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TR 01-92

**An Evaluation of the Regulation and Enforcement
of Trade Mark and Domain Name Rights in
South Africa**

A thesis submitted in fulfilment of the
requirements for the degree of

MASTER OF LAWS

of

RHODES UNIVERSITY

by

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DECLARATION

Except for the references made in the text, this work is my own work and has not been submitted for degree purposes at any other University.

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ABSTRACT

The conflict between trade marks and domain names has been a major subject of legal debate over the past few years. The issues arising from the relationship between trade marks and domain names reveal the difficulties associated with attempts to establish mechanisms to address the problems existing between them. Trade mark laws have been adopted to resolve the trade mark and domain name conflict, resulting in more conflict.

Domain name registers have to date been constructed on the basis of first come first served. Given that the generic indicators are very general, it has been inevitable that problems would arise, particularly once the commercial potential of the Internet began to be realised. Unlike domain names, trade marks are protected in ways which are more precise. Trade marks may not be imitated either exactly or in a manner so similar that it is likely to confuse a significant portion of the public.

It is possible for more than one enterprise to use the same trade mark in respect of different goods, although this is not possible with domain names. This disparity in objectives leads to two core problems. The first problem relates to cybersquatters who deliberately secure Top Level Domains (TLDs) containing the names or marks of well known enterprises in order to sell them later. The second problem relates to the rival claims between parties who have genuine reasons for wanting particular TLDs, and problems associated with the resolution of such claims. The disputes between parties with legitimate conflicting interests in domain names are often not equitably and effectively resolved, thus compromising the rights of domain name holders.

There is great activity in the United States of America (USA) and the United Kingdom (UK) to provide a more substantial system of governing and regulating the Internet. There is a strong movement to provide methods of arbitrating conflicts between honest claims to TLDs which conflict either in Internet terms or in trade mark law. However, these difficult policies remain to be settled. South Africa's progress towards the establishment of an effective mechanism to govern and regulate the Internet has been hindered by the absence of a policy to resolve domain related trade mark disputes.

South Africa only recently drafted the South African Regulations for Alternative Domain Name Dispute Resolution (zaADRR), although the regulations have not yet been adopted. Therefore South African parties to domain name disputes continue to find solutions to their problems through the court system or foreign dispute resolution policies.

The purpose of this study is firstly to examine and to comment on the basic issues of trade mark law and domain names in this area, with particular reference to South Africa, and secondly to examine the mechanisms in place for the resolution of trade mark and domain name disputes and to highlight the issues that flow from that. An additional purpose of this study is to discuss the policies of the dispute resolution mechanisms and to suggest how these policies can be improved.

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The Paris Convention for the Protection of Industrial Property of 1883

Dispute Resolution Policies

Uniform Domain Name Dispute Resolution Policy of 1999

Nominet Dispute Resolution Service Policy

ABBREVIATIONS

ACPA	Anticybersquatting Consumer Protection Act
ARPA	Advanced Research Projects Agency
ARPNET	Advanced Research Projects Agency Network
CIPRO	Companies and Intellectual Property Registration Office
CPR	Conflict Prevention and Resolution
CTM	Community Trade Mark
CTMR	Council Regulations on the Community Trade Mark (EC) 40/94 of 20 December 1993
ccTLDs	Country Code Top Level Domains
DNS	Domain Name System
DRS	Dispute Resolution Service
ECTA	Electronic Communications and Transactions Act
ECJ	European Court of Justice
EU	European Union
European Trade Mark Directive	Council Directive to Approximate the Laws of the Member States relating to Trade Marks (EEC) 89/401 of 21 December 1988
FTDA	Federal Trade Mark Dilution Act
GATT	General Agreement on Tariffs and Trade
gTLDs	Generic Top Level Domains
HTML	Hypertext Markup Language Tags
ICANN	Internet Corporation for Assigned Names and Numbers
IP	Internet Protocol
IT	Information Technology

IT Centre	Information Technology Centre
InterNIC	Internet Network Information Centre
IRS	InterNIC Registration Service
NSF	National Science Foundation
OHIM	Office for Harmonisation in the Internal Market
PTO	Patent Trademark Office
MFN	Most Favoured Nation
NAF	National Arbitration Forum
Namespace ZA	Namespace South Africa
NIC	Network Information Centre
NCAA	National Collegiate Athletic Association
NRF	National Research Foundation
NSI	Network Solutions Incorporated
SAA	South African Airways
SAFRD	South African Foundation for Research and Development
SLD	Second Level Domain
TLDs	Top Level Domains
<i>TMR</i>	Trade Mark Reporter
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UDRP	Uniform Domain Name Dispute Resolution Policy
UK	United Kingdom
USA	United States of America
USPTO	United States Patent and Trademark Office

VAT	Value Added Tax
WWW	World Wide Web
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation
zaADRR	South African Regulations for Alternative Domain Name Dispute Resolution

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CHAPTER ONE

1.1 INTRODUCTION

The advent of the Internet brought about fundamental changes to the manner in which businesses operate and increasing use of the Internet has contributed to the growing importance of domain names. New technology has enabled commerce and communication to be conducted by new methods and at such speed that national and international boundaries have been rendered useless.

The need for domestic and international laws to regulate the relationship between trade marks and domain names arises from the complex nature of domain names. Domain names designate Internet Protocol addresses used by computers linked to the Internet and also act as source identifiers. Domain names have come to be viewed as valuable assets in business and are increasingly being treated as a form of intellectual property, thus creating problems with other forms of intellectual property.¹ These problems have been aggravated by the fact that domain names were previously not regarded as intellectual property. This was due to the fact that the procedure for registration and use of domain names differed from the structures and concepts adopted to protect other forms of intellectual property, such as trade marks. Furthermore, trade mark laws were, and still are, territorially restricted and not well designed to address domain name issues.

Domain names are strings of alphanumeric letters which are easy to remember. They are used to identify individuals and organisations and have become vital corporate identifiers and valuable assets in e-commerce.

On the other hand, trade marks comprise words, symbols, logos and designs, or combinations of these, which are used by proprietors to identify their goods or services. Subject only to a few exceptions, trade mark rights are acquired on a country by country basis. In the absence of a multilateral treaty creating unitary rights among its signatories, or the enforcement of a well known mark under the Paris Convention for the Protection

¹ Rayan "Playing by the Rules" (2001) May *De Rebus* 27.

of Industrial Property² (Paris Convention), ownership of a trade mark in one country does not imply ownership in another, without satisfying the local requirements for acquiring such rights.³

Domain names, unlike trade marks, are not created by statute and are not territorial in nature. Additionally, domain names are registered on a first come first served basis, resulting in the inevitable development of conflict between trade mark proprietors and domain name holders. The conflict between trade marks and domain names has largely resulted from failure by intellectual property systems worldwide to keep pace with technological developments.⁴

The increase in trade mark and domain name conflict has created the need to establish mechanisms for dispute resolution all over the globe. Reconciling the interests of trade mark proprietors and domain name registrants has not proved to be an easy task, both at national and international level. The territorial nature of trade mark rights, the lack of a single body of rules governing trade mark and domain name disputes, the difficulty of locating registrants and the possibility of registrants registering multiple variations of existing trade marks make the prospect of litigating before national courts expensive, time consuming and, perhaps, even futile. This has resulted in increased interest in alternative domain name dispute resolution by trade mark proprietors. Many dispute resolution policies have been adopted to resolve the above conflict, although few of them have been successful.⁵

South Africa recently drafted the South African Regulations for Alternative Domain Name Dispute Resolution (zaADRR), but these are yet to be adopted. Therefore, trade mark and domain name disputes in South Africa continue to be resolved through the expensive court system. Although the zaADRR has not yet been adopted it represents a

² Of 1883.

³ Sacoff "Trademark Law in the Technology Driven Global Marketplace" (2001) 4 *Yale Journal of Law & Technology* 8 available at <http://web.lexis-nexis.com/professional> (accessed on 18/10/2005).

⁴ Rayan "Playing by the Rules" 27.

⁵ See Chapter Six below for an evaluation of domain name dispute resolution policies.

positive development in South African law. However, it remains to be seen whether the zaADRR, once adopted, will be successful in resolving domain related trade mark disputes.

1.2 PURPOSE OF STUDY

The purpose of this study is to evaluate the regulation of trade marks and domain names in South Africa, focusing on the protection and enforcement of trade mark and domain name rights and the resolution of domain related trade mark disputes.

Commercialisation of the Internet, brought about by recent developments in information technology, has contributed a great deal to the development of conflict between trade mark proprietors and domain name holders. Such conflict raises many issues that need to be addressed as a matter of urgency. These issues include the extent to which the rights of trade mark proprietors and domain name holders are protected by the law, the manner in which domain related trade mark disputes are addressed by the law and the extent to which these disputes are successfully resolved.

Presently, a great degree of uncertainty exists with regard to the law regulating the relationship between trade marks and domain names. In South Africa, due to the absence of a mechanism for the resolution of domain related trade mark disputes, the position is unclear as to whether the policies and principles from other jurisdictions, regulating the relationship between trade marks and domain names, are also applicable in South Africa.

The above problems, therefore, necessitate an investigation of the South African laws regulating trade marks and domain names, with a view to making recommendations aimed at addressing these problems.

1.3 SCOPE OF THE STUDY

The study is limited to evaluating the regulation and protection of trade mark and domain name rights in South Africa. This evaluation is important for purposes of establishing the extent to which rights of trade mark proprietors and domain name holders are protected in South Africa and establishing the extent to which domain related trade mark disputes are successfully resolved. Discussion on the regulation of trade marks and domain names in the United Kingdom (UK) and United States of America (USA) is only used for comparative purposes.

The above objectives were achieved through exploring the relationship and conflict between trade marks and domain names and critically examining international mechanisms regulating trade mark and domain name matters, so as to ascertain their applicability in South Africa. It was also important for the achievement of the above objectives, to examine South African law which regulates trade marks and domain names, in order to ascertain the ability of the law to successfully resolve disputes that may arise.

Furthermore, the study proposes recommendations, not solutions, to the problems associated with the regulation and enforcement of trade marks and domain names.

1.4 SOURCES AND APPROACH

The methodologies employed in this study include literature studies as well as the critical and comparative analysis of laws which regulate the use and protection of trade marks and domain names.

The forms of literature examined include legislation, judicial decisions, texts, journal and Internet articles. The Internet was greatly relied upon as a source of information on domain names, given that they are a relatively new concept and, as a result, have not been written about extensively.

The legislation examined includes Treaties, Conventions and multilateral agreements on trade marks and domain names. Legislation from selected countries, namely, from the UK and USA, that have a bearing on the regulation of trade marks and domain names in South Africa, were also considered.

Judicial decisions of the USA, the UK and South African courts on trade mark and domain name disputes were also considered. Decisions of other panels, such as the Uniform Domain Name Dispute Resolution Policy (UDRP) and Nominet Dispute Resolution Service Policy, were also consulted.

The comparative and critical method was employed throughout the research. Comparisons were drawn between mechanisms in place for the registration and regulation of trade marks and domain names in the USA and UK with those applicable in South Africa. Additionally, critical evaluations of mechanisms in place for the regulation and protection of trade marks and domain names in South Africa, such as the Electronic Communications and Transactions Act⁶ and the South African Draft Domain Name Dispute Resolution Regulations, were also carried out.

Both the comparative and critical methods of research were important in assessing the effectiveness of South African mechanisms for the regulation and protection of trade marks and domain names as well as the resolution of domain related trade mark disputes.

1.5 STRUCTURE OF THESIS

This thesis is divided into seven Chapters. The first Chapter is introductory. It provides an overview of the problems which were investigated in the research and the manner in which the research was conducted. The actual research begins in the second Chapter, which discusses and examines the mechanisms in South Africa for the regulation and protection of trade marks.

Chapter Three discusses trade mark protection in the UK and the USA. This Chapter introduces a comparative perspective with regard to the protection of trade marks in the

⁶ Electronic Communications and Transactions Act 25 of 2002.

UK and the USA, with that of South Africa. Chapter Three further discusses the protection of trade marks at international level in order to establish the extent to which South African trade mark law is consistent with international developments in trade mark protection.

The fourth Chapter explains the concept of domain names. It discusses the procedures for the registration and administration of domain names in South Africa in comparison with those of the UK and the USA. Chapter Four further evaluates domain name regulation under the Electronic Communications and Transactions Act⁷ (ECTA) with a view to establishing the extent to which the ECTA effectively regulates domain names.

Chapter Five highlights the problems that exist between trade marks and domain names and the challenges associated with addressing those problems.

The sixth Chapter discusses and examines the mechanisms in place for the resolution of disputes between trade mark proprietors and domain name holders. This Chapter briefly discusses the mechanisms in place for resolution of domain name disputes in the UK and the USA. The focus in this Chapter is on the UDRP and the zaADRR. The UDRP is critically examined and used as a point of departure in evaluating the proposed mechanism for alternative domain name dispute resolution in South Africa.

This thesis then concludes with recommendations aimed at addressing the challenges associated with the regulation and protection of trade marks and domain names.

⁷ 25 of 2002.

CHAPTER TWO

THE REGULATION AND PROTECTION OF TRADE MARKS IN SOUTH AFRICA

2.1 INTRODUCTION

Trade marks are not a foreign concept in intellectual property law. They have existed for thousands of years and have served many functions.⁸ Marks indicating geographical origins of goods were the earliest types of trade marks.⁹ Before the Industrial Revolution in Britain, industrial production was on a small scale which resulted in stiff competition for revenues earned from international trade. This created the need to develop the concept of protectable goodwill.¹⁰ During that period merchants branded their products with marks which designated their place of origin in order to distinguish their products from those of competitors and the brands also served as warranties of the quality of goods. Legislators saw the need to introduce laws to protect the commercial reputation of local products, given the volume of goods that was being used in trade and the harm caused by the introduction of inferior products.

In the UK, the need for the establishment of trade mark legislation arose due to the need to address inadequacies of the common law. Common law required proof of goodwill as a requisite for trade mark protection, which was often difficult to prove. In addition, there was always the risk of infringing other people's rights since there was no way of knowing which names had been taken. In this regard, common law provided insufficient protection to trade mark proprietors, resulting in the enactment of the Trade Marks Registration

⁸ Van Der Merwe *Computers and the Law* (2000) 109. Trade marks were used for purposes of advertising, served as a guarantee of quality and were used to indicate the identity of merchants that produced the products, thus helping in the resolution of ownership disputes.

⁹ See Intellectual Property Rights Help Desk "Geographical Indications" available at http://www.ipr-helpdesk.org/documentos/docsPublicacion/html_xml/8_GeographicalIndications%5B0000003653_00%5D.html (accessed on 04/05/2005).

¹⁰ *Ibid.*

Act¹¹ (1875 Act), whose aim was to supplement and enhance the protection of trade marks in the UK.¹²

After the enactment of the 1875 Act in the UK, similar enactments were passed in the colonies and in South Africa.¹³ Since then, the law of trade marks has continued to develop. Numerous changes have been introduced to the law of trade marks in attempts to promote international trade and to enhance the protection of trade marks. These changes have been introduced mainly through harmonisation of trade mark laws and procedures.¹⁴ Some of the most important developments in this regard, for South Africa, have been the European Directive on Trade Marks and the General Agreement on Tariffs and Trade (GATT), particularly Annexure III which contains the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).¹⁵

Even though South Africa is not a member of the European Union, its trade mark laws closely resemble those of the European Directive. This resemblance has been attributed mainly to the trading relationship that exists between South Africa and the member states of the European Union (EU), particularly the UK.¹⁶

Trade marks serve a variety of functions. They serve not only the interests of trading companies but also those of consumers. In addition, trade marks reduce search costs for consumers by providing them with a fast and inexpensive way to locate previously purchased goods or services. Trade marks, therefore, play an important role in commerce,

¹¹ 38 of 1875.

¹² Van Der Merwe *Computers and the Law* 113. The Trade Marks Registration Act of 1875 made provision for the registration of trade marks in respect of goods and constituted *prima facie* proof of the proprietor's right to exclusive use of the mark in relation to goods in respect of which it was registered. It further made registration a condition precedent to the bringing of infringement proceedings under the Act. See Webster & Page *South African Law of Trade Marks* 4th ed (2005) paragraph 1.2.

¹³ These included enactments such as the Register of Trade Marks established by Act 22 of 1877 in the Cape Colony and the Register of Trade Marks established by Act 4 of 1885 in Natal.

¹⁴ Visser *The New Law of Trade Marks and Designs* (1995) 1.

¹⁵ *Ibid.*

¹⁶ *Ibid.*

and consequently their infringement is universally condemned, not only because it infringes upon the rights of the trade mark proprietors, but also because it destroys the customer's ability to make informed choices.¹⁷

At present, South African law protects a wide range of trade marks.¹⁸ These trade marks are given not only legislative¹⁹ and common law protection, but they are also protected by various international agreements.²⁰ Presently, South African trade mark law reflects South Africa's attempt to modernise its trade mark legislation in order to keep pace with international developments in this field of law.

This Chapter discusses the concepts and procedures in place for the protection and enforcement of trade mark rights in South Africa for the purpose of evaluating the scope of trade mark protection in South Africa.

2.2 THE DEFINITION OF TRADE MARKS

Trade marks are generally distinctive signs, symbols, or words that are used by proprietors to distinguish and identify the origin of their products. From the point of view of the consumer, trade marks serve the purpose of identifying the goods or services offered on the market.

Today, trade marks are used as a way to attract the public. Consumers rely on trade marks to assist them in choosing goods and services, and this increases the role played by trade marks in global marketing. In addition, trade marks also play an important advertising role and serve as an indication of quality.

¹⁷ D'Amato & Long *International Intellectual Property Law* (1997) 313.

¹⁸ Examples of trade marks protected under South African law include common law and well known trade marks.

¹⁹ The Trade Marks Act 194 of 1993 and the Counterfeits Goods Act 37 of 1997.

²⁰ Such as TRIPS and the Paris Convention.

The Trade Marks Act²¹ defines a trade mark as

... a mark used or proposed to be used by a person in relation to goods or services for the purpose of distinguishing the goods or services in relation to which the mark is used or proposed to be used from the same kind of goods or services connected in the course of trade with any other person.²²

Arguably, the South African definition of a trade mark is more precise than the UK definition in that it makes specific reference to the "... same kind of goods or services ...",²³

A mark is defined in the Trade Marks Act as

...any sign capable of graphical representation, which includes a device, name, signature, word, letter, numeral, shape, configuration, pattern, ornamentation, colour, container for goods or any combination of the aforementioned.²⁴

The Act's definition of a mark is therefore, wide enough to include one or more of the features stated above. In essence, the definition of a mark also extends to verbal use of word marks.²⁵ Additionally, this definition also implies that a mark should be capable of graphical representation.²⁶

The distinguishing function of a trade mark, embodied in the Act's definition of a trade mark, is consistent with the initial function of a trade mark, namely, that of indicating the commercial origin of the goods or services concerned.²⁷

²¹ Act 194 of 1993. All references to "the South African Trade Marks Act" or "the Trade Marks Act" are to Act 194 of 1993, except where a contrary intention appears from the context.

²² Section 2(1).

²³ See paragraph 3.2 below for the UK Trade Mark Act's definition of a trade mark.

²⁴ Section 2.

²⁵ Webster & Page *South African Law of Trade Marks* paragraph 3.3.

