
ARTICLES

Internet Domain Name Dispute to Which Unfair Competition Prevention Law Was First Applied*

Decision of Toyama District Court dated December 6, 2000

Case No. (wa) 323/1998

Claim for Injunction of Unfair Competitive Conducts

The Second Subcommittee,

Fair Trade Committee

(Abstract)

There are several types of use of Internet domain names which become subjects of dispute. They include a domain name identical with, or similar to, a famous trade name of another which was registered without intention of actual use, a domain name which is actually used to set up a web site at which one's own commercial activities are carried out, and a domain name under which a web site is operated but where no commercial activities are carried out.¹⁾

In this article, we consider from the viewpoint of business operation the scope of "use of Internet domain names" which may be subject to injunction under the Unfair Competition Prevention Law, and the limit of the current Unfair Competition Prevention Law, referring to the decision of Toyama District Court which found for the first time that use of Internet domain names may be deemed to be "use" of "indication of goods, et al." owned by another as set forth in the Unfair Competition Prevention Law, Article 2, paragraph 1, item 2.

Contents

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Introduction 2. Court Decision <ol style="list-style-type: none"> 2.1 Outline of the Case 2.2 Main Issues 2.3 Arguments of Both Parties 2.4 Decision of the Court 3. Analysis <ol style="list-style-type: none"> 3.1 Implication of the Decision 3.2 Applicability of the Decision 3.3 Limit of Current Laws | <ol style="list-style-type: none"> 4. Attempts for Covering Defects in Current Law <ol style="list-style-type: none"> 4.1 JPNIC's Dispute Resolution Policy 4.2 Trends in Foreign Countries 5. Proposals |
|--|---|

1. Introduction

This case related to a person who registered an Internet domain name that is a famous

* "CHIZAI KANRI" (Intellectual Property Management)
Vol. 51, No. 2, pp. 197-212 (2001)

trade name (trademark) of another person and used the domain name for the sale of his own goods. It was the first decision on a dispute relating to Internet domain names.

There are several intellectual property issues relating to Internet domain names: the design of a structural hierarchy of Internet domain names including top-level and second-level domains; measures by registrar and/or registry to prevent Internet domain names from infringing upon pre-existing rights such as trademarks; establishment of a uniform dispute resolution system including arbitration and mediation when trouble occurs; and establishment of a legal system for the resolution of domain name disputes.

This article discusses the outline of the case and the decision by the court. With analysis of implications of the decision, this article further discusses, in view of entrepreneurs, the relations between Internet domain names and existing indications of goods including trademark rights and the appropriate protection of such indications. Discussing the matters aforementioned, we attempted to include examples in foreign countries as much as possible. However, this article does not cover the issue of jurisdiction.

Based on these foregoing, we attempt to describe practical corporate measures against the registration and/or use in bad faith by a third party of domain names identical with or similar to the corporate indications for goods, and give positions of companies with respect to regulation of such registration and/or use of domain names. From the viewpoint of the Unfair Competition Prevention Law, we make a proposal concerning the legal system which regulates such unfair competition.

2. Court Decision

2.1 Outline of the Case

Plaintiff X is a corporation mainly engaged in the business of arranging installment buying and holds the trade name "JACCS" and several registered trademarks identical with or similar to its trade name. Defendant Y is a limited company engaged in the business of selling and leasing portable toilets. It registered through

Japan Network Information Center (hereinafter referred to as "JPNIC"), a registration authority for domain name ending in '.jp' in Japan, an Internet domain name <http://www.jaccs.co.jp> (hereinafter referred to as "Domain Name") on May 26, 1998. In September 1998, Y started a web site which may be accessed by using the Domain Name (hereinafter referred to as "Web Site"). A user of the Web Site sees in the first place the headline "Welcome to the Home Page of JACCS" under which links to "Our Products" etc. are listed. In each of such linked sites, Y's products are advertised. The indication of "JACCS" on the Web Site later had kana printed beneath the alphabetical letters to show how they should be pronounced. Also, there was a description to the effect that "JACCS" was the abbreviation of a certain entrepreneur-supporting organization. After this there was no mention of "JACCS" in the final argument in this case.

X filed suit seeking for injunction against Y to suspend the use of the Domain Name and indication "JACCS" on the Web Site on the grounds that the use of the name and the marking "JACCS" on the Web Site constitutes unfair competition ("Unfair Competition Prevention Law," Article 2, paragraph 1, items 1 or 2.)

2.2 Main Issues

There were two issues in this case:

- ① Whether the use of the Domain Name constitutes "use" of "indication of goods, et al." as set forth in the Unfair Competition Prevention Law, Article 2, paragraph 1, item 1 and 2; and
- ② Whether it is appropriate to order an injunction to suspend the use of the Domain Name or whether Plaintiff's claim is abuse of its rights.

2.3 Arguments of Both Parties

(1) Plaintiff's Argument

1) As to issue ①:

"Indication of goods, et al." means the source of goods, services or business. Although an Internet domain name essentially indicates the address of certain computer, it is well known to the Internet users that it is selected deliberately by the domain name regis-

trant and is often based on the name of the person, so that domain names in practice have the function of distinguishing the registrant or source of goods, services or business.

Because Y presumably (i) registered Domain Name for the purpose of obtaining monetary profit; and (ii) operates Web Site using Domain Name for the benefit of its marketing activities; and (iii) Y advertises its products on the Web Site under the Domain Name (such advertisement may still be seen on the linked sites), the fact that Y operates Web Site under Domain Name may be construed to mean that Y “uses” the Domain Name as “indication of goods, et al.”

2) As to issue ②:

(Abuse of rights seems to have been claimed only by the defendant.)

