12th EIPIN Congress
European Intellectual Property Institutes Network Team Report Series
Team Report 6: The Misuse of Trademarks in the Digital Environment: the Notion of Bad Faith in the Domain Names Registration

Team Advisor:
Thibaut Lelong

Team Members:
Eugenio Hoss
Marta Colonna
Adriana Penaranda
Camille Auvret
Table of Contents

INTRODUCTION

I. THE INFLUENCE OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION ON THE EUROPEAN COURT OF JUSTICE’S JURISPRUDENCE ON THE DETERMINATION OF BAD FAITH IN DOMAIN NAMES

A. The World Intellectual Property Organization Analysis
   1) The World Intellectual Property Organization Arbitration and Mediation Center and the UDRP Policy and Rules
   2) Bad Faith in the Uniform Domain Name Resolution Policy
   3) Bad Faith in Registering and in Using

B. The European Court of Justice analysis
   1) The European Union Top Level Domain system
   2) The Article 21: Speculative and Abusive Registrations and the European Concept of “Bad Faith”
   3) The European Court of Justice Decision in the Case Internetportal und Marketing
   4) Final Considerations about the World Intellectual Property Organisation and the European Union Concepts of Bad Faith

II. TOWARDS A HARMONISATION OF THE CONCEPT OF BAD FAITH

A. A Harmonisation between these Organisations
   1) An Institutional and Procedural Harmonisation
   2) A Harmonisation of the Notion of Bad Faith Itself

B. A Harmonisation between Trademark Law and Domain Names

CONCLUSION
INTRODUCTION

Due to its nature, Law is an evolving science. As time goes by, it permanently evolves and adjusts to the arising social needs. Undoubtedly, the use of distinctive signs and the Internet has not escaped to the areas of regulation, so that everything related to these matters has entered the field of law and has forced it to develop aspects that would not have been disposed in the past. Internet has changed the traditional structure for conducting business; new mechanisms have been developed for marketing, advertising, capturing the attention of the consumer and making easier the commercial transactions.

The main legal issue that arose from the beginning of the Internet refers to the conflicts that have taken place between domain names and trademarks. Although Internet was conceived as an address for the easy access to a web page, a misuse of trademarks can very often be observed, when domain names are registered in bad faith.

In view of the above, in the present report we intend to analyze the topic of misuse of trademarks in the digital environment, and more specifically the notion of bad faith in the domain names registration.

In part one (I) of this report we will study the different standards used by the World Intellectual Property Organization (“WIPO”) for finding bad faith in the registration of Domain Names, as well as their impact on the Court of Justice of the European Union (“ECJ”) on its interpretation of Bad Faith.

In part (II) we will analyze the need to harmonise the concept of bad faith, due to the inconsistencies that have taken place in view of the differences between the domain name systems. At this point, the need to harmonise will be studied at the following levels: the vertical level, which includes trademark law and domain name regimes; and the horizontal level, which aims at the harmonisation between national, regional and international systems.
I. THE INFLUENCE OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION ON THE EUROPEAN COURT OF JUSTICE’S JURISPRUDENCE ON THE DETERMINATION OF BAD FAITH IN DOMAIN NAMES

The Internet Corporation for Assigned Names and Numbers (“ICANN”) system, responsible for the management of the generic TLD (A) seems to have influenced the later European TLD system. This impact can be noticed both in the wording of the European Regulations and in the recent ECJ’s interpretation of the concept of bad faith (B).

A. The World Intellectual Property Organization Analysis

1. The WIPO Arbitration and Mediation Center and the Uniform Domain Name Dispute Resolution Policy and Rules

The management of the generic top-level domains (gTLDs) such as .com, .net and .org is responsibility of a non-profit organisation called the Internet Corporation for Assigned Names and Numbers. In 1999, ICANN adopted a Uniform Domain Name Dispute Resolution Policy (“UDRP”) and a set of Rules for Uniform Domain Name Dispute Resolution Policy (“UDRP Rules”), which provide for rules and procedures for the dispute resolution of abusive registration of domain names. They are applicable to all ICANN-accredited registrars of Internet domain names since 1999.