²⁶ Buys *Cyberlaw @ SA II: The Law of the Internet in South Africa* (2004) 31.

²⁷ Visser *The New Law of Trade Marks and Designs* 3.

2.3

UNREGISTERED TRADE MARKS

Rights to common law trade marks (also known as unregistered trade marks) are acquired through the use of unregistered trade marks.²⁸ As is the position with registered marks, common law rights to trade marks are also limited to the geographical area in which the mark is used. This limitation usually disadvantages proprietors of common law trade marks.

Since no registration is required in order to establish common law rights to a trade mark, it is often difficult to establish whether anyone has rights to a particular trade mark. It is, therefore, important to register a trade mark in order to increase one's protection under the current trade mark laws.

Under common law, the proprietor of a common law trade mark is protected by the common law action of "passing off". The purpose of such action is to protect common law trade marks against abuse. "Passing off" is a species of unlawful competition and occurs when a representation is made by a person that his business is that of another, or is associated with that of another.²⁹

In order to succeed with an action for "passing off", the proprietor of a trade mark must meet two requirements. Firstly, a trade mark proprietor must prove that his mark has acquired a reputation in relation to his business and has become distinctive of his goods or services.³⁰ Secondly, a trade mark proprietor must prove the existence of a reasonable likelihood that members of the public will be confused into believing that one's business

²⁸ Hofman *Cyberlaw A Guide to South Africans Doing Business Online* (1999) 95.

²⁹ See Van Heerden & Neethling *Unlawful Competition* (1995) 167. See also Buys *Cyberlaw @ SA* 32. See also the leading case of *Capital Estates & General Agencies (Pty) Ltd v Holiday Inns Inc* 1977 (2) SA 916 (A) in which passing off was defined as "a representation by one person that his business is that of another..." This definition was endorsed in number of cases, for instance: *Pepsico Inc v United Tobacco Co Ltd* 1988 (2) SA 334 (W) and *Reckitt & Coleman SA (Pty) Ltd v SC Johnson & Son SA (Pty) Ltd* 1993 (2) SA 307(A).

³⁰ Van Heerden & Neethling *Unlawful Competition* 170.

is connected with that of another.³¹ In an action for “passing off”, the courts do not base unlawfulness on misrepresentation, but on infringement of the distinguishing value of a trade mark.³²

2.4 THE IMPORTANCE OF TRADE MARK REGISTRATION

The registration of trade marks is vital to ensure adequate trade mark protection. Registration of a trade mark guarantees a trade mark holder exclusive rights to use the trade mark in the country of registration.³³

Registration of a trade mark constitutes *prima facie* proof of ownership in all legal proceedings relating to such registered trade mark.³⁴ Registration of a trade mark enables the trade mark proprietor to institute court proceedings in the event of an infringement of the registered trade mark.³⁵ A registered trade mark, therefore, constitutes a proprietary right which entitles the proprietor to certain rights and remedies.³⁶

Registration of a trade mark also enables the trade mark proprietor to preserve his rights in a valuable asset, and also prevents third parties from using that trade mark. In addition, the registration of a trade mark helps prevent dilution of a trade mark, on the basis that there is very little likelihood that third parties would willingly adopt trade marks which have already been registered. Furthermore, registration of a trade mark can also prevent the potential loss of goodwill, which could result from the use of an infringing product or service of poor quality.

³¹ *Adcock Ingram Products Ltd v Beecham SA (Pty) Ltd* 1977 (4) SA 434 (W). See also *Bress Designs (Pty) Ltd v Lounge Suite Manufactures (Pty) Ltd* 1991 (2) SA 455 (W).

³² Van Heerden & Neethling *Unlawful Competition* 166.

³³ Hofman *Cyberlaw A Guide to South Africans Doing Business Online* 95.

³⁴ Section 15 of the Trade Marks Act 194 of 1993.

³⁵ Muhlberg “The Game of the Name” (2001) May *De Rebus*.

³⁶ Phillips *Butterworths Intellectual Property Handbook* 5 ed (2001) 884.

Generally the registration of trade marks overcomes shortcomings in common law by providing certainty with regard to the rights of trade mark holders. This is because reputation, or goodwill, ceases to be an issue once the trade mark has been registered, thus making it easier to discharge the onus in infringement proceedings.

Since trade mark laws are generally territorial in nature, it is therefore, important for trade mark proprietors who operate on an international scale to register their trade marks in jurisdictions where they intend to market their products. This will enable them to obtain protection for their trade marks in the relevant jurisdictions. The territorial nature of trade marks has the effect that registration of such marks is only valid within the jurisdiction where the marks have been registered.

Trade mark legislation has considerably strengthened the rights granted to proprietors of registered trade marks to prevent infringement and has also broadened the scope of infringing acts. However, even though registration of trade marks provides a great deal of protection for trade mark proprietors, it does not provide total trade mark protection. Registration of a trade mark does not give an absolute monopoly to a proprietor; rather monopoly is limited to the particular goods and services for which the mark is registered.

Arguably, there is nothing to stop competing traders from entering the same market with identical goods and services so long as traders do not use similar or identical trade marks, or cause dilution of an existing mark. Further, subject to the aspect of confusion or dilution, there is nothing to stop traders in different markets from using the same trade mark in connection with different goods or services. In addition, due to the territorial nature of trade mark law, nothing stops traders in different jurisdictions from using the same trade mark for identical goods and services in other countries.

2.5 THE PROCEDURE FOR THE REGISTRATION OF TRADE MARKS

In order for a mark to qualify for registration under the South African Trade Marks Act, it must satisfy the requirements for registration set out in section 9 of the Trade Marks Act. Such mark must be capable of distinguishing the goods or services of the proprietor, in respect of which the mark is registered or proposed to be registered, from those of other persons. The ability to distinguish may be general or, where the trade mark was registered subject to limitations, in relation to such limitations.³⁷

A mark will be considered capable of distinguishing if, at the date of application for registration, such mark is inherently capable of distinguishing or is capable of distinguishing by prior use.³⁸ This requirement is similar to the provision of the UK Trade Marks Act 1994 (UK Trade Marks Act), which requires that the trade mark should not be “devoid of distinctive character”.³⁹

Webster and Page⁴⁰ argue that the phrase “capable of distinguishing” means having the ability to differentiate. According to these writers, a mark should be capable of differentiating between the goods or services of one person from those of other competitors before it qualifies for registration.

³⁷ Section 9(1).

³⁸ Section 9(2).

³⁹ Section 3(1) of the UK Trade Marks Act of 1994.

⁴⁰ Webster & Page *South African Law of Trade Marks* paragraph 3.25.

2.5.1 MARKS THAT CANNOT BE REGISTERED IN TERMS OF THE TRADE MARKS ACT 194 OF 1993

Not all trade marks can be registered under the Trade Marks Act. Section 10 of the Trade Marks Act stipulates the categories of trade marks which can not be registered under the Act or, alternatively, if registered will be liable for deregistration. There are two main categories.⁴¹

2.5.2 INHERENT ATTRIBUTES

The absolute grounds for refusal relate to inherent objections to distinctiveness and certain public interest objections. The Trade Marks Act precludes from registration, those marks that do not constitute trade marks within the meaning of the term “trade mark” as defined in the Act.⁴² Section 10(1) requires a mark to have three essential elements, failing which it will be precluded from registration.

To qualify for registration under section 10(1) the mark must have the following elements:

- it must be capable of graphical representation;⁴³
- it should constitute a sign that is capable of use in the manner provided for in section 2(3); and
- it must be capable of performing the distinguishing function.

Section 10(1) prohibits the registration of marks which are incapable of being represented graphically. In *Triomed (Pty) Ltd v Beecham Group plc*,⁴⁴ the court *a quo* held that a pictorial representation of an oval and bi-convex tablet as a trade mark was vague and did not possess the required degree of certainty for the public to realise the extent of the monopoly claimed.

⁴¹ The inherent attributes and the relative grounds for refusal of registration.

⁴² Section 10(1).

⁴³ See *Beecham Group plc v Triomed (Pty) Ltd* 2002 (4) All SA 193 (SCA).

⁴⁴ 2001 (2) All SA 126 (T).

Marks that are not used or proposed to be used for the purpose of distinguishing, or those that become incapable of serving such purpose, may not be registered. This is because such marks are devoid of distinctive character.⁴⁵ By limiting registration to marks which are distinctive, section 10(1) helps to ensure that protection is only granted to marks which consumers are likely to perceive as a designation of source.

Section 10(2)(a) precludes the registration of marks which are incapable of distinguishing within the meaning of section 9. The level of distinctiveness of a mark depends on whether it exhibits the sufficient degree of individuality to differentiate it from competing marks, thus enabling consumers to identify the source of goods or services in question. By ensuring that only marks which are distinctive can be registered, the law ensures that trade marks function as indicators of origin. In so doing, the requirement for distinctiveness ensures that both the source and guarantee functions of trade marks are fulfilled.

Section 10(2)(a) reinforces the requirement that a trade mark must have the inherent capability of distinguishing unless the mark has become capable of distinguishing through use. In order for marks that are incapable of distinguishing to qualify for registration, they must be proved to have become capable of distinguishing through use. Such use must have resulted in the mark having developed a secondary meaning which renders it capable of distinguishing.⁴⁶ Use of a mark will not in itself render the mark capable of distinguishing.⁴⁷

Factors which the Registrar of trade marks will take into consideration when determining whether a mark has become capable of distinguishing through use include the nature of the mark, the goods or services in relation to which the mark is used and the manner in which the mark is used.⁴⁸

⁴⁵ *Pleasure Foods (Pty) Ltd v TMI Foods CC t/a Mega Burger* 2000 (4) SA 181 (T).

⁴⁶ See *British Sugar plc v James Robertson & Sons Ltd* 1996 RPC 281.

⁴⁷ *Supra*.

⁴⁸ Webster & Page *South African Law of Trade Marks* paragraph 3.25.

In determining whether a mark is purely descriptive of goods or services, the Registrar is entitled to consult dictionaries and to consider the manner in which foreign words are perceived in South Africa. In *Cadbury (Pty) Ltd v Beacon Sweets & Chocolate (Pty) Ltd*,⁴⁹ the court held that the phrase “liquorice allsorts,” although not in ordinary linguistic use, had become “capable of distinguishing within the meaning of section 9 as a result of use made of the mark as part of a composite mark.”

Section 10(2)(b) precludes the registration of marks which consist exclusively of a sign or an indication which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or other characteristics of the goods or services, or the mode or time of production of goods or of rendering services. This section relates to the characteristics or nature of a mark.⁵⁰ Arguably, the reason for this exclusion is that descriptive marks are incapable of distinguishing.

Section 10(2)(c) precludes from registration marks that are generic unless they have become capable of distinguishing through use. Generic marks are those which consist exclusively of a sign or indication that has become customary in current language or in established practices of the trade. Prohibition of the registration of generic terms is a well established principle in trade mark law and is illustrated by the case of *Registrar of Trade Marks v Wassenaar*,⁵¹ in which the Appellate Division refused to register a mark that was invented for a variety of hybrid grass on the basis that the mark was incapable of distinguishing the applicant’s grass from similar grass produced by competitors.

In *Triomed (Pty) Ltd v Beecham Group plc*,⁵² involving the adoption of an oval and biconvex shape of a pharmaceutical tablet by a manufacturer other than the proprietor of the trade mark, the court held that the shape had become customary in *bona fide* and established practices of the trade. By denying protection to signs that are non-distinctive,

⁴⁹ 1998 (1) SA 59 (T).

⁵⁰ This section is derived from Article 6*quinquies* B(2) of the Paris Convention and is similar to section 3(1)(c) of the UK Trade Marks Act.

⁵¹ 1957 (4) SA 513 (A).

⁵² *Supra*.

descriptive or generic, trade mark law ensures that competitors are able to use terms which are deemed to be essential in trade to describe their products.

Section 10(3) prohibits the registration of marks in relation to which the applicant has no *bona fide* claim to proprietorship. The fact that a trade mark is registered or used in a foreign country does not, in itself, prohibit the adoption and registration of such mark by other persons in South Africa. This concept flows from the territorial nature of trade marks. South African trade mark law does not prohibit the adoption of foreign marks unless such adoption is in conflict with the provisions of section 10(6), as read with sections 35(1), 35(1A) and 36(2) which deal with well known foreign marks.⁵³ Factors that determine the absence of a *bona fide* claim to proprietorship include, *inter alia*, dishonesty, breach of confidence and sharp practice.⁵⁴

Section 10(4) precludes the registration of a mark in relation to which the applicant for registration has no *bona fide* intention of using as a trade mark, either for himself or through any person permitted or to be permitted by him to use the mark as contemplated by section 38. The intention to use means a definite and present intention to use a mark as a trade mark in relation to certain goods or services at the time the application for registration is made.⁵⁵ Evidence of lack of intent to use the mark can be shown where a person registers a mark primarily for the purpose of preventing competitors from registering such mark.

In *SAFA v Stanton Woodrush (Pty) Ltd t/a Stan Smidt & Sons*,⁵⁶ the court stated that in the case of marks which had not been used by the date upon which application was made for their registration, the applicant must have a *bona fide* intention of using the mark as a trade mark, either for himself or through any person permitted or to be permitted by him to use the mark as contemplated by section 38. The court highlighted further that absence

⁵³ Webster & Page *South African Law of Trade Marks* paragraph 3.52.

⁵⁴ *Ibid.*

⁵⁵ Visser *The New Law of Trade Marks and Designs* 14.

⁵⁶ 2003 (3) SA 313 (SCA).

of a *bona fide* intention to use such mark would render the mark in question unregistrable.

In *McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd*,⁵⁷ the court *a quo* held that McDonald's Corporation did not have a *bona fide* intention to use its trade mark having regard to the length of time that had elapsed between the date of the application for registration and the date upon which the application for expungement was filed. The court drew an adverse inference from the fact that McDonald's Corporation could not state at the time of applying for them, when it intended to use the marks. Webster and Page argue that this approach places an undue burden upon the applicant on the grounds that at the time of filing an application such applicant may not have formulated his business plan for purposes of determining when use is to take place.⁵⁸

Section 10(5) prohibits the registration of a mark that consists exclusively of the shape, configuration, colour or pattern of goods where such shape, configuration, colour or pattern is necessary to obtain a specific result, or results from the nature of the goods themselves. The exclusion in section 10(5) originates from the trade mark principle which seeks to strike a balance between the need to protect the manufacturer's right to identify and distinguish his goods and the need to recognise the right to free competition.⁵⁹

Section 10(6) precludes, subject to the provisions of section 36(2), the registration of a mark which, on the date of application for registration thereof, or, where appropriate, of the priority claimed in respect of the application for registration thereof, constitutes or whose essential part constitutes, a reproduction, imitation or translation of a well known trade mark. This section enables South Africa to discharge its obligation under the Paris Convention.⁶⁰

⁵⁷ *McDonalds Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd, McDonalds's v Dax Prop CC, McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd* 93/19719 (TPD) (Unreported).

⁵⁸ Webster & Page *South African Law of Trade Marks* paragraph 3.53.

⁵⁹ *Triomed (Pty) Ltd v Beecham Group plc supra*.

⁶⁰ See Chapter Three below.

Section 10(7) prohibits the registration of a mark where the application for registration was made *mala fide*. This section goes to the motive or intention with which the application is made.⁶¹ Section 10(7) is an addition to section 10(3) which requires a *bona fide* claim to proprietorship.

Section 10(8) contains comprehensive provisions which prohibit the registration of a mark consisting of, or containing, the national flag, armorial bearings, state emblem, official signs or hallmarks, of South Africa or a convention country without due authorisation. In addition, the name, flag, armorial bearings or any other emblem of any international organisation of which one or more convention countries are members may not be registered without authorisation. Also precluded from registration are those marks that contain words, letters or devices that indicate state patronage.⁶²

Section 10(10) prohibits the registration of marks which are designated in the regulations as being prohibited marks. Arguably, the illegality must be inherent in the mark, rather than the goods for which it is intended to be used.

Section 10(11) prohibits the registration of a mark which consists of a container for goods or the shape, configuration, colour or pattern of goods, where the registration of such a mark is, or has become, likely to limit the development of the industry.

Section 10(12) precludes the registration of marks which are inherently deceptive, *contra bonos mores*, contrary to the law or those likely to offend any class of people. The purpose of this exclusion is to uphold morality.

Section 10(13) prohibits the registration of a mark which, as a result of the manner in which it has been used, would be likely to cause deception or confusion. The prohibition against the registration of deceptive marks applies to marks which, though distinctive, contain some kind of allusion that is inaccurate. This includes marks that deceive the public with regard to the quality or type of goods or services to which the mark relates

⁶¹ See *Schultz v Butt* 1986 (3) SA 667 (A), where the court condemned dishonest and malicious competition.

⁶² Section 10(9).

and those whose use will result in confusion or deception with regard to geographical origin.

2.5.3 RELATIVE GROUNDS FOR THE REFUSAL OF TRADE MARK REGISTRATION

The other category of trade marks which cannot be registered in terms of the Trade Marks Act falls under the relative grounds for refusal. Effectively, relative grounds for refusal enable the owner of an earlier mark to prevent registration of a mark by another where use of such mark would infringe upon rights of the earlier mark.

Section 10(14) prohibits, subject to the provisions of section 14, the registration of a mark which is identical to a registered trade mark belonging to a different proprietor, or so similar that use thereof, in relation to goods or services in respect of which it is sought to be registered and which are the same as, or similar to, the goods or services in respect of which such trade mark is registered, would be likely to deceive or cause confusion, unless the proprietor of such mark consents to registration of such mark.

Section 10(15) prohibits, subject to the provisions of section 14 and subsection (16), the registration of a mark which is identical to a mark which is the subject of an earlier application by a different person, or so similar thereto that use thereof in relation to goods or services in respect of which it is sought to be registered and which are the same as, or similar, to the goods or services in respect of which the earlier application is made, would be likely to deceive or cause confusion, unless the person making the earlier application consents to the registration of such mark. Section 10(15) is similar to section 10(14), the only difference being that section 10(15) applies where the mark in question is an earlier application rather than an earlier registered trade mark.

Section 10(16) prohibits the registration of a mark which is the subject of an earlier application as contemplated in section 10(15), if the registration of such mark is contrary to the existing rights of a person making the later application for registration, as contemplated in section 10(15). The effect of the prohibition in section 10(16) is that

while the earlier application will pose a bar on the later application, the later applicant is able to oppose the earlier application on the basis that it is contrary to his existing rights.

Section 10(17) (the anti-dilution provision) contains a further prohibition based on well known trade marks. Section 10(17) prohibits the registration of a mark which is identical or similar to a registered trade mark, and which is also well known in South Africa. This prohibition applies where the use of the mark sought to be registered would be likely to take advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark, notwithstanding the absence of confusion and deception. Section 10(17) is, therefore, broader than section 10(6) in that it relates to identical or similar trade marks, and does not require deception or confusion.

2.6 INFRINGEMENT OF TRADE MARK RIGHTS

Trade mark infringement occurs where unauthorised use made in the course of trade of an identical or confusingly similar mark in relation to the same or similar goods or services than those for which the trade mark is registered. Registration of a trade mark is a prerequisite for instituting infringement proceedings under the Trade Marks Act.⁶³ Registration of a trade mark provides a trade mark proprietor with certain rights, which include the right to prevent third parties from using similar trade marks in relation to similar goods or services in respect of which the trade mark is registered. Registration of a trade mark also enables a trade mark proprietor to institute action for an award of damages in the event of an infringement of the registered trade mark. Failure to register a trade mark does not affect the rights of well known trade marks.⁶⁴

The Trade Marks Act provides three distinct forms of infringement embodied in section 34. The first form of infringement is contained in section 34(1)(a). This section prohibits the unauthorised use of a registered trade mark in relation to the same goods or services for which the mark is registered. Use “as a trade mark” means use for the purpose of

⁶³ See section 34(1)(b).

