and goods or services must be actually be sold and offered.”

5. As regards goods or services offered in electronic form, one commentator suggested that a relationship between these “e-goods” and a given mark used on the Internet be established by the use of the mark on or in relation to those goods.

6. Some comments differentiated between signs used as domain names and signs used in the body of a message communicated on the Internet. As regards the former signs, it was said that a domain name alone, without the information contained on the web-site which it designates, cannot pertain to any goods or services and, thus, is not liable to create confusion. However, the specific case of well-known or famous marks had to be distinguished, since those marks are entitled to protection against dilution, even if there is no confusion as to the source of goods or services.

7. Two commentators made suggestions how the domain name dilemma (i.e., the system does not permit co-existence of identical domain names) could be overcome. In particular, it was proposed

(i) to use of descriptive second-level domain names (“SLD”) relating to categories of businesses;

(ii) to use SLDs corresponding to the International Classification of Goods and Services for the Purposes of the Registration of Marks;

- (iii) to use SLDs corresponding to geographical areas;
- (iv) to introduce electronic directories analogous to “yellow pages” or gateway pages for identical domain names.

Ad question (ii): How can a relationship be determined between a sign or mark that is used on the Internet and a particular country or territory?

8. There seems to be a general understanding that the mere appearance of a sign or a mark on the Internet is not sufficient to establish a connection between that sign or mark and a given territory. Many comments suggest that a relationship between a sign used on the Internet and a given territory is only established through commercial use of that sign in respect of that territory, or, as it was expressed in one comment, whether the sign used on the Internet has “commercial effect” in a territory. Examples of what may constitute such commercial use include serving customers in a given territory by actually shipping goods to that territory, indicating prices in the national currency of a given country, conclusion of subscription agreements with effect in a given territory or assigning passwords to residents of a given territory. Also, a comparison was made with practices established in the mail-order business.

9. One comment suggested that the registration of a domain name by a “domain grabber” with the intention to sell it to a trademark holder established in a given territory would in any case be sufficient to establish a relation between the sign used in the domain name and the territory in which the holder of a right in that sign is established.

10. The language used was considered to constitute an important element. Where messages on the Internet appear in a given language, for example in Japanese, a connection between a sign used in that message and the territory in which that language is spoken, i.e., Japan, should be assumed in any case.

11. In essence, it seems that a hard and fast rule for establishing how much of commercial activity must be carried out on the Internet in order to establish a relation between a sign used on the Internet and certain products or services does not exist. In this regard, two comments referred to the recent decision *Zippo Manufacturing Company v. ZippoDotCom, Inc* where it was held that a finding that jurisdiction exists is “directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet.”

12. One important distinction appeared from some comments, namely that, depending on whether the goods for which a sign was used on the Internet were made available in physical or electronic form, two groups of cases had to be distinguished. As regards goods made available in physical form only, mere use of a mark on the Internet could not be considered sufficient for establishing a relationship between that sign and a given territory. In such a case, additional factors, like those described in the previous paragraphs must be taken into account. Where goods or services are made available in electronic form, for example, music and video files, computer programs or electronic Internet services, it was suggested that the use of the mark on the Internet in relation to those goods or services was sufficient to constitute use in all countries or territories where the Internet can be accessed, with the exclusion of territories where the access to certain Internet sites, or the Internet as a whole is blocked. In support of that view, it was recalled that the Internet is borderless, and that

electronic goods or services can be transferred, bought, sold, hired or rented, downloaded, retrieved or uploaded to other computers and used by anyone anywhere in the world where the Internet can be accessed.

13. Some commentators suggested that the relationship between a sign used on the Internet and a given territory should be established with regard to the territory from which the transmission was emitted, and/or the territory in which it was received.

14. The use of a given ISO Standard country code 3166 TLD was deemed to constitute an additional indicator for establishing a connection between a domain name and a given territory, or as being probably sufficient to establish such connection.

15. One comment proposed that a WIPO carry out a comparative study on legal issues relating to e-commerce, such as applicable law and jurisdiction of courts, including references to established case-law in certain countries.

## SECTION II: SUMMARY OF THE STUDY CONCERNING THE USE OF TRADEMARKS ON THE INTERNET

### Introduction

16. The responses to the two questions contained in the WIPO Circular on the use of trademarks on the Internet form the basis of the study contained in document SCT/2/9. The questions address two core features of trademark law, which are challenged by the Internet: the specialty of trademark rights, and their territoriality. As use of signs on the Internet is not limited to use of or conflicts with trademarks, and as other forms of use (commercial or non-commercial, supported by a right or not) and conflicts with other rights (such as names, trade names, or geographical indications) are at least as likely to occur on the Internet as use of and conflicts with trademarks, these additional issues have also been mentioned in the study, on the belief that rules in trademark law should take related fields of law into account and vice versa.

