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Trademark Law lost in cyberspace? Trademark protection for Internet addresses

Marco Marzano de Marinis

The Internet is the only most pervasive and potent agent of change for modern society.

1. Introduction.

Trademarks already existed in the Ancient world. Even when people either prepared what they needed themselves or, more often, bought it from local craftsmen, there were already creative entrepreneurs who marketed their goods beyond their villages and sometimes over considerable distances. As long as 3000 years ago, Indian craftsmen used to engrave their signatures on their artistic creations before sending them to Iran. Manufacturers from China sold goods bearing their marks in the Mediterranean area over 2000 years ago, and at one time about a thousand different type of Roman pottery marks were in use, including the Fortis brand, which became so famous that it was copied and counterfeited. With the flourishing trade of the Middle Ages, the use of signs to distinguish goods of certain merchants and manufacturers also expanded considerably¹.

Trademarks started to play an important role during industrialisation, and they have since then become a key factor in the modern world of international trade and market-oriented economies. Industrialisation and the growth of the system of market-oriented economies allow competing manufactures and traders to offer consumers a variety of goods in the same category. Often without any visible differences for the consumer, they generally differ in quality, price and other characteristics. Clearly consumers need to be given a guide that will allow them to consider the alternatives and make their choice between the competing goods. Consequently goods must be named. A trademark is the naming of goods on the market.

The purpose underlying any trademark statute is twofold. One is to protect consumers, by ensuring that when they purchase a particular product bearing a certain trademark, they are getting what they expected. Secondly, to defend the

¹ WIPO, *Intellectual Property Reading Material*, WIPO Publications, Geneva, 1999.

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owner's rights, after spending energy, time, and money in presenting a product to the public, the trademark is a way of protecting his investment.

The phenomenon of the Internet as a commercial instrument has brought about a new set of concerns in the realm of intellectual property². New and somewhat unexpected trademark-related issues have arisen concerning the system of assigning Internet addresses. Since their creation as easy-to-remember address identifiers, domain names have increasingly been used to serve the same function as trademarks - to identify the source of goods and services - and have truly developed into valuable intellectual property themselves. With this increased value, disputes over domain name related rights have also increased. The current trend in litigation has been to treat domain names in much the same way as trademarks³.

The problem is twofold. On the one hand, trademark owners wanting to use their marks as domain name often find that the desired form of such names is already taken. On the other hand, marks are often found to be used as domain names by unauthorised parties, with the deliberate attempt to free-ride on the goodwill of the mark's owner. Evidence of the last few years has shown abusive use of the Domain Name registration system which has caused the consumer confusion and mistrust over the Internet.

This paper is a preliminary attempt to analyse several conflicts existing between trademarks and Internet domain names. The first part will include an analysis of the Domain Name System and its different features, particularly, the examination of disputes which arose during the last few years. The second part will highlight which attempts have been achieved, at international and European level, to solve the conflict between Intellectual Property rights and Domain Names. Finally, a possible solution in the conflicts between trademarks and the Domain Name System is presented.

2. Domain names system.

A) What is a Domain Name?

Domain Names are for the Internet what addresses are for the Postal Service. An Internet address is an identifier of an individual computer or group of computers.

² According to a survey by Nielsen Media Research, in 1981, 300 people world wide have access to Internet. In 1989 the number grew up to 90.000. In 1993 1.000.000 and by 1995, 9.400.000, by 2002, the survey estimated 200.000.000 people connected to the World Wide Web. The statistics concerning the Domain Name System determined that until 1999, nearly 7.2 millions of DN have been registered world-wide. The growth of these is approximately 21000 new registrations per week. Statistics from Netnames Ltd., at www.netnames.com.

³ Concerning the last point see, *infra*.

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As a part of the Internet Protocol⁴, the communications format used on the internet, Internet addresses are made of string of digits separated by periods⁵. The delimited fields indicate the network, subnetwork, and local address, reading from left to right. A typical Internet address appears as:

'44.56.0.48'

where '44' is the network, '56' and '0' refer to subnetworks, and '48' is the computer itself. This all numeric form is known as the 'IP address' or 'IP number'.

While such naming conventions are readily understood by the computers, human users tend to favour an easier method of identification. To accommodate these users, a system was developed which uses a Domain Name System⁶ database to link these numerical addresses with mnemonic alphanumeric equivalents called Internet Domain Names⁷. As with IP addresses, domain names are also delimited by periods. Unlike IP addresses, domain names are read from right to left, moving from the Top-Level Domain⁸ to the subdomain and to the individual machine. At the top are the TLDs, which are usually divided in two categories: the generic TLD⁹, and the country code TLD¹⁰.

There are presently 7 gTLDs. Three of these are open, in the sense that there are no restriction on the persons or entities that may register names in them. These three gTLDs are: .com, .net .org. The other four are restricted in the sense that only certain entities meeting certain criteria may register names in them. They are .int which is restricted to use by international organisation; .edu, which is restricted to use by four-year, degree-granting colleges and universities; .gov, which is restricted to use by agencies of the federal government of the USA, and .mil, which is restricted to use by the military of the USA. There are at the present 243 ccTLDs. Each of these domains bears a two-letters country code derived from standard 3166 created by the International Organisation for Standardisation (ISO)¹¹. E.g.: .eu European Union¹², .it

⁴ Hereinafter, IP.

⁵ In the vernacular, these periods are called *dots*. That is, 'Coleurop.be' would be pronounced Coleuro-*dot*-be.

⁶ Hereinafter, DNS.

⁷ The DNS has been administrated by IANA (Internet Assigned Number Authority), pursuant to principles that were described in *Request for Comments* (RFC) 1591 of March 1994. For a general overview on IANA see 'Management of the Domain Names' below;

⁸ Hereinafter, TLD.

⁹ Hereinafter, gTLD.

¹⁰ Hereinafter, ccTLD.

¹¹ ISO 3166. The attribution of a country code to domain by IANA entailed no recognition of the status of the territory designated by the country code. As stated in RCF 1591, «The IANA is not in the business of deciding what is and what is not a country».

¹² As well as the Commission shows in his reports, the creation of the .eu Domain Name would strengthen the image of and infrastructure of the Internet in Europe for the purposes

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Italy, .au, Australia, .br, Brazil, .jp, Japan, .za, South Africa. As well as for the gTLD, even also sole of the ccTLD are open. Indeed, there are no restriction on the persons or entities who may register in them and other that are restricted, so only persons or entities satisfying certain criteria may register in them¹³.

Functionally, there is no distinction between the gTLDs and the ccTLDs. As a matter of fact, a domain name registered in a ccTLD provides exactly the same connectivity as a domain name registered in a gTLD. Nor can it be said that the gTLDs are open, whereas the ccTLDs are restricted. As mentioned before, there are open gTLDs and ccTLDs, which contain no restrictions for their use and restricted gTLDs and ccTLDs, which limit their utilisation use to persons or entities meeting certain criteria.

B) Who is Managing the Domain Names?

The Internet began as a U.S. military, science and academic network and has since then grown into a more commercial, market-led and international operation. Although the Internet does not have a supervisory organisational, financial or operational administrative body responsible for the entire 'net of networks', certain administrative tasks must be carried out on a centralised basis. One of the most important organisational tasks requiring global co-ordination is the administration of IP addresses and domain names. The Internet Assigned Numbers Authority (IANA) was entrusted, until ICANN have been appointed in 1999, with the task of assigning and co-ordinating unequivocal addresses (IP addresses) and Domain Names on the Internet by the Internet Society (ISOC)¹⁴ and the US federal Network Council¹⁵.

of the European Institutions, private users and for commercial purpose including electronic commerce. The expansion of the Internet DN space that was envisaged in 1996 has not taken place for several reasons, and the question is still on the agenda of the new ICANN organisation. The limited alternatives available in Europe have given rise to individual, companies and organisation seeking registration in the World Wide Web in the US-Based existing TLDs, e.g. COM, and in other ccTLDs elsewhere. In such cases, it is difficult to ensure the appropriate degree of adherence to European law and policies such as competition, data protection IPR and consumer protection. The European Institutions have also to adopt sub-optimal solution, including .EU.INT and .CEC.BE. Furthermore for the historical reason the national ccTLD Registries in Europe generally restrict themselves to accepting registrations from within their own national jurisdiction and, with some exceptions according to relatively restrictive registration policies. While this approach reduces the risk of conflict of law, it does necessarily suit those operators that wish to function throughout the Internal market and globally. Commission Working paper (ISPO), of February 2, 2000, Creation of the .EU Internet TLD name,

¹³ One requirement can be the home within the territory of the state.

¹⁴ The Internet Society is a non-profit-making body, established in the United States and exercising a central role in the technical co-ordination and operation of the Internet. The

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IANA delegated the practical administration of assignment and registration of Domain Names to so-called Network Information Centres (NIC).

In this context, the assignment and registration of domain names below the gTLDs has been co-ordinated throughout the world by interNIC, entrusted with this task in 1993 under an agreement concluded between the US government (represented by the National Science Foundation) and the companies General Atomic, AT&T and Network solution Inc. According to the agreement, the responsibility for the administration of the registration procedure currently lies with the private company Network solution Inc. (NSI).

The allowing and administration of DNs all over the world was managed by NSI for North America, APNIC for South-Pacific users and RiperNCC¹⁶ for the European countries. The rest of the world was also administrated by NSI. It is important to highlight that the latter two companies have been appointed by IANA, therefore they were not independent. It is interesting to note that for almost four years a private US company, NSI, exerts a quasi-monopoly of the gTLD¹⁷. This situation has never been accepted by the international opinion and one of the reasons of the creation of ICANN relied on this consideration.

ICANN was created by members of the Internet community in response to a June 1998 'White Paper'¹⁸, issued by the US Department of Commerce (DOC). As the Internet developed, DNS functions were carried out by a variety of volunteers and US Government contractors. A non-competitive, Government-funded system developed. The DOC's White Paper envisaged a «global, consensus, non profit

purpose of ISOC is «to maintain and extend the development and availability of the Internet and its associated technologies and applications». ISOC can be considered the most high-powered authority for the promotion of international Internet development. It has over 6000 members throughout the world including 130 companies, a number of Internet access providers, universities, software producers and international organisation such as World Bank and IMF, for further information see, www.isoc.org.

¹⁵ The US Federal Network Council, is a body established by the US government; it had the task of assisting the further development and co-ordination of the Internet; for further information see, far.mit.edu/diig/surveys/fnc.htm.

¹⁶ 'Ripe Network Co-ordination Centre' headquartered in Amsterdam, for further information www.ripe.org.