⁶⁴ Buys *Cyberlaw @ SA* 2.

distinguishing goods or services in relation to which the mark is used from similar goods or services connected in the course of trade with any other person.⁶⁵

The onus is on a plaintiff to prove unauthorised use in the course of trade, in respect of the same goods or services for which the mark is registered, of an identical mark or a mark so similar as to be likely to cause confusion or deception.⁶⁶

The second category of infringement, regarded as one of the controversial provisions of the Trade Marks Act, is embodied in section 34(1)(b). Section 34(1)(b) introduced a new form of infringement to the South African law of trade marks. Before the adoption of section 34(1)(b) it was a well established principle that proprietary rights were strictly limited to the precise goods or services in respect of which a trade mark was registered. In *Esquire Electronics Ltd v D Roopanand Brothers (Pty) Ltd*,⁶⁷ the use of magnetic signals on a recorded video tape which produced a visual image of the applicant's mark when projected, was held by the court of first instance not to constitute infringement of the applicant's registration in respect of video tapes, on the basis that the use was not in relation to the tape but in relation to the matter recorded on the tape.

Section 34(1)(b) prohibits the unauthorised use of a registered trade mark in relation to similar goods or services in respect of which the mark is registered. In terms of section 34(1)(b), the onus is on a plaintiff to prove unauthorised use, in the course of trade, in respect of similar goods or services for which the mark is registered, of an identical mark or one so similar that it is likely to cause confusion or deception. Section 34(1)(b) does not only require the marks to be similar but requires the goods or services to be so similar that the likelihood of deception or confusion exists. Webster and Page⁶⁸ contend that although it is not expressly stated in the Trade Marks Act, it can be construed from the use of the word "similar" that the degree of similarity required between the marks is such that it is likely to give rise to deception or confusion.

⁶⁵ See section 1(1) of the Trade Marks Act.

⁶⁶ Section 34(1)(a). See also *Abbot Laboratories v UAP Crop Care (Pty) Ltd* 1999 (1) All SA 502 (C).

⁶⁷ 1984 (4) SA 409 (D).

⁶⁸ Webster & Page *South African Law of Trade Marks* paragraph 12.22.

This category of infringement is similar to the first but applies to goods and services which are similar to those for which the mark was registered. The category of infringement in section 34(1)(b) is, therefore, not restricted to the precise goods or services covered by the trade mark registration.⁶⁹

The test for infringement, contained in section 34(1)(b), is considered to be consistent with international efforts to extend infringement protection to similar goods or services.⁷⁰ This provision is also contained in the TRIPS Agreement.⁷¹ The extension of trade mark protection to include similar goods and services also brings South African trade mark law in conformity with common law⁷² and trade mark laws of other countries.⁷³ The test for infringement in section 34(1)(b) broadens the scope of trade mark infringement proceedings significantly as a trade mark proprietor will now have an action for infringement against a defendant who uses the offending mark on similar goods.

The third form of infringement embodied in section 34(1)(c) represents a departure from the concept of infringement known in South Africa.⁷⁴ Section 34(1)(c) prohibits the unauthorised use in the course of trade, in relation to any goods or services, of a mark which is identical or similar to a registered trade mark, if such trade mark is well known in South Africa and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark, notwithstanding the absence of confusion or deception.

⁶⁹ Visser *The New Law of Trade Marks and Designs* 24.

⁷⁰ *Ibid.*

⁷¹ Article 16(1).

⁷² See *Capital Estates and General Agencies (Pty) Ltd & others v Holiday Inns Inc & others supra*, where the court held that a common field of activity is not a requirement for establishing the existence of passing-off. The question of similarity of goods and services is only one of the factors considered in assessing the likelihood of deception or confusion in passing-off proceedings.

⁷³ See Chapter Three below for the discussion on infringement protection in the UK and the USA.

⁷⁴ Webster & Page *South African Law of Trade Marks* paragraph 12.24.

In *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd*,⁷⁵ the Supreme Court of Appeal identified the purpose of the trade mark prohibition under section 34(1)(c) as being

... to protect the commercial value that attaches to the reputation of a trade mark, rather than its capacity to distinguish goods or services of the proprietor from those of others.⁷⁶

The court stated further that the nature of goods or services in relation to which the offending mark is used, as well as the fact that the offending mark does not confuse or deceive, was immaterial for purposes of determining infringement in terms of section 34(1)(c).⁷⁷ The court further emphasised the need to exercise great care in interpreting section 34(1)(c) so as to ensure that the parameters of trade mark protection in 34(1)(c) are defined in such a manner that the legitimate interests of proprietors of well known trade marks are protected while, at the same time, not creating an absolute monopoly or a form of copyright in trade marks.

In terms of section 34(1)(c), the onus is on a plaintiff to prove unauthorised use, in the course of trade, in relation to any goods or services, of a mark identical or similar to a registered trade mark if such mark is well known in South Africa, and the use of such a mark would be likely to take advantage of, or be detrimental to, the distinctive character or repute of the trade mark, notwithstanding the absence of confusion or deception.

Section 34(1)(c) introduced the concept of dilution to South African law. Dilution occurs where a person, without the authority of a trade mark proprietor, uses, in the course of trade, a mark which is identical or similar to a well known mark in relation to any goods or services, where such use of the mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the registered trade mark.⁷⁸ Dilution has the effect of reducing or degrading public perception of the trade mark.

⁷⁵ 2001 (3) SA 563 (SCA).

⁷⁶ Paragraph 568F.

⁷⁷ Paragraph 567J.

⁷⁸ See section 34(1)(c) of the South African Trade Marks Act, Article 16(2) of TRIPS, section 10(3) of the UK Trade Mark Act and section 3 of the Federal Trade Mark Dilution Act 1995.

Trade mark dilution recognises the function of trade marks which go beyond the traditional origin or distinguishing function by recognising the selling power, advertising function and commercial magnetism of trade marks which have become well known.⁷⁹ Dilution focuses protection on the well known mark itself, rather than on the likelihood of consumer injury. In trade mark protection, the focus is on protecting consumers against a “likelihood of confusion.” In contrast, the focus of dilution is not on injury to the potential consumer, but on injury to the value of the mark, itself, and its associated goodwill.⁸⁰

Dilution protection is not subject to the same limitations as other forms of trade mark infringement, as protection extends to the use of the offending mark on any goods or services, unlike other forms of infringement which only apply to identical or similar goods.⁸¹

In *Laugh It Off Promotions v South African Breweries International (Finance) BV t/a Sabmark International*,⁸² the dilution doctrine was traced back to the UK and USA trade mark laws. The Supreme Court of Appeal emphasised the importance of understanding the different statutory settings of the UK, USA and those of South Africa in interpreting anti-dilution provisions. The court highlighted that in interpreting anti-dilution provisions in South Africa the anti-dilution laws of the UK and USA were only necessary for comparative purposes.

Two forms of dilution exist.

- The most common form of dilution is dilution by blurring. Dilution by blurring occurs where offending use has the effect of diluting the uniqueness or distinctive nature of a trade mark and can be used in relation to non-competing goods or

⁷⁹ *National Brands Ltd v Blue Lion Manufacturing supra*.

⁸⁰ Reed *Internet Law: Texts and Materials* (2004) 48.

⁸¹ Visser & Rutherford “Domain Names: A Legal Model for their Administration and their Interplay with Trade Marks” available at <http://docweb.pwv.gov.za/Ecomm-Debate/myweb/greenpaper/academics/visser.html> (accessed on 20/04/2005).

⁸² 2004 (4) All SA 151 (SCA).

services. Dilution by blurring can occur as a result of frequent exploitation of the selling power of an established mark by other traders for purposes of promoting their own products. This form of dilution, consequently, erodes the advertising power of the trade mark. For instance, if the mark "KODAK", which is well known in connection with cameras and films, is used on a variety of dissimilar products, its ability to call in mind films or cameras will decrease.

- Dilution by tarnishment occurs where the well known trade mark is used in relation to inferior products or in a degrading or offensive manner which leads to an unfavourable association in the public mind.⁸³ In *Triomed (Pty) Ltd v Beecham Group plc*,⁸⁴ tarnishing was described as an unfavourable association between the well known registered mark and the defendant's mark. In an English case, a well known registered mark for tea, "TY PHOO", was alleged to have been tarnished by the trade mark "TYPHOON" that was used in relation to kitchen ware. The court rejected the plaintiff's claim that "TY PHOO" was tarnished by the mark "TYPHOON" because of the latter's association with the destructive power of tropical cyclones. The court defined tarnishment as an impairment of the well known mark's capacity to stimulate the desire to buy.⁸⁵ An example of this form of dilution is the case involving infringement of the registered trade mark "BLACK LABEL" by Laugh It Off Promotions.⁸⁶

⁸³ Pistorius "Trade-Mark Tarnishment: Should We 'Laugh It Off' all the Way to 'Telkomsucks' and 'Hellcom'?" (2004) 16 *South African Mercantile Law Journal* 727.

⁸⁴ *Supra*.

⁸⁵ *Premier Brands UK Ltd v Typhorn Europe Ltd* 2000 All ER (D) 52.

⁸⁶ In *SAB International t/a Sabmark International v Laugh It Off Promotions* 2003 (2) All SA 454 (C) the court found dilution by tarnishment in that the respondent's use on T-shirts, of the phrase 'Black Labour' together with the slogans such as 'Africa's Lusty, Lively Exploitation' was likely to take advantage of, or be detrimental to, the distinctive character or repute of the applicant's registered trade mark 'BLACK LABEL, AMERICAS LUSTY, LIVELY BEER'. In finding dilution by tarnishment the court took into account the manner in which the words would be perceived by members of the public, in particular purchasers of the applicant's beer. The court held although the fundamental freedom of expression should allow unauthorised use of a trade mark for purposes of parody and social comment, such parody or social comment could not be offensive to the point where it exceeded harmless clean pun and tarnished the reputation of a mark. The court further held that the line between freedom of expression and the

It is apparent from the infringement provisions discussed above that the scope of protection for trade marks in South Africa has been extended considerably. Despite the fact that trade mark laws generally offer nationwide protection against infringement of registered trade marks, the protection provided to unregistered trade marks is unsatisfactory, particularly if such marks do not qualify as well known trade marks. Given this position, it is therefore, vital for trade mark proprietors to register their trade marks in order to obtain adequate trade mark protection.

2.7 THE PROTECTION OF WELL KNOWN TRADE MARKS IN SOUTH AFRICA

Previously, South African law did not protect foreign trade marks.⁸⁷ This resulted in pressure from the international community for South Africa to adopt measures to protect well known trade marks.⁸⁸

There is no generally accepted definition of the term “well known trade mark”. The term is not defined in the Trade Marks Act, nor is it qualified in section 34(1)(c) in any way.⁸⁹ In the European Union, for instance, it is sufficient if such mark enjoys a reputation in the

contravention of laws of general application was thin, but that it had been overstepped by the respondent. The decision of the Cape High Court was also confirmed by the Supreme Court of Appeal in *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International* 2005 (2) SA 43 (SCA). However, the Constitutional Court in *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International* 2005 (8) BCLR 743 (CC), found against SAB International. The Constitutional Court ordered SAB to pay costs in the High Court, Supreme Court of Appeal as well as those in the Constitutional Court, including costs of counsel. The decision of the Constitutional Court in this matter poses important questions for the future protection of trade marks in South Africa. This decision is likely to introduce a new set of problems for owners of valuable trade marks, whose responsibility is to police and protect their marks.

⁸⁷ This is evidenced by court decisions in *Tie Rack v Tie Rack Stores (Pty) Ltd & another* 1989 (4) SA 427 (T) and in *Pepsico Inc & others v United Tobacco Co Ltd* *supra*.

⁸⁸ Dean “McDonald’s Turns the Tables on Trade Mark Infringement” (1996) 8 *South African Mercantile Law Journal* 408.

⁸⁹ Webster & Page *South African Law of Trade Marks* paragraph 12.27.

member country concerned.⁹⁰ By contrast, the USA statute requires that the mark be “famous.”⁹¹ Arguably, this requires greater reputation than is required for a mark to be well known. However, the South African Trade Marks Act adopted the same terminology as Article 6bis of the Paris Convention which requires that the mark be well known in South Africa.

In South Africa, well known marks are protected under both common law and statute. Under common law proprietors of well known marks may prevent unauthorised use of their marks on the basis of passing off.⁹² Under statute well known marks are protected in two main provisions: sections 34(1)(c) and 35 which will be discussed below.

2.7.1 THE PROTECTION OF WELL KNOWN MARKS UNDER SECTION 34(1)(c)

Section 34(1)(c) protects well known marks that are registered in South Africa against dilution. Section 34(1)(c) does not define the term “well known” and the courts have often turned to case law for guidance.⁹³ Webster and Page⁹⁴ contend that the essential issue is what level of awareness in the public mind is required for a mark to qualify as well known in terms of section 34(1)(c).

⁹⁰ Section 10(3) of the UK Trade Marks Act 1994.

⁹¹ See paragraph 3.6 below on the Federal Trade Mark Dilution Act 1995 (FTDA).

⁹² Rutherford “Well Known Foreign Trade Marks” (2000) 8 *Juta Business Law* 32.

⁹³ See *Triomed (Pty) Ltd v Beecham Group plc supra*, in which the court highlighted the fact that the meaning of the term “well known” had not been considered in the context of section 34(1)(c) of the Trade Marks Act 194 of 1993. In this case the court adopted the test applied in *McDonalds Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd, McDonalds's v Dax Prop CC, McDonald's Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd* 1997 (1) SA 1 (A). The test adopted for a well known mark in this case was whether the mark in question was well known to persons interested in the goods or services to which the mark related.

⁹⁴ Webster & Page *South African Law of Trade Marks* paragraph 12.27.

In *Safari Surf Shop CC v Heavywater & others*,⁹⁵ a case involving a dispute over the use of spider devices by the respondent, the court stated that it was sufficient for purposes of section 34(1)(c) if the trade mark in question was well known in that part of South Africa, where the mark was used. The court held that the applicant had successfully proved that its mark "SPIDER" was well known throughout surfing circles in South Africa. Further, the court held that the respondent's use of the spider device would be likely to take advantage of, and be detrimental to, the repute of the applicant's registered trade mark "SPIDER."

Section 34(1)(c) prohibits the use of a mark which is similar or identical to a registered trade mark which is well known in the Republic. Use is prohibited if there is any likelihood that the use of such mark would be detrimental to the distinctive character or repute of a registered mark, notwithstanding the absence of confusion and deception.

Writers contend that in determining whether or not a trade mark is well known in South Africa within the context of section 34(1)(c), the courts should also consider additional factors listed in the USA Federal Trade Mark Dilution Act 1995.⁹⁶ These factors are similar to factors in a passing off action and to the practice guidelines for determining reputation for the purpose of section 10(3) of the UK Trade Marks Act 1994.⁹⁷

The dilution provisions provide a wider scope of protection to well known marks than does section 35 because, unlike section 35 which only applies to situations where the likelihood of confusion or deception exists, section 34(1)(c) can be applied to non-competitive situations where the likelihood of confusion or deception does not exist, provided that the trade mark in question is registered.

⁹⁵ 1996 (4) All SA 316 (D).

⁹⁶ See Chapter Three below on the protection of well known marks in the USA.

⁹⁷ Webster & Page *South African Law of Trade Marks* paragraph 12.27.

2.7.2 THE PROTECTION OF WELL KNOWN MARKS UNDER SECTION 35

Prior to the enactment of section 35, proprietors of well known marks were not afforded protection in the absence of goodwill in South Africa, and goodwill was generally not held to exist if the proprietor did not reside in the country. Section 35 was, therefore, introduced to provide a solution to foreign businesses whose marks were well known in South Africa but did not operate businesses in the country. Section 35 was enacted to enable South Africa to discharge its obligations under the Paris Convention and is similar to section 56 of the UK Trade Marks Act.⁹⁸

Section 35 protects marks that are entitled to protection as well known trade marks under Article 6*bis* of the Paris Convention. Registration is not a requirement for the protection of a trade mark in terms of this section.

Section 35(1) prohibits the unauthorised use and registration of trade marks which are well known in South Africa as marks of persons who are nationals of, are domiciled in, or have commercial establishments in Convention countries.⁹⁹

Section 35(3) protects well known marks against the use of marks which constitute a reproduction, imitation or translation of such marks, in relation to goods or services that identical or similar to those for which the marks are well known, if such use is likely to cause deception or confusion. The effect of this section is that it extends protection to proprietors of foreign marks irrespective of whether or not they carry on business or possess goodwill in South Africa.¹⁰⁰ This represents a departure from the previous position, where South African trade mark law did not offer any protection to foreign trade marks.

⁹⁸ 1994.

⁹⁹ Visser *The New Law of Trade Marks and Designs* 6.

¹⁰⁰ *Ibid.*

Section 35 does not provide much guidance with regard to what constitutes “well known”. Section 35(1A) provides that

... in determining for the purposes of subsection (1) whether a trade mark is well known in the Republic, due regard shall be given to the knowledge of the trade mark in the relevant sector of the public, including knowledge which has been obtained as a result of promotion of the trade mark.

Section 35(1A) reinforces the principle that a trade mark need not be well known across the entire population and is in keeping with Article 16(2) of TRIPS.

In the event of an infringement of a well known mark, the proprietor must prove a number of elements in order to succeed with its action. A proprietor of a trade mark must prove:

- that his mark is well known in South Africa;
- that he is a national of, or domiciled in, or established in a Convention country;
- the proprietor must also prove a reproduction, imitation or translation of his well known mark;
- use in relation to goods or services which are identical or similar to his goods or services; and
- use that is likely to cause deception or confusion.

Courts have turned to case law for assistance in interpreting the meaning of the term “well known.” In *McDonald’s v Joburgers Drive-Inn Restaurant (Pty) Ltd*,¹⁰¹ the court considered the background of section 35 in determining the meaning of a well known mark. The court stated that section 35 intended to remedy shortcomings of the common law requirement which had previously failed to protect well known marks in South Africa. The court held that the degree of protection provided by section 35 was similar to that available under the common law of “passing off”, namely, prohibition on the use of a mark in relation to goods or services in respect of which such mark was well known, and where its use was likely to cause confusion or deception.

¹⁰¹ *Supra*.

The court held further that for purposes of section 35, a mark would constitute a well known mark if it were well known in South Africa to persons interested in the goods or services to which the mark related. Therefore, it is sufficient for purposes of section 35 if the trade mark in question has acquired a reputation in South Africa among a substantial number of members of the public who are interested in the goods or services in relation to which the mark is used.¹⁰²

However, as the purposes of sections 34(1)(c) and 35 are entirely different, it is arguable that the phrase “well known” in the context of section 34(1)(c) should be given a different meaning from the meaning of the phrase in section 35. Further, a trade mark proprietor should be required to establish greater awareness of use of the trade mark than is required for a passing off action.