(2) Argument of Defendant

1) As to issue ①:

An Internet domain name essentially indicates the address of specific computer. An Internet user merely accesses web sites using the domain names and only the fact that a domain name ending in ‘.co.jp’ has “co” in it does not mean that it is a marking for commercial purpose.

Moreover, even if advertisement for specific goods/services may be seen on a web site, the domain name is usually indicated in a very small address area on the display screen separately from the area in which goods, et al. are shown. Thus a domain name cannot be deemed to have the function of indicating the source of goods, services nor business.

Even if an Internet domain name in practice has the function of distinguishing the person who registered the name or his/her goods/ services, whether there is “use” of the domain name as “indication of goods, et al.” should be determined taking into account all relevant matters such as how the domain name is used and what the contents of the subject web site are.

In the present case, “use” as “indication of goods, et al.” does not exist as there is a clear identifier other than “JACCS” on the current top page of Web Site reducing the distinguishing function of domain names, and further the Web Site merely shows the links to other sites.

2) As to issue ②:

Under the well-established first-to-file system for the registration of Internet domain

names, it is not justifiable for a person who did not make effort to file an application earlier than anyone else to argue that the use of domain names identical with or similar to his trade name may be restricted just because it is famous or a registered trademark.

Even if X cannot use Domain Name, it will not cause any inconvenience to X because it has the domain name “jaccscard.co.”

2.4 Decision of the Court

The Court found that “JACCS” is famous as the indication of X’s business and so granted the claim for injunction to suspend the use of Domain Name and indication of “JACCS” on Web Site based on item 2, paragraph 1, Article 2 of The Unfair Competition Prevention Law.

(1) As to issue ①:

- 1) An Internet domain name is not predetermined to be a letter string which has a connection to the registrant's name, but in fact the registrant often registered the domain name which is named after registrant.
- 2) It is also general that Internet users consider that a domain name with a unique letter string was registered by the body whose name is the same unique noun.
- 3) As an Internet domain name thus may have the function of distinguishing the person who registered the name, it is appropriate to construe that the domain name also has the function of distinguishing the source of the goods, et al. shown on the web site when the person who registered the domain name offers his/her goods and/or services on his/her web site.
- 4) Whether or not certain use of an Internet domain name has the function of distinguishing the source of goods, et al., in other words, whether or not it constitutes “use” of “indication of goods, et al.” may be appropriately determined by comprehensively taking into account the meaning of the domain name (what is recognized by Internet users) and contents of the web site accessed by that domain name.
- 5) In the present case, Domain Name is appropriately construed as having the function of distinguishing the source of goods,

et al. and thus being “used” of “indication of goods, et al.,” because the contents of Web Site (including linked sites) advertise and promote goods; the capital-letter-indication of “JACCS” on Web Site implies that JACCS is the operator of the Web Site; and the domain name “jaccs,” in small letter is no more than its rewriting.

(2) As to issue ②:

- 1) That the complete first-to-file system has been established for the registration of Internet domain name and that whether or not the use of Domain Name in issue constitutes unfair competition are two separate issues. First-to-file system for the registration of Internet domain name cannot be the defense against claim for injunction of a domain name.
- 2) Based on our finding that (i) Y demanded money from X as a consideration for the Domain Name; (ii) “Japan associated cozy cradle society”, which Y claims is allegedly abbreviated to “JACCS”, is unnatural, and this alleged derivation is not indicated in the original Web Site; and (iii) a subscript pronunciation for “JACCS” and the description that “JACCS” is the abbreviation of the name as stated above was added after the present case was filed, we have no choice but to conclude that Y registered Domain Name for the purpose of obtaining money from X. Under no circumstances can the fact that X did not make efforts to apply for registration earlier than anyone else be deemed as abusive use of its rights.
- 3) X seeks for injunction to suspend the use of Domain Name not because X cannot use Domain Name but Y’s use of Domain Name constitutes unfair competition against X. The fact that X owns the domain name “jaccscard.co” does not make it unnecessary for X to seek for injunction of Domain Name.
- 4) Considering the situations described in (i)-(iii) 2) above and the fact that Y contends that the use of Domain Name constitutes unfair competition, Y is likely to continue use of Domain Name. It will possibly confuse X’s trade name and Y’s, dilute the value of X’s trade name and finally infringe X’s business interest.

Accordingly, Y’s use of Domain Name should be subject to injunction.

3. Analysis

3.1 Implication of the Decision

This court decision was the first instance decision for a domain name dispute. This decision reject to registration and use an Internet domain name which is identical with famous trademark of others constitute unfair competition. It is an appropriate resolution of an actual case and sets an landmark precedent for future domain name related disputes.

However, as clear from the reasoning of the decision, it must be noted that the court did not find it constitute unfair competition, to registering identical or similar noun to well-known mark as a domain name or starting a web site with such domain name.

In the next chapter we are going to consider the applicability of the decision and verify that so-called “cyber-squatting” may not be fully covered by the current laws and thus new legal regulations are required.

3.2 Applicability of the Decision

“Indication of goods, et al.” as provided for in the Unfair Competition Prevention Law, Article 2, paragraph 1, items 1 and 2, means an indication shows the source of goods, services or business. So, the word “use” in the Article means that traders and consumers can objectively identify the source of goods, services or business with the indication of goods, et al.³⁾ In other words, use in this context requires an actual connection with goods and/or business.

The court decision in the present case found that an Internet domain name may have the function of distinguishing the registrant, and that it may have the function of distinguishing the source of goods, et al., that is, it may constitute “indication of goods, et al.” only if “the registrant offers his/her goods and/or services on his/her web site.” The court further stated that whether a certain use of an Internet domain name constitutes “use” as “indication of goods, et al.” may be “appropriately determined by comprehensively taking into account the mean-

ing of the domain name (what is usually recognized by ordinary Internet users) and contents of web site accessed by the domain name.”