17. The WIPO study attempts to examine the consequences of Internet use of signs or marks for the established rules and principles of law, with a view to identify issues and to stimulate discussion about the need for and possible means of international cooperation. In this respect, it follows up on two questions which were posed in a previous memorandum prepared by the International Bureau for the second session of the Consultative Meeting on Trademarks and Internet Domain Names (TDN/CM/II/2) which took place in Geneva on September 1 and 2, 1997:

“(a) Are the existing principles of trademark law and their interpretation sufficient or is there a need for improvement, for example, by establishing new principles or by adapting the interpretation of existing principles to the Internet situation and internationally harmonizing such principles and their interpretation?

(b) Irrespective of the reply to the preceding question, is it desirable or necessary to establish new international private law rules in view of the problems stemming, on the one hand, from the territorial nature of intellectual property law under which the conditions and the scope of protection of intellectual property rights are governed by the law of each State (or regional intergovernmental organization) in which such a right is to be protected, and, on the other hand, the

global nature of the Internet which results in a single act having effect in practically all the jurisdictions of the world simultaneously?”

18. The study does not deal with issues of Internet governance. It proceeds from a more general perspective than merely domain names, and from the point of view of trademarks rather than well-known marks. There are many ways of locating information on the Internet, such as search engines or directories, which are likely to be developed in the future. Signs or marks can be used on the Internet in many contexts. They can for example appear in the text of a web page, on a banner advertisement, in an invisible metatag, in a sub-directory, or in e-mail header information. Some problems are analogous to those which arise outside the Internet (in the “real world”), while others seem to be completely new.

19. The study aims at assisting the Standing Committee in the task of identifying issues and problems relating to the use of signs and marks on the Internet, considering whether existing principles of law can provide adequate solutions to these problems, and deciding to what extent such problems call for a new, internationally harmonized approach. While it attempts to identify issues for deliberation and to show possible approaches in a variety of areas, the study avoids explicit references to particular legal systems in order not to narrow the scope of the discussion in advance.

20. A summary of the main points of the study is set out below. The summary follows the structure of the study, unless expressly indicated otherwise in a footnote, to allow for ease of cross-referencing. In addition, a number of possible principles that may be taken into account in future draft provisions are presented to stimulate and focus the discussion in the SCT.

21. At present, the legal situation for someone intending to use a sign or mark on the Internet is far from clear. The situation requires clarification since such legal uncertainties can have an adverse effect on the development of electronic commerce. The study first analyzes various situations and types of use of signs on the Internet (Part 1). It then turns to the two main areas of problems resulting from the use of a sign on the Internet:

- (i) the territoriality of trademarks laws versus the global accessibility of the medium (Part 2) and
- (ii) the application of the existing principles of substantive law to the new features regarding the use of a sign on the Internet (Part 3).

the first area seems to present the most important problems because the issues of territoriality challenge the very basis of legal systems.

#### Relation of a Sign or Mark with a Particular Country or Territory (Part 2)

22. Use of a sign in a particular territory or country is an important question in relation to a variety of legal issues. The determination of the competent jurisdiction and the applicable law, or the question whether a right has been established, maintained or infringed by the use of a sign on the Internet, require that a relationship with at least one territory or country can be established (Part 2 II). The relationship between a sign or mark with a particular country or territory or the fact that a sign can be considered to have been used in a particular territory or country may be established with the help of various factors, taking into account two different situations, i.e.,

whether the sign or the mark has been used in relation with a commercial or a non-commercial activity in the territory (Part 2 I.A.1. and 2.).

*I. Factors to be Considered when Establishing a Relationship to a Particular Country or Territory*

23. The factors which a competent authority might consider when considering the relationship between a sign used on the Internet and a particular country or territory could include<sup>1</sup>:

- Serving customers in the particular territory or country;
- Entering into other commercially motivated relationships with persons in the particular territory or country, such as assigning passwords or concluding subscription agreements. Both factors would provide less evidence of a relationship to a particular territory or country if the goods or services are delivered electronically over the Internet, as in the case of computer programs, information services or search engines;
- Actual visits to the web site for which or on which the sign is used from persons in the particular territory or country;
- Use of an ISO Standard country code 3166 Top Level Domain (ccTLD);
- Use of the language predominantly used in the particular territory or country (with the restrictions mentioned above);
- Indication of prices in a particular national currency;
- Indication of an address or a telephone number for contacts or orders in the particular country or territory;
- Activities in the particular country or territory which are not carried out over the Internet, such as advertising or other presence on the market;
- If the use is supported by a right (e.g. a trade name, a trademark, or a geographical indication), that the right has been established in that country or territory;
- If the use is not supported by a right but motivated by the subject matter of an existing right, that the right is protected in that country or territory.

