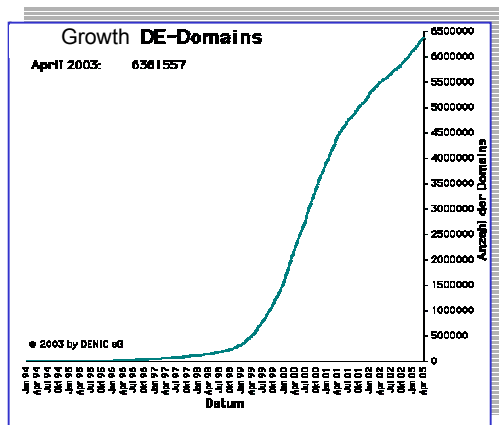


Legal Rights to Distinctive Marks in the Internet

1. The Internet and the Domain Name System (DNS)

There are currently around 700 million Internet users; a number which is expected to grow to the one billion level by the end of 2005. The fact that approximately 20 million people use the Internet in Germany reveals the high level of importance that the Internet has in the meantime attained for the sales of goods and services. Access to the intended recipient's computer occurs in the Internet via domain names which clearly identify the computers connected to the Internet. In view of the considerable economic importance of domain names, the question as to the extent to which domain names encroach upon rights to already existing distinctive marks – in particular upon trademark rights – gains ever increasing importance. World wide more domain names are registered than trademarks. Compared with around 6.28 million Top Level Domains with the ending "de", there are currently 970,000 registered trade marks in Germany.



In the Internet each computer possesses its own unique address consisting of four number combinations from 0 to 255 (e.g. the address 137.208.127.71). As these addresses are difficult to read, they are replaced by domain names made up of characters and therefore easier for the human user to note (e.g. isarpatent.com). When data is transferred from one computer to another via the Internet, it is parceled up in a data packet (similar to an envelope) containing the addresses of the sender and the recipient. The various local networks of the Internet are connected together by means of special computers known as routers.

These function rather like distribution post offices and determine the route a data packet takes in the Internet. The transmission standard which determines the format of the data packet being transmitted is called the Internet Protocol (IP). In addition there is a second protocol (TCP: Transmission Control Protocol) which ensures that larger quantities of data in the IP data packets are taken apart and sent as per the IP protocol. The TCP protocol both numbers and controls the data packets so that they can be put together again correctly at the intended recipient's computer. It is therefore quite possible that a message sent from Europe to Australia reaches its destination via various paths, i.e. part of the IP data packet is sent via America and another part goes for example via Asia.

In the Internet each computer is identified by its own individual address known as the IP address. In order for the assignment of the domain names to the IP addresses – which are in each case addressed to a specific server and are therefore one-off - to function, it is essential that the domain names also be one-off. The DNS (Domain Name System) is a so-called routing system, i.e. it is managed in a tree structure which guarantees the unequivocal nature of each chosen domain name. Domain names consist of terms which are separated one from the other by means of a dot.

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The part of the domain name to the extreme right describes in each case the highest structure level of the tree structure, i.e. the so-called Top Level Domain TLD, which refers to the location of the domain management and cannot be chosen at will. The TLDs are subdivided into generic TLDs (gTLDs, e.g. .com, .gov, .org) and country code based TLDs (ccTLDs, e.g. .us, .jp). The logical way to read a domain name is from right to left. The Top Level Domain TLD to the right of the domain name is supplemented on the left side by the Sublevel Domain SLD which contains characters chosen freely by the user. The question as to who may use which domain name is frequently controversial as – particularly in the field of business – an optimal level of association and recognition is aspired to. In order to avoid a name being occupied twice, the management and allocation of IP computer addresses is carried out centrally by the ICANN (Internet Corporation for Assigned Names and Numbers). For its part, the ICANN makes use of subordinate organizations such as the DENIC, the German authority for the allocation of internet addresses. The DENIC allocates SLDs - which in principle may be chosen freely by everyone – together with the Top Level Domain ".de". Contrary to customary practice with the registration of trademarks, the allocation of domain names is not carried out by the authorities but on a private enterprise basis. The ICANN is commissioned to manage the generic Top Level Domains gTLD such as ".com", ".net" and ".org". As beneath the Top Level Domain TLD each domain name may only be registered once, the relatively scarce address resources have over the past few years increasingly become objects of speculation. Domain names are predominantly registered by private persons. Around 20% of all domain names are registered by businesses. Not only large company groups but also an even larger number of small and medium-sized firms now have their own web sites on the Internet.

