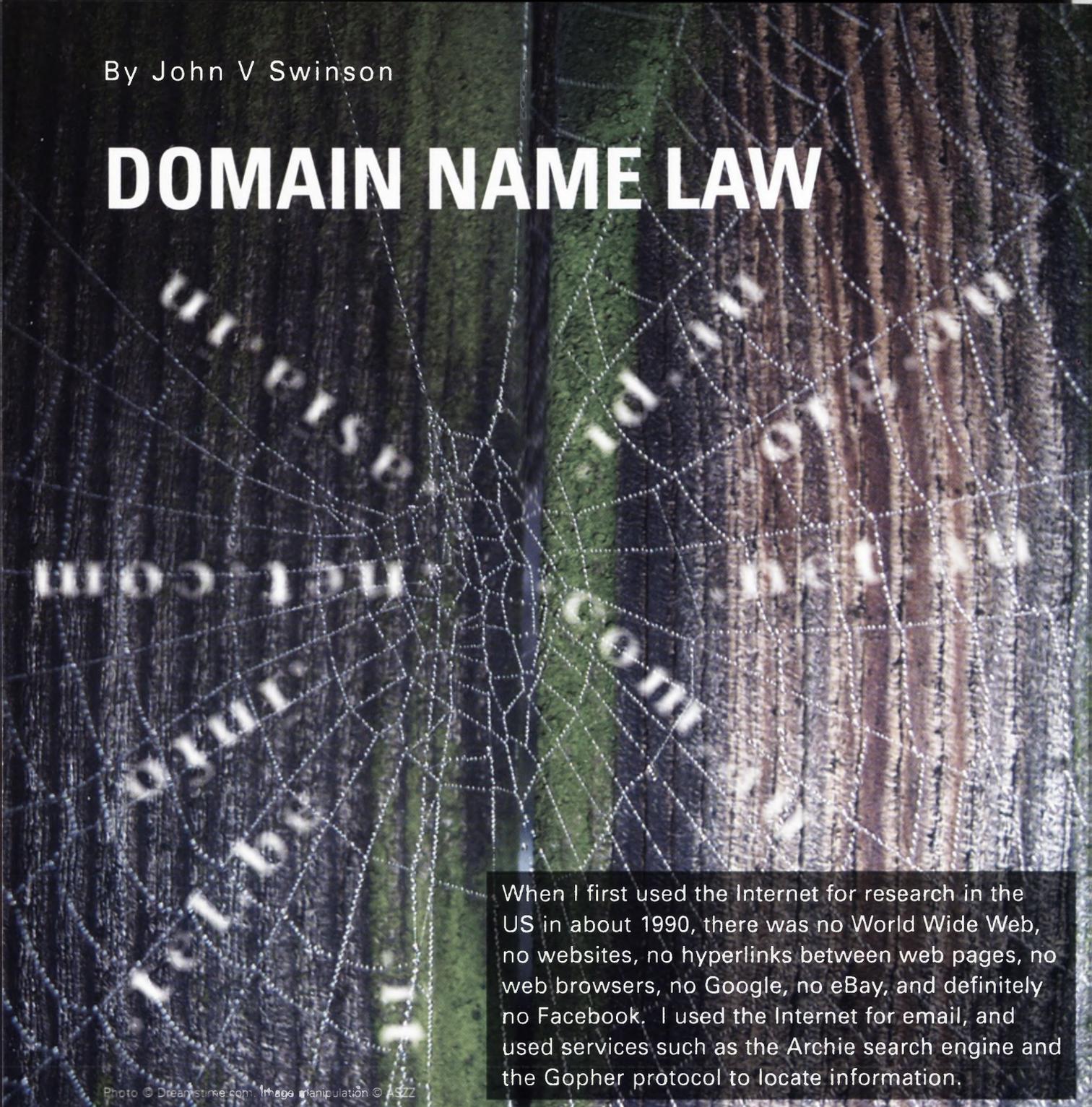


By John V Swinson

DOMAIN NAME LAW



When I first used the Internet for research in the US in about 1990, there was no World Wide Web, no websites, no hyperlinks between web pages, no web browsers, no Google, no eBay, and definitely no Facebook. I used the Internet for email, and used services such as the Archie search engine and the Gopher protocol to locate information.