24. Some factors might be applied to both commercial and non commercial use (such as the use of ccTLDs, language, address, visits on the site, etc.), while other factors relate to the use of a sign or a mark in a commercial context (contact with customers, indication of prices, commercial motivated relationship, etc.). In some cases none of the factors may be relevant (for example, when there is no link between the use of the sign or the mark and a single territory or country or if other unlisted factors are more relevant). In some cases, it might be difficult to establish a relationship with any specific territories<sup>2</sup>. Additionally, solutions enabling businesses to define the territories or countries with which they want to establish a relationship over the Internet and to avoid a relationship with others might have to be found. In the absence of viable technical means, it seems that this could only be effected through disclaimers<sup>3</sup>.

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<sup>1</sup> See paragraph 32 of the study with regard to non-commercial use and paragraph 34 with regard to commercial use.

<sup>2</sup> See part 2 I.B., paragraph 35 of the study.

<sup>3</sup> See part 2 I.C., paragraphs 36 and 37 of the study.

## *II. Application of the Factors to the Legal Issues*

25. The establishment of a relationship between the use of a sign or mark on the Internet and a particular country or territory might in some cases not be enough to solve every legal problem of territoriality. Whether and in how far the suggested factors can efficiently contribute to the finding of adequate solutions on the basis of the existing legal framework is therefore an important question. In some cases, some form of international cooperation might be required. It is suggested that the said factors be applied to the following legal issues:

### *A. Jurisdiction*

26. The general rule concerning jurisdiction would be to establish general jurisdiction with regard to the domicile, residence or place of business of the defendant. In some cases, the courts of a particular country or territory are only competent if some relationship between the dispute and the territory or country exists (e.g. place where the harmful event had occurred or *lex loci delicti*). Jurisdiction for dealing with claims relating to the use of a sign on the Internet would be potentially worldwide if it were not possible to limit such use to particular countries or territories. This will be especially relevant in infringement cases where users of a sign on the Internet would otherwise have to anticipate being taken to court in potentially every country of the world. Apart from the inconveniences for all parties involved, this might lead to a variety of conflicting court decisions. The virtually global effect of such use, however, makes it difficult to determine the jurisdiction which has the closest relationship to the Internet use, although the factors suggested above might give some guidance in this respect<sup>4</sup>. It might also be necessary to "centralize" jurisdiction in one territory or country, the courts of which would then be competent to consider all relevant rights and interests of the parties. Such "general" jurisdiction could be granted to the courts of the territory or country in which the defendant has his domicile, residence or real and effective place of business, provided that the use of the sign had a demonstrable effect (also) on that territory. If the latter condition is not fulfilled, jurisdiction could be granted to the courts of the territory in which the plaintiff has his domicile, residence or real and effective place of business, provided that the use of the sign had a demonstrable effect on that country<sup>5</sup>. Independently, "specific" jurisdiction could be granted to courts of a particular territory in so far as that territory was affected by the use of the sign on the Internet.

### *B. Choice of Law*

27. As a consequence of the territoriality of rights, choice of law issues usually determine whether a right exists, i.e. whether it has to be recognized and afforded protection by the competent courts of justice or not. Differences exist with regard to the types of rights involved (trademarks, tradenames, geographical indications, etc.) and/or the legal system of the countries (registration or use for example)<sup>6</sup>. Issues of choice of law are indeed crucial in an area of law which is, as the law relating to distinctive signs, strongly influenced by the principle of territoriality. Therefore, the main issues to be resolved are (i) the definition of the criteria for the choice of law and (ii) the decision on how defenses, which are based on a right which is not recognized under the applicable law, should be treated. Although theoretically a variety of laws could be applied with regard to the infringement of a sign or a mark (home law of the defendant, home law of the plaintiff, law of the

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<sup>4</sup> See paragraphs 43 and 44 of the study.

<sup>5</sup> See paragraphs 45 to 48 of the study.

