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USE OF TRADEMARKS ON THE INTERNET:
ISSUES PAPER

prepared by the International Bureau

I. INTRODUCTION

1. This paper is intended to assist the SCT to identify areas where international cooperation in the framework of WIPO appears to be both necessary and realistically achievable. It is based on:

- the results of the study concerning the use of trademarks on the Internet prepared by the International Bureau for the second session, second part of the SCT, which took place in Geneva on June 7 to 12, 1999;¹
- the discussions within the SCT at that meeting;²
- the questionnaire regarding hypothetical cases concerning the use of trademarks on the Internet and responses received so far.³

2. It appears that an internationally harmonized approach should focus on questions of substantive trademark law and, in particular, on problems resulting from the tension between the territoriality of trademark rights and the global nature of the Internet. These questions will be addressed in the third and fourth part of this paper. With respect to issues of jurisdiction and private international law, international cooperation, at present, seems less urgent as far as trademark law is concerned.

II. JURISDICTION AND PRIVATE INTERNATIONAL LAW

3. As was pointed out during the second session, second part of the SCT, issues of jurisdiction are of a general nature and cannot be limited to trademark law. On the international level, a general approach is being taken in the Preliminary Draft Convention on Jurisdiction and the Effects of Judgments in Civil and Commercial Matters (“the Preliminary Draft”) currently being prepared by the Hague Conference on Private International Law.⁴ The Preliminary Draft would seem to imply the following consequences with regard to infringement claims resulting from the use of a sign on the Internet:

- (i) Under Article 3 of the Preliminary Draft, the plaintiff could bring his case at the defendant’s forum. This court would have general jurisdiction.⁵ This means that the court would be competent to deal with all claims the plaintiff might have against the defendant. This would include infringement claims concerning trademarks protected in several countries. However, no provision would be made for cases where the defendant is located in a “safe haven.”⁶

¹ Document SCT/2/9.

² See Report (document SCT/2/12).

³ Circular C. 6238 of July 30, 1999. The responses to the questionnaire are summarized in document SCT/3/2. References herein to hypothetical cases are references to this questionnaire.

⁴ The Preliminary Draft is described in Document SCT/3/3.

⁵ See document SCT/2/9, paragraphs 40, 41 and 46 to 48, document SCT/3/3, paragraph 25, and hypothetical case No. 1.

⁶ See document SCT/2/9, paragraph 46, and document SCT/3/3, paragraph 51.

(ii) Alternatively, the plaintiff could, according to Article 10 of the Preliminary Draft, choose to sue at the *forum delicti commissi*. In trademark law, this would generally be the place where the allegedly infringed trademark enjoys protection. Under Article 10.1(b) of the Preliminary Draft, the defendant could, however, object to that forum, showing that he or she could not reasonably have foreseen that the use of the sign on the Internet could result in an injury, i.e., the infringement of a trademark protected in that country.

4. As a rule, infringement claims are decided according to the law under which a trademark enjoys protection (*lex loci protectionis*).⁷ At present, there seems to be no need for a modification of that rule. As a result of the principle of territoriality, a trademark does not exist under any other law. Therefore, only the *lex loci protectionis* can provide the criteria for determining whether a trademark has been infringed. As has been pointed out in the study, the fact that a particular law is applicable does not automatically entail a conclusion that a trademark (which is protected under this law) has been infringed by the use of a sign on the Internet.⁸ Whether an infringement has taken place will have to be determined on the basis of the application of that law.

5. *Since use of trademarks on the Internet seems not to pose unique problems in the area of jurisdiction and private international law, it is proposed that the SCT does not further pursue these matters in depth.*

III. ADAPTING TERRITORIAL TRADEMARK LAW TO A GLOBAL MEDIUM

Possible issues for international cooperation

6. Among the substantive legal problems, those resulting from the tension between the territoriality of trademark law and the global nature of the Internet seem to deserve particular attention. At the last meeting of the SCT, there appeared to be a general understanding concerning two basic principles:

- (i) that the protection of trademarks should extend to the Internet, and
- (ii) that such protection should neither be less nor more extensive than outside the internet.

7. These two principles are, however, not easily implemented in practice. The main reason for this is that trademark rights are territorially limited, and important characteristics of trademark rights result from their territoriality.

⁷ See document SCT/2/9, paragraphs 49 to 51, and hypothetical case No. 1.

⁸ See document SCT/2/9, paragraph 58.