A request for registration of a domain results in the connection of the domain to the Internet. Anyone wishing to register a domain should first of all contact his ISP (Internet Service provider) who works in cooperation with a registrar. A contract of registration is closed between the person registering the domain and the DENIC. This contract exists independently of and in addition to the contract between the customer and his ISP. Prior to the registration of a domain, the availability of the requested domain must first of all be checked. For those registering on-line the ISP often provides a means of carrying out the necessary search in its web site. The registration of the domain is normally carried out on a first come first served basis, i.e. the domain name is allocated to the first person requesting it. There is no check at the time of registration as to whether the person wishing to use a domain name is entitled to do so, i.e. whether he infringes third party rights by doing so. The DENIC reserves the right to refuse registration in the case of an obvious infringement of rights. When requesting registration of his domain, the customer affirms that he has the right to use the domain and in particular that the domain does not infringe the rights of third parties. A legally valid title against the holder of a domain name which invalidates his right to use the domain is sufficient grounds for summary cancellation of the registration contract by the DENIC. The allocation authorities such as DENIC, ICANN are run on a private enterprise basis and are not government agencies.

The mere registration of a domain name does not grant the holder exclusive rights to it. The use of a registered domain name in the Internet can even infringe third party rights to distinctive marks.

2. Legal Protection of Domain Names

In the first place domain names have an innate technical function, namely that of providing an address. The domain permits the allocation of information to a specific computer within the Internet. Although the primary function of a domain name is to provide an address to a specific recipient's computer, it also exercises a labeling and name-giving function. A decisive factor as to whether a specific domain name exercises a function as a distinctive mark or not is the generally accepted opinion of the average Internet user. A high percentage of those related to the field of business in question must be able to recognize in the name used a reference to a

specific enterprise, to a specific person or to goods or services. Inasmuch as the on-line supplier registers as his domain a name which in identical form already enjoys legal protection as his trademark or other distinctive mark, it is generally-speaking immaterial whether or not the registration and use of the domain themselves create rights to a distinctive mark. "Ford" has for example long enjoyed protection of its distinctive mark both as a registered trade mark and trade name. The establishment of name protection via the domain "ford.de" is therefore neither here nor there. However many companies offer goods or services exclusively in the Internet. Amazon.de-GmbH for example offers books exclusively under the address "amazon.de" in the Internet. The question therefore arises as to the conditions under which the registration and use of a domain can lead to the acquisition of name protection.

The easiest and safest method of ensuring name protection for a domain name is to have it additionally registered as a trademark with the GPTO (German Patent and Trademark Office) or with the Community Trade Marks Office. An exclusive right of prohibition throughout Germany or Europe can be obtained this way. A list of the goods and services to be covered by the trademark together with a description of the trademark and further details concerning the identity of the person registering should be enclosed when registering the trademark. In addition to ensuring the fulfillment of formal application conditions, the German Patent and Trademark Office or the Community Trade Marks Office checks in particular for grounds forbidding registration such as a lack of distinctiveness or of the need to keep the trademark open. Terms which have developed into generic terms in everyday speech or which are used to determine the nature, composition or other characteristics of goods and services cannot be protected as trademarks as they must be kept open in support of competition. Providing there are no insurmountable impediments to protection, the trademark will be registered. Neither the German Patent and Trademark Office nor the Community Trade Marks Office check whether higher priority third party protective rights exist which constitute an obstacle to registration of the trademark. A third party who has already applied for an identical trademark or one giving rise to confusion for identical or similar goods or services can attempt to prevent the registration of the younger trademark by means of so-called opposition proceedings. Prior to an application for registration of a trademark it is therefore advisable to undergo a search to ensure whether a third party trademark stands in the way of one's own application. An on-line supplier wishing to sell goods and services via his homepage and using a domain name which has not so-far been protected, should therefore apply for registration of the domain name as a trademark no later than when applying for connection of the domain name to the Internet, always providing there are no insurmountable impediments suggesting that registration of the trademark will be highly improbable.