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Back in the 1980s and early 1990s, the Internet was primarily for academic and government use. It was not until 1989 that a commercial email network (operated by MCI) was allowed to connect to the Internet. In fact, the body governing use of the Internet until 1995 (the US Federal Networking Council) had made rules that prohibited use of the Internet for commercial purposes.

Use of the Internet by the general public and non-technology businesses exploded in about 1994 or 1995.¹ In 1994, businesses started to establish commercial websites (contrary to the governing rules at that time). The first law firm website was established in 1994 by Heller Ehrman.

Clifford Chance soon followed with what was believed to be the first UK law firm website. I created a website for an English law firm in 1995, and the managing partner at the time asked me why his firm needed a website. In fact, his law firm's new website was the first website that he had ever seen.

It took five or six years, from about 1994 to 2000, for most businesses to establish an Internet presence.² The first step in doing so was to register a domain name for use by the business. Domain names were registered on a first-come, first-served policy. If you applied for the domain name, and no one else had registered it first, then it was yours.

It was the Wild West. Some people made a fortune registering generic words as domain names, such as *business.com*, *toys.com* and *autos.com*, that all sold in the late 1990s for millions of dollars.³ These people, who trade in generic domain names, have come to be known as 'domainers'.⁴ But some, who were less scrupulous, registered the domain names that included business names and trademarks of others, and offered to sell them back to the business name or brand-owner for a good profit. Those who trade in or misuse non-generic domain names have come to be known as 'cybersquatters'.⁵

CYBERSQUATTING

There were a number of famous and newly rich cybersquatters in the 1990s. One was the notorious John Zuccarini, who registered thousands of domain names that were mis-spellings of famous brands directed at children. He was arrested in 2004 and served about two years in jail.

It was a wide-open field in the mid-1990s, with domain names available for the taking. In 1994, it simply wasn't clear that registering a trademarked name as a domain name was illegal. At this time, McDonald's hadn't yet figured out that it might want to own *mcdonalds.com*.

Another well-know cybersquatter was Dennis Toeppen, who registered many famous brands as domain names, including *AustralianOpen.com*. Dennis Toeppen was eventually sued and was the defendant in the case of *Panavision Int'l LP v Toeppen*.⁶ He had registered *panavision.com*, and established a website showing aerial photographs of Pana, Illinois (titled 'My Vision of Pana, Illinois'). Toeppen lived in Illinois and liked flying (and made enough money from his ventures to fly on the Concorde to Paris). Panavision learned of Toeppen when it attempted to register its trademark 'Panavision' as a domain name. When asked to cease use of the domain name, Toeppen offered to sell the domain name for \$13,000. Panavision refused, and successfully sued Toeppen under (and stretching the reach of) the US *Federal Trademark Dilution Act*.⁷

In 1994, when I worked in New York, I was involved in one of the very first domain name disputes, concerning the domain name *kaplan.com*. The dispute was not between a trademark-owner and a cybersquatter but, rather, between two bitter competitors, Princeton Review and Kaplan. They were competitors in the test-preparation business. They prepared students for standardised tests such as for college admission, law school admission, the Bar Exam or for the nursing registration examinations. Princeton Review not only registered *princetonreview.com* but also *kaplan.com*. Princeton Review created a website at *kaplan.com* that encouraged Kaplan students to publish complaints about Kaplan courses. I represented Princeton Review in relation to this dispute, which went to private arbitration. It is reported that Princeton Review offered a case of beer to settle the dispute. The outcome was that the arbitrator awarded the domain name to Kaplan.⁸

The law in the mid-1990s was not ready for the cybersquatters. First, it was easy and inexpensive to register a domain name, less than \$100. Many trademark-owners

would settle with the cybersquatter rather than fight, typically paying \$2,000 to \$35,000 to buy the domain name from the cybersquatter. Thus, for the cybersquatter, it seemed relatively easy to make money, and the risks were low. For the trademark-owner, it was faster and cheaper to buy the domain name from the cybersquatter than to litigate. Second, it was often hard to find the cybersquatter, who may have used a false address or an address in North Korea or China. This also made it difficult to sue the cybersquatter. Third, it was uncertain what cause of action could be brought against the cybersquatter. If the domain name was not used, was this trademark infringement? Many thought not. Fourth, the registration agreements used to register the domain name at that time had vague and unhelpful warranties and very basic dispute resolution procedures. The philosophy was first-come, first-served, and the domain name registries wanted a high volume of registrations without the cost of providing any assistance if there was a dispute.