¹⁷ Independent organisation as 'ICANN' are probably the most appropriate organisations to serve as registration authorities, because they are unlikely to have conflicts of interests with the Internet community. NSI, in contrast, it was engaged, during his monopoly periods of DN management, in numerous line of business, including the installation and maintenance of computer networks. See generally Information Technology, www.saic.com/it/expertise.html.

¹⁸ 'Statement of Policy on the Management of Internet Names and Addresses', White paper it available at: www.ntia.doc.gov/ntiahome/domainname/icann-memorandum.htm.

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corporation», to serve as the means by which DNS management could be privatised, enabling an open, competitive system.

To accomplish its tasks, ICANN with the cooperation of the Department of Commerce, entered into a Memorandum of Understanding¹⁹ on November 1998, agreeing to work together to manage the transition from government control to private sector control. The single most visible and important element of DNS management is the registration of gTLDs. As we have seen above a single historical provider, Network solution Inc. (NSI), has been enjoying for four years a governmental-granted monopoly over new domain name registration and renewals. Under the MoU, ICANN has already accredited an initial group of five new competitive registers: America online, France Telecom, Network solution Inc., Melbourne IT and Register.com²⁰. As part of a test of the Shared Registration System, which will permit competition among multiple registers in this very public component of the Internet underlying technology. Following competition of the test and the negotiation of an acceptable registry agreement with NSI, at least 52 other companies from around the world will also be eligible to offer registration service alongside NSI, heralding a new era of full and open competition.

C) Domain Constraint.

The technical constraints of Internet naming conventions make it difficult for trademarks to be kept unchanged in the Internet²¹. Such limitations force organisations to distinguish themselves by using capitalisation, stylised formats, or designs which they would normally use in other media. As a result, parties with similar names will find it challenging to keep their domain name distinguishable from others because there are fewer ways to make domain names distinctive. Obviously, such constraints can lead to inadvertent infringement. In reality, the possible addresses, as companies with longer names abbreviate or use acronyms which may conflict with the mark of another organisation.²² For instance, it may be that the firm 'Integrated Bituminous Mining' never uses the acronym 'IBM' in print or other media. However, in face of the name length limitation, IBM may become attractive

¹⁹ Here in after MoU.

²⁰ This measure has been adopted afterwards the 'Guidelines for Accreditation of Internet Domain Name Registrars and for the Selection of Registrars for the Shared Registry System Testbed for .COM, .NET and .ORG Domains', ICANN February 1999.

²¹ A particular attention has to be devoted to the fact that the Top level domain can not have more than 24 letters. So the Second level domain will not be longer than 20 or 21 letters in case of a gTLD or a ccTLD.

²² See, A. BRUNNEL, *Billions Registered, But no Rules: The Scope of Trademark Protection for Domain Name*, 1995, in «J. Proprietary RTS», 2.

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as an Internet address, had International Business Machines not already registered 'ibm.com'.

With the possible implementation of the additional TLD during 2000 or 2001 and the possible further creation of new top level domains, such problem should be solved because a firm can specify the branch of activities in which it specialises and so use the same DN of others. The 7 new proposed TLD are:

- a. .Firm: for businesses, or firms
- b. .Shops: for businesses offering goods to purchase
- c. .Web: for entities emphasising activities related to the WWW
- d. .Arts: for entities emphasising cultural and entertainment activities
- e. .Rec: for entities emphasising recreation/entertainment activities
- f. .Info: for entities providing information services
- g. .Nom: for those wishing individual or personal nomenclature.

Obtaining a trademark will help preventing others from using the same or very similar domain name, if for example they simply try to substitute .firm for .com.

In the opinion of the writer this is just a partial solution to the DN disputes. As a matter of fact, the introduction of hundreds new gTLD will just shift the perspective of the problem. Of course, by implementing TLDs, disputes that at the present arise as well as those concerning the example above or the attribution of the same DN for a Legal entity and a natural person will be solved, (e.g.: the firm Marzano that export electronic equipment would not register 'Marzano.com' if Marco Marzano as natural person has already registered this DN, with the implementation that problem no longer arise).

But the DN-related issues are more than simple disputes between natural persons and legal entities. Indeed, the main questions concerning: on one hand, the hijacking of DN relate to the well-known trademarks with the aims to resell it to the owner,²³ and on the other hand the use of the same trademark to sell same products or services will not be solved.²⁴

Concerning the latter point, in many cases identical and similar signs for identical and similar products coexist peacefully in different parts of the world without ever interfering with each other.

²³ Related to this kind of disputes, see: *MTV Networks v. Curry* 867 F. Supp.202 (SDNY 1994); *Laura Ashley Manufacturing BV v. Edizioni Blu s.r.l.* (Lauraashley.com), Court of appeal, 22 February 1999; *Stanley Kaplan v. Princeton Review; Mc.Donald's v. Quittner*.

²⁴ Related to this kind of disputes, see: *Marks & Spencer PLC v. One in a Million Ltd.*, No. CH 1997 M.5403, (Ch. 1997) (Eng.); *KnowledgeNet, Inc. v. Boone*, No. 94-CV-7195 (N.D. Ill. complaint filed Dec. 2, 1994); *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, No. C96-130WD, 1996 U.S. Dist. 11626, 1996 WL 84853 (W.D. Wash. Feb. 9, 1996) (preliminary injunction); *Amadeus marketing SA, Amadeus Marketing Italia SA v. Logica s.r.l.*, Court of Milano, June 9th 1997; *Logica s.r.l. v. Amadeus Marketing and Amadeus Marketing Italy s.r.l.* Court of Milan, 22 July 1997; *Sege s.r.l. v. Starnet s.r.l.*, Court of Rome, 2 August 1997.

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DN on the Internet created a new intensity of such clash of protected signs due to the principle prior in tempore, potior in jure²⁵ applied by the registers and the international nature of the web. A web page of a business trading in just one country or even in a certain area of the country is now accessible world-wide. It can be doubted whether the rules that are provided for the Trademark are suitable to solve the on-line-disputes that arise.

D) The struggle for a 'Name'

Since the origin of the DNS, domain names were carried out free of charge and according to the principle Prior in Tempore, Potior in Jure (first come, first served).²⁶ As long as the DN did not have more than 24 letters and did not contain signs other than letters and numbers, companies and private individuals were able to register any conceivable domain names without legitimisation being necessary. Conflict between domain name and Trademark rights were not investigated. There was no obligation to use a registered DN²⁷.

Gradually, numerous companies appreciated the economic value of domain name, but discovered that their trademarks or tradenames had already been registered by other companies or private individuals as domain name - first come, first served principle hence resulting in a number of trademark law disputes²⁸. When claims were filed against NSI for being an accessory to trademark infringement in the litigation between KnowledgeNet Inc. v. D. L. Boone²⁹, NSI decided to amend its assignment practice with effect as of November 23, 1995, NSI enacted its so-called 'Domain Name Dispute Policy' guidelines³⁰, modified in 1996, specifying in detail the

²⁵ Concerning the principle 'first come first served' see below.

²⁶ This principle provide that the first that register the name become the exclusive holder, whereas the second has a burden of differentiation.

²⁷ From the beginning this situation it evolved. Indeed, the attribution of the DNs now is subordinated to an effective use of them. This principle comes from the US trademark system, where the protection of a mark is recognised only where an effective use of this is done. This principle «*bona fide* intention to use the domain name on a regular basis of internet» is provided in the Domain Name System Dispute Policy Statement, concerning the Dispute Policy Statement see below.

²⁸ In October 1994 over 14% of the 500 largest US companies (the so-called 500 Fortune) were affected by domain name hijacking, see the cases summarised below. See also Raysman . Brown, On Line Legal Basis, (1995) 3 *N.Y.L.J.*, p.11.

²⁹ *KnowledgeNet, Inc. V. Boone*, No. 94-CV-7195 (N.D. Ill. complaint filed Dec.2, 1994), see the case summarised below, paragraph E.d) second ch.

³⁰ Available on the Internet rs.internic.net/domain-info/internic-domain-4.html. It is interesting to point out that this kind of 'unresponsibilities rules' of the registers have been added also in the registration form of the ccTLDs registers.

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registration requirements and the procedure to be implemented in case of trademark conflicts. All registrants are bound to the provision of the Dispute Policy Guidelines³¹. In the guidelines NSI notes expressly that it has neither the resources nor the legal obligation to evaluate whether or not a domain name infringes the right of a third party³². In principles, nobody is prevented from registering a domain name identical or similar to another's trademark³³.

The following paragraph examines the principal judgements rendered in the European and US courts to detect common trends as well as issues extending the trademark regulation to the DNS.

E) The Name Dispute.

Within a very short period of time, collision occurred. One unknown case was the 'Jim Cashel's, who in August 1994 'out of curiosity' registered eighteen DNSs which contained famous marks such as 'hertz' and 'esquire'. As it turned out, the holders of the trademark did not contact him and after trying to deal with reporters, he relinquished them back to the InterNIC. Other cases, however, have been generally less amicable, especially where the registrant's intent was to force the Trademark holder to buy back the address.

E. a) Stanley Kaplan v. Princeton Review

Stanley Kaplan Co., the largest test preparation company in the world with annual profits of more than \$85 million, became the victim of an Internet name hijacking. As a 'prank', Kaplan's arch-rival, Princeton Review, registered 'Kaplan.com' and established a web site at that address. When browser tapped into 'Kaplan.com' they were immediately informed that it was, in fact, Princeton Review that they had reached and then they were asked to contribute to a list of complaints about the Kaplan company.

When Princeton Review failed to respond to Kaplan's demands to surrender the name, Kaplan filed suit against Princeton Review in the Southern District of New

³¹ On Guidelines see, MORANDO & NADAN, *Can Trademark law regulate the race to claim Internet Domain Names?*, in «*The Computer Lawyer*», 1996, 13, p. 2.

³² It is very rare that the registers check the right of the applicants to use the DN. The isolated application of this concept is practised in France, Spain, and Belgium. But the problem of this system is in the cumbersome procedure required to check the eventual right of the registrant take an extremely long period of time. For a more in depth analysis of this concept see the conclusion of the work.

³³ *Mc.Donald's v. Quittner*, see the case summarised below, paragraph E. c) second ch.

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York. The suit was transferred to arbitration, under a stipulation by the parties. Kaplan's complaint asserted the usual panoply of claims found in a trademark case: trademark infringement, false designation of origin, false advertising, unfair competition and deceptive trade practices. In addition, Kaplan asserted that Princeton Review's actions tortuously interfered with Kaplan's prospective business relations. Emphasising the importance of being able to use the Internet for communicating with potential customers, Kaplan contended that Princeton Review's misappropriation of its name blocked this method of pursuing potential business relations.