The procedure set by the UDRP Rules is administered by “dispute resolution service providers” accredited by ICANN, the most important of which is the WIPO Arbitration and Mediation Center (“WIPO Center”), which handles around 60% of all cases filed under the UDRP1.

The cases handled by the WIPO Center involve not only gTLDs, but also the country code top-level domains (ccTLDs) that have adopted the UDRP Policy on a voluntary basis. Brazil, Australia, France, Spain, Colombia, Mexico and the Netherlands are some of the countries that have already adopted the UDRP Policy2.

It should be noted at this point that the WIPO Center does not provide for an appellate instance. This implies, in practice, that if a provision is interpreted differently by different Panels, there is no authority able to offer a uniform, final, interpretation of such provision.

1 http://www.wipo.int/amc/en/center/faq/domains.html [Online], accessed on 08 June 2012
b) Bad Faith in the UDRP Policy

According to Paragraph 4(a) of the UDRP Policy, the UDRP Administrative Procedure is available for disputes that meet the following criteria:

“(i) The domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
(ii) The domain name registrant has no rights or legitimate interests in respect of the domain name; and
(iii) The domain name has been registered and is being used in bad faith.”

The third requirement, *i.e.*, bad faith, is probably the most important and most difficult requirement to prove by the complainant, and has been widely discussed in innumerable cases and legal articles.

Paragraph 4(b) of the UDRP Policy provides for several examples of circumstances that shall be considered to be evidence of bad faith registration and use, although other circumstances of bad faith may also exist.

c) Bad Faith in Registering and in Using

The third point in Paragraph 4(a) requires the evidence of bad faith in both the registration and the use of the domain name.

Uncertainties arise, with this respect, for example, if a registrant registers a domain name but never uses it. In the very first case before the WIPO Center after the new UDRP Policy entered into force, the WIPO Center already had to deal with this question. In that case, from 1999, the Panel had to tackle a case where it was clear that the respondent had registered the domain name in bad faith, but had not used it at all.

In that case, the Panel invoked the examples provided in Paragraph 4(b) of the UDRP Policy and considered that:

“Because respondent offered to sell the domain name to complainant ‘for valuable consideration in excess of’ any out-of-pocket costs directly related to the domain name, respondent has ‘used’ the domain name in bad faith as defined in the Policy.”

---

5 World Wrestling Federation Entertainment, Inc. v. Michael Bosman, WIPO Case No. D99-0001
The case could be harder if the respondent is absolutely inactive, i.e., if he does not use nor offer for sale the domain name. The WIPO Center had to deal with this issue in another very early case called Telstra®⁶, which later turned to be the most cited case of all the WIPO Center decisions⁷. In that case, the Panel decided that even a “passive” use of a domain name could be done in bad faith, and further stated that each case must be evaluated on its facts⁸.

Another problematic case can be the one where the registrant is using the domain name in bad faith, but where he didn't register it in bad faith in the first place. Typical cases are those where the domain name is registered before the complainant registers his trademark, or where the registrant registers the domain name without even knowing of the existence of the complainant's trademark.

The general rule established in the early cases has been that a domain name cannot be transferred if it has not been registered in bad faith, “regardless of the fact that it was subsequently used in outright bad faith”⁹. However, in some particular cases such as “bulk registrations”, “wilful blindness” and acquisition of domain name portfolios, the Panels have found that such conducts can be compared to registrations in bad faith¹⁰.

In some cases, Panels have made an even broader interpretation by adopting a “unitary concept” approach to the words “registered and is being used”¹¹. In other recent cases, Panels have held that where the legitimacy of a registration is subject to compliance with certain conditions, a subsequent non-compliance with those conditions may make it a registration in bad faith¹². However, such approaches have also been rejected by other Panels in other recent decisions ¹³, in which they still consider that bad faith should be shown separately both in registration and in use.