8. The Internet, however, creates a borderless “cyberspace” which tends to ignore national borders and thus challenges the characteristic features of trademark rights. The legal problems resulting from this situation are largely unresolved, as is evidenced by the responses to the hypothetical cases and by published court decisions all over the world. If trademark law is to be applied on the Internet in basically the same way as it applies outside the Internet, and as long as no uniform global trademark law exists, its characteristic elements would have to be “translated” into the Internet. It is therefore proposed that the SCT concentrate its discussions on these issues by examining:

- (i) under what circumstances use of a sign on the Internet infringes trademark rights;
- (ii) Global effect of injunctions; and
- (iii) ways of enabling coexistence of conflicting rights on the Internet.

Infringement of trademark rights through use of a sign on the Internet

9. The first issue which might call for an internationally harmonized approach is the concept of infringement. It is still unclear when and under what circumstances the use of a sign on the Internet can be considered to be infringing a trademark which is protected in a particular country. The notion of infringement can either be extensive or restrictive.

10. Under an extensive concept of infringement, it would suffice that a sign is visible on a computer screen in a country where a conflicting right exists.⁹ The exclusive right in a trademark would then have an almost worldwide effect. It could even be used to block such a use that was neither aimed at a country, nor had an effect in that country over and above the visibility of the sign on a computer screen. As a consequence, use of a sign on the Internet could provoke infringement claims in potentially every country in the world.¹⁰

11. Under a more restrictive concept, the finding of an infringement would require a “link” between the use of the sign on the Internet and the country in which the trademark enjoys protection. While factors for establishing such a link with a particular country need to be considered, different countries are likely to adopt different standards. If it were possible to agree on a set of criteria at the international level,¹¹ it would be easier for businesses to foresee in which countries their activities on the Internet might become legally relevant. Under such an approach two further questions would have to be addressed:

(i) First, whether a “link” with particular countries requires that the user intended to produce an effect in these countries, or that such an effect was at least foreseeable for him or her;¹²

(ii) Second, whether it is necessary to distinguish between various degrees of interactivity of the web site on which the sign is used.¹³ Use within the context of

⁹ See hypothetical case No. 2.

¹⁰ See document SCT/2/9, paragraph 62.

¹¹ See document SCT 2/9, paragraphs 28 to 34 and 62 to 66.

¹² See hypothetical cases Nos. 2.b), 3.b) and c), 4.b) and c).

¹³ See document SCT/2/9, paragraphs 19 to 22.

advertising¹⁴ might have to be treated differently from use on web sites used for mail order¹⁵ or for the delivery of digital goods or services.¹⁶

12. Related to the concept of infringement is the question whether users of a sign on the Internet should be able to avoid a link with a particular territory by virtue of a statement (“disclaimer”) on their web site.¹⁷ Such statements could provide a flexible tool for enterprises to “territorialise” their use of a sign on the Internet, and to avoid infringement claims in particular territories where conflicting rights might exist. There are, however, a number of problems, some of which were discussed at the last meeting of the SCT:

- the user of a sign might have to search for conflicting rights all over the world in order to find out whether he or she should “disclaim” particular countries (“this product is not available in countries X, Y and Z”) or even other individual right holders (“We have no relationship with A, B, and C”);
- if particular countries were to be “disclaimed” explicitly, this might have to be done in the languages used in these countries;
- in cases where a multitude of possible conflicting right holders exist worldwide, it would seem almost impossible to disclaim a relationship with each of them on a single web page;
- such statements would always bear a residual risk of confusion;
- explicitly “disclaiming” a relationship with particular other users might impair the value of the “stronger” trademark.

13. It is possible that many of these problems could be solved by an adequate formulation of the statement. Instead of negatively excluding relationships with particular countries or individual right holders, the user could positively explain that:

- (i) the sign he or she is using has been registered in a particular territory;
- (ii) that other users of the sign have no relationship with him or her; and
- (iii) that the goods or services which are marketed under the sign are only available in particular countries (“this product is only available in countries X, Y and Z”).

14. The SCT is invited to consider whether the concept of trademark infringement should be defined on an international level with regard to use of distinctive signs on the Internet, and to comment on proposed principle I in the Annex.

¹⁴ See hypothetical case No. 2.

¹⁵ See hypothetical case No. 3.

¹⁶ See hypothetical case No. 4.

¹⁷ See document SCT/2/9, paragraphs 37, 37 and 66, and hypothetical cases Nos. 2.c), 3.d), 4.d).