The arbitrators found in Kaplan's favour, ordering Princeton Review to relinquish its rights to the domain name 'kaplan.com' but refusing to award damages or attorneys fees to Kaplan because there was not:

An adequate showing of actual damages or intentionally deceptive or bad faith conduct by the Princeton Review.

The above mentioned case was the first one concerning appropriation and abusive use of another's Trademark as a domain name address DNS, to be made public. Thus it can be seen as a first warning to the industry of the existence of domain grabbing practices, also due to the fact that the arbitrator perceived and accepted that a domain name could interfere with the use of a trademark.

E. b) *MTV v. Adam Curry*³⁴.

In June 1993, Adam Curry, then employed as an MTV video jockey registered the Domain

Name 'MTV.com'. At that address, Curry offered, among other things, a daily entertainment 'Cyberslease Report' and 'Adam Curry's Brain Waves'³⁵. MTV was aware of Curry's undertaking. In fact, Curry alleged that although MTV officials refused to Curry's offer for an Internet joint venture, MTV indicated that Curry could develop the Internet address at his own expense. But after Curry resigned from MTV, the TV channel denied ever giving such permission and filed suit against Curry in the Southern District of New York (Civil Action 94 Civ. 3271) for the right to the 'MTV' DN.

MTV asserted the same traditional trademark violations as Kaplan did in its case against Princeton Review, while claiming also trademark dilution. In addition, because of MTV's belief that Curry's actions violated his employment agreement

³⁴ *MTV Networks v. Curry* 867 F. Supp. 202 (SDNY 1994).

³⁵ In addition to the use of MTV's name as his internet DN, Curry allegedly provided, at the MTV address, Internet users with materials referring to MTV and copyright material owned by MTV.

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with MTV, MTV raised claims for breach of contract, usurpation of a corporate opportunity and breach of duty of fidelity.

Curry responded by denying MTV's allegation and rising several counterclaims, including breach of contract, fraud and negligent misrepresentation and unfair competition. These counterclaims were based on Curry's contention that he had expended considerable time and money in reliance on MTV's permission to use the DN 'MTV.com'. The Court denied MTV's motion to dismiss these counterclaims. However, MTV and Curry settled in march 1995. So as it turned out, the settlement of the case resolved little in the trademark area. Neither party had anything to say about the litigation following the settlement, but MTV did come away with 'mtv.com'.

The importance of this case is undeniable because after examining the acts it can be stated that the Court due to the parity of domain names and mnemonici telephone numbers was led to extend the application of the legislation concerning trademarks to this particular case³⁶.

E. c) Mc.Donald's v. Quittner.

In an interview with journalist Jousha Quittener in the fall of 1994, Scott Williamson, an InterNIC manager, said staffing constraints are the key reason why the InterNic does not check for trademark violations. Quinter asked Williamson if that meant that there would be nothing to stop him from registering 'Mc.Donalds.com'. And Williamson answer him «there is nothing that says that the register can stop you from doing that». The problem in internet is, Who is in charge?

InterNic (NSI) as well as all the other registrar are not able to check the trademark infringements. This is the main reason of hijacking and abusive use of trademark in Internet. The measures that the registers all over the world have taken are not sufficient to ensure a protection against cybersquatting³⁷.

Quinter then registered 'Mc.Donalds.com'. himself, and illegally invited readers to send feedback on Mc Donald's Company, should the company wish to acquire the address from him. He was well aware beforehand that 'MCDonald's' was among the

³⁶ MTV has learned its lesson in the uncouth world of the Internet. On its "Standards" page resides the disclaimer "all trademarks mentioned herein belong to their respective owners." MTV networks, formats & Standards (1996), available in World Wide Web, www.mtv.com/standards.html. MTV has since registered "MTV.COM" as a trademark: PTO N° 75-026,908, filed 1 Dec. 1995.

³⁷ At present several attempts have been taken to solve this problem that is frustrating Internet but unfortunately none of them have been able to prevent the phenomena of the well-known marks hijacking. On this regard see *infra*.

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most aggressive companies in stopping use of its name³⁸. Nevertheless, McDonald's, after applying immense legal pressure on the InterNic, ended up ransoming its address from Quittner by making a donation for computer equipment to an elementary school³⁹.

This case shows the weakness of the DNS, that albeit had been modified in the last couple of years⁴⁰ is still not able to ensure a fair register system that can prevent to the registrant this kind of unlawful practices.

E. d) Knowledge.Net v Boone⁴¹.

This case is interesting because for the first time the Naming Authority (InterNIC) and the access provider (NSI) have been challenged as competitors in the violation of a trademark with the cybersquatter.

In 1994 a company named KnowledgeNet with headquarters in Illinois specialised in computer consulting filed suit in the US District Court for the Northern District of Illinois (Civil Action 94C 7195) for misappropriation of the Internet name 'KnowledgeNET.com'. KnowledgeNet owns federal trademark registrations for the mark KnowledgeNet.

In March 1994 the defendants David L. Boone and D.L. Boone & Co⁴² obtained registration of the DN 'knowledge.com'. In June 1994 KnowledgeNet learned that Boone was using the name in making transactions over the Internet while identifying and marketing computer consulting and other computer-related services. Boone even allegedly licensed the KnowledgeNet trademark to third parties in the United States and abroad to use in the computer field. In response to KnowledgeNet's demands that Boone cease and desist any use of the KnowledgeNet mark and name, Boone allegedly stated that he would do so only on payment of an unspecified amount of money.

In addition to suing Boone, KnowledgeNet also sued Network Solutions, Inc. (a.k.a. InterNIC) and Digital Express Group, Inc., one of the many companies that provide equipment and services to connect users to the Internet. KnowledgeNet allegedly contacted InterNIC on numerous occasions to advise it on KnowledgeNet's trademark rights and the defendants' alleged infringement and to demand that InterNIC reassign the DN 'Knowledge.com' to the plaintiff, but InterNIC refused.

In naming InterNIC and Digital as defendants, KnowledgeNet alleged that InterNIC

³⁸ It would have sued, whether it's a dentist calling himself 'McDental' or a hotel calling itself 'McSleep'.

³⁹ After this case, McDonald's also registered the DN as a trademark 'MCDONALDS.COM' PTO No. 74-636,671, filed Feb. 21, 1995, published Oct. 10, 1995.

⁴⁰ Concerning the last modification of the DN system have a look in the above paragraph 'Who manage the Domain Names?'.

⁴¹ *KnowledgeNet, Inc. V. Boone*, No. 94-CV-7195 (N.D. Ill. complaint filed Dec. 2, 1994).

⁴² Hereinafter, Boone.

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assisted, aided and abetted defendants in their illegal activities by first allowing Boone to register the 'KnowledgeNet.com' DN and then refusing to reassign the name, and that Digital Express Group Knowingly facilitated the unauthorised use of the 'KnowledgeNet' trademark by the Internet. In fact, KnoledgeNet has gone as far as to assert a claim for racketeering on the ground that the defendants engaged in a pattern of unlawful activities, that is appropriating KnoledgeNET's trademark to conduct and obtain business.

Finally Mr Boone and KnowledgeNet came to an agreement away from the Courts accepting the following:

- 1) transfer the name to KnowledgeNet;
- 2) send copy of the common consent to the members of their associations;
- 3) Mr Boone would refrain from using KnowledgeNet's name;
- 4) send a copy of the agreement to the press.

Even though, there was no resulting case law, it did make InterNic and other service providers decide to change their regulations for registering⁴³ and include 'exclusion-of-responsibility' clauses⁴⁴.

No precedent has resulted even from this case. Nonetheless, it has served the purpose of warning the DN authorities and access providers about possible infringements of trademark rules. Particularly DN authorities have started modifying name assignment rules. 'Exclusion-of-responsibility' clauses and 'bona fides' rules from the part of registrants have been foreseen. Registrants are asked to guarantee that the DN they are likely to register is not conflicting with trademarks already used by other business⁴⁵.

E. e) Marks & Spencer plc v. One In a Milion⁴⁶.

In this decision the High Court (Chancery Division) contains an important consideration of the applicability of passing off⁴⁷ as a remedy against a DN pirate⁴⁸. A

⁴³ Now one has to guarantee that the name to be registered is not in conflict with another.

⁴⁴ Relate to the new rules that governing the registrar contract, see *infra*.

⁴⁵ IterNic's sole mission, after all, was simply to register DN, not to conduct any analysis or investigation on whether the DN sought to be registered violates the IP rights. InterNic's functions is analogous to that of a Secretary of State or State Banking commission registering a corporate or bank names, that is, those agencies similarly do not determine whether use of the corporate or bank name would violate the proprietary rights of other.

⁴⁶ *Marks & Spencer PLC v. One in a Million Ltd.*, No. CH 1997 M.5403, (Ch. 1997) (Eng.)

⁴⁷ *Passing off*, is the act or an instance of falsely representing one's own products as that of another in an attempt to deceive potential buyers. (P.O. is actionable in tort under the law of unfair competition).

⁴⁸ It is necessary to restate the five criteria which Lord Diplock, in *Erven Warninwik BV v. J T send & sons LTD*, (1979) A.C. 713 at 742, stated must be represented in order to give rise to

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number of plaintiffs, who were well-known marks owners possessing substantial goodwill and valuable registered trademarks, brought proceedings against a domain name cybersquatter which had registered domain names which it sought to sell to the plaintiff companies. The High Court awarded final injunctions which compelled the defendant in effect to 'deliver up' the registered domain names to the relevant plaintiffs. The deputy judge stated of passing off that:

The essence of the tort of passing off is a misrepresentation to the public (whether or not intentional) liable to lead them to believe that the goods and services offered by the representor are those of the Plaintiff. However, the tort is also committed by those who put or authorise someone to put an 'instrument of deception' into the hands of others. «No man is permitted to use any mark, sign or symbol, device or other name whereby, without making a direct false representation himself to a purchaser who purchases from him, he enables such a purchaser to tell a lie or to make a false representation to somebody else who is the ultimate customer»: *Singer v. Loog* (1880) 18 Ch D 395, 412, cited with approval by Lord Macnaughte in *Camel Hair Belting* (1986) A.C. 199, 215-216⁴⁹.