<sup>6</sup> See paragraphs 49 to 54 of the study.

country where the harmful event occurred, etc.), it might be advisable that courts apply the law (or laws) under which the right involved in the dispute has been established<sup>7</sup>.

#### C. Establishment and Maintenance of Rights

28. With regard to substantive law, establishment and maintenance of rights require a showing of that a particular sign has been used in a particular country or territory. In these cases, the factors listed above can be of assistance<sup>8</sup>.

#### D. Infringement of Rights

29. With regard to infringement, a showing that the particular sign has been used in a particular country or territory is also required<sup>9</sup>, although the possibility to use "disclaimers" (means to avoid a relationship with particular territories or countries) needs further consideration<sup>10</sup>.

#### E. Enforcement

30. Because sovereignty and, consequently, jurisdiction are territorially limited, the enforcement of judgments should normally be confined to the jurisdiction in which they have been passed. Since it is usually not possible for a court to consider all relevant rights and interests of the parties, court judgments often cannot do justice to the case as a whole. One danger in the case of the Internet, where all injunctions have global effect, is that contradicting court decisions might simultaneously regulate the use of the same sign on the Internet. It might therefore be necessary to bring the territorial effect of court decisions in line with jurisdiction. This could be done by enabling courts to adopt more limited measures of injunctive relief such as obliging one or both parties to use disclaimers, thus restricting the territorial effect of the Internet use of a sign<sup>11</sup>. Such an approach could be supplemented by a facilitated recognition procedure which could serve to adjust the territorial limitations of the jurisdictional system to the global exigencies of the Internet<sup>12</sup>. Both issues demand further consideration.

#### Issues of Substantive Law Relating to the Use of a Sign or Mark on the Internet (Part 3)

31. The Internet differs in several respects from phenomena encountered in the "real world" with regard to which legal concepts were developed. Therefore, the use of a sign on the Internet might cause problems which challenge the traditional concepts of intellectual property law. Among the most important particularities of the Internet are the high degree of interactivity it offers<sup>13</sup>, the increasing degree of "virtuality" of goods and services which are traded over the Internet, the possibility of creating links, relationships or associations between material contained on web pages from everywhere in the world<sup>14</sup>, and its address system<sup>15</sup>. It seems therefore appropriate to

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<sup>7</sup> See paragraph 58 of the study.

<sup>8</sup> See paragraphs 60 and 61 of the study.

<sup>9</sup> See paragraphs 62 to 65 of the study.

<sup>10</sup> See paragraph 66 of the study.

<sup>11</sup> See paragraphs 67 to 69 of the study.

<sup>12</sup> See paragraph 70 of the study.

<sup>13</sup> See part 1 II., paragraphs 19 to 22 of the study.

<sup>14</sup> See part 1 III., paragraphs 23 to 25 of the study.



examine whether the traditional legal concepts can be adapted to meet the challenges resulting from the use of signs or marks in this new environment.

*I. Establishing a Relationship Between the Use of a Sign or Mark on the Internet and Particular Goods or Services*

32. When goods or services are traded electronically over the Internet, they have no visible existence in the “real world”. In such cases, it might be difficult to establish a relationship between these goods or services and a particular sign which is used on the Internet. Such a relationship, however, is a matter of particular relevance for trademarks because it determines their scope of protection. Whether and in how far it is possible to apply the general principles of the applicable trademark law in order to determine whether a particular sign has been used to identify particular goods or services, would seem to depend on the factual situation in which such use has taken place.

A. Advertising on the Internet

33. The “real world”-counterpart to this situation seems to be advertising in international magazines or telecommunications media. It might therefore be appropriate to apply the rules of the applicable law regarding the use of trademarks in advertising.

B. “Mail Order” Using the Internet

34. The closest “real world”-analogy to this situation seems to be the international mail order business. The rules of the applicable law regarding the use of trademarks in advertising and the mail-order business might produce adequate results.

C. Delivery Through the Internet

35. With regard to services, which are always intangible, the situation does not seem to pose particular problems. With regard to digital goods, however, it is less obvious to find counterparts to this situation in the “real world”. On the Internet, the closest relationship between a trademark and digital goods would seem to be its use on the web site itself together with a reference to these goods. This would be the case if the trademark would, for example, appear on the monitor while software is downloaded or used. This might be assimilated to a physical connection between the trademark and the goods. Because of the differences among legal systems in this respect, it might be necessary to adopt standardized international rules.