Global Effect of Injunctions

15. The scope of a trademark right is determined not only by defining when such right is (passively) infringed, but also by specifying the remedies available to the right holder when an infringement has taken place. If a trademark right has been infringed by the use of a sign on the Internet, should its owner be able to demand, with the help of the courts, that the defendant cease every use of the sign throughout the Internet? Such an injunction would have an effect which is as global as the Internet itself. If traditional trademark law is to be translated into cyberspace, a national (and thus territorially limited) trademark right should not give rise to an exclusive right throughout the potentially worldwide cyberspace. It would, therefore, seem more in line with traditional trademark law if the available remedies were, as far as possible, limited to the territory for which the owner holds an exclusive right. From this perspective, Internet-wide injunctions appear questionable. Courts might have to take a more creative approach to framing equitable relief, such as obliging the user of a sign on the Internet to take reasonable measures for avoiding contacts with the territory in which the trademark owner holds an exclusive right. This could, for example, be effected by placing adequate statements on the web site (“disclaimers”, see paragraph 12 above), by using technical mechanisms to block access by Internet users located in a particular country, or by refusing to deliver goods or services to customers located in a particular territory. The concurrent users could also be required to share a common “gateway page,” or to mutually provide links to their respective web sites.¹⁸

16. It would seem, however, that Internet-wide injunctions should not be completely excluded. Especially in cases where the use of a sign on the Internet targeted a trademark right (such as in cases of conflicts between well-known marks and conflicting domain names envisaged under Article 6 of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks),¹⁹ it may be necessary to prohibit every form of use of the conflicting sign on the Internet in order to remove its effect on the territory (or territories) in which the trademark enjoys protection, and to prevent such use from violating the legitimate interest of the trademark holder.

17. The SCT is invited to consider whether the scope of exclusive trademark rights should be defined on an international level with regard to use of distinctive signs on the Internet, and to comment on proposed principle II in the Annex.

¹⁸ See document SCT/2/9, paragraphs 67 to 69, and hypothetical cases Nos. 2.b), 3.b) and 4.b).

¹⁹ *Article 6 Conflicting Domain Names*

(1) [*Conflicting Domain Names*] A domain names shall be deemed to be in conflict with a well-known mark at least where that domain name, or an essential part thereof, constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark, and the domain name has been registered or used in bad faith.

(2) [*Cancellation; Transfer*] The owner of a well-known mark shall be entitled to request, by a decision of the competent authority, that the registrant of the conflicting domain name cancel the registration, or transfer it to the owner of the well-known mark.

IV. ENABLING COEXISTENCE OF RIGHTS ON THE INTERNET

18. Because of the territoriality of trademark rights, identical or confusingly similar trademarks can be held in different countries by different owners who are completely unrelated to one another.²⁰ In many cases, mutually exclusive rights exist for different holders in different countries. This is more difficult on the Internet where a sign is visible on computer screens all over the world. What had been coexistence of rights outside the Internet could turn into “conflict of rights” on the Internet. Some conflicts might be filtered out by defining the concept of infringement and the scope of exclusive trademark rights (see III. above). Nevertheless, there would appear to remain a substantial number of conflicts which cannot be solved by such means.

19. Such conflicts can lead to a situation where the conflicting right holders mutually block each other from using their sign on the Internet with the help of their own national courts.²¹ It might be argued that such conflicts should be solved by contractual agreements between the conflicting right holders. It should be noted that such conflicts do not constitute remote exceptions but are a logical consequence of the tension between the territoriality of trademarks and the global nature of the medium in which they are used. It would seem, therefore, that this problem has to be addressed “at its roots,” i.e. in trademark law, in order to give legitimate right owners the certainty that they can use their trademarks on the Internet without having to fear claims raised against them by right holders in other jurisdictions.

20. In document SCT/2/9, it was proposed to enable courts in infringement cases to take account of the fact that the defendant is the holder of a right in the sign in dispute in a different country, and to adjust the remedies accordingly.²² In order to make it possible for all right holders to extend the legitimate use of their signs into the Internet, it would, however, seem necessary to provide a more explicit solution in trademark law. This could be achieved by the adoption of a general principle according to which every holder of a right in a distinctive sign may use that sign on the Internet concurrently with any other right holder, subject, of course, to certain limitations (see paragraph 22 below). Such a principle might be regarded as an expression of the independence of national trademark rights provided for by Article 6(3) of the Paris Convention.²³

21. In court, the fact that the defendant holds an exclusive right in the sign in another country could form a defense or a rebuttable presumption of legitimate use, the factual preconditions for which might have to be proved by the defendant. There would be limits on the use of national or regional (and thus territorially limited) rights to prevent other right holders from using a sign on the Internet.

