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## **BASIC FRAMEWORK OF CYBERSQUATTING DISPUTES: TRADEMARKS AND DOMAIN NAMES INTERDEPENDENCE**

### **Summary**

*The phenomenon of cybersquatting remains a challenge for intellectual property legislations. The approach of the media as well as the development of the internet social networks (social media) even more emphasize the importance of the relations between domain names and trademarks. The UDRP remains a strong pillar for future activities in the field of resolving the disputes. On a national level, courts have also dealt with domain name disputes. The Macedonian jurisprudence is also familiar with several cybersquatting cases, such as as the “google.com.mk” case.*

**Key words:** *cybersquatting, trademark, domain name, intellectual property.*

### **I Introduction**

Trademarks, which enable differentiation of the goods and services (especially in terms of the quality and value) by the consumer, may be an

integral part of the domain's name. For example, the well known Coca-Cola® trademark is an integral part of the coca-cola.com domain.

The domain differs from the trademark by several characteristics. First, the domain is present in the virtual space and territoriality does not apply as in the trademark. Second, the domain is unique and there cannot be coexistence, as is the case with the trademarks of different categories of goods and services. The domain or IP address is unique, which means that two business entities may have the same mark, but cannot have the same domain name. Hence, the domain is unique and unrepeatably.

It is obvious why a trademark is very valuable and significant as a domain name. With its registration, the trademark loses the characteristics of territoriality and specialty. The trademark transformed into a domain is present worldwide. The issue is a virtual monopoly right, bearing its own characteristics.

Businesses started to register the domains on the Internet at the beginning of the 1990s, in order to introduce their companies and to place and advertise their products. This, however, was done only by the visionaries who believed in the power of the Internet. Businesses interact through Internet with the consumers without any impediments (political, territorial, religious, moral, temporal, cultural, etc.). This seems much faster and more efficient than the "classical way" in "real-time relationships" among people. The number of domain names is growing by the day. According to information from 2003, there are more than 15 million domain names.<sup>1</sup>

## II Abusive Registration of a Domain Name (Domain Hijacking, Cybersquatting)

Since the registered domains are fulfilled according to the priority principle,<sup>2</sup> i.e. by accepting the application that was submitted first, there were many cases in the beginning when domains were registered that had nothing to do with the real producers or service providers to which the domain name indicated. For example, domains like McDonald's, Hertz, Rolex and others were given to entities that were quite different from the apposite

1 Patrick Gunning, „Trade Marks and Domain Names“, *Cyber Law Res* 1/2000/1.

2 The formula „first come, first served“ is the basis of the registration principle or the awarding of a domain name, and represents a „legal transplant“ of the Roman principle „*qui prior est tempore, potior est jure*“ (this is the theory of legal transplants, supported by Alan Watson, who believes that law is not developed as a result of evolution, but through borrowing or transplanting legal institutions from previous legislations into the contemporary legislation (see more in: Alan Watson, *Legal Transplants: An Approach to Comparative Law*, Second Edition, Athens, Georgia, The University of Georgia Press, 1993).

companies.<sup>3</sup> The persons who succeeded in registering these domains, later demanded huge sums of money as compensation for relinquishing the domain to the company that has a trademark apposite to the domain name.

This phenomenon of *malicious, deliberate registration of domains that correspond to trademarks or names of some entities in order to make profit is called “domain hijacking” or “cybersquatting”*. The subject undertaking domain hijacking activities is known as “*cybersquatter*”. This subject acts in *mala fides*, contrary to the principles of consciousness and honesty, “occupying” an attractive domain, with the intention of later offering it to the carrier of the eponymous trademark and make profit.

A scholarly example is the court order in the USA in the cases between Dennis Toeppen and Panavision International and Intermatic. Namely, Toeppen had registered a large number of domains that were the same as or similar to famous marks, among which the marks of Panavision® и Air Canada®, as apposite domains: panavision.com and aircanada.com. Panavision® brought an action and the court applied the US traditional trademark right (under the US Federal Trademark Dilution Act). The court established existence of commercial use, because Toeppen had registered a large number of someone else’s trademarks as domain names.