In the court decision, which part of the contents of Web Site became the basis for the finding of “use” as indication of goods is still not clear. It is presumed that such circumstances as ① actual use of the domain name; ② there is an indication on the web page that (what is meant by the letter string in) the domain name is the name of operator of the web site; and a goods are advertised and promoted on the web page, are the requirements for the use of Internet domain name to be found as unfair competition (use of indication of goods, et al. owned by another) as provided for the Unfair Competition Prevention Law, Article 2, paragraph 1, items 1 and 2. (It would be needless to say that it is the major requirement that the indication of goods, et al of others in question is famous or well-known).

The requirements ①-③ as stated above are presumably required because an Internet domain name does not always have the function of indicating the source of goods, et al. since some web sites have public character and Internet users may also spontaneously notice from the representation on the web site that what is implied by the domain name is not the operator of the web site. Accordingly, the court seems to have found that whether a certain use of Internet domain name constitutes ‘use’ as ‘indication of goods, et al.’ needs to be determined on a case-by-case basis.

It is not clear why the court connected the requirement ② stated above, and the fact that the court granted injunction to suspend the use of Domain Name even though the indication “JACCS” did not exist on Web Site by the final argument. It should not be understood, however, that circumstances of ② were not considered as the basis for the court finding because in considering the appropriateness of granting injunction of Domain Name and marking of “JACCS” on Web Site, the court found that X’s business interest may be damaged if Y continuously or repeatedly used the domain name.

While the requirement of a likelihood inviting a confusion as provided for in item 1, paragraph 1, Article 2 of the Law was not considered in this case as the court found that Plaintiff’s trade name is famous. If Plaintiff’s trade

name had been found as merely well-known, the use of Domain Name could have been found not to be unfair competition because there was no competitive conduct between X and Y irrespective of the existence of the requirements stated above. (Still, such domain name may be construed as subject to regulation based on the broad concept of confusion.)

3.3 Limit of Current Laws

As stated above, what was found as unfair competition in this case was limited severely. The activities should meet the requirements ①-③ above.

On the other hand, domain name dispute is not limited to those involving the use of domain names and representations of indications of goods, et al. owned by another on the web sites as in the present case, but possibly includes the various types as stated at the head of this article.

We, therefore, consider the appropriateness of the reasoning of the decision on the present case by considering some hypothetical cases relating to the present case. (“Trade name” as hereinafter used means such trade name similar to or identical with which is used as Internet domain name without authorization.)

(1) Where Trade Name Is Not Famous, but Merely Well-Known

As we discussed above, if the trade name had been found to be merely well-known, not famous as in the present case, Y’s activities might not have been subject to regulation because the requirement of “likelihood causing confusion” as provided for in The Unfair Competition Prevention Law, Article 2, paragraph 1, item 1, is not enough to meet recognize as an infringement. There is no competition, even though all the requirements ①-③ above are met. Especially in the case where damage to the value of well-known mark, not confusion in source, is the main issue (such case as an adult site operated by a third party who registered a locally well-known product name as the Internet domain name for the web site), measures adjusting the relationship between domain names and locally well-known marks should be taken regarding the dilution of the effect of an indication after excessive use, and considering the special character (global character) of Inter-

net domain names make it possible to access to web sites from anywhere in the world, but make it difficult to restrict the use of certain domain names in certain specific area.

(2) Where A Domain Name Is Not Used

This is one of the model cases as stated above in which none of the requirements ①-③ is fulfilled. One concrete case is where a third party merely registers as Internet domain name certain letter string (and another one similar with it) which has a certain meaning, knowing that the person often select as a domain name certain letter string which has a certain meaning (company name (abbreviation), famous product name, et al.) connected with him/her. In such cases, there is no ground for claiming "use" as "indication of goods, et al." as provided for in The Unfair Competition Prevention Law, Article 2, paragraph 1, item 1 and 2, as the use of Internet domain name itself does not exist.

In many of such cases, there is an improper intention to sell the domain names for a great amount of money. Companies need measures to prevent such registration (or allow claim for transfer of such domain names after registration).

However, JPNIC has abandoned the principle of one domain name for one organization companies will register some similar domain names to avoid web-visitor's confusion. A domain name that is not actually used cannot be deemed just for that reason as "registered in improper intent." Furthermore, a claim for transfer after registration may be filed by more than one person with the identical trade name, for instance. Accordingly, even if legal measures are taken to deal with this, careful coordination among such right holders will be required to avoid trouble in such cases.

(3) Where There is No Indication of JACCS on Web Site Though The Letter String Is Used In Domain Name, or Where There Is Disclaimer on Web Site That "This Web Site Has No Relation With Credit Company X":

Either or both of requirements ② and ③ are not fulfilled in this case. The typical case is that an Internet user who inputs a certain company name (abbreviation) as the domain name reaches an adult site. A case where a third party sells goods, et al. on his/her web site without revealing the source of business, pinching a free

ride on the customer-attracting power of the domain name, also falls within this category.

A improper intention often exists in such domain names, too, seeking for the chance to transfer the domain name or pinching a free ride on well-known / famous trade name. So-called pollution occurs in the first case while dilution occurs in the latter case.

Each case should be determined in light of case-by-case background and circumstances. If commercial activities on a web page with such an Internet domain name is not deemed to "use" of domain name as "indication of goods, et al.," and thus not subject to regulation, there is a significant lack of balance in treatment of cases, even without referring to cases in foreign countries and opinions of various organizations which will be discussed later in this article. Isn't the purpose of the provisions undermined, if use of Internet domain names in bad faith does not become subject to regulation pursuant to The Unfair Competition Prevention Law, Article 2, paragraph 1, items 1 and 2, because such use is found to be "use" as "indication of goods, et al." though it is well-known and famous? Especially in the case of a famous trade name, even the purpose of enacting new provisions as item 2 will be lost.