B. The European Court of Justice Analysis

The concept of “bad faith” is also relevant at the European level. This requirement was introduced in Article 21 of the Regulation (EC) No. 874/2004 laying down public policy rules concerning the implementation and functions of the .eu Top Level Domain and the principles governing the registration¹⁴. The European Court of Justice recently gave some

---

⁶ Telstra Corporation Limited v. Nuclear Marshmallows, WIPO Case No. 2000-03
⁸ M. Scott Donahye, Telstra Revisited: Its Application to Bad Faith Registration, 13 No. 2 J. Internet L. 3 (2009), p. 3.
⁹ Id., p. 1
¹⁰ Id., p. 5
rules regarding the examination of a bad faith registration of a .eu Top Level Domain slightly following the WIPO’s jurisprudence paths.

1) The European Union Top Level Domain System

The European Union creates and regulates the .eu Top Level Domain system through Regulation (EC) No. 733/2002 of 22 April 2002, and implementing Regulation No. 874/2004. In accordance with Article 3(1) of Regulation (EC) No 733/2002, the Commission by Decision of 21 May 2003 designated the non-profit organisation European Registry for Internet Domains (EURid) as the .eu Top Level Domain Registry with responsibility for the organisation, management and administration of that domain, including the administration of alternative-dispute-resolution proceedings introduced under Article 22 of the Regulation No. 874/2004. In addition, under Article 21 a specific provision against speculative and abusive registrations was introduced.

2) The Article 21: Speculative and Abusive Registrations and the European Concept of “Bad Faith”

Article 21 of Regulation No 874/2004, entitled ‘Speculative and abusive registrations’, similar to paragraph 4(a) UDRP Policy states that a registered domain name shall 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 and where it:
(a) Has been registered by its holder without rights or legitimate interest in the name; or
(b) Has been registered or is being used in bad faith”.

It can be noticed that the three elements above mentioned are common to both WIPO and EU system. The only considerable difference is that under EU law bad faith has to be proven either in the registration or in the use of the domain name. The two requirements are alternative and not cumulative.

Then, Paragraph 3 of the same article lists several circumstances constituting bad faith. The circumstances listed are, despite some wording differences, substantially similar to the UDRP Policy examples of Paragraph 4(b)17. However, unlike this latter, the European provision does not precise that the list is a non-exclusive one.

16 (OJ 2003 L 128, p. 29)
17 Except article 21.3 (b) which, compared with paragraph 4(b)(ii) UDRP, add two additional conditions that has to be demonstrated in case of registration in order to prevent the owner of the trademark or service mark from reflecting the
3) The European Court of Justice Decision in the case Internetportal und Marketing (C-569/08)

In its decision of 3 June 2010, in the case C-569/08\textsuperscript{18}, the ECJ ruled over the examination of a bad faith registration of a .eu Top Level Domain. In this case an action was addressed against sunrise registration of the .eu domain name “reifen”, that was based on the Swedish trade mark “&R&E&I&F&E&N&”. The holder of the Benelux and the Community word mark “Reifen” contested the registration of the domain name before the Arbitration Court. The Austrian Supreme Court referred five questions to the ECJ on the interpretation of Article 21 of the Regulation.

Firstly, the Court held that bad faith could be established by circumstances other than those listed in Article 21(3) (a) to (e) of the regulation. This list is thus a non-exhaustive one. Moreover, referring by way of analogy to its case law in respect of bad faith trademark registrations\textsuperscript{19} the Court held that the question whether an applicant was acting in bad faith must be subjected to an overall assessment taking into account all factors relevant to the particular case. In particular, the examination is not limited to the domain name registration as such, but includes as well the circumstances concerning the registration of the trademark.