The court ruled similarly in the Intermatic v Toeppen case, where the court found dilution of the Intermatic trademark and registration of a domain name by a person who does not have the right to the trademark.<sup>4</sup>

Apart from the domain registration of apposite trademarks in their authentic form, it is possible for the registered domain to be a corrupt, diluted, or deformed shape of a trademark or name. As an example, we could use the .nikke.com domain, which is an on-line shopping web page, but with the average consumer it may arise association with the .nike.com domain, which belongs to the NIKE® Company. In the Macedonian practice, we are familiar with the google.com.mk, yahoo.com.mk domain cases.

Domain hijacking is different from the “honest competition use” of a domain. We could use the comparison of the mtv.com and mtv.com.mk domains as an example for this situation, even though both subjects come from the same line of business.

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3 Ian J. Lloyd, *Information Technology Law*, 4<sup>th</sup> edition, Oxford, 2004, p. 533.

4 For more information, see: Monica Killian, *Cybersquatting and Trademark Infringement*, Murdoch University Electronic Journal of Law, Vol. 7, No. 3, 2000, available at: <http://www.murdoch.edu.au/elaw/issues/v7n3/kilian73.html>.

## 1. The Position of the Cybersquatter from Aspect of the Right to a Trademark

How can a trademark holder defend himself from the cybersquatter? First of all, the characteristics of the mark should be pointed out, and they are: territoriality and specialty. Typical for the mark is territoriality, simply because it is valid on the territory of one country or one region or a special union of countries. According to the Madrid Arrangement Concerning the International Registration of Marks or The Trade Mark Ordinance of the European Union, a "Community Trade Mark" is established, a trademark of the EU Member States.

The mark has a distinctive function, i.e. it differentiates goods and services of one participant in the commercial trade from another, for identical or similar goods and services. There may be more identical or similar marks for different goods and services at the same time. The exception for the widely known marks has already been mentioned.

On another level, the source of the problems in the constellation between the domain names and the marks, irrespective of whether it is about the actions of the cybersquatter or same marks that strive towards one domain name, is exactly in the previously mentioned registration priority principle. If the holder of a mark wishes to register a domain name, he would face serious difficulties if that had previously been done by the cybersquatter. The purpose of the cybersquatter, acting in bad faith, is to gain profits by registering someone else's mark or „to dilute“ a renown mark as a domain name, and to later offer the domain name to the mark holder. The domain registration, as well as its maintenance, does not require a lot of money compared to the extorted sum for transferring the domain name to the mark holder. In this way, the cybersquatter would groundlessly gain wealth, acting in bad faith (*mala fides*).

### III Procedure for Resolving Domain Disputes

Two parties appear in the disputes dealing with the domains: one of the parties is the person who is most often the trademark holder or a legal or physical person who believes that his/her interest is endangered by the domain (*petitioner, appellant, complainant*), while the other party is the person who registered the domain (*domain holder, respondent*).

Due to the sensitivity of the matter, but also from economical reasons, disputes regarding domains are most commonly subject to alternative dispute resolution.

The parties, however, may initiate a court procedure for the domain, even if a decision had already been made in the alternative dispute resolution procedure.

## 1. An Overview of Resolutions in Comparative Law

In most national legislations, there are several regimes for regulating cases involving domains, especially in terms of cybersquatting. In this regard, the practice of the USA and Australia is indicative. Yi Fen Lim gives the following facts:<sup>5</sup>

In the *United States of America*, the so called Anticybersquatting Protection Act (Truth in Domain Names Act) applies since 1999. This Act forbids behaviour of individuals, who have a bad faith intent to profit from someone else's trademark, by registering or using domain names that are identical, confusingly similar or delusive of a trademark. The most interesting aspect of this piece of legislation is 15 USC s. 1125 (d) 2 C. Pursuant to this Article, the domain names are subject to an *in rem* action, in the judicial district where the domain name was registered. If, however, the cybersquatter is a legal person, then an *in personam* action is filed. Some familiar cases dealing with this issue are: *Kremen vs. Stephen Michael Cohen, Network Solutions et al.*, who disputed over the *sex.com* domain.