(4) Where No Commercial Activities, Including Sale of Goods, Are Carried Out Though The Web Site Has Indication of JACCS and Use The Domain Name

There is no room for discussing "indication for goods, et al." in this case because there are no "goods, et al." However, there may exist free-ride, dilution or pollution as discussed in item (3) above.

(5) Where X Claims Infringement of Trademark Right

While there may be dispute over whether the use of Internet domain name in itself constitutes "use as trademark," there may be room for arguing that it constitutes "use as trademark" (the Trademark Law, Section 2, paragraph 3, item 7) if advertisement of goods appears on the web site as in the present case.

We shall now consider the case where the use of Domain Name correspond to the use of trademark.

The purpose of Trademark Law is to prevent confusion in source of actual goods/services. Provisions that certain marks identical to or

similar with other trademarks are prohibited in a specified range of similar goods/services of that registered trademark aim to eliminate such confusion. In the light of such purpose, the scope of prohibition may not be expanded to cover confusion in broad terms (scope in which goods/services may not be similar) as in the case of the Unfair Competition Prevention Law, Article 2, Paragraph 1, item 1. It appears that the trademark right has limited effect as the basis for injunction to suspend the use of Internet domain names especially where, as in the present case, Y's goods offered on Web Site are not similar to the designated goods of X's registered trademark.

Following issues must be added to trademark right. Besides the issue whether the use of Internet domain name constitutes use as trademark, there are other issues such as how shall we coordinate Internet domain name, and existing trademark right, as an equal identifier at the time of registration; even if the use of Internet domain name is deemed to be the use of trademark, there arise the questions where the domain name is used (country in which web servers are placed; country in which the person who accessed to the server lives); and what goods/services are covered by the domain name.

Based on the foregoing, it appears that the reasoning of the decision on the present case may be applied to a quite limited number of types of use of Internet domain name in bad faith.

This is because, as a matter of course, the relationship between "use as indication of goods, et al." under the existing laws and "use of Internet domain name" is not clear. To be precise, it is because even if there exists the intention of unfair competition by the user (intention to carry out unfair competitive activities in violation of fair practice in industry or commerce), the use of Internet domain name in bad faith which constitutes unfair competition is not defined under the current law.

That intention of user (the person who registered the domain name) should be added as a requirement in determination of unauthorized use of Internet domain name will be discussed later together with the issues specific to Internet domain names.

4. Attempts for Covering Defects in Current Law

4.1 JPNIC's Dispute Resolution Policy

To cope with domain name related disputes, JPNIC which registers and manages so-called JP domain names ("www.xxxx.xx.jp") established "JP Domain Name Dispute Resolution Policy" and "Rules for JP Domain Name Dispute Resolution Policy" based on "Uniform Domain Name Dispute Resolution Policy" (UNRP)³ issued by Internet Corporation for Assigned Names and Numbers (ICANN), and started the dispute resolution procedures in October 2000. (Administrative-dispute-resolution service providers for JP domain names is the Arbitration Center for Industrial Property.)

The policy aims to seek for resolution of dispute by the agreement between the registrant (applicant) and JPNIC, coordinating the rights of parties in the domain name dispute based on the existence of "bad faith," not based on being well-known (famous), as is the case with the Unfair Competition Prevention Law.

As to "bad faith," Article 4b of the dispute resolution policy provides as follows:

- ① circumstances indicating that domain-name holder has registered or it has acquired the domain name 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 domain-name holder's documented out-of-pocket costs directly related to the domain name; or
- ② domain-name-holder has registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that domain-name holder has engaged in a pattern of such conduct; or
- ③ domain-name holder has registered the domain name primarily for the purpose of disrupting the business of a competitor; or
- ④ by using the domain name, domain-name holder has intentionally attempted to attract, for commercial gain, Internet users

to your 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 domain-name holder's web site or location or of a product or service on its web site or location.

If, however, the following circumstances are found, domain-name holder's rights or legitimate interests to the domain name will be recognized and the complaint will be dismissed:

- ① before any notice to domain-name holder of the dispute, its use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or
- ② domain-name holder (as an individual, business or other organization) has been commonly known by the domain name, even if it has acquired no trademark or service mark rights; or
- ③ domain-name holder is making legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

As we discussed above, this resolution policy (rules) aims for resolution based on the existence of bad faith, and disputes to which the reasoning of the decision in the present case are not applicable will become subject to regulation in cases that the bad faith is established.

As to the means of resolution, cancellation of registration of the domain name, transfer of the domain name to the compliant, or any other changes to the domain name is expected.

4.2 Trends in Foreign Countries

The followings are the overview of trends relating to domain name dispute in other countries:

4.2.1 World Intellectual Property Organization (WIPO)

In its interim report for "Internet Domain Name Process" titled "The Management of Internet Names and Addresses: Intellectual Property Issues," WIPO proposed to incorporate in the rules for registering domain names the

following measures to prevent domain name dispute and infringement of rights:

- (1) that registrar and the person seeking for registration of Internet domain name execute official registration agreement;
- (2) that the person seeking for registration of Internet domain name provides correct information (hereinafter referred to as "Reference Information") to the registrar (such as name, address, e-mail address, telephone number and facsimile number of the person seeking for registration and the name of representative person, name of main and supplementary domain name servers and IP address if the person seeking for registration is an organization or corporation.);
- (3) that the applicant must warrant that to the extent of his/her knowledge and belief, subject domain name for registration does not infringe rights of other persons and that all Reference Information is true and correct;
- (4) that registrar warrant that the registrar shall use Reference Information solely for legitimate purposes, protecting legitimate privacy of the person seeking for registration of Internet domain name; provided, however, that the registrar has the right to provide Reference Information in relation to the domain name to a third party only if the third party files a complaint alleging its right was infringed by the domain name;
- (5) that registrar has the right to cancel registration of a domain name based on the breach of agreement if Reference Information is not correct and appropriate; and
- (6) that registration of Internet domain name becomes effective upon payment of registration fee.