Clearly, in the 1990s, there was a gap in the law and legal process. And so the cybersquatting business boomed.

ICANN TO THE RESCUE WITH THE UDRP

To remedy this situation, in 1999, ICANN (the Internet Corporation for Assigned Names and Numbers, the organisation that oversees various Internet tasks) introduced a procedure called the Uniform Domain-Name Dispute-Resolution Policy (commonly called the UDRP) to deal with .com domain name disputes involving cybersquatters.⁹ Each registrar was required to include in the registration agreement with their customers a provision whereby the customer agreed to mandatory binding arbitration if a third party challenged ownership of the domain name. Thus, by agreement, each time a person registers or renews a .com domain name, they agree to comply with the UDRP in the event that a third party claims ownership of the domain name. That is still the situation today.

The advantages of the UDRP over a court proceeding are as follows:

- Fast – a decision is normally delivered within three months of filing the complaint.
- Self-executing – if the complainant is successful, after a short period of time, the domain name is automatically transferred to the complainant by the registrar.
- Cost-effective – the filing fees (covering both the cost of the arbitrator and the administration of the complaint) are low, typically \$1,500 in total;¹⁰ and because the arbitration is determined on the papers without oral submissions, the legal fees are usually modest.
- International – the procedure applies and works regardless of where the complainant and the respondent are located.
- Uniform – the same substantive rules apply to all disputes; there are no issues of choice of law.
- Transparent – the decision is published.
- Subject to judicial proceedings – if a party files judicial proceedings, then the arbitration ends and the domain name is not transferred.

The UDRP has generally been well received, with over >>

20,000 complaints being filed and resolved since 1999.

To succeed in a UDRP complaint, the complainant must prove three elements:

1. First, that the disputed domain name is identical or confusingly similar to a trademark in which the complainant has rights. The test for the first element is not whether the respondent infringes the complainant's trademark. The first element is simply a test to ensure that the complainant has proper standing to bring the complaint.
2. Second, that the respondent (the current registrant of the disputed domain name) does not have any rights or legitimate interests in the disputed domain name. This test recognises that two people may both have the legitimate right to own and use a domain name, reinforcing the first-come, first-served principle. For example, there are two businesses that own a trademark for 'Nike' (the first for perfume, the second-comer for jogging shoes). Whoever registered *nike.com* first should continue to own it if the other trademark owner brings a UDRP challenge. As another example, *dellonline.com* is owned by Andrew Dell. He has a legitimate interest in owning this domain name; Dell Computers would not succeed on the second element if it decided to bring a UDRP case against Andrew Dell.
3. Third, that the respondent registered the disputed domain name and is using it in bad faith. Examples of bad faith include trying to sell the domain name to the trademark-owner for a profit; directing the domain name to the website of a competitor of the trademark-owner; or creating a website intentionally attempted to attract, for commercial gain, Internet users to the respondent's website, by creating a likelihood of confusion with the complainant's mark.

Thus, to summarise crudely: the complainant must have trademark rights, the respondent must have no rights, and the respondent must be bad.

The results of the two disputes illustrates the use of the UDRP.

The mischievous showman

Brian Evans was a Las Vegas singer, who liked to sing like Frank Sinatra. But in his spare time, he would watch the financial news wires, and as soon as a merger was announced, he would register various combinations of possible names for the merged entities.

When Royal Bank of Canada announced that it would merge with Dain Rauscher, Brian Evans quickly registered the domain name *rbcdainrauscher.com*.

Brian was crafty. He registered the domain name under the name 'RBCD Ain Rauscher' and claimed to be Mr Ain Rauscher. The website stated that it would be used for a travel agency, but had a link to one of RBC's competitors.

Brian did this a number of times, and under various false names. He even pretended to be his own lawyer. In a newspaper report, Brian claimed that a cybersquatter had stolen his identity, and that he was totally unaware of what was being done in his name! But he only submitted

vague and misleading statements in defence in the UDRP proceedings.

In this case, like most other cases brought against Brian Evans, the domain name was transferred to the trademark-owner.

See *Royal Bank of Canada v RBCD Ain Rauscher*.¹¹

Criticism website

Zeev Goland of Maryland registered the domain name *legal-and-general.com*. He was a former employer of Legal & General, a large UK insurance company. The website was established so that people could post commentary about Legal & General. The text at the top of the website stated:

'Welcome to L & G Companies Complaints Club. A one of a kind website. Have you been bothered by one of L & G Companies lately? Are you mad? Are you pissed off? Well, here's your chance to yell about it. Let it out! Scream at us! Complain about it!'