Well known marks have additional protection in terms of section 27(5) of the Trade Marks Act.¹⁰³ Section 27(5) provides that a mark in respect of which protection may be claimed under the Paris Convention, as a well known trade mark within the meaning of section 35(1), may not be removed from the register on the grounds of the lack of a *bona fide* intention to use or non-use for an uninterrupted period of five consecutive years. This section has created a system of defensive registrations for well known foreign trade marks which, writers argue, is incompatible with the policy and general approach of the Act.¹⁰⁴

Although considerable attempts have been made towards enhancing the protection of well known marks, there is still some degree of inconsistency in both national and international law with regard to the approach used in cases involving the misappropriation of well known marks.¹⁰⁵

¹⁰² Rutherford “Well Known Foreign Trade Marks” 34.

¹⁰³ 194 of 1993.

¹⁰⁴ See Rutherford “Case Comment: Well Known Trade Marks: Removal from the Register on the Ground of Non-use” (2005) 17 *South African Mercantile Law Journal* 368.

¹⁰⁵ Visser *The New Law of Trade Marks and Design* 27. See also Chapter Three below on the international protection of trade marks.

2.8

CONCLUSION

Trade marks represent a very important category of intellectual property rights. They are important tools of advertising and also play a vital role in global marketing. In addition, they serve as indicators of quality and also perform a distinguishing function. Considering the role trade marks play at both national and international level, they must be adequately protected.

The protection of trade marks is greatly compromised by laws of jurisdiction as well as the diversity of the trade mark laws. Further, the territorial nature of trade mark laws complicates efforts aimed towards enhancing their protection. In light of these challenges, a great need exists to harmonise trade mark laws.

South Africa has made significant progress towards extending the scope of trade mark protection, particularly with regard to the extension of trade mark protection to well known marks. This extension was achieved through the introduction of new infringement provisions in section 34 and 35 of the Trade Marks Act.¹⁰⁶ However, despite these notable achievements, more needs to be done to enhance the protection of trade marks at national level, so as to ensure the protection of local trade marks at international level. This can be achieved through the adoption of an international registration system, available under the Madrid Protocol, which will be discussed in the following chapter.¹⁰⁷ The adoption of an international registration system will go a long way towards increasing the scope of trade mark protection in South Africa.

The next chapter discusses the protection and enforcement of trade mark rights in the UK and the USA. This discussion is necessary, given the advanced levels of trade mark protection in the above jurisdictions and the fact that South African trade mark law is largely modelled upon the UK trade mark law. The UK and the USA trade mark laws provide important yardsticks from which to evaluate trade mark protection in South Africa. International protection of trade marks is also discussed in the following chapter

¹⁰⁶ Webster and Page argue that the Trade Marks Act introduced in section 34(1)(b) and (c) forms of infringement that were previously unknown to the South African law of trade marks.

¹⁰⁷ See Chapter Three below.

for the purpose of evaluating the extent to which South Africa's trade mark law is in keeping with international developments in trade mark law.

CHAPTER THREE

TRADE MARK PROTECTION IN THE USA AND THE UK

3.1 INTRODUCTION

The UK and the USA have been in the forefront of developing trade mark protection laws and, arguably, possess the most advanced systems. Much legislation has been adopted to protect trade marks against various kinds of abuse in these jurisdictions.

In the USA, federal trade mark law co-exists with state and common law. Therefore, registration at either federal or state level is not necessary to create or maintain ownership rights in a mark. However, trade mark proprietors must continue using their marks to maintain rights in such marks. The registration of trade marks at federal level is based upon use of the mark, and common law rights in trade marks are protected by the principle of unfair competition or misappropriation.

The Trade Mark Act 1946 (Lanham Act) embodies federal trade mark law which is based upon the commerce clause of the Constitution.¹⁰⁸ The commerce clause of the Constitution empowers Congress to protect entities which engage in intrastate commerce. Thus, in order to obtain trade mark protection at federal level, trade mark holders must prove that their mark is used in commerce.

In the UK, trade mark protection is available under common law and statutory law and trade mark rights are acquired primarily through registration.¹⁰⁹ However, trade mark proprietors can acquire common law rights to trade marks through use of their mark.

The UK Trade Marks Act provides for the registration of marks which constitute trade marks within the Act's definition of a trade mark,¹¹⁰ subject to restrictions contained in

¹⁰⁸ Bartow "Likelihood of Confusion" (2004) 41 *San Diego Law Review* 721 available at <http://web.lexis-nexis.com/professional> (accessed on 26/10/2005).

¹⁰⁹ The UK Trade Marks Act 1994.

¹¹⁰ See paragraph 3.2.1 below.

sections 3 and 5.¹¹¹ The UK Trade Marks Act also provides extensive protection to well known marks.¹¹²

A great deal of similarity exists between South African and UK trade mark laws, although the practice in the UK is more developed. Trade marks in both systems are protected under statutory law and common law. However, some differences exist between the UK and South African trade mark systems, particularly with regard to infringement provisions. The South African system¹¹³ does not require actual loss to provide infringement protection unlike the UK¹¹⁴ and USA federal systems.¹¹⁵

3.2 DEFINITION OF A TRADE MARK IN TERMS OF THE UK TRADE MARKS ACT 1994

The UK Trade Marks Act protects marks that constitute trade marks in terms of the definition in section 1.

Section 1(1) of the UK Trade Marks Act defines a trade mark as:

... any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings.

The UK definition of a trade mark is wide enough to include words,¹¹⁶ designs, letters, numerals and the shape¹¹⁷ of goods or their packaging. Writers argue that the UK

¹¹¹ See paragraphs 3.2.2 and 3.2.3 below.

¹¹² See paragraph 3.3 below.

¹¹³ See section 34(1)(c) of the South African Trade Marks Act. See also Chapter Two above on trade mark infringement.

¹¹⁴ Section 10(3) of the UK Trade Marks Act. See also *Premier Brands UK Ltd v Typhoon Europe Ltd supra* and *Daimler Chrysler AG v Javid Alavi t/a 2001 RPC 42*.

¹¹⁵ Section 1125 of the Lanham Act.

¹¹⁶ Cadbury registered the colour purple for chocolate and Barclays registered the colour turquoise for banking services.

¹¹⁷ Different shapes have been registered in the UK such as the perfume bottle for Chanel and a pen cap by Bic.

definition of a trade mark extends trade mark registration to as wide a range of marks as feasible.¹¹⁸

The UK Trade Marks Act distinguishes between a sign which is “capable of distinguishing” and, consequently, qualifying as a trade mark, and one that is devoid of distinctive character. The term “capable of distinguishing” is used in the context of what constitutes a trade mark, whereas the term “devoid of distinctive character” is used in the context of registrability.

3.2.1 TRADE MARK REGISTRATION IN THE UK

The UK Trade Marks Act provides a wide range of classes of goods and services under which trade marks can be registered. Only marks which constitute trade marks within the context of the definition of a trade mark in the UK Trade Marks Act can be registered.¹¹⁹ An additional requirement for registration is that the mark must be capable of graphical representation.

In the UK, trade marks can be registered at national, European Community and international level. The registration of a trade mark at national level provides the registrant with rights in relation to the registered mark. European Community registration occurs through the Office for Harmonisation in the Internal Market (OHIM). The OHIM grants successful applicants a single trade mark which is operative throughout the European Community. On the other hand, international registration under the Madrid Agreement, or the Madrid Protocol, merely facilitates the acquisition of national marks.¹²⁰

Trade mark registration grants a registered proprietor exclusive rights in the trade mark which are infringed upon by use of such trade mark without his consent.¹²¹ Thus,

¹¹⁸ Cornish *Intellectual Property: Patents, Trade Marks and Allied Rights* 5 ed (2003) 652.

¹¹⁹ See the definition of a trade mark in paragraph 3.2 above.

¹²⁰ *Ibid.*

¹²¹ Section 9(1).

registration grants the trade mark proprietor a statutory monopoly over the use of his mark. This means that a registered proprietor can rely on registration of a trade mark to prevent other parties from using the same or similar mark on identical or similar products. Originality is not a prerequisite for registration under the UK Trade Marks Act and actual use of a trade mark prior to registration does not in any way diminish such trade mark.

In the UK, the grounds upon which an application for a trade mark registration may be refused have been harmonised by the European Trade Mark Directive, to follow those for the Community Trade Mark.¹²² These grounds have been divided into two main categories: absolute grounds for refusal¹²³ and relative grounds for refusal.¹²⁴

3.2.2 ABSOLUTE GROUNDS FOR REFUSAL OF REGISTRATION

Section 3 of the UK Trade Marks Act (the UK Act) lists the absolute grounds for refusal of registration of a trade mark. As is the position under South African trade mark law, the absolute grounds for refusal in section 3 of the UK Act also relate to inherent objections to distinctiveness and certain public interest objections. This section corresponds broadly with the provisions of sections 10(1) and 10(2) of the South African Trade Marks Act, which set out grounds for absolute refusal of registration.

Section 3(1)(a) of the UK Act prohibits the registration of signs which can not be represented graphically, or those that are not “capable of distinguishing” within the meaning of section 1(1). However, even if a mark is not at the time of registration “capable of distinguishing” the goods or services of the owner, it may be registrable if it

¹²² See Articles 3 and 4 of the European Council Directive to Approximate the Laws of the Member States relating to Trade Marks (EEC) 89/401 of 21 December 1988 (European Trade Mark Directive) and Articles 7 and 8 of the European Council Regulations on the Community Trade Mark (EC) 40/94 of 20 December 1993 (CTMR).

¹²³ Section 3 of the UK Trade Marks Act.

¹²⁴ Section 5 of the UK Trade Marks Act.

will later become distinctive in use and will afford an indication of origin without imposing on the rights of other traders.

Section 3(1)(b) of the UK Act prohibits the registration of trade marks which are not distinctive in character. Section 3(1)(b) applies to signs that require supporting evidence to prove that they are known as trade marks.¹²⁵ Distinctiveness of a mark depends upon whether a mark exhibits a sufficient degree of individuality to differentiate such mark from competing marks.¹²⁶ Marks which are devoid of distinctiveness include surnames, image-promoting letters, numerals, colours and signs.¹²⁷

Section 3(1)(c) of the UK Act prohibits the registration of trade marks which indicate exclusively the kind, quality, value, geography or other such characteristics of goods or services. This ground of objection is also referred to as the “characteristic objection.”¹²⁸ The exclusion in section 3(1)(c) of the UK Act applies to descriptive marks. In *Procter & Gamble v OHIM*¹²⁹ the court found in relation to the mark “BABY-DRY” for babies nappies that, although the words “baby” and “dry” formed part of expressions used to describe the functions of goods (such as keeping babies dry) they were not familiar expressions in English language for designating babies nappies or for describing their essential characteristics.

In *Windsurfing Chiemsee v Huber*,¹³⁰ the court refused to confine the scope of the objection for registration of marks indicating geographical origin to cases where a real or serious need exists to leave the mark for use by others. The court stated that objection for the registration of marks indicating geographic origin should arise in circumstances

¹²⁵ See *British Sugar plc v Robertson & Sons Ltd supra*. See also *Cornish Intellectual Property: Patents, Trade Marks and Allied Rights* 661.

¹²⁶ *Bently & Sherman Intellectual Property Law* 804. See also *Elvis Presley Enterprises Applications* 1999 RPC 567 CA, where Elvis Presley’s signature was held to have limited capacity to distinguish from the manner in which it was written.

¹²⁷ *Cornish Intellectual Property: Patents, Trade Marks and Allied Rights* 661.

¹²⁸ *Cornish Intellectual Property: Patents, Trade Marks and Allied Rights* 657.

¹²⁹ 2002 RPC 369 ECJ.

¹³⁰ 1999 ETMR 690.

where members of the relevant public would regard use of the name to indicate the locality from which the goods originate or where they were conceived or designed. The court held that registration of the mark “CHIEMSEE” for clothing was open to objection on the basis that “CHIEMSEE” was a large and well known mark in Bavaria.

Section 3(1)(d) of the UK Act prohibits the registration of trade marks which consist exclusively of signs which have become customary in trade. This ground of objection is also referred to as the “customary usage objection”.¹³¹ The customary usage objection applies to signs or marks which have become customary in language or in the *bona fide* and established practices of trade. In *RFU & NIKE v Cotton Traders*,¹³² registration of a community trade mark consisting of a rose devise similar to the red rose design contained on England rugby shirts, was refused because it had become customary in trade to use the rose to associate shirts within the England Rugby Team.

Bently and Sherman argue that the absolute grounds for refusal in Section 3(1)(b-d) of the UK Act perform two main tasks: ensuring that trade marks function as indicators of origin and assists in minimising the adverse impact that the registration of trade marks may have upon traders in the same or related fields.¹³³

Section 3(3)(a) of the UK Act prohibits the registration of marks which are contrary to public policy and morality. In *Philips Electronics v Remington Consumer Products*,¹³⁴ the court stated that the notion of public policy was confined to the type of matters covered by the French legal term *ordre publique*, relating to morality, thus suggesting that the public policy exclusion is not concerned with economic grounds of exclusion. In *Hallelujah Trade Mark*,¹³⁵ registration of the mark “HALLELUJAH” was refused on the basis that the applicant had failed to convince the tribunal that the public had accepted non-religious use of the term.

¹³¹ Cornish *Intellectual Property: Patents, Trade Marks and Allied Rights* 657.

¹³² 2002 ETMR 861.

¹³³ Bently & Sherman *Intellectual Property Law* 803.

¹³⁴ 1998 RPC 283.

¹³⁵ 1976 RPC 605.

Section 3(3)(b) of the UK Act prohibits the registration of deceptive marks. A trade mark application will be refused if it relates to a mark which suggests that the goods are made of a particular material when they are not so made. In *China-Therm Trade Mark*,¹³⁶ the court upheld the refusal to register the mark “CHINA-THERM” for plastic cups and tumblers on the basis that consumers could be misled into purchasing the product as a result of the suggestion that it was made of china.

Also precluded from registration under the UK Act are marks which are prohibited by law¹³⁷ and those for which application was made in bad faith.¹³⁸ Bad faith applications include those where the applicant had no intention to use the mark in trade, or where the applicant is aware that a third party intends to use or register the mark. Bad faith applications also include marks incorporating the name or image of a well known person. The UK Act also prohibits the registration of specially protected emblems.¹³⁹

3.2.3 RELATIVE GROUNDS FOR REFUSAL OF REGISTRATION

The relative grounds for refusal of registration are contained in section 5 of the UK Act and relate to conflict between holders of a prior right and the prospective registrant.

Section 5(1) of the UK Act prohibits the registration of marks which are identical to a mark in respect of identical goods and services for which a mark is registered. Proof of a likelihood of confusion is not required. In determining whether marks are identical, courts compare the representation of the earlier trade mark, contained in the registration certificate, with that of the trade mark for which application is being made.¹⁴⁰ Additionally, if the category of goods or services protected by an earlier mark is broader,

¹³⁶ 1980 FSR 21.

¹³⁷ Section 3(4).

¹³⁸ Section 3(6).

¹³⁹ Section 4.

¹⁴⁰ *British Sugar plc v Robertson & Sons Ltd supra*. See also Bently & Sherman *Intellectual Property Law* 851.

but includes the category of goods or services to which the application relates, the finding will be that the applicant's goods are identical to those of the earlier mark.¹⁴¹

Section 5(2) of the UK Act prohibits the registration of a mark in respect of similar goods and services for which a mark is registered. Under this section, proof of the likelihood of confusion, which includes the likelihood of association, is required.¹⁴² In *Sabel BV v Puma AG, Rudolf Dassler Sport*,¹⁴³ the European Court of Justice (ECJ) emphasised that the most important factors to be considered when comparing marks were the distinctive and dominant components of the marks in question. The court held further that the comparison would be carried out from the point of view of the average consumer of the goods concerned. The average consumer, in this case, would perceive the mark as a whole and would not analyse the various details of the mark.

Section 5(3) of the UK Act prohibits the registration of marks which are similar or identical to well known marks. This section is also referred to as the "anti-dilution" provision. Section 5(3) is similar to section 10(17) of the South African Trade Mark Act¹⁴⁴ in that it applies even in the absence of a likelihood of confusion or deception; the only difference is that section 5(3) has an additional requirement that use of the latter mark must be "without due cause".

3.2.4 INFRINGEMENT OF UK TRADE MARKS

Trade mark infringement in the UK is based on use which amounts to infringement in terms of the UK Act. Infringement under this Act is determined in terms of the test for confusion and does not have to be in relation to goods and services in respect of which such mark is registered. Infringement protection can even be extended to dissimilar goods or services.

¹⁴¹ *Discovery Communications v Discovery* 2000 EMTR 516.

¹⁴² Cornish *Intellectual Property: Patents, Trade Marks and Allied Rights* 678.

¹⁴³ 1998 RPC 199 (ECJ).

¹⁴⁴ 193 of 1994.

The UK Act requires infringing use to be in the “course of trade” and does not explicitly require use “as a trade mark.” This indicates an extension of the degree of trade mark protection in the UK.

Section 10 of the UK Act protects registered trade marks against infringement. Section 10 introduced the concept of infringement for similar goods or services to UK trade mark law and is similar in substance to section 34(1)(b) of the South African Trade Marks Act.

Section 10(1) of the UK Act protects marks against the use of a sign identical to a mark registered and used on identical goods or services. The likelihood of confusion is not a requirement for infringement protection in section 10(1). Scholars argue that in order to succeed with an infringement action under section 10(1), the marks in dispute should be identical both in spelling and sound.¹⁴⁵ The message conveyed by an infringing sign is not relevant in terms of section 10(1) because there is no requirement of confusion or advantage.

Section 10(2) of the UK Act provides protection against the use of a mark in relation to similar goods and services. In order to succeed with an infringement action under section 10(2), an applicant must prove the existence of a likelihood of confusion, which includes the likelihood of association with the trade mark in question.¹⁴⁶ Section 10(2) infringement extends beyond the specified goods or services to those which are similar, provided that the likelihood of confusion exists.

In determining the similarity between goods or services, the courts consider six factors. These include the respective uses of goods and services, the respective users of goods and services, the physical nature of goods and services, the reach of the market, whether in self-service stores the goods are found displayed together or apart, and the extent to which the respective goods or services are competitive. The court considered the above

¹⁴⁵ Cornish *Intellectual Property: Patents, Trade Marks and Allied Rights* 702. See also *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer* 1999 RPC 117 (ECJ), 1999 FSR 332 (ECJ), in which the words “canon” and “cannon” were not found to be the same to warrant confusion.

¹⁴⁶ Cornish *Intellectual Property: Patents, Trade Marks and Allied Rights* 701.

factors in *British Sugar plc v Robertson & Sons Ltd*,¹⁴⁷ and found that the spreads for bread and desserts sauces were not similar to syrups.

The South African equivalent of section 10(2) of the UK Act is found in section 34(1)(b) of the South African Trade Marks Act, the only difference being that section 34(1)(b) of the latter Act does not have the alternative of a likelihood of association. Thus, section 10(2) of the UK Act represents an extension of trade mark protection in the UK.¹⁴⁸

Section 10(3) of the UK Act protects well known marks against the use of identical or similar signs in relation to dissimilar goods and services, where such use takes unfair advantage of, or is detrimental to, the distinctive character or repute of the mark. Cornish argues that to warrant infringement under section 10(3), confusion must be sufficient to lead the public to believe that the owner of the mark with a reputation is extending its line of business.¹⁴⁹

Section 10(6) of the UK Act protects marks against unfair trade practices. Infringement under this section occurs where reference to the proprietor's mark is not in accordance with honest commercial practice, is without due cause and takes unfair advantage of, or is detrimental to the distinctive character or repute of the mark. In *Barclays Bank v RBS Advanta*,¹⁵⁰ the court refused to grant interlocutory relief to Barclaycard against another bank's credit card venture which claimed to have more advantages than other credit cards, including those of Barclaycard. The court held that in order to prevent comparisons the applicant had to prove misleading usage of the registered mark, similar to that required for the action of injurious falsehood.