WIPO also proposed 5 methods as a uniform dispute resolution system: ① existing judiciary court system be the final means for resolution; ② registrar establishes an Alternative Dispute Resolution System; ③ mediation; ④ arbitration; and ⑤ administrative procedures established by WIPO.

4.2.2 U.S.A.

Domain name disputes started to arise since early 1990's when rapid-expanding Internet started to influence greatly to the business on the global basis. Such disputes, however, were

treated in light of accumulated case laws. On January 16, 1996, the Federal Trademark Dilution Act (Article 43c and 45 of the Lanham Act⁴⁾) was enacted and came into effect to cope with many cases relating to unlawful registration and use of Internet domain names where likelihood of confusion was not found. The new law paved the way for the trademark owners to protect trademarks against a third party who uses the trademark on dissimilar goods and services, with the aim of preventing damage to the value of trademarks or dilution of the capacity of a trademark to distinguish without requiring likelihood of confusion. The concept of dilution was recognized as the independent grounds for protecting trademarks in British and German courts and first introduced to the United States in the late 1920's, after which case laws have been accumulated and the concept has been embodied in a significant number of state laws.^{5) 6)} The Trademark Dilution Prevention Law, however, was not drafted to prevent cybersquatting, causing problems such as provision of false information at the time of registration of Internet domain name making it impossible to identify cybersquatters and establishment of U.S. court jurisdiction was difficult. As a result the Anti-Cybersquatting Consumer Protection Act ("ACPA"⁷⁾) was enacted and became immediately effective (Addition of Article 43 (d) to the Lanham Act) on November 29, 1999, which may be outlined as follows:

- (1) stipulated "obtaining profit with improper intent" as the requirement for regulation, and further listed 9 requirements to find activities "in improper intent";
- (2) regulated use of Internet domain name which is so similar to distinctive marks (registration is not required) that it is likely to cause confusion or which dilutes famous marks for the purpose of "obtaining profit with improper intent";
- (3) permitted trademark holders to institute an action in rem directly to the domain name itself (to cope with cybersquatters who filled in false information in the register or did not submit his/her address);
- (4) allowed the courts to order cancellation of registration or transfer in title of domain names in addition to injunction; and
- (5) permitted trademark holders to choose to claim for statutory damages of 1,000 –

100,000 dollars for an Internet domain name registered in violation of ACPA on and after November 29, 1999, instead of claiming for actual damages and lost profits. On September 29, 1999, Examination Guide No. 2 was made for Application of Trademark Registration in the form of Domain Name⁸⁾.

4.2.3 U.K.

While there are not many court decisions relating to Internet domain name in U.K.⁹⁾, British courts reportedly treat such cases in the same way as other trademark cases¹⁰⁾. That is to say, injunction and other relief may be awarded based on infringement of a trademark right or passing off which does not require registration in domain name disputes as well as in trademark infringement cases. Among actual domain name disputes, "Study Report on Trademark Protection on Internet" (Institute of Intellectual Property) refers to Marks & Spencer PLC v. One in A Million Ltd. and says that "the High Court concluded that it constituted passing off and trademark infringement as 'use of a trademark as a professional dealer for the purpose of drawing out money from trademark owner after raising the value of the domain name constitutes use during the course of transaction.'"¹⁰⁾ The report further noted that UK courts generally recognize that cybersquatters' domain name selling activities satisfy the requirements for establishing the use of marks "during the course of transaction" and constitute trademark infringement and/or passing off¹⁰⁾.

Moreover, as of September 2000, the registrar, Nominet UK Limited, has registered about 2.07 million Internet domain names (190 thousand cases in Japan)¹¹⁾ and its free resolution mediation service promoting voluntary resolution of the parties (which is different from arbitration) treats about 100 cases every month¹²⁾. If the parties ended mediation without resolution, they may bring the case to the expert panel though only a small number of such cases have actually been brought to the panel, according to a report¹²⁾.

Examination guidelines for applications for trademark registration in the form of Internet domain name were made in March 1997.¹³⁾

4.2.4 Germany

According to the report issued by the Institute of Intellectual Property, the first German court decision on domain name dispute was delivered in 1996. The court first characterized Internet domain name as something that can be compared with (“identical in character to” or “corresponding to”; note of author) telephone number. Nowadays, however, use of Internet domain name is uniformly deemed as the use of trademark identifying providers and services, and various courts have found that “registering Internet domain name for the sole purpose of negotiating resale to trademark owners constitutes unfair competition.”

Laws relevant to domain name disputes are the Trademark Law (Article 14) which regulates “likelihood of confusion” with registered trademark (including likelihood of implication that there is connection between a domain name and registered trademark) and especially regulates damage (dilution) or unauthorized use of the distinguishing character or reputation of trademark with established reputation. The Unfair Competition Prevention Law which contains such general provision that “acts against good faith practice,” and Civil Code. No examination guidelines seem to exist for application for trademark registration in the form of Internet domain name.