There were 19 entries on the website, posted by the public. Zeev did not include any substantive comments or any advertisements on the website.

Legal & General could establish the first element. It clearly had trademark rights and its trademark was almost identical to the disputed domain name.

However, in relation to the second element, Zeev established that he had a legitimate interest in using this domain name. One way to show a legitimate interest is for the respondent to demonstrate that it is 'making a legitimate non-commercial 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'. That was the case here.

As stated in the decision, 'the goals of the [UDRP] are limited and do not extend to insulating trademark-holders from contrary and critical views when such views are legitimately expressed without an intention for commercial gain'.

See *Legal & General Group plc v Image Plus*.¹²

COURT ACTION AND DOMAIN NAMES

The UDRP will not always be suitable for resolving a domain name dispute. In some instances, a court proceeding may be more appropriate. Court may be more appropriate where:

- the respondent keeps registering variations of your trademark as a domain name, and you want an injunction;
- you have suffered significant financial loss, and the respondent has money, and you want damages;
- the respondent is likely to file false statements and documents, because the respondent's evidence cannot be tested on cross-examination in the UDRP process;
- the domain name issues are part of a larger dispute, such as a dispute with a former distributor or former business partner; and
- the ownership dispute is complex, and does not fall within the simple rules of the UDRP.

The first step when bringing court action in relation to a domain name dispute is to identify the cause of action. It

may be a contractual dispute; a misleading and deceptive conduct case; passing off; or possibly a case of trademark infringement.

If a domain name is not being used, but is being passively held by the domain name owner, then it will be hard to prove trademark infringement. See *CSR Ltd v Resource Capital Australia Pty Ltd*.¹³

Usually, however, the domain name is being used in a way that is causing grief. In such circumstances, there is likely to be a cause of action for trademark infringement and misleading conduct. A recent decision provides a good case study.

Mantra v Taily

An example of a recent Federal Court decision that involved using domain names as part of a misleading Internet marketing campaign is *Mantra Group Pty Ltd v Taily Pty Ltd*.¹⁴

Mantra is the second largest accommodation-provider in Australia, operating under the Mantra, BreakFree and Peppers brands. Mantra also owns the management rights for the well-known Circle on Cavill apartment complex at Surfers Paradise. This apartment complex is strata-titled, comprising 644 residential apartments. Mantra is a licensed real estate agent, and as the exclusive onsite letting agent appointed by the body corporate for the complex, manages the rental of over 250 apartments in the complex.

The original developer of the complex, Sunland Group, registered three trademarks relating to Circle on Cavill, including CIRCLE ON CAVILL as a word mark. These registrations are now owned by Mantra.

Taily leased 39 apartments in the Circle on Cavill resort from owners of the apartments on long-term leases. Taily then sub-let these apartments to holidaymakers on a short-term basis, such as for the night or for the week. Taily was not a licensed real estate agent. To source bookings, Taily established a large number of websites.

These websites:

- had domain names that were similar to or mis-spellings of the 'Circle on Cavill' trademark, such as circleoncaville.com.au and ecircleoncavill.com;
- used 'Circle on Cavill' in the banner, title and text of these websites, sometimes over 250 times on a website; and
- used 'Circle on Cavill' in the meta-tags of the websites, which is source code in the websites used to assist search engines to index the websites.

Taily also used terms similar to 'Circle on Cavill' as keywords for Google advertisements presented to people searching for 'Circle on Cavill' on search engines such as Google.

Many people booked with Taily via the websites, thinking that they were booking with a travel agent or real estate agent, or directly with Mantra. Daily, people who booked with Taily turned up at reception to check in, but Mantra >>

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Where the use of a domain name is causing grief, there may be a cause of action for trademark infringement and misleading conduct.

knew nothing of their booking. Instead, they had to meet Mr Tailyly or his son Stephan Grant in the car park or gardens to check in.

Mantra brought Federal Court proceedings against Tailyly in September 2009, claiming that this conduct infringed its registered trademarks, and that Tailyly had engaged in misleading and deceptive conduct in breach of the *Trade Practices Act* (TPA).