On a first impression, the reasoning of the deputy judge in this regard does not provide much hope for a plaintiff taking a passing off action against domain name pirates who are not in fact committing any misrepresentation. In applying His Honour's Statement of the law of passing off, one would have expected him to conclude that there was no passing off committed by the defendant, as there has not been misrepresentation made by the defendant placed or authorised an 'instrument of deception' into the hands of any other party. Indeed, it was acknowledged by the deputy judge that:

The mere creation of an 'instrument of deception', without either using it for deception or putting it into the hands of someone else to do so, is not passing off. There is no such tort as going equipped for passing off. It follows that the mere

a valid passing-off action. These are as follows: There must be a misrepresentation; The misrepresentation must have been made by a trader in course of trade; The misrepresentation must have been to the trader's prospective customers or to ultimate consumers of goods or services supplied by him; The misrepresentation must be calculated to injure the business or goodwill of another trader ('calculated to injure' means in this sense that injury is a reasonably foreseeable consequence); The misrepresentation must cause actual damage to a business or goodwill of the trader by whom the action is brought (or the case of a *quia timet* action, it must be probable that the misrepresentation will cause damage to a business or goodwill of the trader by whom the action is brought). According to the test set out by Lord Diplock, it is an essential requirement of passing off that there is both a misrepresentation and damage to business or goodwill.

⁴⁹ Paragraph, n. 6

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registration of the deceptive company name or a deceptive Internet domain name is not passing off⁵⁰.

Nevertheless, the deputy judge awarded a quia timet injunction on the basis that it was necessary to restrain the defendant from the potential possibility of committing a passing off at some time in the future, even though the defendants had in fact offered the domain name for sales to the plaintiffs. He stated that:

Any person who deliberately registers a domain name on account of its similarity to the name, brand or trade mark of an unconnected commercial organisation must expect to find himself on the receiving end of injunction to restrain the threat of passing off, and the injunction will be in terms which will make the name commercially useless to the dealer... There is only one possible reason why anyone who was not part of the [plaintiff company] should wish to use such a domain address, and that is to pass himself off as part of that group or his products of as theirs⁵¹.

The decision of the deputy judge in this regard once again confirms the extension of the Intellectual Property regulation to the World Wide Web. This approach is a perfect example of the orientation that is followed in the courts all over the World.

E. f) Hasbro v Candyland⁵².

In 1996 Hasbro, toy manufacturer known for the creation of the popular toy for children Candyland, sued the Internet Entertainment Group Ltd (IEG) based in Seattle, for using the homonymous name candyland (www.candyland.com) for a cybersexsite. The plaintiff declared that the use of the name was a dilution⁵³ and was able to damaging the image and prestige of Hasbro. The defendant (IEG) argued that they had no intention of benefiting parasitically from the distinguishing capacity of the name, and that anyhow no client had complained of visiting the site by error.

The deputy judge of the Western District of Washington, was not convinced by the IEG declarations and not only banned the use of the domain name 'www.candyland.com' but obliged it to put for a periods of 90 days an information sign where was clearly shown the new location of the own pornosite, without using hyperlink. Indeed, putting an hyperlink the users of candyland toy's company could be transferred to the IEG site without typing the address and that could maintain the

⁵⁰ Paragraph, n. 7.

⁵¹ Paragraph, n. 8.

⁵² *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, No. C96-130WD, 1996 U.S. Dist. 11626, 1996 WL 84853 (W.D. Wash. Feb. 9, 1996) (preliminary injunction).

⁵³ The dilution of distinctiveness following the Lanham Act (sect. 43.a) is «the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of: competition between the owner of famous and well-known mark and other parties, or likelihood of confusion, mistake or deception».

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likelihood of confusion. After 90 days the IEG shall remove the advice and dismiss any kind of use of the domain name 'candyland.com'.

This case was the first one to set-up a jurisprudential precedent concerning the use and possession of a domain name and initiate a jurisprudential orientation towards the regarding of the use of domain name by others as a cause of dilution of the trademark. Thus it is confirmed the applicability of the regulation concerning the trademark to cyberspace.

E. g) Soc. Teseo spa v. Soc Teseo Internet Provider s.r.l.⁵⁴

This sentence is one of the first, that regards domain names in Italy. The company Teseo sued Teseo Internet Provider for using as domain name Teseo.it because it resembled too much to that of its company's name. The plaintiff declared such practice was counterfeiting and endangering competition and it claimed urgent protection ex article 700 c.p.c.

The Court refuted the petition for two reasons. In the first place, the Court considered the companies provided very different services and thus could not be confused. (Art.13 R.D. 21 June 1942 n. 929, has modified by Art.13 D. Lgs. 4 december 1992, n. 480 was completely inapplicable). Secondly, it stated, and this is the most relevant part, that the plaintiff's argument concerning the 'likelihood of confusion' could not be accepted because:

Domain names have only the function of identifying a group of objects and not the entity using the domain name so such confusion was not possible, and even if it occurred it would vanish as soon as the web site was opened, because a domain name is only a domain name and nothing else.

Therefore according to the Court of Bari: Domain names are independent elements from the distinguishing features of the entity.

This opinion is unique and fortunately not shared by successive sentences.

E. h) Amadeus marketing SA, Amadeus Marketing Italia SA v. Logica s.r.l.⁵⁵

The Spanish company Amadeus Marketing S.A. and its subsidiary Amadeus Marketing Italia S.r.l. sued Logica S.r.l. for counterfeiting their trademark and producing unfair competition for the use of amadeus.it as their domain name.

The defendant, who operated in the tourist field at international level, used the site amadeus.net and claimed, on the base of Art. 700 c.p.c., for inhibiting measures for the use of the same denomination since the likelihood of confusion based on the

⁵⁴ Soc. Teseo spa v. Soc Teseo Internet Provider s.r.l., Court of Bari, July 24th 1996.

⁵⁵ Amadeus marketing SA, Amadeus Marketing Italia SA v. Logica s.r.l., Court of Milano, June 9th 1997.

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deriving from the similarity of the products sold by the parties.

The Court of Milan, in complete disagreement with the decision took by the Courts of Bari,⁵⁶ did recognise the distinguishing capability of domain names and declared that:

It does not seem debatable that the DN at issue enjoys a distinguished character distinct from the commercial services offered by it to the public through the Internet. With certain affinities with the concept of 'signs', as (virtual) place where the company meets customers until the conclusion of the contract.

In this case the Court judged that since the domain name contained the name of the plaintiff's trademark and their services were similar, it was convenient to grant inhibitory caution tutelary to the plaintiff.

E. i) Logica s.r.l. v. Amadeus Marketing and Amadeus Marketing Italy s.r.l.⁵⁷

Logica s.r.l., filed complaint against the aforementioned interim measure⁵⁸, arguing the lack of novelty of the trademark Amadeus, the distinctive capacity of the suffix '.it' which a company the domain name Amadeus, the lack of affinities between the activities of Logica S.r.l. and the complainants, and the lastly in any case the excessive scope of application of interim measure.

The Court, as to the first point found the inconsistency, both having regard to the existence of other DNs Amadeus and to the alleged priority of use of the DN by Logica s.r.l.:

It is clear in fact that the *causa petenti* alleged (trademark right) makes defining of the relationship between the various denomination which use Amadeus irrelevant. The all issue move then more on the basis of the trademark's counterfeiting, monopoly which goes beyond the telematic use.

As to the use of the suffix '.it'

The court held that reasoning seem to largely prescind from the trademark theory, referring to practice and regulation of the inherent service not sensible to the monopoly held by the complainants. This then out of discussion that in the DN used by Logica s.r.l. the core of the sign must be found in the name Amadeus which constitute the Monopoly.

As to the third complaint the court held that, although Logica s.r.l. carried out the functions of a provider in the Internet and not the ones of a tourist operator. It is also true that the uses of its site Amadeus it had possibility to access to sites

⁵⁶ See the case summarised above.

⁵⁷ *Logica s.r.l. v. Amadeus Marketing and Amadeus Marketing Italy s.r.l.*, Court of Milan, 22 July 1997.

⁵⁸ Ordinanza cautelare.

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particularly specialised in the information and advertising of tourist services, even with an on-line booking possibility.

The deputy judge was right than in the appeal measure when he referred to:

Mediated access to booking which justified the affinities between the activities carried out pursuant to trademark law to recognise the *jus excludendi* typical of the monopoly in respect to the company that uses the same (or alike) distinct in signs (art.1 legge marchi)

The Court added that:

The theory of affinities of goods and services is now consistent with jurisprudence which is now constant and which take into consideration the similarity of the needs of goods or services are aimed to satisfy the identity of customers (intended as social category or sub category), the very nature of goods and services⁵⁹, criteria towards which from more than a decade the prevailing approach has been that decisive relief can assume the circumstance of connectability to the same productive source, in relation with the normal capacity to expand of business activities⁶⁰. Which does not consider this interpretation has alternative to traditional criteria.

On these bases the deputy judge recognises the existence of a sort of affinity between the commercial activities of the parties at issues, because the activity of Logica s.r.l. could be considered, in a instrumental way, as a phase (preliminary but not replaceable for the users of the plaintiff) on the technical procedure through which this service was granted.

Held that, however, the affinity and the consequent risk of confusion existed just with reference to the tourist activity the Court partially up-holding the claim considered as necessary to limit the prohibition to use the DN Amadeus it solely to information and services if the tourist branch available through the site managed by Logica s.r.l.

E. m) *Laura Ashley Manufacturing BV v. Edizioni Blu Srl (lauraashley.com)*⁶¹.

The Italian Court of Appeal also confirmed in a preliminary injunction ordered on February 22, 1999 that the mere reservation of a DN combined with the intention to benefit from the name by selling it constitutes a trademark infringement, if the trademark has a reputation and is therefore being protected according to Art. 1 Sect. 1 (c) of the Italian Trademark Law⁶². The court of First instance had expressly

⁵⁹ See among others, Cassazione 19 marzo 1991, n. 2.942.

⁶⁰ See, Cassazione 24 ottobre 1983, n. 6244; more recently Cassazione 22 gennaio 1993, n. 782.

⁶¹ *Laura Ashley Manufacturing BV v. Edizioni Blu s.r.l. (Lauraashley.com)*, Court of appeal, 22 February 1999.

⁶² Legge marchi, in force since 28 December 1992.

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made reference to the British One in a Million⁶³ decision and to the German case deta.com⁶⁴.

Under the former Italian trademark act a trademark infringement was only committed, if the trademark was used in a trademark-like manner to indicate the origin of a product or service and had not just been registered⁶⁵. Even the registration of a well-known trademark therefore did not constitute a trademark infringement. According to Art.1 (c) of the new Italian trademark law an infringement is given where a person uses a sign which is identical or similar to a registered trademark without the consent of the trademark owner where the registered mark has rinomanza (reputation) and such use of the sign takes undue advantage of the distinctive character or reputation of the mark or causes prejudice to that distinctive character or reputation.