As of September 5, 2000, about 1.73 million domain names have been registered in Germany.¹¹⁾

4.2.5 France

French courts also treat the use of trademark in Internet domain name roughly in the same way as in other trademark infringement cases, according to a report¹⁴⁾. A court decision found that holding Internet domain name for the purpose of selling to trademark owners constitutes trademark infringement and unfair competition¹⁴⁾. Unfair competitive activities are wholly regulated pursuant to Articles 1382 and 1383 of the Civil Code, the general provisions relating to liability to unlawful conduct.¹⁵⁾ In addition, activities diluting well-known/famous marks, unauthorized use of reputation of others and parasitic activities are also regulated, though to a limited extent.¹⁶⁾

The French registrar is AFNIC which has registered about 70 thousand domain names in

total¹⁷⁾. The number of registration remains small because AFNIC conducts very strict quality examination and requires supporting documents (certified copy of register or certificate of registered trademark which was registered before the French Industrial Property Office, the European Trademark Office (OHIM) or WIPO and is effective in France) before granting a registration¹⁸⁾, and because one person may generally obtain only one registration. Recently, however, as the new domain “.com.fr” (com is for communication) may be registered in the order of filing merely requiring that the applicant has his/her base in France, registration of domain names is growing suggesting the growing number of related disputes¹⁸⁾.

4.2.6 South Korea

The background of the first domain name dispute brought to the Korean court by a foreign corporation is as follows: a person obtained Internet domain name “chanel.co.kr” and started a web site on which the marking of Chanel International and Hangul syllable were indicated as trade name and through which female clothing, perfume and adult goods were sold. After the case was filed, Defendant changed the trade name, stopped dealing in goods similar to those of Plaintiff and added disclaimer on the top page of the web site that it has no connection with the French company, Chanel.

The court found confusion of sellers pursuant to The Unfair Competition Prevention Law, Article 2, paragraph 1(ii), ordering the injunction of marking “CHANEL” in Defendant’s trade name and on the web page and cancellation of the registration of the domain name, “chanel.co.kr.” It was a typical case in which likelihood of confusion in both narrow meaning (where subject goods and services are similar) and broad meaning were recognized though it seems that dilution should have been found. (Decision of Seoul High Court on November 15, 2000)

On the contrary, there was a domain name dispute in which injunction of the domain name was not awarded. In that case, Defendant obtained Internet domain name, “viagra.co.kr” and started a web site which carried information relating to Viagra, a drug made by U.S. Pfizer Corporation headed by “Viagra-related Information” as well as selling arrowroot gruel, a health

product produced and marketed by himself. Defendant deleted "Viagra-related Information" after receipt of Plaintiff's warning letter while continuing to sell his products using the domain name as stated above. Pfizer filed suit seeking for injunction of the domain name and cancellation of registration based on the trademark infringement and the Unfair Competition Prevention Law. The court did not find trademark infringement as the subject goods are not similar and found that there is no likelihood of confusion when considering the difference in character of products, means of sales, and the strong recognizability of trademark "Viagra".

While the likelihood of confusion as not found as a result, it can be understood that the court considered that the Internet domain name "Viagra.co.kr" which indicates an address on the Internet, may be the identifier of goods treated on the web page or the seller because "the likelihood of confusion" was considered in this case. If the strength of trademark "Viagra" to distinguish itself were found based on the understanding that Internet domain name may be the identifier, the capacity of the trademark to distinguish itself or attract customers might be diluted in case the identifier is used by a third party to goods of different types. This shows the limitations in regulation based only upon likelihood of confusion. "Dilution" which is embodied in the paragraph 1(2), Article 2 of the Japanese Law has not been introduced to the Korean Unfair Competition Prevention Law so that introduction of "Dilution" is now reportedly expected in the amended law.

4.2.7 Taiwan

No case law has been reported relating to Internet domain name in Taiwan. However, Fair Trade Committee of Administrative Office passed a resolution on February 23, 2000 that unauthorized registration and use of famous marks of others as Internet domain names should become subject to injunction pursuant to Article 24 of Fair Trade Law, based on which injunctions have been executed. The resolution found that "家樂福" and "carrefour" are famous marks" and suggested that "Internet domain name 'carrefour' be subject to injunction because registration of these famous marks as Internet domain names may prevent fair competition and cause confusion in commercial trans-

actions in violation of provisions of Article 24 of Fair Trade law.²¹⁾ Article 24 is a general provision regulating "fraud and other unfair activities that may disturb orderly business transactions." Items 1 and 2 of paragraph 1, Article 20 of the Law regulate activities that may cause confusion by using marks identical or similar to well-known marking for goods, et al. of others ("marks for goods of others" in item 1 and "marks for business and services of others" in item 2). Item 3 of the Article regulates use by a third party of "famous trademarks of foreign countries" on "identical or similar goods" and may be construed as in actuality imposing requirements of confusion for regulating the use of same though confusion is not a statutory requirement. It seems Article 20, not 24, should have been referred to if such resolution was based on the "likelihood of confusion." Though we cannot make a definite assertion as we have not studied the case in detail, it seems that Article 24 was applied considering the special character of Internet domain name which goes beyond "likelihood of confusion." It seems that case-by-case concrete regulations under the said general provisions is one effective means of resolution of problems with a variety of uses of domain names.

4.2.8 China

Regarding the characteristics of provisions for registering Internet domain names in China, Mr. Tang Guangliang, associate professor at the Institute of Intellectual Property, China Social Science Academy noted in the report titled "Internet Domain Names, Trademark Violation, and Current Policies of China and Japan"²²⁾, that "Article 11 of CNNIC's Domain Name Registration Rule"²³⁾ clearly provides the principle of protecting trademarks and precedence of trademark right," and "court decision with legal effect is not required to establish precedence of trademarks." According to information provided by a Chinese attorney²⁴⁾, the current laws covering domain name disputes are Trademark Law, The Unfair Competition Prevention Law and general Civil Code. In addition, there is a guiding document for such disputes issued by People's High Court in Beijing. The document provides that such disputes should be treated pursuant to Trademark Law and The Unfair Competition Prevention Law based on

the principle of good-faith and fairness in the general Civil Code, and lists the following three criteria for rejecting registration of an Internet domain name in bad faith.