Without the parallel registration of the domain name as a trademark as part of registration proceedings at the German Patent and Trademark Office or the Community Trade Marks Office, rights to the domain name can only be created by considerable use of the name and providing the name or the domain name attain a secondary meaning within the field of business in question. If goods are offered on the web site under a specific name, it is possible to achieve trademark protection providing the name has acquired a secondary meaning. Unless however the name is shown on the web site in connection with the goods on offer, the domain itself will hardly be seen within the field of business in question as a name describing the goods on offer. It is therefore not possible to acquire a trademark for goods simply by using a domain name. On the contrary it is conceivable that a trademark for services could be acquired simply by using a domain name, providing the required secondary meaning can be obtained. In accordance with established legal practice, a secondary meaning is only considered to have been accepted when a naturally distinctive name is known to at least 15-25% of the business field in question, i.e. to Internet users. The disadvantage of a trademark gained through use as opposed to a registered trademark lies in the fact that in a case of litigation the secondary meaning must be substantiated and proven by the holder.

In most cases this can be achieved by means of an opinion poll. Proof of the continuing existence of a secondary meaning is therefore in many cases difficult to maintain and full of risks. A further disadvantage lies in the fact that the protection of a trademark gained through use expires should the secondary meaning be lost, i.e. should the name no longer be known to a sufficient number of users.

It would therefore appear extremely inadvisable to rely on protection of a trademark through use. Rather, registration of the name or domain name in question as a trademark with the German Patent and Trademark Office or the Community Trade Marks Office is to be recommended.

3. Infringement of Third Party Rights via Domains

The registration of a domain name, with the DENIC for example, does not provide the applicant with exclusive rights. It is therefore possible that the registered domain name may intrude on older third party rights such as trademarks, company marks, rights to titles of creative works or to a name.

The holder of an older right to a trademark or company mark can claim injunctive relief from the user of a domain name if use of the name can lead to confusion. In order to do this, the trademark or the business name must on the one hand be identical with or similar to the domain name and on the other hand the goods or services offered on the web site must be similar to the goods and services protected by the mark or business name.

When judging the similarity of domain names and protected marks, the protected mark is always compared with the Second Level Domain SLD. The Top Level Domain TLD, which is used in a multitude of domains, normally has no identifying effect and is disregarded when judging similarity. In addition to the question of similarity of the term, a trademark infringement by a domain can only be assumed if the domain is being used for identical or similar goods or services. If there is no danger of confusion due to similarity in the goods or services or due to similarity in the field of business, an infringement of name rights by a domain which is identical or similar to the protected mark may nevertheless come into consideration providing the older mark is well known. From a quantitative point of view, it is a question of how well known the mark is in the relevant field of business. This can, if required, be ascertained by means of an opinion poll. A 50% awareness level of the mark in the field of business is considered to be sufficient. The lowest acceptable level of awareness is around 20%. In addition to the purely numeric level of awareness, a further qualitative element may involve the question as to whether the older mark enjoys a good reputation, a special image or a high level of promotional value.

Even if the domain name is used for purposes of a private nature and therefore there is no infringement of a trademark, third party rights to a name may nevertheless be infringed.

A principal difference between a trade mark and a domain name lies in the fact that generic terms may be registered as Second Level Domains SLD whilst not providing grounds for trademark protection. The registration of the domain name "küche.de" (küche = kitchen) for example is easy to achieve in order to run a web site for kitchen equipment, whereas insurmountable obstacles would impede the registration of the trademark "kitchen" for kitchen equipment.

The widespread use of generic Second Level Domains SLD such as "travel.jp", "bank.us" results from the frequent search habits of Internet users who, instead of using the search engine after entering the web site, directly type in a descriptive term as the required domain name.

As far as the Top Level Domain ".de" is concerned, the DENIC has introduced no limitations at all to impede the registration of generic terms. In its judgement of 17.05.2001 concerning the name "mitwohonzentrale.de" (office providing assistance in subletting rented accommodation), the German Federal Supreme Court (BGH) confirmed the acceptability of generic terms and trade labels used as domain names. An analog exercise of the requirement – common in trademark law – to keep certain domains open was rejected, as a generic Sub Level Domain SLD only leads to a de facto (as opposed to a legal) monopoly

Registration of a domain does not grant a domain holder rights over third parties, in particular as far as cease and desist claims are concerned. Furthermore there is no supervisory authority responsible for the registration of Internet domains - and comparable to the German Patent and Trademark Office or the Community Trade Marks Office - which could enforce insurmountable registration impediments in connection with domains.