The onus of proving that use of the infringing mark causes unfair advantage of, or is detrimental to the distinctive character or repute of the mark, lies with an owner whose

¹⁴⁷ *Supra*.

¹⁴⁸ Previously the infringement of a registered trade mark could only occur where use of the infringing mark related to goods or services within the registered specification.

¹⁴⁹ Cornish *Intellectual Property: Patents, Trade Marks and Allied Rights* 713.

¹⁵⁰ 1996 RPC 307.

mark has been taken for comparison. This provision imposes an objective standard tested by reference to the reasonable reader of an advertisement.¹⁵¹

3.3 THE PROTECTION OF WELL KNOWN MARKS IN THE UK

Section 10(3) of the UK Act protects well known marks against dilution. To qualify for dilution protection, a trade mark proprietor must prove that its unregistered mark is well known throughout the country in which trade mark protection is sought.

As discussed previously, there is no consensus on what constitutes a famous or well known mark.¹⁵² Common law refers to distinctive marks with a reputation, whilst USA law refers to famous marks. Well known marks, according to Article 6*bis* of the Paris Convention, are “marks which require protection against use in connection with the same or similar goods or services for which the well known mark is registered.”

Scholars argue that well known and famous marks should be differentiated to ensure that they receive special protection.¹⁵³ It appears that famous marks are those well known marks which are so famous that protection is accorded in respect of dissimilar goods and services.¹⁵⁴

For dilution protection in terms of section 10(3) of the UK Act, it is sufficient that a mark enjoys a reputation in the member country concerned. An additional requirement for protection of a well known mark in section 10(3) is that the offending mark should be used in the course of trade. Courts in the UK have adopted a liberal interpretation of the term “use in the course of trade.” In *British Telecommunications plc v One in a Million Ltd*,¹⁵⁵ the court held that the phrase “use in the course of trade” implied use in the course of business. However, South African courts, have narrowly interpreted the phrase to suggest use in the course of trade in goods or services for which the mark is registered, or

¹⁵¹ Cornish *Intellectual Property: Patents, Trade Marks and Allied Rights* 718.

¹⁵² See Chapter Two above.

¹⁵³ Edwards & Wealde *Law and the Internet: a Framework for Electronic Commerce* (2000) 144.

¹⁵⁴ *Ibid.*

¹⁵⁵ 1998 FSR 1 (CA).

for goods or services which are very closely connected with them, so that use of the trade mark by the infringing party will enable him to take unfair advantage of the reputation or goodwill of the trade mark proprietor.¹⁵⁶ Some writers argue that the phrase “use in the course of trade” in the context of the dilution provisions should be interpreted widely, so as to include use in the course of any trade.¹⁵⁷

To succeed with a dilution action in terms of section 10(3) of the UK Act, a trade mark proprietor must prove that the unauthorised use of a mark takes advantage of, or is detrimental to, the distinctive character or repute of the proprietor’s trade mark. Protection against dilution applies irrespective of whether the infringing mark is used in relation to dissimilar goods or services.

3.4 THE DEFINITION OF A TRADE MARK UNDER THE TRADE MARK ACT 1946 (LANHAM ACT)

The Lanham Act contains federal statutes that govern trade mark law in the USA but they do not constitute the exclusive law governing USA trade mark law. This is because common law and other statutes also control some aspects of trade mark protection.

The Lanham Act defines a trade mark as

... any word, name, symbol, or device, or any combination thereof, used or intended to be used to identify and distinguish a producer’s goods ... from those manufactured or sold by others to indicate the source of the goods ...¹⁵⁸

Trade mark protection under the Lanham Act depends upon the degree of distinctiveness of the mark. The degrees of distinctiveness of marks vary.¹⁵⁹ Marks can be inherently

¹⁵⁶ *Beecham Group plc v Southern Transvaal Pharmaceutical Pricing Bureau (Pty) Ltd* 1993 (1) SA 546 (A).

¹⁵⁷ Rutherford “Well Known Marks on the Internet” (2000) 12 *South African Mercantile Law Journal* 175.

¹⁵⁸ See Bartow “Likelihood of Confusion” 725, for the discussion on section 1127 of the Lanham Act.

¹⁵⁹ Bartow “Likelihood of Confusion” 721.

distinctive,¹⁶⁰ deceptively misdescriptive,¹⁶¹ may become distinctive,¹⁶² or may be incapable of distinctiveness.¹⁶³

3.5 TRADE MARK REGISTRATION IN THE USA

In the USA, trade mark protection is provided in terms of common law, state registration, and federal registration.¹⁶⁴ Common law protection arises from continued use of a mark, even in the absence of any form of registration. Common law also creates an enforceable right to use the mark exclusively in that mark's geographic area of use.¹⁶⁵

Despite the fact that trade mark rights in the USA arise upon use of a mark, registration remains important for purposes of obtaining greater protection for trade marks. Trade mark owners must register their marks with the United States Patent and Trademark Office (USPTO) in order to obtain maximum trade mark protection under the Lanham Act. This is because trade marks registered under the Lanham Act have nationwide protection.¹⁶⁶

Although the registration of trade marks in the USA is not mandatory, registration is vital because it provides various advantages to trade mark proprietors. Trade mark registration is vital because it provides nationwide protection for the registered trade mark and also creates a presumption of the trade proprietor's rights in infringement proceedings. During infringement proceedings, proprietors of registered trade marks are not required to prove ownership of their marks as required where unregistered trade marks are concerned. The onus in infringement proceedings falls upon a defendant to prove that a complainant has

¹⁶⁰ Bartow "Likelihood of Confusion" 739. Inherently descriptive marks include fanciful, arbitrary and suggestive marks.

¹⁶¹ Deceptively misdescriptive marks include surnames, geographical names and slogans.

¹⁶² This includes descriptive marks which can become distinctive upon acquiring a secondary meaning.

¹⁶³ Generic marks are incapable of distinctiveness.

¹⁶⁴ Intellectual Property and the National Information Infrastructure "Trade Mark Protection in the US" available at <http://www.uspto.gov> (accessed on 20/05/2005).

¹⁶⁵ *Ibid.*

¹⁶⁶ *Ibid.*

no protectable rights in the mark.¹⁶⁷ To qualify for registration under the Lanham Act, the mark must be used in commerce or the applicant must have a *bona fide* intention to use the mark.

3.5.1 UNREGISTRABLE MARKS UNDER THE LANHAM ACT

The Lanham Act contains categories of marks that can not be registered. These statutory bars to registration fall under Section 2 of the Lanham Act, 15 U.S.C. 1052 (Section 1052).¹⁶⁸ Generally, any mark that is distinctive is registrable under section 1052, unless it falls within the category of prohibited marks.¹⁶⁹

Section 1052(a) prohibits the registration of marks which consist of, or comprise:¹⁷⁰

- immoral, deceptive, or scandalous matter;
- matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; and
- geographical indications which, when used on or in connection with wines or spirits, identify a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant before or after one year from the date on which the World Trade Organisation (WTO) entered into force with respect to the USA.

The prohibition in section 1052(a) is regarded as one of the most controversial bars to registration. Many commentators argue that this section's bar on scandalous and disparaging marks is a violation of the First Amendment's guarantee of free speech.¹⁷¹

¹⁶⁷ *Ibid.*

¹⁶⁸ Dueker "Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses" (1996) 9 *Harvard Journal of Law & Technology* 483 available at <http://web.lexis-nexis.com/professional> (accessed on 15/05/2005).

¹⁶⁹ *Ibid.*

¹⁷⁰ *Ibid.*

¹⁷¹ Oswald "Challenging the Registration of Scandalous and Disparaging Marks, Who has Standing to Sue" (2004) 41 *American Business Law Journal* available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=539142 (accessed on 10/06/2005).

However, not all courts share this view. Several courts have upheld constitutionality of section 1052(a) on the grounds that refusal to grant a mark federal registration does not prevent the applicant's use of the mark and, therefore, does not affect the applicant's right to free speech.¹⁷²

In *In re McGinley*,¹⁷³ the court held that refusal by the Patent Trademark Office (PTO) to register the appellant's mark did not affect his right to use the mark. The court confirmed the PTO's refusal to register the appellant's mark on the basis that since no conduct was proscribed, and no tangible form of expression was suppressed, the appellant's first amendment rights would not be infringed by refusal to register its mark.

Section 1052(b) prohibits the registration of marks which consist of or comprise the flag, coat of arms, or insignia of any state, municipality, or nation. Section 1052(c) prohibits the registration of marks which consist of or comprise the name, portrait, or signature of a particular living person (unless authorised by that person) or of a deceased President of the USA during the lifetime of his widow (unless she consents thereto).

Section 1052(d) prohibits the registration of marks that are misleading. Section 1052(d) bars the registration of marks which, when used on or in connection with goods of the applicant, are likely to cause confusion, mistake, or to deceive.

The Lanham Act also prohibits the registration of marks that constitute geographic descriptions, general descriptive terms¹⁷⁴ and surnames¹⁷⁵ unless they have acquired a

¹⁷² See *Ritchie v Simpson* 170 F 3d 1092 (Fed Cir 1999). The court highlighted in this case that although refusal to grant the trade mark holder a federal registration would prevent him from receiving the benefits conferred on a federal trade mark registrant, the mark trade mark holder would still be able to use the mark.

¹⁷³ 660 F 2d 481 (CCPA 1981).

¹⁷⁴ See *In re MBNA America Bank N.A* 02-1558 (Fed Cir 2003). In this case the Federal Circuit Court of Appeals had to decide whether refusal by the USPTO to register the marks "PHILADELPHIA SERIES" and "MONTANA SERIES" for credit cards was justified. The court confirmed refusal on the grounds that the marks "PHILADELPHIA SERIES" and "MONTANA SERIES" were merely descriptive of a significant feature or characteristic of the affinity credit card services.

¹⁷⁵ Section 1052(e)(4).

secondary meaning.¹⁷⁶ This section is similar to the UK and South African trade mark provisions which prohibit the registration of descriptive marks. The courts determine the degree of descriptiveness of a mark by considering it in relation to the specific goods or services.¹⁷⁷ In *In re Crash Course.Com, Inc.*,¹⁷⁸ the application for the registration of the mark "CRASH COURSE" for educational services was refused under Section 1052(e)(1) of the Lanham Act on the basis that the mark "CRASH COURSE" was merely descriptive of applicant's educational services. This was because the term was defined in the dictionary as "a brief, intensive course of instruction, as to prepare one quickly for a test."

3.5.2 INFRINGEMENT PROTECTION IN THE USA

The Lanham Act protects both registered and unregistered trade marks against infringement.¹⁷⁹ When determining whether an unregistered mark is entitled to protection under section 43(a), court looks at the general principles qualifying a mark for registration under section 2 of the Lanham Act.¹⁸⁰

In order to be protected under the Lanham Act, a mark must be capable of distinguishing one proprietor's goods from those of others.¹⁸¹ Marks are often classified in categories of generally increasing distinctiveness, which include: generic, descriptive, suggestive, arbitrary and fanciful marks.¹⁸²

¹⁷⁶ Section 1052(f).

¹⁷⁷ See *Remington Products Inc v North American Philips Corp* 892 F 2d 1576, 13 USPQ 2d 1444 (Fed Cir 1990).

¹⁷⁸ Trade Mark Trial and Appeal Board (TTAB) 75/873,632.

¹⁷⁹ Section 43(a). See also Graeme & Austin "Trade Marks and the Burdened Imagination" (2004) 69 *Brooklyn Law Review* 827 available at <http://web.lexis-nexis.com/professional> (accessed on 17/11/2005).

¹⁸⁰ *Two Pesos Inc v Taco Cabana Inc* 505 US 763, 120 L Ed 2d 615 (1992).

¹⁸¹ *Ibid.*

¹⁸² Bartow "Likelihood of Confusion" 738.



A trade mark is arbitrary or fanciful if, when applied to a product or service, it has no inherent relationship to the product or service with which it is associated.¹⁸³ An example of an arbitrary mark is Mango when applied to computers. A trade mark is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of the goods.¹⁸⁴ A suggestive mark does not immediately describe the goods or their features, but may suggest or allude to the same.¹⁸⁵ An example of a suggestive mark is Quest for hardware and software.

Marks that are arbitrary, fanciful, and suggestive are deemed to be “inherently distinctive” and are therefore entitled to trade mark protection upon use because they serve to identify, rather than describe the sources of products.¹⁸⁶ Arbitrary, fanciful and suggestive marks differ from descriptive marks which merely serve to describe a product’s characteristics, elements or qualities. Descriptive marks are considered non-distinctive and are, therefore, not entitled to trade mark protection.

Unlike arbitrary, fanciful or suggestive marks, descriptive marks can only be protected under the Lanham Act upon proof that the mark has acquired distinctiveness or a secondary meaning in the minds of consumers.¹⁸⁷ In *Two Pesos Inc v Taco Cabana Inc*,¹⁸⁸ a mark was held to be distinctive and capable of being protected if it were inherently distinctive or had acquired distinctiveness through acquiring a secondary meaning. Acquired distinctiveness occurs when consumers associate the descriptive term with the goods or services of a particular supplier, rather than with a category of goods. Evidence of advertising, sales and large revenues may be used to prove acquired distinctiveness.

¹⁸³ *Ibid.*

¹⁸⁴ *Ibid.*

¹⁸⁵ *Ibid.*

¹⁸⁶ *Ibid.*

¹⁸⁷ *In re MBNA America Bank N.A. supra.*

¹⁸⁸ *Supra.*

Generic marks are not protected under the Lanham Act.¹⁸⁹ Generic marks are those that refer to the genus of which a particular product is a species, and are not registrable as trade marks.¹⁹⁰ Aspirin and cellophane are examples of generic marks because the public associates them with the entire class of product, not a single source. Generic terms do not constitute trade marks because they are unable to distinguish the sources of different products.

3.5.3 INFRINGEMENT OF USA TRADE MARKS

The definition of infringement under the Lanham Act is very narrow. Intent or negligence is not a prerequisite for liability. The question in determining infringement is whether the competing name is likely to cause confusion in the mind of a reasonable customer.¹⁹¹ The name need not be identical, just confusing.¹⁹²

Liability for trade mark infringement under the Lanham Act arises when a likelihood of confusion as to the origin or affiliation of the defendant's goods or services exists on the part of the consumers. Section 1125(a) provides wide trade mark protection against the use of names which have the likelihood of causing confusion, as to the source, origin or association of the goods or services.

In *KP Permanent Make-Up Inc v Lasting Impression Inc*,¹⁹³ the court held that to succeed with a claim for trade mark infringement under the Lanham Act, the complainant must prove that the alleged infringing mark is similar enough to cause confusion, mistake or to deceive.

¹⁸⁹ See *In re MBNA America Bank N.A. supra*, where the court emphasised that generic marks were not subject to protection under the Lanham Act.

¹⁹⁰ Bartow "Likelihood of Confusion" 739.

¹⁹¹ Dueker "Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses" 483.

¹⁹² *Ibid.*

¹⁹³ 2005 US App LEXIS 9037, 27 (9th Cir 2005). See also *Survivor Media Inc v Survivor Productions* 406 F 3d 625 (9th Cir 2005).

The standard for determining infringement in the USA is the "likelihood of confusion."¹⁹⁴ The trade mark proprietor must prove that the defendant's use of the mark is likely to cause confusion as to the source of the goods. The test is not whether the infringing mark has actually caused or will cause confusion, but whether there is a likelihood that concurrent use of the two trade marks in question will cause confusion as to the source, sponsorship or association of goods on which the marks appear.¹⁹⁵ The likelihood of confusion test is therefore, essentially, a strict liability issue which focuses on the buyer's subjective state of mind.¹⁹⁶

Courts apply the factors that were developed in *Polaroid Corp v Polarad Electronics Corp*,¹⁹⁷ referred to as the "Polaroid Factors", to determine the likelihood of confusion. The Polaroid Factors have been widely used by various District Courts and Courts of Appeals in weighing consumer confusion in trade mark infringement cases.¹⁹⁸

In *24 Hour Fitness USA Inc v 24/7 Tribeca Fitness*,¹⁹⁹ the court held that the Polaroid factors should be weighed together to determine whether the infringement claim demonstrates a probability of consumer confusion. However, some courts have observed that a finding of confusion does not require a positive finding on the majority of the Polaroid factors.²⁰⁰ Furthermore, not all factors will be relevant in every case.²⁰¹

¹⁹⁴ Section 43(1)(A) of the Lanham Act. See also Dueker "Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses" 483.

¹⁹⁵ *Survivor Media Inc v Survivor Productions supra*.

¹⁹⁶ Dueker "Evaluating Confusion" *Brigham* (2003) *Young University Journal of Public Law* 345 available at <http://web.lexis-nexis.com/professional> (accessed on 10/10/2005).

¹⁹⁷ 287 F2d 492 (2d Cir 1961).

¹⁹⁸ *AMF Inc v Sleekcraft Boats* 599 F 2d 341 (9th Cir 1979), *New Kayak Pool Corp v R & P Pools Inc* 246 F3d 183 (2d Cir 2001), *Major League Baseball Props Inc v Opening Day Prods Inc* 2004 U S Dist LEXIS 26436 (DNY 2004).

¹⁹⁹ 277 F Supp 2d 356 (SDNY 2003).

²⁰⁰ *Homeowners Group Inc v Home Marketing Specialists Inc* 931 F 2d 1100 (6th Cir 1991), See also *Elvis Presley Enterprises v Capece* 141 F 3d 141 (5th Cir 1998).

²⁰¹ *Lipscher v LRP Publication Inc* 266 F 3d 1305 (11th Cir 2001).

The Polaroid factors include:²⁰²

- the strength of the mark: the stronger the mark, the less similar the marks and goods should be for a finding of infringement;²⁰³
- the degree of similarity of marks: marks need not be identical, but will be compared in terms of sight, sound and meaning;²⁰⁴
- the degree of similarity of goods: goods need not be identical, the more related goods are, the greater the possibility of a finding of infringement;²⁰⁵
- the degree of similarity of marketing channels: the greater the similarity between the marketing methods and channels used to distribute goods bearing similar marks, the greater the potential likelihood of confusion;²⁰⁶
- the sophistication of buyers: the more sophisticated purchasers are and the greater the degree of care exercised in a purchasing decision, the greater the degree of similarity required before a finding of a likelihood of confusion;²⁰⁷
- actual confusion, evidence that use of the two marks has led to consumer confusion may be persuasive proof to a court that future confusion is likely;²⁰⁸

²⁰² Dueker "Trademark Law Lost in Cyberspace: Trademark Protection for Internet Addresses" 483. See also Graeme & Austin "Trade Marks and the Burdened Imagination" (2004) 69 *Brooklyn Law Review* 827 available at <http://web.lexis-nexis.com/professional> (accessed on 15/05/2005).