While taking into consideration this extended protection, the District Court of Milan held in 1994 that the mere registration of a trademark which violates the prior rights of a third party, owner of a well-known de facto trademark constitutes a preparatory act unequivocally directing at infringing and as such is an infringement.

The preliminary appeal order in the 'lauraashley.com' case confirm this new ruling.

Recent developments.

These legal trend followed by both American and European Courts, highlight the distinctiveness capacity of the domain name. The above mentioned cases follow the same development that has been followed concerning the 'denomination of technologies instruments',⁶⁶ (e.g.: fax and telex). Indeed, the latter and the domain name are similar in features and functions. Once, we admit the atypical distinctiveness that is specific to a domain name we shall fully apply the legislation concerning trademark. Actually, once affirmed the principle of the unitary of distinguishable signs, and considered the domain name as such, there is no reason to take Domain Names out of the scope of this legislation.

2. Remedies in the Domain Names struggle.

The recognition of the distinguishing capacities of Domain Names, their interference with traditional distinguishing signs regulations (trademark) and its applicability to

⁶³ See the case summarised above: *Marks & Spencer PLC v. One in a Million Ltd.*, No. CH 1997 M.5403, (Ch. 1997) (Eng.).

⁶⁴ Preliminary order, (1999) *EIPR*, p. 105.

⁶⁵ District Court of Milan, 24 May 1976, (1999) *EIPR*, p. 105.

⁶⁶ See, BGH decemer 1985, Fernschreibkennung, GRUR 1986, 475; June 1956, Meisterbrand, GRUR 1957, 87 e BGH 25 February 1955, Hamburger Kinderstube, GRUR 1955, 481.

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the cyberspace reality seem to constitute, consolidated interpretative principles at the international level.

Based upon what was analysed in the preceding chapter it is easy to understand why one of the pressing topics facing the new internet governing body (ICANN) is the creation of a uniform dispute resolution policy, as an alternative to litigation, in order to protect the interests of trademark owners, while not hindering the rights of legitimate DN holders or the speed and ease with which the DNS is currently functioning. The introduction of competition between registrars in the gTLDs (.com, .org,, .net) has made uniformity of primary importance to any of the dispute resolution procedures that are implemented.

The World Intellectual Property Organisation's⁶⁷ proposal to ICANN contained in the 'Final Report of the WIPO Internet Domain Name Process'⁶⁸, which has been adopted by ICANN and has recently been implemented, seems to be a response to the problems associated with the bad faith registration of DN.

The European Union on the other hand is trying to set up a flexible and evolving regulatory framework that, while not foreclosing adaptability, fosters certainty in the virtual e-business environment and encourages the logic of the one-stop-shop in the field of trademark-related protection of domain names.

A.1) WIPO Final Report of the Internet Domain Name Process as a possible solution.

We have to take into account that-due-to the rising relevance of electronic commerce world-wide-it is essential to avoid the maintenance of two independent systems that ignore each other: the domain name system in cyberspace and the intellectual property system regarding distinguishing signs in the real world. The reason for which these two systems interrelate is in many cases the wish or necessity of businessmen when advertising and commercialising their products to use both dimensions (but not always, since there are certain virtual enterprises that only carry out their services or distribute their products on-line).

We must consider that the cause of such a great number of conflicts that occur daily between domain name holders and distinguishing signs holders lies in the excess of permissibility in the registration of gTLDs⁶⁹. For this reason it must be understood that with regard to the growing number of such conflicts the appropriate policy to be followed should be oriented fundamentally towards the prevention of conflicts by improving registering practices of domain names and giving certain advantages to the holder of well known marks and known marks in a certain sector, against abusive

⁶⁷ Hereinafter, WIPO.

⁶⁸ April 30, 1999, wipo2.wipo.int/process/eng/final_report.html.

⁶⁹ First come, first served principle, see the paragraph D, second Ch.

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registering of such names by third parties that lack any right over the registered sign. However, regarding the strain produced due to parasitical and predatory practices of registering distinguishing signs of third parties as domain names, WIPO has considered the implementation of an administrative procedure suitable to solve conflicts caused by abusive and bad faith registering of domain names that can transgress legitimate rights of distinguishing national and regional signs.

The WIPO Report, provides: in view of the weight of opinion against the mandatory submission to an administrative procedure in respect of any intellectual property dispute arising out of a domain name registration, two major changes concerning the suggested administrative dispute-resolution procedure:

1. First, the scope of the procedure is limited only to deliberate, bad faith, abusive, domain name registration or 'cybersquatting' and is not applicable to disputes between parties with competing rights acting in good faith.

2. Secondly, the notion of an abusive domain name registration is defined solely by reference to violations of trademark rights and not by reference to violations of other intellectual property rights, such as personality rights⁷⁰.

In this way the administrative procedure can only be applied to conflicts where bad faith or abusive registering is presently limiting its object to these and leaving to national courts, arbitration and mediation centres those where good faith exists⁷¹.

The purpose of this all is not to create new intellectual property rights (as for instance, an exclusive right for DN) nor to broaden their scope of protection in cyberspace but to offer a more correct and effective expression of the existing intellectual property laws in a new multijurisdictional commercial zone. It seeks, finally, to find procedures that can prevent the reduction of Intellectual Property rights as a consequence of the use of DN in Internet, trying at the same time, not to interfere in the functioning and normal flow of the World Wide Web.

The administrative procedure created by WIPO limits its recommendations to the conflicts between DN and Intellectual Property rights to the domain names registered in any gTLDs, even though the absence of restrictions in the access to them increments their confrontation with third parties' rights. However since the activity performed through a web site identified and placed within an open or restricted ccTLD is going to be present world-wide and can affect the Intellectual

⁷⁰ Paragraph 135 of the 3th Ch. 'Final Report of the WIPO Internet Domain Name Process', WIPO 30 April 99.

⁷¹ Again WIPO holds the mandate of the USA White Book, limiting itself to examine only the conflicts between the DN and trademarks (Intellectual Property right). This does not mean that later on ICANN can extend his dispute resolution policy to other legitimate rights over distinguishing signs such as personality rights or copyright, continuing the orientation exposed before demanding from the registrant a declaration accepting not to violate any right of third parties (generally and not only over the trademarks of an enterprise as WIPO recommends).

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Property rights of third parties in different countries it would be convenient that national registering authorities that manage the ccTLD in each country adopt WIPO's recommendations, so that this dispute resolution mechanism has more than just a partial effectiveness, as it seems to have now, and can allow an efficient administration of domain name in a world wide level⁷².

In the following paragraphs the administrative procedure to solve disputes between DN and Intellectual Property rights provided by WIPO is analysed.

A.2) Panel resolution of bad faith domain name registration.

The mentioned procedure covers a uniform dispute resolution policy for the conflicts that arise between DN holders and Intellectual Property right owners in the global media and thus in the multijurisdictional world. At the same time this procedure intends to allow parties to solve disputes quickly and inexpensively as an alternative to litigation.

The agreement to arbitrate claims of bad faith registrations would be included in the registration act between the domain name applicant and the registrar, and arbitration would be mandatory for covered claims, but not binding. This procedure is an effort to respond to the most frequent causes of litigation regarding DN (predatory and parasitical practices) and is an alternative to the often doubtful application of the trademark and unfair competition laws by national courts (see the court of Bari's decision in the Teseo case, analysed above).

As mentioned before, the administrative procedure must be adopted uniformly in order to equally resolve any conflict caused by the bad faith registration and abuse of the use of DN in each and every one of the gTLDs. To grant the obligatory character of these procedure, the registering contract must include a provision establishing that the dispute be solved by the mentioned procedure in case a third party claims the existence of 'bad faith and abusive practices'.

The WIPO report identifies the registration and bad faith of DN in violation of the exclusive right of the distinguishing signs of an enterprise (mainly trademark rights)

⁷² The recommendations that WIPO made in its Report relate to a progressive uniformisation of the ccTLDs haven't been respected by its members. Indeed, concerning the orientation that should be followed in organising a uniform DN dispute policy, the only state that followed the Final Report have just been Niue with the ccTLDs 'NU'. To support that we can cite the Italian's law proposal concerning the DNs that have been adopted by the Italian Council of Ministers the 12 April 2000. This new regulation is completely indifferent to the jurisdictional problems that have been highlighted by the WIPO. Furthermore the enforcement of the right is let to the ordinary justice without providing the possibility of an arbitration. That can be very dangerous because in that way the owner of a trademark, that has been registered abusively by a third party, can be obliged to wait years before seeing his right enforced.

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with cybersquatting,⁷³ understood in a strict sense: as domain registration to force a trademark owner to buy from the cybersquatter the DN; and those of warehousing: as a registration of a collection of DN to sell them to whoever is interested⁷⁴. The arbitration procedure would be conducted by three-person panels, and would be limited only to complaints alleging the 'abusive' registration of a domain name, which is met, according to the WIPO final report, when the three following conditions materialised:

1. The domain name is identical or misleadingly similar to a trade or service mark in which the complainant has right;
2. the holder of the DN has no rights or legitimate interests in respect of the domain name;
3. the DN has been registered and is used in bad faith⁷⁵.

Evidence of bad faith is then defined in the Final Report:

An offer to sell, rent or otherwise transfer the DN to the owner of the trade or service mark, or to a competitor of the owner of the trade or service mark, for valuable consideration;⁷⁶ or

An attempt to attract, for financial gain, Internet users to the domain name holder's website or other on-line location, by creating confusion with the trade or service mark of the complainant⁷⁷, or

⁷³ The cases of abusive registration of domain names coincide with what we denominate in general terms in the first chapter cyberpiracy, distinguishing later between cybersquatting and warehousing. However it is preferable to talk about cybersquatting in general terms (following this way the Web's terminology) because it is understood that cyberpiracy must be restricted to the violation of copyright and the web site's contents. The author disagrees with such doctrine that considers the term cyberpiracy in the field of domains to define all the predatory and parasitical use and registration practices in detriment of the legitimate rights of third parties should be maintained, F. CARBAJO CASCÓN, *Conflictos entre Signos Distintivos y Nombres de Dominio en Internet*, Aranzadi Ed., Navarra, 1999.

⁷⁴ This case happened some weeks ago, 17th february 2000, when Nichi Grauso an Italian's entrepreneur registered 500.000 DN, 70.000 in Italy as ccTLDs and the rest in gTLDs.

⁷⁵ WIPO Final Report, above cited, chapter 3 point 171 n. 1.