Tailyly argued that because the official name of the building and the body corporate was 'Circle on Cavill', and because Tailyly sub-let apartments in that building, then Tailyly was entitled to use 'Circle on Cavill'. Tailyly argued that its use of 'Circle on Cavill' was good faith use to indicate the geographical location of its apartments and services. Moreover, Tailyly argued that the Circle on Cavill trademark registrations should be cancelled because 'Circle on Cavill' had become a generic term.

The Court found that Tailyly used 'Circle on Cavill' as a trademark and infringed Mantra's registered trademarks. Some uses by Tailyly were regarded as descriptive uses, rather than trademark uses, and therefore did not infringe the trademarks (for example, 'Circle on Cavill offers extensive leisure resort facilities'). However, the Court found that the descriptive use of those words paled into insignificance by comparison to the other use Tailyly made of 'Circle on Cavill'.

The Court rejected Tailyly's defence that 'Circle on Cavill' was a sign used in good faith by Tailyly to indicate the geographical origin of Tailyly's services. The Court found that the term 'geographical origin' used in the *Trademarks Act* refers to the name of a country, region, city, town or similar geographical area, but does not encompass a privately owned building. Moreover, the Court found that Tailyly had not acted in good faith when deciding to use 'Circle on Cavill'.

The Court also found that 'Circle on Cavill' was not a generic term. Mantra's trademark registrations were not removed from the Trademarks register.

The Court made broad orders against Tailyly:

- Tailyly was ordered to transfer ten domain names to Mantra.
- Tailyly was restrained from using the term 'Circle on Cavill' and similar terms as a trademark to advertise accommodation, including as part of a domain name, metatag, search-engine keyword or business name.
- Tailyly was ordered to pay its profits to Mantra for

bookings sourced via the infringing websites in relation to accommodation provided in Mantra-managed resorts. The Court made it clear that it is not permissible to use another's trademark as part of a domain name where the domain name links to a website that uses a registered trademark to advertise services in respect of which the trademark has been registered. In these circumstances, the Court will transfer the domain name to the trademark-owner. The Court did not consider whether passively holding a domain name would amount to trademark infringement.

Soon after the judgment was delivered, Tailyly closed down operations. Tailyly had received hundreds of thousands of dollars as deposits for advance bookings. That money disappeared, and hundreds of holidaymakers lost their deposits and bookings. Even though a number of complaints had been lodged with the Office of Fair Trading and the ACCC to prevent this from occurring, they did nothing. ■

Notes: **1** One of the first web browsers, the Mosaic browser, which later became the Netscape browser, was released in 1993. Mosaic is the web browser credited with popularising the World Wide Web. **2** According to Wikipedia, by 1992 fewer than 15,000 dot.com domains had been registered. By December 2009, there were 192 million domain names. **3** It was reported that sex.com sold last year for over \$10 million. **4** For an interesting article setting out domainer's view of the world, see *DNJournal*, 'The State of the Industry', January 2010 by Ron Jackson <http://www.dnjournal.com/cover/2010/january-page3.htm>. **5** Cybersquatting, as defined in the US *Anticybersquatting Consumer Protection Act*, is registering, trafficking in, or using a domain name with bad faith intent to profit from the goodwill of a trademark belonging to someone else. **6** *Panavision International LP v Toeppen*, 141 F.3d 1316 (9th Cir. 1998). **7** See Toeppen's view on his website, toeppen.com. ("When I chose to litigate panavision.com, I clearly overlooked a lesson I learned in an undergraduate class called Law and Economics, that courts sometimes rule in favour of [a viscerally] appealing outcome without regard for [statutory] law or established legal doctrine.") **8** Princeton Review's president, John Katzman, is reported to have said that Kaplan has "no sense of humor, no vision and no beer". **9** The UDRP has been expanded to cover a variety of domain names in addition to .com names. The UDRP currently applies to all .biz, .com, .info, .name, .net, and .org top-level domains, and some country code top-level domains. There is a similar, but more refined version for .com.au domain names, called the auDRP, which was later introduced by auDA. **10** There are four dispute resolution providers who administer the disputes, and the cost varies between providers. **11** *Royal Bank of Canada v RBCD Ain Rauscher*, WIPO Case No. D2001-1236. **12** See *Legal & General Group plc v Image Plus*, WIPO Case No. D2002-1019. **13** *CSR Ltd v Resource Capital Australia Pty Ltd* [2003] FCA 279 [42]. **14** *Mantra Group Pty Ltd v Tailyly Pty Ltd* [2010] FCA 291; 183 FCR 450.

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