A particular feature of the Internet is that it is used throughout the world and across all national borders. Companies using their name as a domain or on their web site must be prepared for the fact that they might be cited not only in front of a national court but also by a much more distant foreign forum for an infringement of a trademark right valid in that particular country. There is no "Cyber Law" specifically for the Internet. The Internet is however not an area void of legal rules since, for example, conflicts over distinctive marks are dealt with on the basis of national legal practice. A German court has international competence when the place of jurisdiction is in Germany, i.e. the opposing party maintains for example his residence, his registered company office or a subsidiary in Germany or he holds assets in Germany. In the case of disputes over the rights of distinctive marks furthermore, the court in whose area the infringing act was carried out is competent. The location of the server holding the data ready to be called up by the user always provides sufficient grounds to apply local law. Not every name infringement based on circulation across national borders and exclusively by technical means in the Internet constitutes sufficient grounds for German jurisdiction to be deemed competent. Rather, it is essential for the web site to be clearly targeting the German market. Important indications of such targeting are if the web site has a Top Level Domain ".de" or if the web site is written in German.

The ICANN (Internet Corporation for Assigned Names and Numbers) has set up so-called UDNDRP (Uniform Domain Name Dispute Resolution Policy) arbitration proceedings for certain legal disputes connected with generic Top Level Domains registered under .com, .net, .org, .biz, .name, etc.. These UDNDRP arbitration proceedings are not however applicable in the case of the Top Level Domain ".de".

4. Domain Name Management

The increasing importance of the Internet for the sale of goods and services makes it inevitable for companies to set up and monitor a domain name portfolio in addition to their trademark portfolio. In view of the numerous trademark rights and company names already existing, it is advisable to make a worldwide search of domain names still available and to register these centrally if and when required. In the case of already existing trademarks and in order to ensure the effective implementation of any protective right, it is advisable to search the Internet for identical or similar domain names. By this means possible trademark infringements can be unveiled and if necessary the appropriate legal steps taken. Companies placing emphasis on strategic considerations will set up an appropriate domain name management system at an early stage in order to be able to enforce their legal rights to their name effectively.

5. Comparison of Trademarks and Domain Names

The following comparative table provides greater transparency of the principal differences between trademarks and domain names.

	Trademark	Domain
Function	Trademarks function as distinctive marks	Domain names function as (technical) addresses as well as being distinctive marks
Area covered	Protection covers a specific area such as Germany or Europe	A web site can be reached via its domain name throughout the world
Legal protection provided	Trademarks provide grounds for an absolute right of prohibition preventing all third parties, in particular holders of domain names, from using a similar domain to that covered by the trademark	Mere registration of a domain name does not provide grounds for an absolute right of prohibition preventing all third parties from using a similar name
Acquisition	Protection is gained either via registration as a trademark or via attainment of a secondary meaning as a trademark through use	A domain name is connected to the Internet immediately following registration
Responsibility for registration	Public authorities (such as the German Patent and Trademark Office or the Community Trade Marks Office) are responsible for the registration of trademarks	Private organizations (such as the DENIC or ICANN) are responsible for registration
Impediments against protection	A substantive review is carried out to see if prerequisites of protection, such as distinctiveness or the absence of a requirement to keep a name open, are fulfilled (generic terms cannot be registered)	No check for existence of substantive protection prerequisites (generic terms can be registered as Sub Level Domains SLD)
Co-existence of names	Identical names can exist side by side for different goods and services	Domain names are <u>non-recurrent</u> in the entire Internet

Your legal rights to a distinctive mark are just as valuable in the virtual world as in the real one. They should be registered and reliably prolonged.

Our legal office can provide you with a comprehensive service for your domain names. We would be happy to assist you in carrying out a worldwide search of domain names as well as in registering and monitoring your domain names and of course in ensuring they are prolonged worldwide.

Should you have specific questions on this subject do please contact me by e-mail at the address below.



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