⁷⁶ Or any other person interested in the domain, that has nothing to do with the holder of the sign directly harmed by the abusive registration of the domain, or any other person that simply wishes to harm the legitimate holder of the usurped sign, even if he doesn't have direct competition with him. Relate to this kind of disputes, see: *MTV Networks v. Curry* 867 F. Supp.202 (SDNY 1994); *Laura Ashley Manufacturing BV v. Edizioni Blu s.r.l.* (Lauraashley.com), Court of appeal, 22 February 1999; *Stanley Kaplan v. Princeton Review; Mc.Donald's v. Quittner*.

⁷⁷ In the opinion of the writer this circumstance should be interpreted in a broad way, including also the usurpation of others' signs that even without generating confusion between the users constitute a benefit or unfair injury of someone else's reputation. Relate to this kind of disputes, see: *Marks & Spencer PLC v. One in a Million Ltd.*, No. CH 1997 M.5403,

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The registration of the domain name in order to prevent the owner of the trade mark in a corresponding DN, provided that a pattern of such conduct has been established on the part of the DN holder; or

The registration of the domain name in order to disrupt the business of a competitor⁷⁸.

According to WIPO the definition of the abusive registration of domain names, that in the opinion of the writer should be interpreted in a even broader way, includes cases of predatory and abusive practices that up to this moment have occurred mainly in countries where the Internet is most widely used and finds shelter under the provisions concerning distinguishing signs of trademarks in Intellectual Property Law and unfair competition law (such as the Paris Convention and TRIPs), in parallel with the national trademark and unfair competition regulations.

An administrative body or tribunal (Administrative Panel) formed by 3 impartial and independent members decides whether the administrative procedure is appropriate to solve the complainant's demand⁷⁹. The members of such a body are named in each case by the 'Dispute-Resolution Service Providers' accredited by ICANN for those services. A list of individuals that may be selected to form such tribunal must be given publicity in an accessible way, including also details of their experience and qualifications. Once it is constituted, formal notice of the members selected must be given to both parties. The 'Decision-Makers Panel' will then be in charge of deciding which national or international law must be applied⁸⁰.

(Ch. 1997) (Eng.); *Knowledgenet, Inc. v. Boone*, No. 94-CV-7195 (N.D. Ill. complaint filed Dec. 2, 1994); *Hasbro, Inc. v. Internet Entertainment Group, Ltd.*, No. C96-130WD, 1996 U.S. Dist. 11626, 1996 WL 84853 (W.D. Wash. Feb. 9, 1996) (preliminary injunction); *Amadeus marketing SA, Amadeus Marketing Italia SA v. Logica s.r.l.*, Court of Milano, June 9th 1997; *Logica s.r.l. v. Amadeus Marketing and Amadeus Marketing Italy s.r.l.* Court of Milan, 22 July 1997; *Sege s.r.l. v. Starnet s.r.l.*, Court of Rome, 2 August 1997. WIPO seems to be referring to only to cases where confusion is generated between users, while in our judgement the instrumental relationship between the domain and the positioned web by itself demands an opening of the web to determine whether confusion exists or not.

⁷⁸ This cases should not be limited to the direct competitors of the usurped sign holder because the economic harm (comparison, denigration acts...) can be done by any third party with bad faith that wishes to harm an enterprise even when there is no economic or commercial relationship between them.

⁷⁹ The report provide the possibilities to appoint just one arbiter for the Administrative procedure panel. But, as it has been highlighted in the WIPO *Final Report*, 30 April 1999, ch. III ph. 204, 205, 206 and 207, this possibilities has to be avoided.

⁸⁰ For the implementation of the obligatory dispute resolution administrative procedure regarding abusive registration of domain names in the terms defined by WIPO, it is recommended that ICANN adopts a dispute resolution policy for the abusive registration of domain, *Policy in Dispute Resolution for Abusive Domain Name Registration*, as well as certain rules for the development of the administrative procedure, *Rules for Administrative Procedure*

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WIPO recommends that in the submission clause to the dispute resolution of the administrative procedure of the registrant, the administrative authority charged of resolving third parties claims for the infringement of the intellectual Property rights caused by abusive DN registration, should be designated. It is also suggested that ICANN should designate a group of well-known and respected institutions world wide to judge and solve administrative disputes. The choice and naming should follow certain criteria such as the international character of the institution and the quality and neutrality of its members, the facilities given by the institutions to solve on-line such conflicts as well as the certainty that the institution be able to provide these services over a long period of time.

The scope of the decision Panel is limited to the following: the cancellation of the contested DN, the cession of the registered DN to the third party and the assignation of the procedural cost. Also under this perspective an extreme similarity with trademarks must be recognised. WIPO understands that limiting the object of the administrative procedure just to abusive DN registration cases, and the rapidity of their resolution, makes the suspension of the Domain unnecessary until the dispute is resolved. WIPO also recommends the possibility of accumulating one sole procedure over demand of one part against the DN holder that has registered abusively one or more distinguished signs of a third parties in one or varies open gTLDs⁸¹.

To make this procedure effective the registration contract of a DN must include a serious of provisions of registrant agreeing to submit to any decision made by administrative court regarding his domain right, and respecting the effectiveness of this decision made directly by the relevant authority. The party must also accept that the corresponding registering authorities have no responsibility for the acts done to execute the decision of the court or Panel.

The administrative procedure of the abusive registration of DN to be in accordance with internet nature must be rapid and effective, with the determined cost and if possible on-line. Time limit of 45 days starting from the beginning of the procedure is recommended⁸². The author argues that this is much too long a period and

Concerning Abusive Name Registering, that should intend in any case to be impartial and transparent in the development and resolution of the administrative procedure, included both Annex IV and V of the WIPO Final Report.

⁸¹ The case, Marks & Spencer PLC v. One in a Million Ltd., No CH 1997 M.5403, (Ch. 1997) (Eng) is a good example to show such situation, paragraph E.e) second Ch.

⁸²For procedural expenses, WIPO recommends to give freedom to the dispute resolution service providers to determine the charges that are to be paid to for the administration of the service and the charge that must be paid to the Court or panel for the administration costs of the dispute resolution services when establishing relationships between different registers. WIPO understands that the plaintiff must pay the administrative charge of the procedure at the beginning of it and make effective the rest of the expenses when the panel or Court has

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considers that the damage that can be done by an infringing DN in a short period of time requires a much faster resolution of dispute. There is also a time limit of 7 days suggested for the period between the issuance of an administrative determination and its implementation by the registration authorities, to purportedly allow a losing party to suspend the implementation of the decision through court action. The decisions should be made by means of a web site established for this purpose. However, it is understood that in those cases of bad faith and abusive registration, the claims to the administrative court are not subject to a time limit. It also advises enforcing electronic security measures that can ensure the authenticity and confidentiality of the procedure and on-line resolution. Finally the WIPO also recommends that there are no possible appeal against the Panel administrative decisions, but of course, every administrative procedure can be appealed in front of any regional or national court.

Even though the administrative procedure of abusive registration of DN is very precise WIPO does not want to close the way to the court of justice actions firstly, because it is not possible in juridical terms and; secondly, because the constitution of most countries that are members of the WIPO considered the possibility to appeal an administrative procedure as a basic requirement of democracy. Thus WIPO believes that the adoption of an alternative dispute resolution system, that in certain circumstances is binding, can not deny the party access to the court of justice, before, during or after the alternative procedure⁸³. So this new dispute resolution is not intended to preclude the parties from their day in a court, and the parties to a dispute could at any time litigate the issues. Registrars would still be required to abide by the decision of any competent court, and any decision reached by arbitration panels superseded by a court decision.

To grant a bit more uniformity and security in the determination of the relevant jurisdiction (after having seen the abundant existing transnational litigation conflicts), the Report recommends that the registering contracts force the registrant of the DN to submit the dispute to the country of residence of the registrant and to the country where the chosen registrar authority is domiciled.

Aware of the slowness of the judicial procedures and the damage this can cause (due to the velocity of the event happening on the Internet) WIPO recommends a

the faculty to decide on the total costs and expenses of the procedure and imputes them to him.

⁸³ Specifically it is advised that the prevision of an administrative procedure does not prevent the plaintiff from invoking his rights before the competent courts even when the administrative procedure is terminated and executed. In this sense it is understood that the eventual previous decisions of the administrative court must not constitute (or become) a precedent before the Courts of Justice. If the parties start a procedure before a Court of justice while the administrative procedure is going on and do not the retire the administrative procedure, the expert panel may decide between suspending the administration procedure or continuing it and dictating a resolution.

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contract clause giving to the registrant the possibility to submit the dispute voluntarily to arbitration no matter what it regards. It is recommended that ICANN establish a list of arbitration institutions for the eventual dispute resolution that this method requires. The choice is for the parties or for the registrant depending on the international or national characteristics of the dispute, the procedural rules and the quality of the arbitrator presented. WIPO recommends that provisions by which the registrant agrees to submit to arbitration include a clause that allows him to demand an arbitration on-line.

Finally, even though WIPO does not recommend obligatory mediation in the DN registration contract, it motivates Internet users to consider the advantages of mediation for dispute resolution arising between DN holders and trademarks owners with legitimate right and acting in good faith when defending their rights.

B) Looking for a European Approach.

As since in previous sections many issues concerning the need for regulation and the jurisdictional level where regulation should be passed have been put forward. Some attempts have been stressed as possible solution to the problems that arise in this domain. Some drawbacks have also been highlighted that ask for a new regulatory framework to be set up.

While changing the perspective of our analysis and confronting with an approach that focuses more on the Economics of Regulation, we would proceed in justifying why regulation is needed in this area and at which level the regulatory process should be set up.

B.1) A Subsidiarity test for Trademark-related regulation over the Internet.

Several ways of reasoning could be adopted in this respect. Nonetheless, one of the instruments that has been mainly used at the EU level for considering the rationales for regulation is the Subsidiarity Principle. It does not just set the rules for determining the administrative level at which regulation is set or applied. But it also explains the economic principles (efficiency, proportionality, effectiveness) of regulation.

Article 5 of the Amsterdam Treaty establishing the European Community states the following:

«The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein.

In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member

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States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.

Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty».

A careful scrutiny of this article allows asking four questions:

- a) Does the EU have competence to draw legislation on the domain?
- b) Is regulation needed?
- c) What is the appropriate level for regulation to be set up?
- d) Is regulation proportional to the aims it tends to achieve?

The answers to these questions might not eventually be unique. Nevertheless, they will allow us to establish a framework within which it would be possible to justify more courageous moves in setting up legislation in the domain.

B.1. a) The EU Competence in Trademark Law.

The competence of the EU in trademark law is not deemed to be exclusive. Trademark law in the past has been traditionally administered, established and implemented by the member countries while tackling the problems arising within their jurisdictions. The few cases that were brought about at the European or international level were tackled through international agreements (e.g. the Paris Convention, TRIPS, etc.)⁸⁴.