D. Hyperlinking and Framing

36. Hyperlinking and framing are defined in paragraphs 23 and 24 of the study. It might be argued that, if on the linked web page particular goods or services are displayed, and the sign which has been used in the context of linking or framing serves to identify these goods or services, such use could establish a relationship to particular goods or services. But this relationship would not be very close. Unless the host site which contains the link gives already some indication as to the goods or services identified by the sign, a relationship would only be established after the user has

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[Footnote continued from previous page]

<sup>15</sup> See part 1 IV., paragraphs 26 and 27 of the study.

actively accessed the linked page. In both cases, the relationship would not be established by the link itself, but either on the host site or on the linked site (see A. to C. above).

#### E. Metatagging

37. Metatagging is defined in paragraph 25 of the study. Again it might be argued that if on the web site which is indicated as a result of a search for the particular keyword which is used as a metatag, particular goods or services are promoted, and if that keyword serves to distinguish or identify these goods or services, such use might be considered to create a relationship. It should be noted, however, that such a relationship would be very remote, since the sign used as a metatag does not directly lead to the goods or services, and not even to the web page on which these goods or services are promoted. The user who has entered the keyword search would have to actively access the site by clicking on the particular search result. The relationship would not be established by the use as a metatag itself, but on the web site listed as a result of the search (see A. to C. above).

#### F. Use of Signs as Internet Addresses

38. As in D. and E. above, it seems that a relationship between the use of a sign as a domain name and particular goods and services could only be established if the content of the web site could be taken into account. If this were possible, a relationship could be established along the lines outlined above (see A. to C. above).

### *II. Establishment and Maintenance of Rights*

39. In some legal systems, trademark rights can be acquired through use. Use of a trademark is also often a requirement for the maintenance of protection. It will usually be required that the mark be used to distinguish particular goods or services. Whether this was the case could, in the situations mentioned under I.A., B. and C., be evaluated by taking the content of the web site into account on which the mark was used. If the content of the web page clearly identifies particular goods or services, these goods or services are actually available (either through or outside the Internet), and the sign in question is used to identify these goods or services, this might already be regarded as establishing a relationship with particular goods or services. If a trademark is used in the context of linking or framing (see I.D. above), as a metatag (see I.E. above) or as an Internet address (see I.F. above), it does not serve to identify particular goods or services but as a tool of reference which connects or identifies web sites or web pages. It seems that a relationship to particular goods or services would not be established by such use in itself. It could rather result from the information contained on the web site, which was referred to by such use. This, however, would not be different from the situations referred to under I.A., B. and C. above.

### *III. Infringement of Rights*

#### A. Trademarks<sup>16</sup>

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<sup>16</sup>. This section corresponds to part 3 III.B. of the study. For issues relating to the infringement of trade names see part 3 III.C., of geographical indications see part 3 III.D., and of names see part 3 III.E.

40. It seems that trademarks which are not well-known marks can typically only be infringed by commercial use of a sign. Article 16.1 of the TRIPS Agreement requires member states to provide protection against confusion. Additional requirements are only established with regard to well-known marks (Article 6*bis* of the Paris Convention, Articles 16.2 and 16.3 of the TRIPS Agreement). Non-commercial use of a sign that happens to be protected as the trademark of another typically does not constitute an infringement of that trademark.

41. Confusion is established not only with regard to the identity or similarity of the signs used, but also with regard to the identity or similarity of the goods or services for which they are used (see Article 16.1 TRIPS). Therefore, use of a sign or mark on the Internet would usually infringe the trademark right of another only if both signs or marks were used in relation to the same or similar goods or services (see I. above). Whether this was the case could, in the situations mentioned under I.A., B. and C., be evaluated by taking the content of the web site into account on which the sign was used. Confusion seems likely to occur when a sign is used on the web page together with particular goods or services, when these goods or services are identical or similar to the goods or services offered by the right holder, and when the sign in question is used to identify them<sup>17</sup>. If a trademark is used in the context of hyperlinking, framing or metatagging or as (or as part of) an Internet address, it appears difficult to establish a relationship between the use of that sign and particular goods or services (see I. D., E. and F. above) because the sign itself does not refer directly to particular goods or services, but to a particular web site. When goods or services are marketed on that site, a relationship seems to require that the sign also appear on the same site. In this case, however, the relationship would be established by the use of the sign on the web site itself (see I.A., B. and C. above). Therefore, it could be argued that such use does not in itself entail a likelihood of confusion<sup>18</sup>.