In *Australia*, the purpose of the domain registration policy is to prevent cybersquatting. The domain allocation, however, is determined by the *first come first serve* rule. Only trading entities may get the *.com.au* domains. These trading entities may be registered in one of the following forms: companies (including foreign companies in Australia), registered names of companies, incorporated associations, statutory trading bodies, financial institutions, registered funds. The applicants may use the full name or an abbreviation for the domain name. There are three conditions that need to be fulfilled in case of an abbreviation: the abbreviation needs to derive from the full name; signs may be removed from the name, but sequences may not be changes; and new signs may not be introduced.

As per the *European Union* legislation, the cases of suspicious domain registrations and their abuse are settled in a court procedure or in an alternative dispute resolution procedure.

Regulation 874/2004 provides that a registered domain name may be subject to revocation where that name is identical or confusingly similar to a name in respect of which a right is recognised or established by national and/or Community law,<sup>6</sup> and where it:

- (a) has been registered by its holder without rights or legitimate interest in the name; or

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5 Yi Fen Lim, *Cyberspace Law*, Oxford, 2002, p. 539-542.

6 COMMISSION REGULATION (EC) No 874/2004 of 28 April 2004 laying down public policy rules concerning the implementation and functions of the *.eu* Top Level Domain and the principles governing registration (*Official Journal of the European Union* L 162/43).

(b) has been registered or is being used in bad faith.

A legitimate interest of the holder may be demonstrated where:

- (a) prior to any notice of an alternative dispute resolution (ADR) procedure, the holder of a domain name has used the domain name or a name corresponding to the domain name in connection with the offering of goods or services or has made demonstrable preparation to do so;
- (b) the holder of a domain name, being an undertaking, organisation or natural person, has been commonly known by the domain name, even in the absence of a right recognised or established by national and/or Community law;
- (c) the holder of a domain name is making a legitimate and non-commercial or fair use of the domain name, without intent to mislead consumers or harm the reputation of a name on which a right is recognised or established by national and/or Community law.<sup>7</sup>

## 2. Alternative Dispute Resolution Regarding Domains

The purpose of the Alternative Dispute Resolution (ADR) in information technology law, as in any other legal branch, is to enable dispute resolution in an efficient, time and money saving manner for the parties. This is a rational alternative to the judicial process. In regard to the domains, this is even more evident, bearing in mind the distance of the parties in dispute of the domain.

In 1999, the Internet Corporation for Assigned Names and Numbers (ICANN) adopted the Uniform Domain Name Dispute Resolution Policy (UDRP Policy), as well as the UDRP Rules that regulate the administrative procedure for resolving domain disputes.

Under the UDRP rules, the domain name dispute resolution procedure may take place before one of the following ICANN approved service providers:<sup>8</sup> the Asian Domain Name Dispute Resolution Centre (ADNDRC),<sup>9</sup> with offices in Beijing, Hong Kong, Seoul and Kuala Lumpur; the National Arbitration Forum (NAF);<sup>10</sup> the WIPO Arbitration and Mediation Center<sup>11</sup> and the Czech Arbitration Court (in regard to the .eu domain).

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7 *Ibid.*

8 The list of providers is available at: <http://icann.org/udrp/approved-providers/htm>.

9 See: <http://www.adndrc.org/adndrc/index.html>.

10 The procedure before the NAF is: <http://domains.adrforum.com>.

11 See: <http://www.wipo.int/amc/en/>.

The list of providers may be amended, which essentially means that ICANN has the right to assign a new provider or to revoke the approval to some of the existing providers.<sup>12</sup>

Each provider follows the UDRP Rules, as well as its own supplemental rules, in the dispute resolution procedure.

As for who would be “in charge” of some dispute, the selection is made by the submitter of the complaint, or the trademark holder, and is bound to put that in the complaint.

### 3. ICANN’s General UDRP Rules

The UDRP rules have double goals: to remove bad faith domain holder from the virtual space and to enable the complainant (mark holder) to get the domain to which he has a legitimate right. UDRP rules apply to dispute resolution regarding generic top-level domains (gTLD): .com, .net, .org, .biz, .name, .info, .pro, .coop, .aero, .museum, .job and .travel. UDRP is accepted only for some of the national domains (e.g., .nu, .tv, .ws).<sup>13</sup>

The procedure begins by submission of a complaint by the trademark holder, in which he/she states the relevant facts. The entire procedure is shown on the picture below.