22. It would seem that the principle of coexistence of legitimate rights would have to be limited in two respects in order to safeguard the interests of trademark owners:

²⁰ See document SCT/2/9, paragraph Nos. 59, 127, 145 to 148 and hypothetical cases Nos. 2., and 3. and 4.

²¹ See hypothetical case No. 4.e).

²² Document SCT/2/9, paragraph No. 148.

²³ “A mark duly registered in a country of the Union shall be regarded as independent of marks registered in other countries of the Union, including the country of origin.”

(i) First, the risk of confusion would have to be reduced to a minimum. To this effect, it could be required that the user of the sign clearly indicate where the trademark is protected, and that other users of the sign have no relationship with him or her (see paragraph 12, above). A risk of confusion could, however, not be avoided completely since Internet users searching for a particular trademark owner might call up the web site of a concurrent user and only then, after reading a clarifying statement on that web site, realize that they did not find what they were looking for. This is sometimes referred to as “initial interest confusion.” The SCT will have to decide whether this residual risk of confusion is outweighed by the fact that, in cases of conflicts between legitimate (national or regional) rights, the principle enables each right owner to use his or her right on the Internet, which would otherwise be (legally) impossible.

(ii) Second, coexistence would not apply if one of the users had registered or used his or her trademark in “bad faith.” Only “good faith” use should profit from the limitation of infringement claims.

23. In court, “bad faith” could serve as a means to rebut the presumption of legitimate use. The facts constituting “bad faith” registration or use might then have to be proved by the plaintiff. In determining “bad faith,” it might be possible to draw on Article 4(5)(c) of the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks,²⁴ according to which knowledge or reason to know of the conflicting mark is to be taken into account. “Bad faith” could include situations where one right holder has acquired his or her right or uses it with a view to profit from the goodwill associated with the other trademark. Additional criteria might have to be determined in order to render the application of the “bad faith” exception more predictable.

24. Moreover, it would have to be decided whether the principle of coexistence should apply regardless of the context in which the trademark is used on the Internet, or whether it should be limited to situations in which a contact with a particular territory cannot be avoided. The latter would be the case, for example, when the trademark is used on a web site devoted to advertising,²⁵ or when digital goods (such as computer programs) or services (such as Internet search engines) are provided for free. As soon as goods or services are delivered against payment,²⁶ it would be possible for the user of the sign to limit the territorial reach of his marketing activities, for example by filtering out holders of credit cards registered in particular countries.²⁷ Such limitations would be even easier to effect in cases where the goods would have to be physically delivered to customers.²⁸ It should, however, be noted that such restrictions would oblige everyone who wants to use a sign on the Internet to search for conflicting (registered or unregistered) rights in possibly every single country of the world in order to avoid liability.

²⁴ “In determining bad faith for the purposes of this paragraph, the competent authority shall take into consideration whether the person who obtained the registration of or used the mark which is conflict with a well-known mark had, at the time when the mark was used or registered, or the application for its registration was filed, knowledge of or reason to know of, the well-known mark.”

²⁵ See document SCT/2/9, paragraph 35, and hypothetical case No. 2.

²⁶ See hypothetical cases Nos. 3. and 4.

²⁷ See document SCT/2/9, paragraph 35, and hypothetical case No. 4.

²⁸ See document SCT/2/9, paragraph 35, and hypothetical case No. 3.

25. Another question that needs to be addressed in this context is whether the principle of coexistence should apply only in favor of trademarks which have been registered. This would have the advantage that a court could simply require the defendant to furnish a document proving a valid registration. It would, however, leave conflicts between other rights in distinctive signs unresolved.

26. The SCT is invited to decide whether coexistence of rights on the Internet should be addressed on an international level, and to consider proposed principle III in the Annex.