²⁰³ *Ibid.*

²⁰⁴ Graeme & Austin "Trade Marks and the Burdened Imagination" 872.

²⁰⁵ *Ibid.*

²⁰⁶ *Ibid.*

²⁰⁷ *Ibid.*

²⁰⁸ Actual confusion, however, may be difficult to prove. Courts often discount isolated instances of confusion as insubstantial and have been reluctant to state how many consumers need to be confused for the test to suffice. The courts have invoked flexible standards such as "numerous customers who are ordinarily prudent consumers" and "an appreciable number of ordinarily prudent customers". See for instance *Estee Lauder Inc v The Gap Inc* 108 F 3d 1503 (2d Cir 1997) and *Streetwise Maps Inc v VanDam Inc* 159 F 3d 739 (2d Cir 1998). In *Streetwise Maps Inc v VanDam Inc supra*, the court held that "a probability of confusion may be found when a large number of purchasers will be confused as to the source of the goods in question". In some cases, however, courts have found too little confusion. In *Brockmeyer v Herst* 248 F Supp 2d 281 (SDNY 2003), the court held that the defendant's survey showing only less than 3% of respondents, who saw a connection between plaintiff's and defendant's products, constituted an insufficient level of material fact as to the likelihood of consumer confusion.

- wrongful intent;²⁰⁹ and the
- likelihood of expansion. A finding of infringement is more likely where a trade mark owner intends to expand use of his mark into the alleged infringer's market, or where consumers are likely to assume such expansion will occur.

Although the above factors are non-exhaustive, they provide the courts with circumstantial evidence from which to assess the likelihood of confusion. The likelihood of confusion standard has been criticised for failing to provide trade mark owners with remedies in situations where use of the trade mark by other parties does not confuse consumers but, nonetheless, dilutes the value and uniqueness of the famous mark.²¹⁰

3.6 THE PROTECTION OF FAMOUS MARKS IN THE USA

In the USA well known marks are protected in terms of the Federal Trademark Dilution Act of 1995 (FTDA). The FTDA was enacted to extend dilution protection to federal marks. It amends the Lanham Act to create a federal cause of action for dilution for owners of famous marks, thus dispensing with the requirement (still needed to claim infringement) that a likelihood of confusion should be established. The FTDA provided a new federal cause of action for trade mark dilution and brought the USA trade mark law in line with Article 16(2) of TRIPS.²¹¹

Prior to adoption of the dilution provision in the USA, holders of famous marks were protected in terms of the test for the likelihood of confusion.²¹² Under this test, only

²⁰⁹ Most courts will presume a likelihood of confusion where it is shown that the infringing party deliberately intended to trade off the goodwill associated with another party's mark by adopting a similar mark. Knowledge of another party's prior use will not alone establish wrongful intent, so long as the infringing party believes in good faith that the marks are distinguishable.

²¹⁰ Hennessy "Development of the Protection of Famous Trade Marks in the United States" available at http://www.faculty.piercelaw.edu/hennessey/fam_ustm.htm (accessed on 24/09/2005).

²¹¹ See paragraph 3.7.4 below.

²¹² Franklyn "Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law" (2004) 56 *Hastings Law Journal* 117 available at <http://web.lexis-nexis.com/professional> (accessed on 15/05/2005).

direct competitors could be liable for the wrongful use of an established trade mark of another proprietor.²¹³

In order to obtain trade mark protection under the FTDA, a trade mark proprietor must prove that its mark is distinctive and famous.²¹⁴ The FTDA sets out guidelines that a court may consider in determining whether a mark is famous.²¹⁵ These include: the degree of inherent or acquired distinctiveness of the mark, the extent of advertising and publicity of the mark, the extent of use of the same or similar marks by third parties, the extent of use of the mark in trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought.²¹⁶

The protection of marks against dilution differs from the protection provided against trade mark infringement. The burden of proof in a dilution action is lower than that required in an infringement action.²¹⁷ This is because dilution does not rely upon the standard test of infringement, which is based upon the likelihood of confusion, deception or mistake. Rather, dilution occurs when the unauthorised use of a famous mark reduces the public's perception of the mark.

The FTDA largely resembles its state-law counterparts but is different in at least three respects. Firstly, it permits an injunction against the dilution of famous marks. Secondly, unlike other legislation, it only protects famous marks and distinctive marks against dilution. Thirdly, liability for dilution under the FTDA is based upon use that actually

²¹³ Franklyn "Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law" 122.

²¹⁴ Halpern "A High Likelihood of Confusion Wal-Mart, Traffix, Moseley and Dastar: The Supreme Courts New Trade Mark Jurisprudence" (2005) *New York University Annual Survey of American Law* 237 available at <http://web.lexis-nexis.com/professional> (accessed on 15/05/2005).

²¹⁵ Franklyn "Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law" 127. See also *Nabisco Inc v PF Brands Inc* 191 F 3d 208 (2d Cir 1999).

²¹⁶ Section 1125(c)(1)(a-h.).

²¹⁷ Halpern "A High Likelihood of Confusion Wal-Mart, Traffix, Moseley and Dastar: The Supreme Courts New Trade Mark Jurisprudence" 237.

causes dilution as opposed to use that is likely to cause dilution.²¹⁸ In *Moseley d/b/a Victor's Little Secret v Victoria's Secret Catalogue Inc.*,²¹⁹ the Supreme Court held that the difference in terminology between the federal statutes and state statutes meant that plaintiffs pursuing relief under the federal Act were required to prove actual dilution and not the likelihood of dilution. This decision has been greatly criticised on the grounds that it left the statute riddled with ambiguity and subject to varying interpretation by the courts.²²⁰ Further, the decision in *Moseley d/b/a Victor's Little Secret v Victoria's Secret Catalogue Inc.*,²²¹ is argued to have left in place a statute that, in requiring proof of actual dilution, does not provide the broad scope of protection that was initially envisioned.²²²

Courts have generally been divided as to whether parties bringing dilution claims under the FTDA have to prove actual injury or merely the likelihood of dilution. Writers argue that a wide gap for confusion and disagreement on this issue still exists because the legislative history of the Act does not provide any answers.²²³

In *Ringling Brothers-Barnum & Bailey Combined Shows Inc v Utah Division of Travel Development*,²²⁴ the Court of Appeals for the Fourth Circuit interpreted the phrase "causes dilution" in Section 43(c) of the Lanham Act to require proof of actual harm in order to be entitled to relief. While conceding that such a standard did originate from the statutory text, the court found support for the "actual harm" standard in the legislative

²¹⁸ *Ibid.*

²¹⁹ 537 US 418 (2003).

²²⁰ See Levy "The Federal Trade Mark Dilution Act-Much Hobbled One Year after Victoria's Secret" available at http://www.goodwinprocter.com/GetFile.aspx?aliaspath=/Files/publications/levy_i_02_04_pdf (accessed on 24/09/2005).

²²¹ *Supra.*

²²² See Levy "The Federal Trade Mark Dilution Act- Much Hobbled One Year after Victoria's Secret" available at http://www.goodwinprocter.com/GetFile.aspx?aliaspath=/Files/publications/levy_i_02_04_pdf (accessed on 24/09/2005).

²²³ Ruwe "The Federal Trade Mark Dilution Act: Actual Harm or a Likelihood of Confusion" 1175 available at <http://web.lexis-nexis.com/professional> (accessed on 05/05/2005). See also *Eli Lilly & Co v Natural Answers, Inc.*, 233 F 3d 456 (7th Cir 2000).

²²⁴ 170 F 3d 449 (4th Cir 1999).

history-surrounding passage of the FTDA. The court emphasised that while state dilution statutes required proof of a “likelihood of dilution,” the federal dilution statute did not expressly incorporate that standard. The actual harm standard was later adopted by the Fifth Circuit in *Westchester Media v PRL USA Holdings Inc.*²²⁵

Despite the great deal of support for the actual harm standard, other courts have rejected it in favour of the likelihood of dilution standard. In *Eli Lilly & Co v Natural Answers Inc.*,²²⁶ the court rejected the actual harm test on the basis that the test rendered proof of the plaintiff’s case impossible and, in *Nabisco Inc v PF Brands Inc.*,²²⁷ the Court of Appeals rejected the actual harm test on the basis that it defeated the intent of the statute. The court reasoned that it would be very difficult for a trade mark owner to prove actual injury even where proof existed that the junior use diluted the distinctiveness of the senior mark.

The FTDA has several advantages. One of the advantages of the FTDA is that it provides nationwide protection to federally registered trade marks. This means that, upon obtaining a federal registration, the trade mark proprietor obtains nationwide protection of the trade mark even if the trade mark is used in a few states. An additional benefit of federal trade mark registration is that the validity of a registered trade mark can not be challenged on certain grounds. The validity of a trade mark registration can not, for example, be challenged on the ground that the trade mark is descriptive and not registrable.

The FTDA has been subjected to a lot of criticism despite its numerous advantages. Commentators argue that although the objective of adopting the FTDA was to create uniformity in anti-dilution law, conflicts surrounding dilution continue to occur and are, arguably, even greater than before.²²⁸ Additionally, it is argued that the FTDA has failed

²²⁵ 214 F 3d 658.

²²⁶ *Supra*.

²²⁷ *Supra*. See also *Victoria’s Secret Catalogue Inc et al v Victor Moseley supra*, where the court endorsed the court’s decision in *Nabisco*.

²²⁸ Ruwe “The Federal Trade Mark Dilution Act: Actual Harm or a Likelihood of Confusion” 1175.

to provide the protection anticipated by holders of famous marks, on the basis that the likelihood of dilution standard adopted by some courts makes it very difficult to prove because it entails predicting future events.²²⁹ Scholars argue further that the language of the statute, which requires plaintiffs to prove actual dilution instead of the likelihood of dilution, has the effect of reducing protection available to owners of famous marks.²³⁰

3.7 INTERNATIONAL PROTECTION OF TRADE MARKS

Increased incidences of trade mark infringement around the globe have prompted the international community to implement measures that apply beyond national borders, aimed at enhancing the protection of trade marks. Attempts aimed at achieving such protection have been complicated by the principle of territoriality. Hence, there exists a great need for the international community to establish industrial property systems which apply to territories of independent states.

Since the creation of GATT, intellectual property has undergone a fundamental conceptual change. The emphasis has moved away from sovereign matters, such as norms for the protection of territories of states, to issues of adequate protection of intellectual property rights. As trade has increased, so has the need for improved extra-territorial protection of intellectual property rights. While intellectual property rights were once believed to create barriers to trade, today international trade is being threatened by the inadequate protection of intellectual property rights.²³¹

The concept of international protection of intellectual property rights is not considered new in international law. The Paris Convention has been in existence for more than a

²²⁹ Franklyn "Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law" 130.

²³⁰ Krafte-Jacobs "Comment: Judicial Interpretation of the Federal Trademark Dilution Act of 1995" (1998) *University of Cincinnati Law Review* 696 available at <http://web.lexis-nexis.com/professional> (accessed on 15/05/2005).

²³¹ D' Amato & Long *International Intellectual Property Law* 268.

hundred years and, since then, several other treaties have been adopted, including agreements such as TRIPS and the Madrid System.²³²

Other regional agreements, such as the European Directive which is only applicable to member states of the European Union, signed between the Paris Convention and TRIPS to facilitate the protection of trade marks, remain in force today. These treaties and conventions largely provide regulatory protection based upon the principle of reciprocity. What is new, however, is the desire to protect intellectual property abroad and awareness of the effect of the absence of such protection.²³³

The growing interdependence of national economies due to increasing globalisation of the market has revealed inadequacies in the present international regulatory framework. Given the relative ease with which modern technology permits the infringement of intellectual property rights, inadequate international protection of intellectual property rights inhibits further development or investment.²³⁴

The section below discusses some of the International Conventions, Treaties and Agreements in place to protect trade marks, which are relevant to South Africa.

²³² The Madrid System is made up of the Madrid Agreement Concerning the International Registration of Marks of 1891 (Madrid Agreement) and the Protocol Relating to the Madrid Agreement Concerning the International Registration of the Marks of 1989 (Madrid Protocol). Members of the Madrid Agreement and the Madrid Protocol are referred to collectively as the Madrid Union. The Madrid Agreement and the Madrid Protocol create a centralised filing system which simplifies the process of obtaining and maintaining national trade mark registrations in member countries of the Madrid Union. The only African countries that are signatories to the Madrid Agreement are Mozambique, Swaziland, Lesotho and Kenya. South Africa is not a party to this system but is currently taking steps towards joining the Madrid Protocol.

²³³ D' Amato & Long *International Intellectual Property Law* 269.

²³⁴ *Ibid.*

3.7.1 THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY

The Paris Convention is the oldest and perhaps most important treaty adopted to facilitate the protection of industrial property rights.²³⁵ It is of particular importance because it provides the foundation for international protection of intellectual property rights. The objective of the Paris Convention was to protect a wide range of industrial property, including patents, industrial designs, trade marks and trade names.²³⁶

The Paris Convention sets out the basic framework for the national treatment of trade mark applications and priority rights.²³⁷ It contains two basic principles of international law which member states must enforce in reciprocal relations.²³⁸ The first is the national treatment principle²³⁹ and the second is the principle of independent rights.²⁴⁰

The national treatment principle ensures equal protection of trade mark rights of nationals of member states.²⁴¹ This principle entails that nationals of other member states enjoy the same protection and remedies against infringement of their rights as those available to nationals of such member state. However, this only applies provided that there is compliance with the formalities and conditions imposed upon them.

In terms of the national treatment principle, nationals of non-member states, who are domiciled in or have effective industrial or commercial establishments in other member

²³⁵ Sacoff "Trade Mark Law in the Technology Driven Global Market Place" 8.

²³⁶ Article 1(2) of the Paris Convention.

²³⁷ Safro & Keaty "What's in a Name? Protection for Well-Known Trademarks under International and National Law" (2004) 6 *Tulane Journal of Technology & Intellectual Property Law* 33 available at <http://web.lexis-nexis.com/professional> (accessed on 18/10/2005).

²³⁸ Safro & Keaty "What's in a Name? Protection for Well-Known Trademarks under International and National Law" 38.

²³⁹ Article 2.

²⁴⁰ Article 6.

²⁴¹ Schmidt-Szalewski "The International Protection of Trade Marks after the TRIPS Agreement" 9 *Duke Journal of Comparative and International Law* 189 available at <http://www.law.duke.edu/journals/djcil/articles/djcil9p189.htm#F36> (accessed on 04/05/2005).

states, are afforded the same treatment as nationals of those states.²⁴² This means that establishment of a domicile in the country where protection is sought is not a requirement for the enjoyment of industrial property rights.²⁴³

The Principle of the Independence of Rights ensures that trade marks registered in member states of the Paris Convention are independent from those which are registered in other countries, including the country of origin. This means that trade marks consisting of the same sign, designating the same goods and belonging to the same owner in other member states of the Paris Convention, are independent from one another.²⁴⁴

The protection available under the principle of the independence of rights is not absolute. Exceptions to this principle are contained in Article 4 (priority right) and Article 6*quinquies*. The priority right is designed to facilitate international protection of industrial property rights. The applicant for the registration of a trade mark is permitted, in terms of Article 4C, to file for the registration of the same trade mark in other states using the date of the first application, within six months of the date of first application in a member state.²⁴⁵

Article 6*quinquies* (1) provides that

... every trade mark duly registered in the country of origin shall be accepted for filing and protected in the other countries of the Union, subject to the reservations indicated in this Article. Such countries may, before proceeding to final registration, require the production of a certificate of registration in the country of origin, issued by the competent authority. No authentication shall be required for this certificate.

Article 6*quinquies* addressed the problem associated with the different requirements for trade mark protection in different countries. For instance, some national laws prohibit

²⁴² Article 3.

²⁴³ Article 2(2).

²⁴⁴ Article 6(3) of the Paris Convention provides that, "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.

²⁴⁵ Schmidt-Szalewski "The International Protection of Trade Marks after the TRIPS Agreement" 195.

registration of numbers or letters whereas others allow registration of such marks.²⁴⁶ Under such a system it would be difficult for a trade mark proprietor to use a mark in the same form in several countries. This problem was addressed by making provision for registration in other countries, of a trade mark that has been registered in its country of origin, provided that such registration is in compliance with the local laws of such other countries.²⁴⁷

Well known marks also enjoy protection under the Paris Convention.²⁴⁸ Article 6*bis* does not provide guidelines on what constitutes a well known mark. The determination of whether a mark is well known is left to the “competent authority” of the country where the mark is registered or used.

Well known marks are protected against unauthorised use, even if they appear on goods which differ from those for which the mark was originally registered or used. Article 6*bis* provides several grounds for the protection of well known marks.²⁴⁹ Firstly, well known and famous marks are protected against use and registration of trade marks that constitute a reproduction, imitation, or translation, liable to create confusion, of a well known mark, or an essential part of such mark. Secondly, this protection only applies to trade marks. Thirdly, protection applies against registration or use in respect of similar or identical goods.

The Paris Convention has been subjected to a number of criticisms, despite its strengths. One of the grounds of criticism has been the absence of a provision for sanctions for defaulting members. Arguably, the absence of such a provision undermines the authority of the Convention and does little to encourage compliance by member states. The Paris Convention has also been criticised for the lack of an enforcement mechanism to ensure

²⁴⁶ *Ibid.*

²⁴⁷ Article 6*quinquies*. See also Schmidt-Szalewski “The International Protection of Trade Marks after the TRIPS Agreement” 196.

²⁴⁸ Article 6*bis*.

²⁴⁹ Safro & Keaty “What’s in a Name? Protection for Well-Known Trademarks under International and National Law” 38.

compliance with the requirements of the Convention. Scholars contend that the absence of an enforcement mechanism under the Paris Convention is one of the factors which influenced states to seek other forums for the protection of their trade mark rights.²⁵⁰ An additional ground for concern has been the Convention's limited ability to address problems relating to the infringement of trade mark rights as a result of the use of the Internet.

Many states, including South Africa, have managed to enact legislation that conforms to the Paris Convention. South Africa has managed to enact such legislation in the form of the Trade Marks Act.²⁵¹

3.7.2 THE MADRID AGREEMENT OF 1891

The Madrid Agreement is the oldest filing system for trade marks. It is part of the Paris Convention, but only applies to ratifying countries. The Madrid Agreement has been ratified by many countries, with the exception of the UK, Ireland, Japan, the USA and the non-Nordic countries.²⁵² South Africa is not a party to the Madrid Agreement but has recently begun taking steps towards joining the Madrid Protocol.²⁵³

The Madrid Agreement is part of the Madrid system that seeks to establish an international registry for trade marks. It provides member states with a means to obtain multi-national trade mark registration. After a home country registration is obtained, an international application is filed with the World Intellectual Property Organisation (WIPO), which then issues an international registration which is published in the International Trade Mark Gazette. The application is forwarded to the designated countries for examination under national law. The trade mark is then given protection in a

²⁵⁰ D' Amato & Long *International Intellectual Property Law* 267.

²⁵¹ See Section 35 of the Trade Marks Act 194 of 1993, which recognises and extends trade mark protection to well known trade marks.

²⁵² See WIPO "The Madrid System," (listing signatories as of June 1997) available at <http://www.wipo.org/eng/ratific/g-mdrd-m.htm> (accessed on 05/05/2005). See also Sacoff "Trade Mark Law in the Technology Driven Global Market Place" 8.