Under the UDRP Rules, it is quite probable that the domain holder would lose the right to the domain, in case when the trademark holder submits a complaint, which proves: 1) that the manner in which the domain name(s) is/are identical or confusingly similar to a trademark or service mark in which the Complainant has rights; 2) why the Respondent (domain-name holder) should be considered as having no rights or legitimate interests in respect of the domain name(s) that is/are the subject of the complaint; and 3) why the domain name(s) should be considered as having been registered and being used in bad faith (*mala fides*).

The Respondent (domain-name holder) has to submit a response within twenty (20) days of the date of commencement of the administrative proceeding. In the response, the domain-name holder attempts to prove his/her right and legitimate interest to use the domain. He/she proves that through the existence of one of the following circumstances: 1) before being notified

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12 In the past, service providers were also the CPR Institute for Dispute Resolution [CPR] and eResolution (eRES). CPR acts only upon disputes initiated by January 2007, while eRes by November 2001 (available at: <http://www.icann.org/udrp/approved-providers.htm>).

13 The maintenance of the national top-level domains (ccTLD) is under the authority of a separate Agency of the International Standardisation Organisation (ISO 3166 Maintenance agency (ISO 3166/MA)), in accordance with the IANA procedures, available at: <http://www.iana.org/domains/root/ctld/>.

of the proceeding, he/she used or was preparing to use the domain in good-faith (*bona fide*) to offer goods and services; 2) the domain-name holder is generally known for the domain, although he/she never acquired the right to a trademark; and 3) the domain-name holder uses the domain in good-faith and for non-commercial goals, without intent to make profit or mislead the average consumer or discredit the trademark at stake.

The dispute is decided by one or a panel of three mediators, selected from an international list of experts kept in one of the three organisations that may conduct the proceeding (ADNDRC, NAF or WIPO).

If found by the Panel to be present, the following is considered to be evidence of the registration and use of a domain name in bad faith:

- 1) circumstances indicating that the domain name has been registered or acquired primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of documented out-of-pocket costs directly related to the domain name; or
- 2) the domain name has been registered in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that there was an engagement in a pattern of such conduct; or
- 3) the domain name has primarily been registered for the purpose of disrupting the business of a competitor;
- 4) by using the domain name, there has been an intentional attempt to attract, for commercial gain, Internet users to the domain owner's web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of the web site or location or of a product or service on the web site or location.

Based on the evidence, the Panel may render one of the following decisions: 1) the registration of the domain to be revoked or deleted; 2) the domain to be transferred from the domain owner to the trademark holder; or 3) to leave the domain to the domain owner, i.e. to reject the complaint of the trademark holder.

#### **4. Asian Domain Name Dispute Resolution Centre (ADNDRC)**

ADNDRC was approved for dispute resolutions under the UDRP Rules in February 2002. ADNDRC is a joint undertaking of several bodies: the Chi-



na International Economic and Trade Arbitration Commission (CIETAC);<sup>14</sup> the Hong Kong International Arbitration Centre (HKIAC),<sup>15</sup> the Korean Internet Address Dispute Resolution Committee (KIDRC)<sup>16</sup> and the Kuala Lumpur Office operated by the Kuala Lumpur Regional Centre for Arbitration (KLRC).<sup>17</sup>

The ADNDRC has four: Beijing, Hong Kong, Seoul and Kuala Lumpur. Each of these offices has supplemental rules to the UDRP ones, which mostly regulate technical and costs issues.

## 5. Proceedings before the National Arbitration Forum (NAF)

NAF was approved by ICANN for dispute resolutions under the UDRP Rules in 1999. Its headquarters is in Minneapolis, Minnesota, USA. It is considered one of the most effective organisations dealing with Alternative Dispute Resolution. So far, NAF has resolved over 10.000 domain-name disputes and in 2007 it presided over 1.805 domain-name disputes.<sup>18</sup>

## 6. WIPO Arbitration and Mediation Centre

Globally, the WIPO Centre is the most popular provider organisation for domain-name dispute resolution, among other things because of the First and Second WIPO Internet Domain Name Processes, which result in adoption of final reports focusing on the conflict between domain-names and trademarks. Among the more popular cases administered by this Centre are the ones involving the domains: *bmw.org*, *nike.net*, but also cases connected to celebrity names, like *.madonna.com*, resolved in favour of Madonna Ciccone.