It follows that the ECJ treats the circumstances under which the prior right was acquired as being part of the circumstances that must be considered under Art. 21 of the Regulation. It is irrespective whether it has been established that these circumstances are considered as speculative and/or abusive in the relevant country\textsuperscript{20}. It seems however that this interpretation is in accordance with the rationale of the provision, in order to ensure that speculative and abusive registrations are as much as possible avoided.

4) Final Considerations about the World Intellectual Property Organization and the European Union Concepts of Bad Faith

It can be noticed that,
- Unlike Article 4(b) of the UDRP Policy, the Regulation No 874/2004 requires the bad faith in either the registration or in the use of the domain name and not in the registration and use.
- Both systems refer to an overall assessment of bad faith, taking into account all factors relevant to the particular case.

\textsuperscript{18} C-569/08 Internetportal und Marketing GmbH, [2010], ECR I-00000.
\textsuperscript{19} C-529/07 Lindt & Sprüngli [2009] ECR I-0000.
The ECJ expressly referred to the WIPO system. It follows that WIPO’s recommendations and decisions, although not binding, are relevant for the EU system and that ECJ is inclined to a harmonised concept of bad faith.

To sum up, it can be noticed a certain degree of influence/harmonisation between the two systems here examined. This approximation can be found in both the wording of laws, structure of regimes and the interpretation of bad faith. The latter notion however still leaves an important number of unsettled questions and a harmonised concept of bad faith seems suitable in terms of predictability and certainty.

II. TOWARDS A HARMONISATION OF THE CONCEPT OF BAD FAITH

The cyberspace is, in its essence, borderless. Cross-border regulations and litigations as well as transnational online disputes are now routinely affecting consumers and businesses. What used to be a problem only for big, international companies, is nowadays also affecting individuals and small businesses making use of the advantages offered by Internet for their activities. A sole and harmonised concept of bad faith appears to be necessary at both a horizontal level, between national, regional and international systems (A) and at a vertical level, between trademark law and domain name regimes (B).

A. Harmonisation between these Organisations

Harmonisation between systems has to be implemented both in procedures and in the notion of bad faith itself to foster a unique determination of bad faith at ICANN and ECJ.

1) An Institutional and Procedural Harmonisation

Despite its popularity and many advantages, the UDRP has also been criticised under several aspects. Firstly, it was reproved because there is no right of appeal. Although recourse can always be made to courts, it is argued that this cannot be considered as a proper appeal as the same rules will apply. Secondly, the most important critic refers to the independence of panellists, which is threatened by the possibility of choosing the dispute provider given to the trademark holders and by the important number of trademark lawyers.

European and national systems have not received the same critics, as they seem to be more respectful of the defendants’ interests. It seems thus necessary a modification of UDRP rules by the introduction of systems of appeal of panels’ decisions and by the

21 As it was pointed out by Mueller, “The UDRP is heavily biased in favour of complainants. It allows the trademark holder to select the dispute provider, thereby encouraging dispute resolution providers to compete for the allegiance of trademark holders. The resultant forum shopping ensures that no defendant friendly service provider can survive.” M.Mueller, Ruling the Root: Internet Governance and the Taming of Cyberspace (2002), 193.
introduction of mechanisms able to avoid forum shopping practices and guarantee a higher level of independence from the dispute providers.

Another crucial critic against the UDRP system, perhaps the most important for Internet business models but also the most challenging, is the one referred to the lack of harmonisation of the notion of bad faith itself. A substantial consistency in the interpretation of the notion of bad faith seems decisive not only between different UDRP dispute providers but also more generally at a regional (within EU members) and international level.

2) A Harmonisation of the Notion of Bad Faith itself

As it was mentioned in chapter I.A above, there is still not a uniform interpretation of the notion of bad faith among the different WIPO Panels. As WIPO expressly recognizes, this is still “a developing area of UDRP jurisprudence”22.