42. It could be left to the applicable law to decide whether and under what circumstances a right to a trademark can be considered to have been infringed by virtue of the use of an identical or similar sign on the Internet, if the sign was used for goods which are not identical or similar to those in respect of which the trademark enjoys protection. However, the question whether the sign was used for particular goods or services could be established with regard to the proposals made under I. above<sup>19</sup>.

#### B. Fair Use<sup>20</sup>

43. Most legal systems provide for exceptions regarding “fair use” of a sign, which is protected by the right of another. Such exceptions seem to be equally applicable when a sign is used on the Internet. They are often granted when a sign is used fairly and in good faith in a purely descriptive or informative manner. This might be the case for example if a sign in which someone has a right, is needed by someone else in order to describe him- or herself, his business, or the goods or services offered. Often it is also required that such use does not go beyond what is necessary to identify the person, entity or the goods or services, and that nothing is done in connection with the sign that might suggest endorsement or sponsorship by the right holder.

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<sup>17</sup> See paragraphs 102 to 104 of the study.

<sup>18</sup> See paragraphs 104 and 105 of the study.

<sup>19</sup> See paragraphs 105 and 106 of the study.

<sup>20</sup> This section corresponds to part 3 III.A. of the study.

44. With regard to use of a sign on a web site in the situations referred to under I.A. to C. above, such use does not seem to pose particular problems. It could be treated in the same way as use outside the Internet<sup>21</sup>. If the sign was used as a hyperlink (see I.D. above), as a metatag (see I.E. above) or as (part of) an Internet address (see I.F. above), it might be necessary to introduce a further distinction: If the sign was used in a “generic” sense (“CDs”), such use might also be regarded as “descriptive”. If, however, a sign (“Y”) was used as a reference to the right owner (Y) in order to describe the nature of the goods or services (“X”) by the user (X), this might already go beyond what is necessary for purely descriptive purposes because such use leads or refers to a web site which is not operated by or with the authorization of the right owner<sup>22</sup>.

#### C. Supplementary Protection Against Unfair Competition<sup>23</sup>

45. Approaches to unfair competition in general and to the issues at hand in particular differ widely. However, protection against confusing or misleading acts, indications or allegations is mandated by Article 10*bis* of the Paris Convention. The flexibility of unfair competition law might enable it to provide solutions to some of the “new” problems, which have arisen in the law of trademarks. It might in particular provide adequate solutions regarding the use of signs in a way which associates the user of the sign with the holder of a right to the sign (*e.g.* when a sign is used in the context of hyperlinking, framing or metatagging)<sup>24</sup>.

#### *IV. Remedies and Conflicts Between Rights*

46. If in a case involving the use of a sign or mark on the Internet, an infringement has in fact occurred, three types of conflicts can be distinguished<sup>25</sup>:

1. If the use of the sign on the Internet was not supported by a right, the owner of the right (which was infringed by such use) would seem to prevail, unless such use could be considered “fair use” (see III.B. above).
2. If the use of a sign on the Internet was supported by a right recognized in the same country as the right infringed, the owner of the earlier right, *i.e.* the right which enjoys a better priority in that territory or country, would seem to prevail. In some cases, however, it might be considered whether to adopt a solution, which allows both users to continue using an identical or confusingly similar sign (for example by obliging one or both of them to take reasonable measures for avoiding confusion). Such an approach seems less appropriate when the infringing use has been found to dilute or in other ways unfairly exploit the sign of another.
3. If the use of a sign on the Internet was supported by a right, which is not recognized under the applicable law, such right will, because of the territoriality of trademark rights, usually not be taken into account. The owner of the right, which has been infringed, might, therefore,

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<sup>21</sup> See paragraph 99 of the study.

<sup>22</sup> See paragraphs 100 and 101 of the study.

<sup>23</sup> This section corresponds to part 3 III.F. paragraph 127 of the study.

<sup>24</sup> See paragraphs 122 to 126 of the study.

<sup>25</sup> This paragraph corresponds to part 3 IV.A. in the study. Conflicts between various types of rights have been dealt with in more detail in part 3 IV.B (trademarks), C. (trade names), D. (geographical indications), E. (names) of the study.

typically prevail over the user of the sign on the Internet. Such an approach might, however, not be appropriate in view of the global nature of the Internet and the ensuing global effect of court decisions, as it could increase the potential for conflicting court decisions on an international scale. It might be more preferable to adopt a remedy, which allows the Internet use of the sign to continue in appropriate cases, while at the same time avoiding confusion. An alternative approach could be to go beyond the territorial limitations of trademark rights by recognizing the existence of a right for defensive purposes. The decision could then be taken according to the priority, which each right enjoys under “its” law. A third approach would not abandon the principle of territoriality completely, but would allow courts to take account of the “foreign” right in the framework of the applicable law. This would allow for flexible solutions along the lines of those, which were developed for conflicting rights in homonymous signs recognized under the same law. One or both users could be obliged to adopt reasonable measures for avoiding an infringement, such as disclaimers<sup>26</sup>.