²⁵³ This system comprises of the Madrid Agreement and the Madrid Protocol.

designated country, unless protection is refused in the country of initial application within twelve months. This is referred to as the “central attack system.”

The Madrid Agreement simplifies international procedures for the acquisition of trade mark protection by making provision for member states to file a single application in their home country. This enables registrants of trade marks in different countries to extend their registration to other countries.

The Madrid Agreement does not provide the rules that govern the protection of trade marks. These are determined by the national laws of member states due to the principle of territoriality.²⁵⁴

The Madrid Agreement makes provision for a “central attack system.”²⁵⁵ This provision is based on the trade mark registration in the home country.²⁵⁶ The effect of the “central attack system” is that an international trade mark registration will become void within five years from the date of registration if the trade mark registration in the country of origin, on which the international registration is based, is nullified.

Although the “central attack system” is regarded as useful, it has come under a lot of criticism, on the basis that persons objecting to registration in the country of origin can prevent a series of trade mark registrations in countries to which the mark has been extended. This can even occur where such persons have minimal or no prior rights at all.²⁵⁷ The “central attack system” is argued to be one of the main factors that discouraged some countries from joining the Madrid Agreement.²⁵⁸

²⁵⁴ Article 4(1).

²⁵⁵ Article 6(3) of the Madrid Agreement.

²⁵⁶ Intellectual Property Lawyer “The Madrid Agreement and the Madrid Protocol” available at <http://www.ip-law.co.il> (accessed on 05/04/2005).

²⁵⁷ D’ Amato & Long *International Intellectual Property Law* 307.

²⁵⁸ The USA never signed the Madrid Agreement, while countries like Brazil, Cuba, and Mexico withdrew their signatures.

The Madrid Agreement has also been criticised on grounds that it discourages the need to find new marks for use and adoption by a greater number of businesses and for an increased number of new products.²⁵⁹

3.7.3 THE MADRID PROTOCOL

The Madrid Protocol was established in 1989 to provide an alternative mechanism to the Madrid Agreement to encourage non-members to join the Madrid Agreement.²⁶⁰ South Africa is not yet a member of the Madrid Protocol but has recently been taking steps aimed at ratifying the Protocol.²⁶¹

The Madrid Protocol is argued to have supplemented the Madrid Agreement in order to address the deficiencies in the Madrid Agreement which had previously discouraged non-member states from joining the arrangement. These deficiencies were addressed through incorporation of new approaches to procedures for international registration of trade marks. The new approaches included extended use of the procedure for international registration of trade marks and the introduction of English as a secondary procedural language. Previously, Madrid Agreement applications were required to be in French and this caused inconveniences for non-French speaking parties as they had to incur additional costs for translation. Therefore, the introduction of English as a secondary procedural language resolved this problem.

The Protocol permits the registration of a trade mark on the basis of a national application instead of a national registration, provided that the applicant is a citizen, a resident or has an establishment in the country where initial application was made.²⁶² The international

²⁵⁹ D' Amato & Long *International Intellectual Property Law* 305.

²⁶⁰ The members of the European Community that are not party to the Madrid Agreement are Ireland, Denmark, Greece and the UK.

²⁶¹ Wheeldon & Burt "Changes in the Patent and Trade Mark Landscape" available at http://www.buildingipvalue.com/05_EU/288_290.htm (accessed on 04/05/2005).

²⁶² Safro & Keaty "What's in a Name? Protection for Well-Known Trademarks under International and National Law" 38.

application is treated as a national application in each of the countries selected by the applicant.²⁶³

The Protocol has many positive aspects. One of the major advantages of the Madrid Protocol is the provision that permits a basic trade mark to be converted to a national trade mark, with the same priority as that to which the international registration is entitled, once the basic trade mark has been nullified.²⁶⁴ This provision mitigates consequences of the “central attack” provision and has the effect of preserving national trade marks. An additional advantage is that the Protocol enables trade mark proprietors to obtain international rights in as many member states as designated, on the basis of a single “basic application”. This provision is advantageous in that it negates the need for a home registration.

Despite the positive aspects, the Protocol has several shortcomings. The Protocol complicates the search of national trade mark registers, particularly in jurisdictions where manual searches are conducted. Furthermore, the Protocol’s provision, which allows the registration of marks with colour as a distinctive feature, causes uncertainty with regard to the laws regulating the registration of trade marks. This is because some national trade mark laws do not allow for the registration of marks with colour, or they place restrictions on the content and method of application.²⁶⁵

The Madrid Protocol has also been criticised for failing to resolve the problem associated with the requirement of specificity with regard to the identity of goods and services on which the mark is used.²⁶⁶

Until recently, there was very little indication that South Africa would join the Madrid Protocol. This position has changed over the past two years. The South African

²⁶³ Article 4(1)(b).

²⁶⁴ Safro & Keaty “What’s in a Name? Protection for Well-Known Trademarks under International and National Law” 38.

²⁶⁵ *Ibid.*

²⁶⁶ D’ Amato & Long *International Intellectual Property Law* 310.

government approved South Africa's ratification of the Madrid Protocol and steps are being taken to facilitate South Africa's accession to the Protocol.²⁶⁷

Joining the international registration system will have numerous advantages for the South African trade mark owner. It will eliminate the need to file separate national applications in each of the countries where a South African trade mark owner intends to register his trade mark. A trade mark owner will now only be required to file a single application for multiple registrations with WIPO. Furthermore, joining the international registration system will enable South African trade mark proprietors to designate as many countries as they wish, provided such countries are members of the Protocol.²⁶⁸

The main advantage of belonging to an international registration system, for South African trade mark owners, will be the aspect of saving costs. By doing away with lawyers in individual countries and having the whole application process handled by a South African attorney, South African trade mark owners will be able to achieve significant savings. In addition, trade mark owners will benefit from reduced costs of renewing trade marks, since they will only have one international application to renew.

Despite the advantages associated with South Africa's accession to the Protocol, there is a likelihood that problems may arise. Concern has been raised that South Africa's accession to the Protocol may benefit foreign companies, at the expense of local companies filing national applications.²⁶⁹ The reason for such concern is the possibility that the Companies and Intellectual Property Registration Office (CIPRO) may fail to examine international registrations designating South Africa, and may also fail to issue provisional refusals within the eighteen months prescribed period.²⁷⁰ Concern has also

²⁶⁷ Wheeldon & Burt "Changes in the Patent and Trade Mark Landscape" available at http://www.buildingipvalue.com/05_EU/288_290.htm (accessed on 04/05/2005).

²⁶⁸ Muhlberg "It's a Brave New World for South African Trade Mark Owners" September (2003) *De Rebus*.

²⁶⁹ *Ibid.*

²⁷⁰ *Ibid.*

been raised that CIPRO may fail to meet the deadline for the submission of applications for international registrations to WIPO.²⁷¹

On the whole, the adoption of an international registration system will be beneficial to South African trade mark owners, despite possible shortcomings. In this era of global practice and internationalisation, an international treaty like the Madrid Protocol, which harmonises trade mark laws, is important not only for South Africa but the world at large. Therefore, even though the Madrid Protocol has some weaknesses, it is still worth utilising.

3.7.4 THE AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

TRIPS was established by the World Trade Organisation (WTO) in 1995, and is one of the most recent international agreements on intellectual property issues.²⁷² TRIPS was adopted to establish common international rules for the protection of intellectual property and to facilitate the settlement of trade disputes over intellectual property rights.²⁷³ The objective of TRIPS was to promote effective and adequate protection of intellectual property rights and to reduce distortion and impediments to international trade.²⁷⁴ Today TRIPS is regarded as the most complete international treaty in intellectual property. TRIPS is of particular relevance to South African trade mark law because it lays down the basis for some of the provisions of the Trade Marks Act.²⁷⁵ TRIPS provides minimal protection for all intellectual property rights, including patents, trade marks, industrial

²⁷¹ *Ibid.*

²⁷² Schmidt-Szalewski "The International Protection of Trade Marks after the TRIPS Agreement" 191.

²⁷³ Safro & Keaty "What's in a Name? Protection for Well-Known Trademarks under International and National Law" 50.

²⁷⁴ Safro & Keaty "What's in a Name? Protection for Well-Known Trademarks under International and National Law" 51.

²⁷⁵ 193 of 1994. An example of a provision in the South African Trade Marks Act derived from TRIPS is section 34(1)(c). This section was derived from Article 16(2) of TRIPS.

designs, copyright and other related rights.²⁷⁶ Member states of TRIPS are obliged to comply with the substantive rules of the Paris Convention.²⁷⁷

TRIPS is based on two main principles: the national treatment principle and the most favoured nation principle (MFN).²⁷⁸ The national treatment principle requires member states to provide equal protection to nationals of other member states²⁷⁹ and the MFN principle provides for reciprocal treatment between member states. Article 4 of TRIPS provides that “all advantages, favours, privileges or immunities granted by a member to citizens of any other state will immediately and without further conditions be extended to all other members”. However, this provision does not apply to advantages granted under international agreements which entered into force prior to TRIPS. This provision will not apply provided that the TRIPS Council is notified of such agreements and provided that advantages accruing from the said agreements do not constitute arbitrary or unjustified discrimination against other member states.²⁸⁰

The national treatment and the MFN principles standardise the national policies and procedures of member states by establishing a multilateral framework of rules and disciplines for intellectual property issues. However, these principles do not do not apply

²⁷⁶ Article 1(2).

²⁷⁷ These substantive rules are embodied in Articles 1- 12 and 19 of the Paris Convention. The signatories of TRIPS are bound by the Paris Convention’s substantive provisions even if they have not ratified the Convention itself.

²⁷⁸ See Article 3 and Article 4 of TRIPS. Article 3 provides for the national treatment principle and Article 4 provides for the MFN principle.

²⁷⁹ Article 3(1) provides that “Each member shall accord to nationals of other members, treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention...”

²⁸⁰ Exempted from this category is any advantage, favour, privilege or immunity provided by a member, derived from international agreements relating to the protection of intellectual property which entered into force prior to enforcement of the agreement establishing the WTO.

to the procedures in multilateral agreements relating to the acquisition or maintenance of intellectual property rights concluded under the WTO.²⁸¹

TRIPS sets out general principles for the acquisition and sanction of industrial property rights, which must be enforced by its members.²⁸² Member states are obliged to introduce measures in their national legislation which constitute effective protection against the infringement of intellectual property rights, including remedies to deter such infringement.²⁸³ TRIPS requires the measures adopted by members states to enforce and protect intellectual property rights to be fair, equitable, affordable, speedy and uncomplicated.²⁸⁴

The rules for the protection of trade marks are laid down in Article 15 through to Article 21 of TRIPS. These provisions deal with the conditions and the content of protection in a general way.

TRIPS sets out the types of signs that are eligible for protection as trade marks in Article 15.²⁸⁵ Article 15(1) provides that any sign, or combination of signs, capable of distinguishing the goods or services of one undertaking from those of others constitutes a trade mark. It is clear from the definition of a trade mark in this article that the capacity to distinguish is the main requirement for trade mark protection under TRIPS. This requirement also runs through the South African Trade Marks Act.²⁸⁶

TRIPS recognises the exclusive right of a trade mark holder to use its mark for purposes of designating the goods or services listed in the registration.²⁸⁷ During the term of

²⁸¹ Article 5. The agreements referred to are those that organise various systems of international or regional registration of industrial property rights, such as the Madrid Agreement and the Madrid Protocol.

²⁸² Article 41.

²⁸³ Article 41(1).

²⁸⁴ *Ibid.*

²⁸⁵ Saffro & Keaty "What's in a Name? Protection for Well-Known Trademarks under International and National Law" 50.

²⁸⁶ See for instance section 9 of the Trade Marks Act 194 of 1993.

²⁸⁷ Article 16(1).

protection, the owner of a trade mark has the exclusive right to prevent third parties from using, in the course of trade, an identical or similar sign for identical or similar goods or services, where such use would create a likelihood of confusion.²⁸⁸ The likelihood of confusion is presumed if identical signs are used for identical products or services.²⁸⁹

TRIPS also provides special protection to well known marks.²⁹⁰ Article 16(2) extends the scope of the protection available to well known marks under Article 6*bis* of the Paris Convention and sets out the rules for determining well known marks. Article 16(2) provides that in determining whether a trade mark is well known, member states should take into account knowledge of the trade mark in the relevant sector of the public, including knowledge which has been obtained as a result of promotion of the trade mark.

Article 16(2) protects well known marks on two grounds. The first ground applies to use in relation to goods or services that indicate a connection between those other goods or services and the owner of the well known mark. The second ground applies to use in relation to goods or services that indicate a connection between those other goods or services and the owner of the well known mark, where the interest of the proprietor of the well known mark is likely to be damaged by such use. Sections 10(6) and 35 of the South African Trade Marks Act and section 56 of the UK Trade Marks Act also give effect to these provisions.

TRIPS protects well known marks beyond the limits of the similarity of goods and services. Proprietors of well known marks are empowered to prohibit third parties from using their marks, even for goods or services that are different from those designated by the well known mark. However, proprietors of well known marks may only prohibit use of their marks if such use would create, in the mind of the public, a connection between the well known mark and a third party's goods or services.

²⁸⁸ *Ibid.*

²⁸⁹ *Ibid.*

²⁹⁰ Article 16(2).

TRIPS allows member states to make certain exceptions to rights of trade mark holders. Member states are permitted to allow use of descriptive marks by third parties subject to consideration of the legitimate interests of trade mark proprietors and those of the third parties.²⁹¹ Furthermore, trade marks can also be subjected to additional requirements under the national laws of member states. However, the additional requirements are only permissible on condition that they do not unjustifiably prevent the use of the trade mark.²⁹² Furthermore, member states also determine the point at which the rights of trade mark holders become exhausted after the initial marketing of products bearing the proprietor's trade mark.²⁹³

TRIPS has been most successful in extending and enforcing the principles contained in the Paris Convention. It has also gone a long way in unifying the procedure for the protection of industrial property. This has been achieved through the imposition of deadlines upon member states to incorporate the provisions of the TRIPS agreement into their national laws.²⁹⁴

Many states, including South Africa, have managed to incorporate some of these provisions into their national legislation. The Trade Marks Act reflects South Africa's attempt to modernise its trade mark system to remain consistent with international developments in trade mark law. The Act introduced a number of fundamental changes to our trade mark law and brought South African trade mark legislation into conformity with the Paris Convention and TRIPS.²⁹⁵

²⁹¹ Article 17.

²⁹² Article 20. In terms of this section unjustifiable hindrances include factors such as use with another trade mark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.

²⁹³ Article 6.

²⁹⁴ Article 2. Developing countries were given up to 2001 to incorporate the agreement into their domestic law.

²⁹⁵ Visser *The New Law of Trade Marks and Designs* 2.

3.7.5 THE COMMUNITY TRADE MARK

The concept of a Community Trade Mark is not new. It dates back to the 1960's. The Community Trade Mark (CTM)²⁹⁶ was established by the European Council Community Trade Mark Regulations of 1993 which took effect in 1994. The objective of the establishment of a European Community Trade Mark was to prevent unequal treatment in the registration of trade marks. Even though one of the main objectives for the establishment of the CTM was to benefit the members of the European Union, the establishment of the CTM has benefited trade mark owners both within and outside the European Union.

The Community Trade Mark offers the prospect of obtaining coverage throughout the European Union under more simplified procedures and at significantly less expense than before. In addition, it also represents an effort to establish a regional solution to the problem of international trade mark regulation.²⁹⁷ The registration of a CTM confers certain rights upon a proprietor of a CTM.

From the date of registration, the proprietor of a CTM acquires exclusive rights to protect his trade mark against the use of:

- identical trade marks for identical goods and services;²⁹⁸
- trade marks subject to a likelihood of confusion due to the identity or similarity in the marks, or the goods or services covered;²⁹⁹ and
- trade marks that cause dilution.

In addition, the registration of a CTM constitutes a presumption of its validity, which may not be placed in issue unless it is challenged by way of revocation or invalidity proceedings.³⁰⁰ Proprietors of CTM's can also claim priority based on an application for a

²⁹⁶ Defined in Article 1 of the Community Trade Mark Regulations (CTMR), as "a trade mark for goods or a service which is registered in accordance with the conditions and the manner provided in the Regulation."

²⁹⁷ D'Amato & Long *International Intellectual Property Law* 314.

²⁹⁸ Article 1(2) of the CTMR.

²⁹⁹ Article 9(1)(b) of the CTMR.

³⁰⁰ D'Amato & Long *International Intellectual Property Law* 319.

trade mark registration in any state that is a party to the Paris Convention. However, the claim must be made within six months from the date of filing the first application.³⁰¹ Protection is afforded provided that the protection sought is not broader than that provided by earlier registrations.³⁰²

CTM registrations do not provide absolute protection. Certain exceptions apply to the rights created by registration of a CTM. Proprietors of CTM's are prohibited from preventing third parties from using such CTM if it is necessary for the purpose of indicating intended use for their goods and services.³⁰³

Non-Europeans are also protected under the CTM. They are protected against use of national trade mark laws as barriers to their entry into the European Market. This protection is based on the principle that treatment will not be accorded local applicants at the expense of applicants from non-European Union member states. Additionally, non-European Union members can also file for the registration of a CTM, since the requirement for membership is not applicable.³⁰⁴ This enables anyone to file for a CTM.

The Harmonisation Directive of the European Commission has now brought trade mark laws of all member states of the European Union into conformity. By establishing a CTM and creating an alternative to national registration, the CTMR has gone beyond standardisation.

Despite the numerous advantages associated with the establishment of a CTM, problems still exist. Scholars argue that the CTM represents problems associated with attempts to balance supranational and national trade mark protection schemes.³⁰⁵ Long argues that existence of the CTM will have a great impact on the control exercised by European

³⁰¹ *Ibid.*

³⁰² Article 29(2) of the CTMR.

³⁰³ *Ibid.*

³⁰⁴ Article 5(1)(a-d) of the CTMR.

³⁰⁵ D' Amato & Long *International Intellectual Property Law* 320.

Union member states over the use and protection of trade marks in their territories, thus placing non-European Union members at a disadvantage.³⁰⁶

A great deal of similarity exists between South African trade mark law and that of the European Union. This similarity has been mainly attributed to the trading relationship which exists between South Africa and members of the European Union.³⁰⁷

3.8 CONCLUSION

Trade mark law in the UK and the USA is significantly developed. Both systems have efficient trade mark enforcement systems in place and provide trade mark protection to a wider range of marks in comparison to other jurisdictions.³⁰⁸

However, despite notable developments in the UK and USA, problems still exist regarding consistency in trade mark protection. Recent decisions of courts in the UK reveal that much needs to be done in order to establish marks which can be registered.³⁰⁹ Disputes continue to occur in the UK between competing brand owners and national registries, regarding what can be registered as a trade mark. The common areas in dispute include smells, sounds, shapes, surnames as well as the meaning of the terms “graphic representation” and “devoid of distinctive character.”

Different approaches continue to be applied in the UK by the courts, national offices and the OHIM regarding what may be registered. This indicates that harmonisation is far from having been achieved,³¹⁰ thus creating uncertainty for brand owners regarding the prospects of succeeding in obtaining trade mark registrations and obtaining the benefits conferred by such registration.

³⁰⁶ *Ibid.*

³⁰⁷ Visser *The New Law of Trade Marks and Designs* 2.

³⁰⁸ The UK and the USA definitions of trade marks are broad enough to colour marks, smells and sounds marks.