This lack of consensus, plus the present lack of appropriate proceedings to reach a uniform interpretation (whether by an appellate body or by proceedings to gather all the panellists together in conflicting issues) brings an important level of legal uncertainty.

It is therefore our opinion that, in the near future, WIPO panels should search for appropriate means to define a uniform interpretation of the notion of bad faith (as well as other conflicting topics).

It is worth mentioning that, when arriving to such uniform interpretation, not only WIPO panel decisions should be taken into consideration, but also decisions by other important courts and tribunals, especially from the US and the EU. After all, Internet and domain names are, by definition, worldwide tools that are beyond national barriers, so any lack of harmonisation between the different systems is likely to bring legal conflicts and uncertainty among the users. Furthermore, harmonisation with the principles of Trademark Law would also be desirable in order to fully achieve coherence in the determination of the notion of bad faith in domain names.

B. Harmonisation between Trademark Law and Domain Names

The notion of bad faith in EU Trademark Law has also remained unclear until the ECJ rendered its “Chocoladefabriken Lindt & Sprüngli” decision23, where it provided different criteria to better understand the term. The Court explicitly referred to this decision in the Internetportal und Marketing GmbH judgement, which undoubtedly influenced the jurisprudence on bad faith in domain names.

23 C-529/07 Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH [2009]
Before the Lindt Case, the concept of bad faith had been approached by the Office of Harmonization for the Internal Market (“OHIM”) in several decisions. For instance, it has been judged that “bad faith is the opposite of good faith, and (…) can be understood as a “dishonest intention”24 or that “bad faith may be defined as referring to the state of someone, who knowingly by doing something contrary to accepted principles of ethical behaviour or honest commercial and business practices, gains an unjust advantage or causes unjust damages to others”25. Bad faith had thus always been studied negatively, as the contrary of good faith or “honest commercial and business practices”, two others hazy concepts.

The Lindt judgment aimed to determine criteria to put the notion of bad faith into a narrower legal concept, although still without defining it. The ECJ stated in this regard that bad faith has to be considered taking into account “all the relevant factors specific to the particular case” and more specifically:

- “The fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought;
- The applicant’s intention to prevent that third party from continuing to use such a sign;
- The degree of legal protection enjoyed by the third party’s sign and by the sign for which registration is sought”26.

Such a determination of the notion of bad faith allows the national courts to understand this concept without having to refer to a particular definition, which could rule out some cases of bad faith. Indeed, bad faith may be seen, as Advocate General Ms Sharpston mentioned, as “subjective mental state of mind of a general nature”27 and cannot be defined precisely in an objective way.

Some authors criticise the solution given by the ECJ favouring determination through criteria and clues rather than by a strict definition. They argue that this might lead to a higher degree of uncertainty in the management of intellectual property rights and domains names for companies28.

24 Decision of the Cancellation Division of 10/11/2004, 572C 002386126/1
26 C-529/07 Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH [2009], paragraphs 37 and 38.
28 Moscona argues that “by contrast, it is wholly unclear how such competing interests should be assessed in the context of the “bad faith” provision and what weight is to be given to the different considerations the court identifies in cases where prior rights or prior usage is asserted as a ground for invalidation due to bad faith.” Ron Moscona, ‘Bad faith as grounds for invalidation under the Community Trade Mark Regulation - the ECJ decision in Chocoladefabriken Lindt & Sprungli AG v Franz Hauswirth GmbH’ [2010] E.I.P.R. 2010, 32(1), 48-50
Several cases\textsuperscript{29} after the Lindt judgment have referred to it and provided additional hints for the definition of bad faith in Trademark Law. For instance, it has been judged that an “abusive behaviour would be a pertinent factor”\textsuperscript{30}. These judgements provide a concrete interpretation of the Lindt case and precise how bad faith has to be determined by national courts.

It has been argued that the determination involves two steps\textsuperscript{31}: the awareness of someone else’s use and the intention of harming. This two steps method is also applied in domain names law to define properly the notion of bad faith. The person registering in bad faith has to know that the sign is being used by another person and must have the intention to prevent this person from using this sign.