The WIPO press release In 2010, trademark holders filed 2,696 cyber-squatting cases covering 4,370 domain names with the WIPO Arbitration and Mediation Center (WIPO Center) under procedures based on the Uniform Domain Name Dispute Resolution Policy (UDRP), an increase of 28% over the 2009 level and of 16% over the previous record year, 2008.<sup>19</sup> Most cases are filed by parties based in the United States of America or Europe (including, increasingly, in Eastern European countries).

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14 Available at: <http://www.cietac.org.cn/>.

15 Available at: [http://www.hkiac.org/HKIAC/HKIAC\\_English/main.html](http://www.hkiac.org/HKIAC/HKIAC_English/main.html).

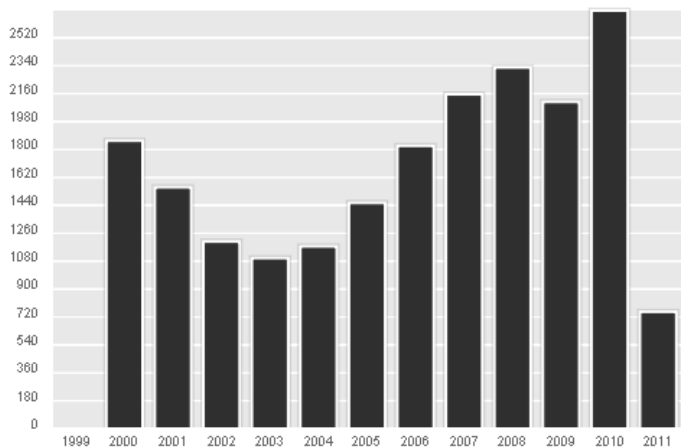
16 Available at: <http://www.idrc.or.kr/>.

17 Available at: <http://www.klrca.org.my/>.

18 Available at: <http://domains.adrforum.com/newsroom.aspx?itemID=1363>.

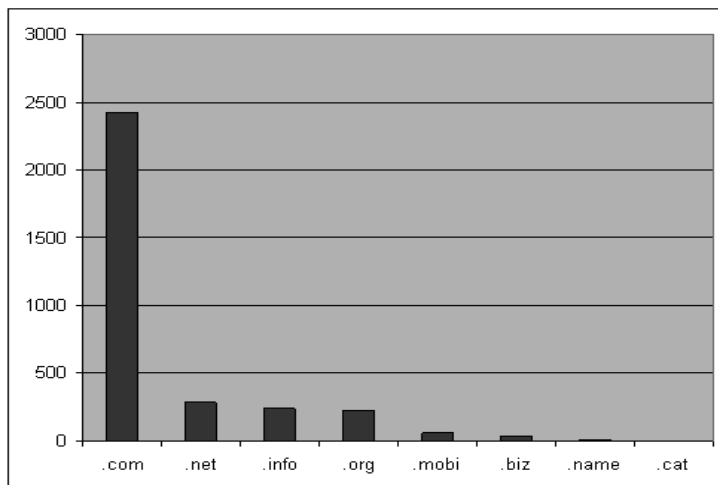
19 Available at: [http://www.wipo.int/pressroom/en/articles/2011/article\\_0010.html](http://www.wipo.int/pressroom/en/articles/2011/article_0010.html).

According to WIPO's data from 10 April, 2011,<sup>20</sup> the number of domain-name disputes is constantly increasing. The graphical chart of the increase of cases is given below.