### SECTION III: POSSIBLE PRINCIPLES FOR DISCUSSION TOWARDS FUTURE DRAFT PROVISIONS

It should be noted that the following principles do not reflect the present state of the law or specific recommendations of the International Bureau, but are merely intended to indicate a direction which the discussions within the SCT might take.

#### Part 1: General Concepts

##### *I. Commercial Use of a Sign on the Internet<sup>27</sup>*

Commercial use of a sign on the Internet could be defined as every form of use related to or in connection with trade or a business purpose.

#### Part 2: Relationship of the Use of A Mark With a Particular Territory or Country

##### *II. Determination of Whether the Use of a Sign on the Internet has established a Relationship With a Particular Country or Territory<sup>28</sup>*

In determining whether the use of a sign on the Internet has established a relationship with a particular country or territory, the competent authority could take into account any circumstances including, but not limited to, information concerning the following:

1. serving of customers in the particular territory or country;

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<sup>26</sup> See part 3 IV.F. paragraphs 145 to 148 of the study.

<sup>27</sup> See part 1 I. paragraph 15 of the study

<sup>28</sup> See part 2 I. paragraph 34 of the study.

2. entering into other commercially motivated relationships with persons in the particular territory or country;
3. actual visits to the web site for which or on which the sign is used from persons in the particular territory or country;
4. use of an ISO Standard country code 3166 Top Level Domain;
5. use of the language predominantly used in the particular territory or country;
6. indication of prices in a particular national currency;
7. indication of an address or a telephone number for contacts or orders in the particular country or territory;
8. activities in the particular country or territory which are not carried out over the Internet;
9. if the use is supported by a right, that the right has been established (in the case of a trademark, that this trademark has been registered) in that country or territory;
10. if the use is not supported by a right but motivated by the subject matter of an existing right, that the right is protected (in the case of a trademark, that this trademark has been registered) in that country or territory.
11. whether the user of a sign clearly and unambiguously states along with such use that the goods or services offered are not available in a particular territory or country or to persons having their domicile, residence or real and effective place of business in that country or territory.

### *III. Jurisdiction<sup>29</sup>*

(1) The courts of the territory or country in which the defendant has his residence, domicile or place of business, could have jurisdiction for disputes resulting from the use of a sign on the Internet, provided that such use has established a relationship with that territory or country. In assessing whether such relationship has been established, the factors suggested under II. above could be applied.

(2) If no such relationship can be established, the courts of the territory or country in which the plaintiff has his residence, domicile or place of business, could have jurisdiction for disputes resulting from the use of a sign on the Internet, provided that such use has established a relationship with that territory or country. In assessing whether such relationship has been established, the factors suggested under II. above could be applied.

(3) Notwithstanding paragraphs (1) and (2), the courts of every country could have jurisdiction for deciding disputes resulting from the use of a sign on the Internet in so far as such use has established a relationship with that territory or country. In assessing whether such relationship has been established, the factors suggested under II. above could be applied.

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<sup>29</sup> See part 2 II.A. of the study.

#### *IV. CHOICE OF LAW*<sup>30</sup>

For deciding disputes resulting from the use of a sign on the Internet, the competent court of justice could apply the law of each territory or country in which a right, which was affected by such use, has been established.

#### *V. ESTABLISHMENT AND MAINTENANCE*<sup>31</sup>

For the purposes of determining whether a right has been established or maintained under the law of a particular territory or country by virtue of the use of a sign on the Internet, it could be required that such use has established a relationship to that territory or country. In assessing whether such relationship has been established, the factors suggested under II. above could be applied.

#### *VI. INFRINGEMENT*<sup>32</sup>

The finding of an infringement of a right established under the law of a particular territory or country by the use of a sign on the Internet could require that such use has established a relationship to that territory or country. In determining whether such relationship has been established, the factors suggested under II. above could be applied.

#### *VII. Enforcement of Judgments*<sup>33</sup>

(1) Automatic enforcement of a judgment concerning the use of a sign on the Internet could be limited to the territory for which the court that passed the judgment has jurisdiction.

(2) The effect of a judgment concerning the use of a sign on the Internet could be limited to the territory or the territories in which such use is found to have established, maintained or infringed a right.