In explicitly referring to the Lindt Case in the &R&E&I&F&E&N& Case, the European Court of Justice had started to build a bridge between the notion of bad faith in domain names and the notion of bad faith in Trademark Law. Even though the notion of bad faith has different features in domain name law and Trademark Law, it always refers to the illegitimate registration or use of an intangible asset threatening a third party asset. In that respect, in order to ensure a better convergence between these notions while recognizing their special character, the casuistic approach of the ECJ seems preferable to a strict definition of the notion of bad faith.

\textsuperscript{29} See, e.g., Case T-149/09 Cybergun SA vs OHIM [2011]
\textsuperscript{30} Case T-192/09 Amen Corner vs OHIM [2010]
\textsuperscript{31} Arnaud Folliard-Monguiral, ‘CJCE Arrêt Lindt : les critères de la mauvaise foi’ [2009] Rev. Propriété Industrielle n°9, comm. 52
CONCLUSION

The common goal for companies registering trademarks or domain names in bad faith is generally to obstruct a competitor from developing on the market, or just to sell them to whoever might be interested at a high price. Therefore, there appears to be no reason not to have a uniform definition of bad faith in both fields, i.e. domain names and Trademark Law.

The question on how to actually define the term bad faith, however, is certainly not easy to answer. Bad faith is a subjective notion and, therefore, very hard to define in a precise manner. Moreover, different legal systems contain different provisions, which make the task of finding a unique definition even more difficult.

In the WIPO Center, for instance, different Panels have different interpretations of this concept, and such disagreement is not likely to be solved in the near future, mainly due to the structure of the WIPO Center itself, which does not provide for any appellate body to solve these kind of conflicts.

In the European level, the ECJ has made a big step forward towards horizontal harmonisation by expressly referring to recommendations and case law from the WIPO Center. Moreover, in reference to vertical harmonisation, the ECJ has also shown positive signs by referring to Trademark Law principles when dealing with domain names. In order to guarantee legal certainty among the users, further harmonisation on both levels would certainly be desirable.
BIBLIOGRAPHY

Case Law

(1) EU-Jurisprudence

Case C-569/08 Internetportal und Marketing GmbH, [2010], ECR to be published.
Case T-149/09 Cybergun SA vs OHIM [2011], ECR to be published.
Case T-192/09 Amen Corner vs OHIM [2010], OJ C 46 / 11
Case C-190/10 Génesis Seguros Generales Sociedad Anónima de Seguros y Reaseguros v Boys Toys SA and Administración del Estado [2011] Opinion of Advocate General M. Niilo Jääskine

(2) OHIM-Jurisprudence

Decision of the Cancellation Division of 10/11/2004, 572C 002386126/1

(3) WIPO-Jurisprudence

World Wrestling Federation Entertainment, Inc. v. Michael Bosman, WIPO Case No. D99-0001
Telstra Corporation Limited v. Nuclear Marshmallows, WIPO Case No. 2000-03
Octogen Pharmacal Company, Inc. v. Domains By Proxy, Inc., WIPO Case No. D2009-0786
Ville de Paris v. Jeff Walter, WIPO Case No. D2009-1278
Jappy GmbH v Satoshi Shimoshita, WIPO Case No. D2010-1001.
Nattermann & CIE. GmbH and Sanofi-Aventis v Watson Pharmaceuticals Inc, WIPO Case No. D2010-0800;


Books


A. Murray, *Information technology law, the law and society*, 1st ed., OUP 2010


Journal Articles


Further information

The WIPO Website:


Team Advisor:
Thibaut Lelong

Team Members:
Eugenio Hoss
Marta Colonna
Adriana Penaranda
Camille Auvret

The 12th EIPIN Congress took place in two sessions
• Strasbourg: February 24-25, 2011
• Alicante: April 8-10, 2011