- (1) similarity with precedent rights (trademark) of others;
- (2) no relevance of the domain name holder with such precedent rights; and
- (3) intention of domain name holder to sell or lease the domain name for unreasonably high consideration, intention of misleading the public to his/her own web site using the reputation of trademark or trade name of others, intention of preventing holder of precedent rights from obtaining the domain name (cybersquatting), or intention of damaging the reputation of others exists.

If such an improper intent is found during the court proceedings, the activities will be subject to injunction and the perpetrator must bear liabilities to damages if the damage is established. The guiding document was made to be used by the courts in Beijing area, but it has great influence nationwide because CNNIC is located in Beijing and most domain name related cases are filed in Beijing.

Moreover, CNNIC recently enacted a domain name dispute resolution policy similar to ICANN's "Uniform Domain name Dispute Resolution Policy" which, however, will reportedly be applied only to domain names indicated in Chinese characters. Perhaps this is because CNNIC's official commencement on November 7, 2000 that it will receive applications for domain names in Chinese characters triggered a rush of new applications. The situation in China is being watched in Japan, as applications in Japan for multi-purpose JP domain names are scheduled to begin in February 2001. Large-scale trouble is not expected, as there is a preference registration system for holders of registered trademarks, trade names and names.

The first domain name dispute brought to the Chinese court was the case filed in 1997 by Kelon Group relating to the domain name "kelon.com.cn." The case was settled upon agreement that the subject domain name would be transferred to Plaintiff. As to dispute involving foreign companies, there was a case relating to trademark of IKEA, a Swedish company. Peoples' Second Intermediate Court in Beijing found that Defendant registered hundreds of

trademarks of others as Internet domain names without actually using them and that thus registration of the domain name "Ikea.com.cn" constitutes cybersquatting because there is no legitimate reason that Defendant owns Ikea's trademark as Internet domain name. It was the first domain name dispute to which Trademark Law was applied. The case is still pending before the People's High Court in Beijing upon appeal by Defendant. Some more decisions relating to Internet domain name have reportedly been delivered.

5. Proposals

From the viewpoint of business, we believe it is necessary that the foundations for a contract-based relationship between registrar and registrant of Internet domain name coordinating rights, etc. be established to prevent dispute with holders of rights, including trademarks, relating to domain names, and that a uniform dispute resolution system be established under which a dispute may be settled fairly, promptly and efficiently with low cost through mediation or arbitration.

The dispute resolution system provided by JPNIC and WIPO is one of the tools for that purpose. administrative-dispute-resolution service providers and common features of procedures used may be outlined as follows:

- (1) Administrative-Dispute-Resolution Service Providers
 - 1) Dispute relating to JP domain name (jp) Arbitration Center for Industrial Property
 - 2) Dispute relating to the domain name ending in .com, .net, and .org.
 - World Intellectual Property Organization (WIPO)
 - The National Arbitration Forum(NAF)
 - Dispute.org/eResolution Consortium(DeC)
 - CPR Institute for Dispute Resolution(CPR)
- (2) Features of Procedures
 - 1) Non-involvement (non-participation to procedures and exemption from liability) of registrar (domain name registration authority);
 - 2) Mandatory administrative proceeding (a person who registered Internet domain name through a registrar employing the

- same policy must refer the complaint filed by a third party, if any, to the dispute resolution process);
- 3) Availability of court proceedings (a party to the dispute resolution process may bring the case to the court during and after the process);
 - 4) Prompt nature (dispute resolution process is in principle carried out online, requiring about 55 days from the filing of complaint until the results are implemented); and
 - 5) Low cost (A panel with only one panelist costs about US\$1,000.)
- (3) Main Items Required to be Submitted in the Request for Process
- 1) Subject domain name relating to dispute;
 - 2) Name, address, telephone number, facsimile number and e-mail address of the person who registered subject domain name (Respondent);
 - 3) The manner in which the domain name(s) is/are identical or confusingly similar to a trademark or service mark in which the Complaint has rights;
 - 4) Reasons why Respondent (domain-name holder) should be considered as having no rights or legitimate interests in respect of the subject domain name; and
 - 5) Reasons why the subject domain name(s) should be considered as having been registered and being used in bad faith.

Evidence supporting the complaint required in the Request as stated above should in principle be given by Complainant. Establishment of items 4) and 5) may be relatively easy if there are facts as listed in Article 4b of JPNIC's Dispute Resolution Policy such as that the other party (the person who registered the domain name) demanded purchase of the domain name for an unreasonably high price.

On the contrary, if facts as listed in Article 4c of JPNIC's Dispute Resolution Policy are established, a claim under the Dispute Resolution Policy will be dismissed.

In light of such procedural flow of dispute resolution, the following everyday measures will be required of businesses to lead to favorable results:

- a. Recording and retention of requests of the other party (the person who registered the mark) made through telephone or letters;
- b. Retention of (a copy of) certificate of

trademark registration which consists of the same letter string as with the subject domain name;

- c. Collection and retention of documents proving that subject domain name is covered by your own copyright; and
- d. (In addition to b. and c. above, in anticipation of request for dispute resolution procedures,) retention of documents which show that the domain name was used or prepared to be used as the name of goods or services.

Such dispute resolution system will, we feel, be approved of as sufficient to cover the imperfection of the existing laws. We, however, request legislation for actual and appropriate resolution because domain name disputes are not limited to the 4 types covered by JPNIC, et al. in relation to "bad faith" and because there are fewer provisions for the panel's ruling than for court decisions and no appeal may be filed.