Due to the increasing impact and implementation of the Internal Market principles, the extension in coverage for trademarks has been tremendously enlarged. Therefore the need for the EU law to take action on the issue has been put forward⁸⁵.

⁸⁴ The CTM system leaves the national trade mark systems of Member States (as far as Belgium, Luxembourg and the Netherlands are concerned, the Benelux Trade Mark system) unaffected. Business enterprises are free to file national trade mark applications, a CTM application, or both. The large number of national trade marks already existing and registered in the Member States remain valid. It is entirely up to the strategy of the applicants and proprietors of trade marks whether they want to rely exclusively, or in addition to national trade mark rights, on the CTM protection. However, earlier national trade marks constitute earlier rights against a CTM, and vice versa. The Office does not examine such earlier rights of its own motion. Only the proprietor of the earlier right can raise this issue, either by filing an opposition within 3 months of the publication of the CTM application, or following the registration of the CTM by filing an application for a declaration of invalidity on relative grounds.

⁸⁵ Directive 21/12/1998, N. 89/104 on the approximation of Members States Legislation for Trademarks (OJ 40, 11/2/89 p.1). Regulation 20/12/93, N. 40/94 on EU trademark (in OJ 11, 14/1/94). To the above mentioned regulation and directive, we should add other less relevant regulations that however complete the general regulatory framework. Namely, Regulation 2081/92, 14 July 1992, Commission Regulation 2868/95, 13 December 1995; Directive proposal concerning the Harmonisation of national legislation concerning the

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Nevertheless, the above mentioned process of increasing internationalisation of trademark law is proving not to be sufficient to cope with problems arising in this domain within the Internet arena. The speed and scope of the arising market and the volume of transactions that is likely to emerge in the near future, makes the current regulatory framework patchy and inappropriate. At the same time, the impossibility to attain binding international rules aimed at definitely solve the problem imposes us some more concerns for reflection.

The solution might probably lie where domestic controversies on the nature of trademark find clearance within a regulatory framework that, while keeping flexibility and ability to adapt, it also sets up certain rules that would apply to the highest number of cases. Therefore, by creating a mix of legislation and technical solutions that would apply to a critical mass of cases, the likelihood that this same system would expand to other jurisdictions would increase.

B.1. b) The need for regulation.

As the economic literature states, regulation is needed when it has to cope with market failures. Market failures are commonly listed as it follows: market power, externalities, asymmetric information, public goods⁸⁶.

Market power has to do with barriers that hinder new competitors from entering a particular market. A barrier to entry into a market is a cost of production for a new entrant that is not incurred by incumbent firms. This cost must be sunk. That is to say unrecoverable once the investment has been financed (e.g. expenditures in R&D, advertisement campaigns).

Externalities (or spill over effects) are costs or benefits transmitted between agents, in the absence of any related economic transaction between those agents. In case of negative externality the cost imposed to society in order to make a product or service available is larger than the firm's cost (the opposite case arises with positive externalities). Regulators intervene so as to stimulate the firm to internalise this cost⁸⁷.

Asymmetric information refers to costs and benefits of a transaction that the parties to the transaction have not accounted for in the terms of exchange. It is about quantity of information customers and suppliers have concerning the quality and the characteristics of the exchanged good or service. They generate an additional, unexpected cost charged over the less informed party which results in an inefficient

Juridical Protection of Models and Designs as published in OJEU C237, 4 August 1998. G. BENNACCHIO, *Diritto Privato delle Comunità Europee. Fonti, Modelli e Regole*, Padova, Cedam, 1998, p. 502.

⁸⁶ JACQUES PELKMANS, *European Economic Integration, Methods and economic analysis*, Netherlands Open University, 1997.

⁸⁷ W. MOLLE, *Economics of European Integration: Theory, Practice and Politics*, 1997.

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market allocation. Regulation is at stake, here, since it obliges companies to publicly assess the quality and features of their products and to comply with some basic requirements.

Public goods are characterised by non-appropriability and non-excludability (of consumption), so that they cannot be profitable if exploited in a competitive environment.

Within the trademark domain (and with reference to the Internet arena) several market failures could be taken into account.

An inappropriate use of trademark over the Internet does not just affect a local niche of the market. Its consequences are, indeed, global. New competitors on the e-market, as well as well established companies that might have their trademark already taken by others as a domain name, incur huge costs for penetrating the market through other trademarks. The possible effect of market power is easily reinforced by the global reach that the Internet enjoys. Therefore, regulation – as we have previously seen - is asked for avoiding unlawful usage of trademark in a way that they foreclose the market to legal owners of a trademark.

Less relevant problems probably arise with respect to externalities and public good-type of failures. It is self-evident that an unlawful usage of trademarks generates a negative externality over the legal user. It is also clear that a trademark could be deprived of its value if turned into a public good. But also in this last cases, traditional legislation already intervenes quite uniformly across countries.

Asymmetric information are definitely more relevant when trademarks are concerned. If they are illegally detained or used by illegal owners, they create on the consumer a very high degree of uncertainty that would not be caught by the terms of contract the consumer is going to sign with the provider. Regulation, therefore, is far much important for the purpose of eliminating the costs of uncertainty.

Though these rationales for regulation are pretty common in domestic law-making, the level where trademark law should be passed and implemented remains inappropriate in terms of the Internet marketplace.

B.1. c) The appropriate level for setting regulation.

As a matter of fact, domestic and EU law attempted to cope with the above mentioned market failures in a number of ways within their territories.

Trademark is regarded as a relevant means for recognition while doing business. Trademarks include the value of a company and its ownership has to be guaranteed and protected. However, if effective protection has to be granted, it has to cope with the scale across which the trademark exerts its scope. Therefore, by recalling Article 5 of the Amsterdam Treaty, we may come to the conclusion that the most appropriate level for establishing regulation would be the one that better copes with the dimension of the object to be regulated. «From a juridical point of view,

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cyberspace is a decentralised global communication tool connecting individuals, institutions, companies and governments all over the world»⁸⁸. It is intended as an immaterial aggregation of communication networks, telematics links, operating systems where digital information can be transmitted, searched and stored without any space and time constraints⁸⁹.

This idea added up to the concept of territorial jurisdiction while highlighting juridical problems linked to the immaterial aspect of information flow. Therefore, the traditional application law to the domain results being blurred and vanished by the global nature of the e-market place.

B.1. d) Is regulation proportional?

The same line of reasoning then might concern the application of the 'proportionality principle'. Regulation shall not go beyond what is necessary to achieve its objectives. Otherwise would entail costs for the system to work smoothly. Evidence, however, shows that it is quite difficult to strike a balance between the needs for certainty (sometimes resulting from detailed regulation) and the necessity for flexible solutions.

B.2) Is there a European strategy for Domain Names conflict resolution?

As shown up until now, the dimension and scope for application of trademarks in the e-economy is overtly global. This entails that a non-correct use of trademarks generates negative externalities on the legal owner and uncertainty over the final user. Nevertheless, it is maintained to be extremely difficult to set up and implement regulation with global coverage (at least for the moment). Therefore, some ways out have to be found in one of the means that has apparently fostered the approximation of legislation within the EU and that might eventually be the reference point for International Law as well. The strategic solution and the partial answer to the problem is to be considered the phenomenon of Regulatory Competition.

Therefore, we proceed in approaching the argument by highlighting the following steps:

- a) the strategies and technical solutions that could foster a more certain case clearance;
- b) the possible critical mass effect that the regulatory framework might attain so as to be diffused within other jurisdictions.

B.2. a) The Strategy and Technical solutions.

⁸⁸ *ACLU vs Reno* – Pennsylvania District Court – 11 June 1996.

⁸⁹ G. ZICCARDI, *Il Diritto in Internet*, Modena, Mucchi Editore, 1999.

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Regulatory competition is defined as the alteration of national regulation in response to the actual or expected impact of cross-border mobility of goods, services or factors on national economic activity⁹⁰. The same definition could also apply for the process through which several juridical systems sharing the same issues and managing the same platform compete for the best and most effective regulation.

Having this in mind, the long run effect would be the establishment of a regulatory framework that is not the result of international negotiations, but eventually the recognition and automatic adoption of the best and economically performant regulatory system.

Convergence among systems and judicial remedies, indeed, would entail a reduction in time and costs for the application of trademark law to domain names. Uncertainty both for operators and final users would be drastically reduced allowing a smoother development of electronic commerce and the Internet-related activities.

A non-coordinated outcome where legislations would keep being different and diverging would entail barriers to the establishment of a truly world-wide e-commerce where the clearance of controversies would be costly and time consuming. The European example: the EU, while following its regulatory pattern based on a mix of 'continental' tradition of law-making and the Anglo-Saxon one of case clearing, is fostering a legislative framework that might have the chance of imposing itself as a 'best practice' against which other systems might benchmark

The EU Directive on electronic commerce, for instance, represents one of the examples in this regard. While tackling issues of applicability of a certain law to contracts and enhancing certainty in the proper identification of the counterparts, it also provides examples to be adopted in other areas such as trademark issues.

Most likely other systems might get closer to the EU one that allow a reasonable mix of certainty and flexibility and – especially - provides for the mutual recognition of national legal frameworks and case clearance. The same phenomenon might be likely to happen on a world-wide basis. As a matter of fact, the EU Commission Communication on the Internet Domain Names System states that «policy will also be needed covering names that would not be available for use except by those with a demonstrable right to use them». This list could include certain trademarks and famous names recognised under a scheme being contemplated by the WIPO and the EU Office for Harmonisation in the Internal Market. Additional suggestions include reserving geographical indicators and place names (regions, towns, and villages) for use only by the corresponding local and regional communities.

⁹⁰ *European Economic Integration, Methods and economic analysis* - Jacques Pelkmans, Netherlands Open University, 1997.

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The Commission will continue to examine this and related issues in the further preparatory meetings with the industry.

B.2. b) The Strategic solution. Looking for a critical mass.

Parallel to the Directive on Electronic Commerce, the EU is firmly involved in the establishment of a '.eu' TLD for companies operating in the EU or wanting to be involved in e-business activities with an EU coverage. In this regard, ICANN has reserved the '.eu' TLD to European Union.

This attempt goes strategically hand in hand with the establishment of an EU e-market place regulated by the Directive on electronic commerce. Already this Directive provides significant reductions in terms of uncertainty. It especially offers the opportunity for the EU regulatory framework to apply to many EU businesses and non-EU companies willing to operate in Europe. Most likely, the Directive will sort out its effects in parallel to the establishment of the '.eu' tLDN, indirectly implying that '.eu firms' will rule their contract through the application of EU legislation.