(3) It might be appropriate to consider the adoption of international principles concerning the facilitated recognition and enforcement of judgments in other jurisdictions.

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<sup>30</sup> See part 2 II.B. of the study.

<sup>31</sup> See part 2 II.C. of the study.

<sup>32</sup> See part 2 II.D. of the study.

<sup>33</sup> See part 2 II.E. of the study.

Part 3: Issues of Substantive Law Relating to the Use of a Sign on the Internet

*VIII. Relationship between the Use of a Sign on the Internet and Particular Goods or Services<sup>34</sup>*

(1) If a sign has been used on a web site on which goods or services are merely advertised, whereas orders for and the delivery of such goods or services take place outside the Internet, the rules of the applicable law regarding the use of a mark in advertising might be applied.

(2) If a sign has been used on a web site on which goods or services are advertised and on which orders for such goods or services can be placed, whereas the delivery of those goods or services takes place outside the Internet, the rules of the applicable law regarding the use of a mark in advertising and the mail-order business might be applied.

(3) If a sign has been used on a web site on which orders for goods or services can be placed and these goods or services are delivered over the Internet, the rules which might be applied remain a matter for examination and discussion.

(4) If a sign has been used in the context of hyperlinking, framing, metatagging, as or in an Internet address, or in any other way which refers to a particular web site, the content of that web site might be taken into account in order to determine whether such use has established a relationship with particular goods or services. The content of such web site might be evaluated in accordance with the proposals made in paragraphs (1), (2) and (3) above.

*IX. Establishment or Maintenance of Trademark Rights by Virtue of the Use of a Sign on the Internet<sup>35</sup>*

A right to a trademark could be considered to have been established or maintained by virtue of the use of a sign on the Internet, if such use has established a relationship to particular goods or services as outlined under VIII. above.

*X. Infringement of Trademark Rights by Virtue of the Use of a Sign on the Internet*

(1) If a sign is used fairly and in good faith in a descriptive or informative manner, such use could be held not to infringe trademark rights in an identical or similar sign, which have been established for someone else<sup>36</sup>.

(2) It could be provided that trademarks could only be infringed by the commercial use of a sign on the Internet.

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<sup>34</sup> See part 3 I. of the study.

<sup>35</sup> See part 3 II.B of the study.

<sup>36</sup> See part 3 III.A. of the study.



(3) A right to a trademark could be considered to have been infringed by virtue of the use of an identical or similar sign on the Internet, if the sign was used for goods which are identical or similar to those in respect of which the trademark enjoys protection, and if such use would result in a likelihood of confusion. Whether the sign was used for identical or similar goods or services could be established with regard to the proposals made under VIII. above<sup>37</sup>.

(4) The applicable law could decide whether and under what circumstances a right to a trademark can be considered to have been infringed by virtue of the use of an identical or similar sign on the Internet, if the sign was used for goods which are not identical or similar to those in respect of which the trademark enjoys protection. However, the question whether the sign was used for particular goods or services could be established with regard to the proposals made under VIII. above<sup>38</sup>.

#### *XI. Remedies and Conflicts between Rights*<sup>39</sup>

(1) If the use of a sign on the Internet is not supported by a right, and such use conflicts with a right which has been established under the applicable law, the owner of the right could prevail, unless such use can be considered as non-commercial use or as fair use as described under IX.(1) above.

(2) If the use of a sign on the Internet is supported by a right which is recognized under the applicable law, and such use conflicts with a right which has been established under the applicable law, the holder of the earlier right could prevail. In such cases the competent court could be authorized to adopt remedies which would allow both parties to continue using the sign in question.

(3) If the use of a sign on the Internet is supported by a right which not is recognized under the applicable law, and such use conflicts with a right which has been established under the applicable law<sup>40</sup>,

ALTERNATIVE A: the owner of the right which is established under the applicable law could prevail, unless the right which supports of the use of the sign on the Internet was established at an earlier date under another law.

ALTERNATIVE B: the competent court could be authorized to adopt measures which allow the use of the sign to continue in a way which does not unreasonably interfere with the right established under the applicable law.

ALTERNATIVE C: [combination of A and B].

[End of document]

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<sup>37</sup> See part 3 III.B. paragraph 104 and 105 of the study.

<sup>38</sup> See part 3 III.B. paragraph 106 and 107 of the study.

<sup>39</sup> See part 3 IV.A. and D. of the study.

<sup>40</sup> See part 3 IV.F. of the study.