At the same time, the peculiar character of Internet domain names and Internet must be understood since a letter string selected by the person who files an application for registration may be registered as an Internet domain name though that domain name is the same as a trademark or trade name. In this registration no adjustment is made for so-called generic terms and goods / trade names of others for which actual protection has been established, because a complete first-to-file system is employed (which is registered nearly without examination provided uniqueness in the world is guaranteed). Even though access to a web site is possible from anywhere in the world, the place where an Internet user is and the place where the letter string used by a domain name is well-known are different. In addition, we must understand that cybersquatters focusing on the functional value of Internet domain names are rampant as Internet becomes established as a basis for information and communication.

As discussed above, we consider that cybersquatting may not be fully regulated by the existing Unfair Competition Prevention Law even if there has been the development of concept of confusion and dilution in broad terms. In addition, considering that the usage of internet domain names is of a global nature, while well-known or famous marks are regional ones, lack of legal measures specifically for domain

names may lead to very unreasonable results such as the exclusion from the scope of regulation of registration (use) of a domain name with unfair competitive intent under the Unfair Competition Prevention Law, simply because the applicant made efforts to file an application in the first place, as found in the present case.

Accordingly, it is favorable that activities that cannot be regulated by provisions for "misleading/confusion and dilution" be regulated based on the other grounds. In this regard, we propose that new activities for "bad faith" that cannot be determined to cause "misleading/confusion and dilution" be defined as "unfair competition" in the system of The Unfair Competition Prevention Law or rules for inference of that purpose be established following general provisions for evidence of "bad faith." We believe that such measures are in the spirit of the Unfair Competition Prevention Law, which aims to regulate unfair competitive activities to protect the business interest of business owners and fair order for competition

Footnotes:

- 1) As to the types of unlawful use of Internet domain name, Mr. Li Choul Song, professor of Law at Hanyang University categorized disputed use of Internet domain name to 5 types. (See *Institute of Intellectual Property Forum*, vol. 43, pp 22-seq.):
 - ① Retention of prior registration;
 - ② Exploitation of prior-registration;
 - ③ Registration of copy name;
 - ④ competitive registration of identical name; and
 - ⑤ Prior registration of non-commercial name
- 2) See *Ono's Shin Chukai Fusei Kyosoho* (New Commentary on unfair Competition Prevention Law), pp. 240-242
- 3) Adopted by ICANN on October 24, 1999 after consideration at World Intellectual Property Organization (WIPO). This covers disputes relating to .com, .net and .org. four organizations. Four bodies including WIPO are designated as accredited dispute resolution body.
- 4) Article 4C: provides injunction and other relief if capacity of a famous mark to distinguish itself is diluted, stating 8 requirements (extent of recognizability; extent and time-length of use; range and time-length of advertisement, et al.) in deciding a mark to be famous. Article 45: (definition of dilution) 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 the famous mark and other parties; or likelihood of confusion, mistake or deception.
- 5) J. Thomas McCarthy, *Trademarks and Unfair Competition*, 1984
- 6) Keita Sato, *Dilution ni taisuru sashitome kisei no kinou* (Function of Injunction against Dilution), March 1999, Institute of Intellectual Property
- 7) Anticybersquatting Consumer Protection Act: Applies to Internet domain names registered prior to the effective date of the Act.
- 8) See *Multinational Survey on Internet Domain Name*, March 2000, AIPPI Japan, pp. 35-48; pp 109-121
- 9) Id., Nine landmark decisions relating to Internet domain name are indicated at page 4.
- 10) See, *Research Paper on Trademark Protection on Internet*, Institute of Intellectual Property, March 2000, P. 35,
- 11) Hiromichi Aoki, *Domein Neimu no Fusei Toroku* (Improper Registration of Internet Domain Name), *Accounting Information*, October 20, 2000, No. 932
- 12) Id.8. p. 4
- 13) Id.8 pp.49-54, pp 123-130
- 14) Id. 10, pp. 43-49
- 15) Article 1382: A person who caused damage to others shall be liable to indemnify. Article 1383: A person who caused damage to others due to negligence or carelessness shall be liable to indemnify.
- 16) Article 713 *quinquies*
- 17) As of February 25, 1999. Id.8, p.6
- 18) Id.8, pp.6-7
- 19) Paragraph 1-ro, Article 2 of Anti-Competition Prevention Law of South Korea. Activities that cause confusion with facilities or activities of others by using marks identical or similar to the name, trade name or marks of others or other marks identifying the business of others.
- 20) Article 24 of Fair Trade Act of Taiwan:

Businesses may not engage in the activities regulated in this law or other false or unfair activities that may affect orderly conduct of transactions.

- 21) The authors thanks Mr. C.C. Chen, Taiwan International Patent & Law Office for his information.
- 22) Tang Guangliang, Associate Professor, IPC of CASS "INTERNET DOMAIN NAMES, TRADEMARK VIOLATION, AND CURRENT POLICIES OF CHINA AND JAPAN," Institute of Intellectual Property, March, 1999
- 23) China Internet Network Information Center: Internet domain name managing organization in China.
- 24) The authors thank Mr. An Xiaodi, Attorney at Law, An, Tian, Zhang, & Partners for his information.

Written by:

Seiji NORINOBU

Chairperson, The Second Subcommittee, Fair Trade Committee

Legal and Intellectual Property Department, Sanyo Electric Co., Ltd.

Toshiyuki TOKUDA

Member, The Second Subcommittee, Fair Trade Committee

Legal Department, Intellectual Property Division, Nippon Steel Corporation

(Date manuscript received: 10 January 2001)