If the two moves will reinforce each other, there will be a high probability that a critical mass will be created so as to pose the pre-conditions for ever increasing application of the EU legislation or the increasing enlargement of its scope.

Conclusion.

Mankind has always engaged in business activities for its survival and development. But all commercial and economic exchange have always been developed when certainty and reputation of the counterpart have been reckoned. Nowadays, as then, the well functioning of the e-market place can only be assured when trust is secured. Domain names, as traditional trademarks, represent the major identification tool for commercial counterparts. Their role is particularly relevant in the e-business since they guarantee the only way of the counterpart recognition.

Several approaches have been put forward that examine their importance and especially the way to guarantee a wide reaching protection of the companies' name value they carry. In a fast growing e-market where traditional application of the Law is blurred by the extent and the reach of transactions, an appropriate way for their quickest and most effective protection must be found. In this regard, several attempts have been analysed that include:

- a. The WIPO final report, that organises a new dispute resolution system for gTLDs.
- b. The European approach that is emerging with the recent attempts to introduce a regulatory framework that while keeping flexibility, enhances the certainty of transactions.

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- c. A third option is hinted by the authors in proposing a preliminary (and possibly worldwide) check in domain names attribution that would pre-empt any trademark law violation while doing e-business.

The WIPO Final Report of the Internet Domain Names Process, can be considered, according to a certain doctrine, as a «cornerstone on the reflection of the future of the Domain Name System»⁹¹. But, as all reflections, the Report has to be intended not as a final goal, but just as a transition element, that can permit us to reach a more global security in the dimension of the Domain Name System. The solution that WIPO has reached is very important and the success that it has already achieved show, that the way that has been followed can be considered as the way towards which we have to look in order to find a solution to this problem⁹².

The Report, nevertheless, only partly solves the problem of the conflicts between DN and trademark's owners. Indeed, as we have already seen above, it concerns only the gTLDs (.com, .org, .int). This means that a series of DN's that have been registered by national registrars, under a ccTLD (.it, .de, .uk), are not concerned by the administrative procedure⁹³. The consequence will be that the abusive registration of such commercial SLD (trademark) will have to be solved through the ordinary jurisdiction, that means very long periods of waiting, that can bring the owner of the hijacked trademark to rebuy the SLD from the cybersquatter who had firstly registered the DN. The only way to solve the problem that arises between the gTLDs and the ccTLDs is through an international convention that binds States to apply, uniformly, the same rules to solve the conflict between DN and Intellectual Property law⁹⁴.

⁹¹ M. DESANTES, *Marcas y Nombres de Dominio en Internet implicaciones en el campo de la Propriedad Industrial y intelectual.*, MESA VIII, *Forum Iberoamericano sobre innovacion Propriedad Industrial e Intellecto y Desarrollo*.

⁹² More than 300 applications have been received by WIPO arbitration and mediation centres and almost 100 have already been solved. Concerning the application that WIPO has received and its status look the at the end of the paper, see www.arbiter.wipo.int/domains/cases/all.html.

⁹³ For instance, *Amadeus marketing SA, Amadeus Marketing Italia SA v. Logica s.r.l., Court of Milano, June 9th 1997; Logica s.r.l. v. Amadeus Marketing and Amadeus Marketing Italy s.r.l. Court of Milan, 22 July 1997; Sege s.r.l. v. Starnet s.r.l., Court of Rome, 2 August 1997*; could not be solved by this procedure because the suffix were related to ccTLD.

⁹⁴ This possibility does not have to be rejected as impossible to reach, even if very difficult to be reached. Indeed, in the last Management Board of ICANN the 10th of march 2000 a communication showed exactly this movement of opinion . «The Board has received a number of serious and carefully drafted recommendation relating to ccTLD administration and delegation policies, best practices and contractual elements ... the elements of these recommendations provide a sound basis for constructive dialogue and the finalisation of stable and appropriate relationship». M. DESANTES, *cit.*. But we have to consider that without a global movement this solution will never be achieved. The Italian Council of

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Obviously, this is not the only problem that can be found in the administrative procedure. As highlighted above, the administrative procedure created by WIPO do not provide any kind of appeal. Indeed, an administrative procedure as such can not prevent parties from the day in a court⁹⁵. So, a party is always free to go before a national court, even if a Panel's decision has been already taken. The latter can cause a problem if we consider that a DN is related to a web page that can be used to sell goods or services. So, a cybersquatter who decided to register a trademark as a DN with the aim to resell that to the owner of the trademark, will try to appeal everything in order to postpone the date of the final decision, just to exasperate the owner of the trademark and to oblige him to reach an easier and faster agreement. This usually ends in the purchase of the DN⁹⁶.

In the opinion of the writer the system adopted by WIPO can be considered just as a partial attempt to solve the DN dispute. We can not close the door once the horses have already left the stable. Sometime instead of solving the problems once they have already appeared, we should believe in prevention and create a registration system that can permit the registration authority a preliminary control.

The European Union is, on its turn, trying to set up a regulatory framework that would be such that a certain set of rules would apply to the largest number of cases by building up a critical mass effect and fostering the EU model to be an effective

Ministers, for instance, has just adopted a proposal concerning the legislation of the '.it' and this is going in another direction relate to the rules that have been write down by WIPO. Also in French, the *AFNIC* (*Association française pour le nommage Internet en coopération*) responsible for organising the registration of the ccTLD has provided a series of rule for the registration of the DN that are very strict, but that cause several problems. For instance, a DN to represent a trademark oblige the registrant to present the national certificate of the *INPI* (*Institut National de la Propriété Industrielle*). We know that, on the basis of the France *code civil*, to create a firm we are not obliged to register the trademark in the National Intellectual Property Registrar, but it seems that to use a DN with a commercial aim this registration is mandatory. That appears very strange if we think that an high percentage of small and medium enterprises, to reduce the burden's budget, have not registered its trademark, but that this do not impose them to sell their products freely on the market. Moreover, a well-known mark is protected, following the Paris Convention rules, also without the registration in the national registrar. Finally, *AFNIC* also provides a rule on the basis of which the firm that intends to use the '.fr' with a commercial aim has to be established in France. This point clashes against one of the basic principles of the European Union that is the freedom of establishment and to provide services.

⁹⁵ Relate to the problem of the right to go before a court after a Panel decision see the second paragraph of the second chapter.

⁹⁶ Related to such a problem see the cases summarised in paragraph E), first Ch: *MTV Networks v. Curry* 867 F. Supp.202 (SDNY 1994); *McDonald's v. Quittner*; *Stanley Kaplan v. Princeton Review*; *KnowledgeNet, Inc. V. Boone*, No. 94-CV-7195 (N.D. Ill. complaint filed Dec. 2, 1994).

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attempt of trademark protection in the domain names disputes. The recent moves towards the implementation of the EU Electronic Commerce Directive, the Communication on Domain Names together with the promotion and the encouragement to use the .eu TLD mark important steps towards building up a set of rules that are likely to rule over to the virtual .eu jurisdiction. The final expected outcome is the attraction of an increasing number of companies and consumers to the .eu e-market where a proper but still flexible juridical framework applies. If this attempt proves to be successful, many chances of extending this model even beyond the European borders will come about, thus promoting an increasing approximation of international laws regulating the e-commerce related issues⁹⁷.

In our opinion, the most efficient remedies would be to extend to the DNS the control that is provided for the registration of trademarks. If we consider, even on the light of the analysed jurisprudence, that the Domain Names are equal to the distinguishing signs and that they follow the rules of trademark in the implementation phase, the extension of the same system to the registration of the DN seems to be the logical consequence. Hitherto, the registrar authorities have always controlled the names that have not been registered yet. But this control has always been limited to a simple existence of a previous DN and have never been extended until control of the existence of other Intellectual Property rights that can clash against it⁹⁸.

⁹⁷ The creation of the '.eu' ccTLD can be considered as a perfect opportunity to set up a juridical structure allowing to focus coherently the resolution of all this questions. Especially, providing with enough elements to allow a *de facto* harmonisation of the still divergent national practices existing in the member state of the EU community. (The Commission has just launched a couple of months ago its proposal, having finished some days ago the period of public consultation). The definitive proposal of the European Council must be done urgently, although before they should be solved, among many others -e.g. the juridical basis allowing the adoption of an act of the Council, juridical basis that, once eliminated the way to harmonisation allowed by articles 47.2, 55 and 95, should focus on article 256 CE (interoperability of networks, i.e. qualified majorities and codecision process) or on article 308 CE (i.e., unanimity and cooperation process). Two questions deserve special attention in this *foro* but which here it is only possible to mention: on one hand, the regulation -public, private and mixed- of development that must be applied by the operators of the system; on the other hand, the formula provided for the resolution of conflicts.

⁹⁸ Moreover we have to consider that in the case where the trademark of which the registration of a DN is demanded is a well-known trademark that enjoys protection world wide. The refuse to recognise its protection at the moment of the registration can not be justified by the simple fact to have ignored without fault the existence of a previous right deriving from the well-known mark. And the clause, to exempt from the responsibility, that the Registration Authority demands to the registrant could be considered void, on the basis of serious fault.

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So why not to provide a system that preventively control the registrant's right to use the DN he intends to register?

The only exception to the well functioning of this system is the time that this preliminary control can take. As a matter of fact, if we look at the time that is demanded to award a trademark (for instance, the OHIM in Alicante takes 12 months to register a European trademark, and 20 months in case of opposition) we quickly understand that such a system can provoke certain doubts of efficiency⁹⁹. But, we also have to consider that a Domain Name does not suffer from the same problems that a trademark can face. As a matter of fact, the analysis of the characteristics of the trademarks (tridimensionality, colour, fonts and other Kinds of problems) can not delay the allocation of DNs. The impossibility to develop in a short time a wide and preliminary control (on the base of the lack of means or on the base of the time) seems to be paradoxical for a so powerful system as the Internet. However, recognising that it is difficult to satisfy both the Intellectual Property holder and the Domain Name registrant, the recommendation with respect to the introduction of a preliminary control mechanism in the registration of the DN, seems to be the only way to limit the potential conflicts that arise between trademarks and DNs and should help to end the wild west atmosphere of the present Domain Name System.

⁹⁹ If we consider that we criticised the WIPO Report for a period of 45 days in the solution of the Administrative Panel, it obvious that we can not permit such a long time for the registration of a DN. It must be borne in mind that a DN is related to a web page, so the longer the time of control, the more time the registrant would have to wait to sell the goods or services through his web page, in that case the economic consequences could be worse than the actual system.