V. ASSOCIATIVE USE OF SIGNS ON THE INTERNET

27. At the second session, second part of the SCT, there was a general understanding that there should be no attempt to draft a completely new trademark law for the Internet. It was also pointed out that any attempt to regulate “new” forms of trademark use on the Internet should be flexible and technologically neutral. This was particularly stressed with regard to “new” ways of creating associations with signs or marks, such as linking, framing, or metatagging.²⁹

28. Problems resulting from such “new” forms of trademark use do not result from the tension between the territorial nature of the law and the global nature of the medium in which trademarks are used. They rather pose problems of applying national trademark law to new phenomena. Solving these problems might, therefore, be left to the respective legal systems. However, if different countries adopt different approaches to such issues, it becomes more difficult for enterprises wishing to participate in global economic commerce, to formulate a coherent marketing strategy because the line between legitimate “fair” use and trademark infringement is drawn differently from country to country. Even though a harmonized approach in this regard would not appear a necessary precondition for the functioning of the system, it would seem to increase the predictability of legal approaches for the benefit of every participant in global electronic commerce.

29. As was frequently pointed out during the last SCT meeting, such a harmonized approach should not attempt to regulate every single “new” form of using a distinctive sign on the Internet, but rather attempt to identify a general yardstick for distinguishing acceptable from unacceptable practices. In this respect, two different approaches could be followed:

30. First, criteria for unacceptable use could be developed. Since such criteria would have to be very abstract and of a general nature, the harmonizing effect of such a provision would be limited. “Bad faith” might provide a general yardstick for distinguishing legitimate use from

²⁹ See document SCT/2/9, paragraphs 23 to 25, 78 to 79, 94 to 95 and 122 to 126 and hypothetical cases Nos. 5 to 9.

prohibited forms of use. This abstract concept could then be rendered more specific by a set of criteria.

31. Second, it could be attempted to define, in a general way, the forms of “fair” use that each country would, at least, have to treat as acceptable in its national jurisdiction.

32. The SCT is invited to consider whether such cases call for an internationally harmonized response, and, if so, which approach might seem preferable.

[Annex follows]

PROPOSED PRINCIPLES

Principle I. Infringement

(1) A determination that use of a sign on the Internet infringes a trademark protected under the law of a particular country or territory could require that such use produced an effect in that country or territory [and that such effect was [intended by] [foreseeable for] the defendant].

(2) In determining whether the use of a sign on the Internet has produced an effect in a particular country or territory, the competent authority could take into account any circumstances including, but not limited to, information concerning the following:

- (a) serving of customers in the particular territory or country;
- (b) entering into other commercially motivated relationships with persons in the particular territory or country;
- (c) actual visits to the web site for which or on which the sign is used from persons in the particular territory or country;
- (d) use of an ISO Standard country code 3166 Top Level Domain;
- (e) use of the language predominantly used in the particular territory or country;
- (f) indication of prices in a particular national currency;
- (g) indication of an address or a telephone number for contacts or orders in the particular country or territory;
- (h) activities in the particular country or territory which are not carried out over the Internet;
- (i) if the use is supported by a right, that the right has been established (in the case of a trademark, that this trademark has been registered) in that country or territory;
- (j) if the use is not supported by a right but motivated by the subject matter of an existing right, that the right is protected (in the case of a trademark, that this trademark has been registered) in that country or territory.

(3) If the user of a sign clearly and unambiguously states along with such use that the sign used is [protected] [registered] in a particular country or territory, that other users of an identical or similar sign have no relationship with him or her, and that the goods or services offered are available only in particular territories or countries, the use of that sign could be deemed not to have produced an effect in other countries, subject to a showing that the user did not abide by his statement.

Principle II. Injunctions

The owner of the trademark, which has been infringed by the use of a sign on the Internet, can claim that such use cease in so far as it effects the territory in which the trademark enjoys protection.

Principle III. Coexistence of Rights

(1) The use of a sign on the Internet could be deemed not to have infringed a trademark right in a particular country or territory if the user holds a [demonstrable] [registered trademark] right in the sign in another country or territory, unless this right has been acquired or used in bad faith.

(2) A [demonstrable] [registered trademark] right in a sign, which is used on the Internet, could be deemed to have been acquired or used in bad faith if the person who obtained the registration of or used the sign had, at the time when the sign was used or registered or the application for its registration was filed, knowledge of or reason to know of the conflicting mark, and the use of that sign would take unfair advantage of the distinctive character of the conflicting mark.

(3) The user of a sign could be obliged to clearly and unambiguously state along with such use that the sign used is [protected] [registered] in a particular country or territory, [and] that other users of an identical or similar sign have no relationship with him or her[, and that the goods or services offered are available only in particular territories or countries].

[End of Annex and of document]