Number of WIPO Domain Name Cases in the period 1999–2011 (April)  
(Source: WIPO)

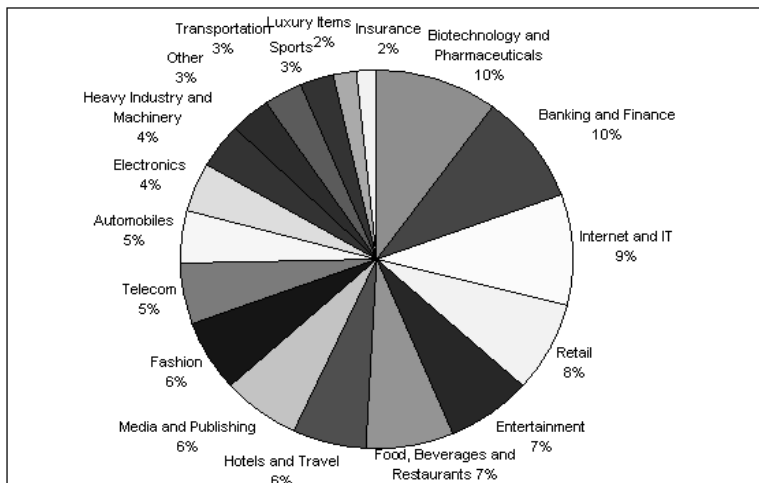
As for the types of domains, .com domains remained the solid leader in terms of the number of domain names included by complainants in cases filed with WIPO, followed by .net, .info, .org, .mobi, .biz, .cat, etc. This tendency is represented in the chart below.



gTLDs in WIPO Domain Name Cases (Source: WIPO)

<sup>20</sup> Available at: <http://www.wipo.int/amc/en/domains/statistics/cases.jsp>.

The dominating sectors were Biotechnology and Pharmaceuticals, Banking and Finance, and IT. The graphical representation of disputes as per this criterion is given in the chart below.



Areas of WIPO Domain Name Complainant Activity (Source: WIPO)

## 7. Proceedings before the Czech Arbitration Court

The Czech Arbitration Court was authorised as UDRP service provider in January 2008. This Arbitration Court is based in Prague and is attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic. The Czech Arbitration Court administers ADR Proceedings according to ADR Rules and in line with the Public Policy Rules for .eu domain of the European Commission (EC Regulation 874/2004), as well as its own Supplemental Rules.<sup>21</sup>

The following may be conditions for initiating a procedure: existence of a suspicious registration of a domain-name or its abuse; or rendering a decision by the Registrar contrary to Regulation 733/2002.<sup>22</sup>

Following the receipt of the Complaint, the Arbitration Court notifies the Registry (EURid), in order to identify the domain name that is subject to the dispute. The Registry postpones all actions regarding the domain name (cancellation, transfer, etc.) until a final decision is rendered.

21 Supplemental ADR Rules of the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic ([www.adr.eu](http://www.adr.eu)).

22 REGULATION (EC) No 733/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 April 2002 on the implementation of the .eu Top Level Domain (*Official Journal of the European Union* L 162/43).

The decision is rendered by a single or 3-member Panel, bearing in mind the effective rules of the Union. The Panel may that the disputed domain name be revoked or in some cases be transferred to another holder, terminated or changed. The decisions are binding for both parties.<sup>23</sup>

#### IV Conclusion

The phenomenon of cybersquatting remains a challenge for intellectual property legislations. The approach of the media as well as the development of the internet social networks (social media) even more emphasize the importance of the relations between domain names and trademarks.

The UDRP remains a strong pillar for future activities in the field of resolving the disputes. On a national level, courts have also dealt with domain name disputes. For instance, the Macedonian jurisprudence is also familiar with several cybersquatting cases, such as as the “google.com.mk” case.

The concepts of trademark law and information technology law are important and consistent theoretical framework for regulation of the domain name disputes. Furthermore, they provide possibilities for additional specific and binding international legal instruments (specifically agreements) in the field of domain name disputes.

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### ОСНОВНИ ПРАВНИ ОКВИР ЗА „САЈБЕРСКВОТИНГ“ СПОРОВЕ: МЕЃУЗАВИСНОСТ ЖИГА И НАЗИВА ДОМЕНА

#### Резиме

*Феномен сајберсквотинга и даље представља изазов у праву интелектуалне својине. Начин на који медији приступијају шом проблему,*

23 *Ibid.*

као и развој друштвених мрежа на интернету истичу значај односа између жића и назива домена. UDRP правила о решавању спорова између титлулара жића и титлулара назива домена нису временом изјубила на значају. Сајберсквојини спорови решавани су и на националном нивоу, при чему је најпознатији случај „google.com.mk“.

**Кључне речи:** сајберсквојини, жић, назив интернет домена, интелектуална својина.