³⁰⁹ See *Wrigley Co v OHIM* T-193/99 2001. See also *Philips Electronics NV v Remington Consumer Products Ltd* C-299/99 2001 RPC 38.

³¹⁰ See *Proctor & Gamble v OHIM* C-383/99 2001.

Problems also surround trade mark protection in the USA. Although the adoption of the FTDA was intended to be a giant step towards unifying trade mark law in the USA, very little uniformity has resulted. Writers contend that inconsistencies in trade mark protection increased after the adoption of the FTDA.³¹¹ Writers argue that the FTDA is often interpreted and applied inconsistently by courts in different parts of the country, and that courts often disagree over basic trade mark law questions, resulting in inconsistent judgements and the creation of different standards for the enforcement and protection of trade mark rights.³¹² Commentators contend that the solution to this problem would be the establishment of a trade mark review committee every fifteen or twenty years, to review the law and to recommend changes.³¹³

Efforts to harmonise trade mark laws have been relatively successful in Europe. European Union members have managed to harmonise their trade mark laws through the adoption of community trade marks. More still needs to be done in Africa to achieve harmonisation of trade mark laws. This can be done through the adoption of a system similar to the CTM and through encouraging non-members to join the Madrid international system for trade mark registrations.

From the above discussion of the international protection of trade marks, it appears that states have been reluctant to join the international arrangements aimed at enhancing the protection of trade marks. Such reluctance has undermined efforts aimed towards achieving harmonisation of trade mark laws and ultimately undermines the protection of trade marks.

South Africa is one of the few African countries that have managed to incorporate provisions of the Paris Convention and the TRIPS Agreement into its national legislation. This has been done in order to bring South Africa's trade mark law into conformity with

³¹¹ Ruwe "The Federal Trade Mark Dilution Act: Actual Harm or a Likelihood of Confusion" 1175.

³¹² See paragraph 3.4.6 above.

³¹³ Hennessey "Development of Famous Trade Marks in the USA" available at http://faculty.piercelaw.edu/hennessey/fam_ustm.htm (accessed on 24/09/2005).

international developments in trade mark law. Presently, South African trade mark law closely resembles provisions of international trade mark law.³¹⁴

South Africa's decision to adopt the international registration system, by joining the Madrid Protocol, is essential to facilitate further development of trade mark legislation in South Africa. This decision merely represents a starting point and more needs to be done to fast track the accession process to ensure that South Africa remains competitive against its fellow trading partners. South Africa's accession to the Madrid Protocol is likely to encourage other African countries to join the arrangement, since South Africa is greatly influential in Africa.

The next chapter discusses the concept of domain names and the manner in which they are regulated. This discussion is necessary for the purpose of highlighting the weaknesses present in domain name regulation, not only in South Africa but at global level. The discussion on domain name regulation is also important for the purpose of highlighting challenges associated with protecting and enforcing domain name rights.

³¹⁴ An example of such provisions in the South African Trade Marks Act is section 35. This section protects well known trade marks and is similar to Article 6*bis* of the Paris Convention.

CHAPTER FOUR

THE INTERNET AND DOMAIN NAME REGULATION

4.1 INTRODUCTION

The introduction of the Internet and its increasing use has given rise to new and complicated legal issues. Major conflict is developing between company names, trade marks and domain names. Due to the challenges posed by domain names, the legal community is currently analysing trade mark principles to determine whether these principles sufficiently address the issues arising in today's dynamic society.³¹⁵

During the early days of the Internet, domain names were not of particular commercial importance. This was because the concept of domain names was relatively new and, as a result, domain names were owned by few commercial enterprises. During that period, domain names were mostly utilised by universities and government agencies.³¹⁶

The perception of domain names by commercial enterprises changed with the introduction of the World Wide Web (WWW).³¹⁷ The World Wide Web evoked considerable interest from proprietors because they could now, at relatively low cost, set up websites which could be accessed by prospective customers. For many entities the World Wide Web represented the opportunity of attracting significant volumes of people around the globe at very little cost.

Domain names became very powerful tools of trade because of the realisation by businesses that name recognition could mean the difference between success and

³¹⁵ Rayan "Playing by the Rules" 27.

³¹⁶ Drury "Naming Games: Cultural Imperialism on the Internet" 2001 (45) *New South Wales Society for Computers and the Law Journal* for available at <http://www.nswscl.org.au/journal/45/Drury.html> (accessed on 12/05/2005).

³¹⁷ The World Wide Web is a method for Internet communication which is based on software that allows the user to access the desired information. This process offers convenience to the user, who no longer has to be involved in the detailed process of setting up communication with other computers on the Internet in order to obtain the desired information.

failure.³¹⁸ In addition, domain names became popular because they were easy to recognise and remember, thus making them powerful commodities.

Increasing use of domain names for commercial purposes prompted many enterprises to acquire and register domain names, which were intended to provide quick identification with well known enterprises. This development resulted in increase of websites and increase in the use of domain names for marketing purposes, arguably creating a series of problems for individuals and businesses all over the world.

In view of the fact that domain names can only be held by one person or entity, the conflict between domain names and other forms of intellectual property rights became inevitable.³¹⁹ Additionally, the increasing use of domain names as a mode of communication from one system of the Internet to another also created conflict between domain name holders and trade mark proprietors.

This chapter discusses the origins and development of the concept of domain names, as well as the manner in which they are assigned and registered, in order to provide some insight into the regulation of domain names. This chapter also discusses domain name regulation in the USA and the UK. This discussion is necessary given that the South African procedures for domain name regulation were derived from, and closely resemble, those of the USA and UK. The discussion on domain name regulation in this chapter will also enable readers to appreciate the challenges posed by this rapidly developing area of technology.

³¹⁸ Akhtar & Cumbow "Why Domain Names are not Generic: An Analysis of why Domain Names Incorporating Generic Terms are Entitled to Trade Mark Protection" *Boston College Intellectual Property Law and Technology Forum* available at http://www.bc.edu/bc_org/law/st_org/iptf/articles/content/2000110501.html (accessed on 24/04/2005).

³¹⁹ See Chapter Five below.

4.2

ORIGINS OF THE INTERNET

There is no generally accepted definition of the term 'Internet.' Industry commentators describe it as a public international network of networks and those in technology describe the Internet as a network into any conversation about a field.³²⁰ Other scholars define the Internet as a worldwide network of networks that uses a communications protocol and share a common address.³²¹

The Internet has its origin in a network set up by the USA Department of Defence in the early 1970's.³²² The Advanced Research Projects Network (ARPNET) established by the Advanced Research Projects Agency (ARPA) was responsible for connecting various military and research sites.³²³ ARPNET was a research project on how to build a distributed communications system that could survive a nuclear attack.³²⁴

The method ARPA developed included a protocol enabling different computers to communicate, as well as a method that could route data through multiple communication paths using groups of data with their own destination addresses incorporated into a system. These methods were so successful that many other networks adopted the standard used by ARPA.

During the 20th century the National Science Foundation (NSF), a USA federal agency, started expanding its network using the technology developed by ARPNET. This was done at first to allow academic institutions and research centres to use NSF's computers,

³²⁰ Edwards & Wealde *Law and the Internet* 1.

³²¹ Buys *Cyberlaw @ SA* 232. See also Gunning "Trade Marks and Domain Names" (2000) *Cyberspace Law Resources* 2. Gunning defines the Internet as "a network of networks which provides the communications architecture that forms the basis of a multitude of other services such as the worldwide web."

³²² Anderson & Cole "The UDRP-A Model for Dispute Resolution in E-Commerce" (2002) 6 *Journal of Small & Emerging Business Law* 240 available at <http://web.lexis-nexis.com/professional> (accessed on 18/10/2005).

³²³ Anderson & Cole "The UDRP-A Model for Dispute Resolution in E-Commerce" 240.

³²⁴ Marsden *Regulating the Global Information Society* (2000) 200.

but, increasingly, the connections were used for e-mail and for transferring data and information files between sites. This growth and the subsequent upgrading of the system led to broader horizons for web users, and provided the opportunity for a wide range of groups to become involved in the evolution of what is, today, known as the Internet.³²⁵

Although entities had the opportunity to obtain online presence during the eighties, few chose to do. During this period the majority of the Internet's users were government agencies, universities and research centres.³²⁶ Few people outside these environments had any access to, or interest in, the Internet. Additionally, the Internet was regarded as impractical for mass consumer participation because it was a medium allowed for the transmission of text only and required the learning of complicated commands. Furthermore, the Internet was difficult to access from home or telephone lines.

However, this position changed with the introduction of new technology, resulting in increased Internet access. The increase in Internet access was due to the decrease in costs associated with accessing the Internet from common telephone lines and the fact that computers were being sold ready to use the Internet. As a result of these developments, the Internet today is a global communication system serving not only governments, but institutions, businesses and individuals.³²⁷ Presently, millions of people communicate daily across the Internet via e-mail to inform, advise and solicit customers. Given this growing popularity and the fact that today many products and services are marketed electronically, the Internet has become a very important channel of commerce.

The numerous developments in the field of online commerce, where consumers can learn about and order products and services via the Internet, has rendered the identification and quality guarantee functions of trade marks, in addition to the origin function, all the more essential. Further, in view of the fact that online consumers have less opportunity to view the actual goods on the market, trade marks and domain names remain the only assurance that the online consumer is getting what he or she expects.

³²⁵ *Ibid.*

³²⁶ *Ibid.*

³²⁷ Anderson & Cole "The UDRP-A Model for Dispute Resolution in E-Commerce" 240.

4.3

DEFINITION OF A DOMAIN NAME

A domain name is an alphanumeric address or, in simple terms an address of a website. In its technical form, it is a series of random addresses such as 192.42.15.268, which direct Internet users to specific websites.³²⁸ Domain names consist of a string of texts, separated by dots, which when read from the left to the right, go from the specific to the general.³²⁹ They appear as words to humans and as numbers to computers. Other writers define domain names as addresses used on the Internet that fulfil the trade mark function of distinguishing goods or services of one person from another.³³⁰ Domain names are thus familiar or abbreviated names used in place of a series of numbers to locate addresses on the Internet.

Originally, domain names were developed as alternatives to the use of Internet Protocol (IP) addresses.³³¹ Domain names no longer operate only as alternatives to the use of IP addresses. They have increasingly become business identifiers and sometimes even serve as trade marks.

Domain names serve many functions. They are more than just labels for IP addresses and serve as useful tools in the installation of computer software by matching IP addresses to requesting software applications.³³²

Domain names also serve other functions for users. They operate as memorable identifiers. This means that they perform the same function as telephone numbers, except that they are more meaningful in that they use a combination of alphanumeric characters and numbers. Domain names also perform search functions for users when used to locate

³²⁸ Kudo "Regulating of Cyberspace: Whose Domain is it Anyway?" (2000) *Responsa Meridiana* 5.

³²⁹ Pistorius "Trade-Mark Tarnishment: Should We 'Laugh It Off' all the Way to 'Telkomsucks' and 'Hellcom'?" 733.

³³⁰ Van der Merwe & Erasmus "Internet Domain Names" (1998) February *De Rebus* 53.

³³¹ Buys *Cyberlaw @ SA* 35.

³³² Reed *Internet Law: Texts and Materials* 42.

things such as websites, online services, the World Wide Web and the addresses of desired companies when actual IP addresses are unknown to users.³³³

Domain names also serve an advertising function. They are used often by registrants to advertise their Internet location. In turn, communication partners of domain name holders also rely on them to locate domain name registrants.³³⁴ Domain names have become a standard mechanism for communication with customers and to the extent that they identify the origin of businesses and their goods or services, they assume a role similar to that of certain goods or services. For instance, use of the domain names: kodak.com and microsoft.com, closely resemble the registered trade marks “KODAK” and “MICROSOFT”.

From the above discussion, it is apparent that domain names are closely associated with business entities, themselves. This is because customers often associate businesses with their domain names. In this regard, domain names represent intellectual property rights in the form of trade marks.

4.4 EVOLUTION OF THE DOMAIN NAME SYSTEM

Initially, the Internet and the Domain Name System (DNS) was administered by a USA state body before it was transferred to non-profit organisations.³³⁵ The transfer resulted in decentralisation of the Domain Name System.³³⁶ Decentralisation of the Domain Name System was mainly due to rapid expansion of the Internet and increase in the number of domain name registrations. During the process of decentralisation, management of

³³³ *Ibid.*

³³⁴ *Ibid.*

³³⁵ Ware “Domain-Name Arbitration in the Arbitration Law Context: Consent to, and Fairness in the UDRP” (2002) 6 *Journal of Small & Emerging Business Law* 129 available at <http://web.lexis-nexis.com/professional> (accessed on 18/10/2005).

³³⁶ The Domain Name System is a database function which operates on the same basis as the telephone system. See also Buys *Cyberlaw @ SA* 34. Buys defines the domain name system as the way in which Internet domain names are located and translated into IP addresses.

country code top level domains was granted to individual countries, to manage in consultation with the Internet Network Information Centre (InterNIC).³³⁷

The Domain Name System is an important part of the Internet's infrastructure and has grown to be one of the largest distribution systems. The Domain Name System also performs the central role of facilitating the user's ability to "surf" the Internet. This function is performed with the help of the domain name and its corresponding IP numbers.³³⁸

The Domain Name System was designed to enable IP addresses to be reached by dialling one or more domain names which correspond with the IP address of the Internet provider hosting the domain. A domain is a collection of sites which are related, in some sense, because they form a proper network (for example, all machines on a campus) or because they all belong to a certain organisation such as the South African government, or simply because they are geographically close. South African Universities, for instance, fall under the "ac" domain, with each university or college using a separate subdomain, below which their hosts are subsumed.³³⁹

The Domain Name System is structured in a hierarchical manner which follows a decentralised administration system of name to address mapping. At the top of the hierarchy are top level domains which are divided into the generic Top Level Domains (gTLDs) and the country code Top Level Domains (ccTLDs).³⁴⁰ gTLDs do not relate to a particular country but to one of a number of generic categories.

³³⁷ InterNIC is a cooperative activity between the National Science Foundation and Network Solutions. It serves the Internet community by supplying user assistance, documentation, training, registration services for domain names, and other services. InterNIC controls the registration of most domain names on the Internet.

³³⁸ Reed *Internet Law: Texts and Materials* 43.

³³⁹ Examples of such websites include the following: <http://www.ru.ac.za> for Rhodes University and <http://www.uwc.ac.za> for the University of Western Cape.

³⁴⁰ Du Plessis & Viljoen "Registering Domain Names" (1998) 4 *Juta Business Law* 148.

TLDs are located at the end of the website and serve the purpose of identifying the website owner. For instance, in the domain name kodak.com, "com" is the TLD. Individual countries use a two character country code such as .uk for the UK and .au for Australia. Most website owners however prefer gTLDs also known as international domains.³⁴¹

Originally there were seven gTLDs before the introduction of the six new gTLDs.³⁴² The seven gTLDs were the .com, .org, .net, .edu, .mil, .gov, .int. The .com domain relates to commercial organisations and companies, the .net to gateways and other administrative hosts on a network, the .gov to government agencies, the .int to international organisations, which must use their name or acronyms as the second level domain name³⁴³ and the .mil to military institutions. Of the seven gTLDs, four are subject to registration restrictions and the other three are "open" in the sense that no restrictions are placed on persons who may register them.

The three domains which are not subject to registration restrictions are the .com, .net and .org domain names.³⁴⁴ These can be used generally and are available to any person or entity who wishes to register them.

The gTLDs that are subject to registration restrictions include the: the .int, .edu, .gov and the .mil domain names. Due to certain restrictions, these domain names can only be registered by certain entities meeting certain criteria.³⁴⁵ The .int is restricted to use by

³⁴¹ Buys *Cyberlaw @ SA* 36. Some of the gTLDs available in South Africa include the following: .law.za for the legal profession, .org.za for non-commercial activities, .city.za for local authorities and .nt.za for the ports on networks of Internets service providers. See Buys "Domain Names and How to Protect them" available at <http://www.bizland.co.za/articles/legal/domains.htm> (accessed on 20/06/2005).

³⁴² The new gTLDs include the following: .aero, .biz, .coop, .info, .name and .pro. The .aero gTLD is limited to entities providing services related to the air industry, the .biz to business or commercial entities, the .coop to members of cooperative business associations, the .name to personal names, the .pro to individuals or entities that are members of the legal, medical or accounting profession.

³⁴³ Du Plessis & Viljoen "Registering Domain Names" 148.

³⁴⁴ Reed *Internet Law: Texts and Materials* 43.

³⁴⁵ *Ibid.*

international organisations and the .edu is restricted to use by four year degree granting colleges. The domain name .gov is restricted to use by government bodies and the .mil is restricted to use by military institutions.

Historically, the domains .int, .edu, .gov and .mil were assigned to the USA, but recent changes in policy have seen these domain names become global in nature. Currently, negotiations are underway to broaden the range of gTLDs, which will result in increased choice in future.

Another category of TLDs is the ccTLD. ccTLDs are two-letter codes for specific geographical territories such as .za for South Africa and .zw for Zimbabwe.³⁴⁶ Every country is allocated a ccTLD which can be divided further into second level domains such as the .co (for commercial establishments) and the .org (for organisations). The complete ccTLD is then represented as follows: .co.zw for Zimbabwe and .co.za for South Africa.

Countries generally use TLDs after the two letter country codes. The .us is the official two letter ccTLD for the USA, South Africa uses the .za domain name and Australia uses the .au domain. There are several secondary domains in the .zaTLD such as the co.za used by commercial organisations in South Africa, the ac.za used by South African research and academic institutions and the school.za used by South African schools.³⁴⁷ Below the ccTLD, each country's Network Information Centre (NIC) is free to organise hostnames in whatever way they desire. Australia, for instance, has second level domains similar to its international TLD. These include the domain names: com.au and edu.au. National domains do not imply that a host below that domain is actually located in that country. It simply means that the host has been registered with the country's network information centre.

³⁴⁶ Buys "Domain Names and How to Protect Them" available at <http://www.bizland.co.za/articles/legal/domains.htm> (accessed on 20/06/2005).

³⁴⁷ Du Plessis & Viljoen "Registering Domain Names" 149.

Not all ccTLDs have registration restrictions attached to them. Examples of open ccTLDs include the .tv and .fm domains. These ccTLDs have no registration restrictions attached and may be registered by any person or entity. On the other hand, ccTLDs that have registration restrictions attached may only be registered by person or entities satisfying certain criteria.³⁴⁸ For instance, certain ccTLDs may only be registered by persons or entities that have established domicile within the territory.³⁴⁹ Australia and Canada restrict registration of the .au and .ca domains to citizens, residents and entities that have established domicile or those that have registered trade marks in the country. Italy restricts the registration of the .int domain to European Union members or organisations.

ccTLDs are often administered by registries in individual countries and are mainly used for the benefit of the Internet community in such country. Generally, administrators of ccTLDs are experienced local personnel although, in some countries, control over ccTLDs has been handed over to profit earning entities.

Some degree of similarity exists between gTLDs and ccTLDs. Domain names registered in ccTLDs and gTLDs provide the same connectivity and can also be subjected to registration restrictions.³⁵⁰ Furthermore, domain names registered in gTLDs and ccTLDs should be registered simultaneously to obtain protection in the international name space and web identity in the country's namespace.³⁵¹

The Second Level Domain (SLD) is another category of domains. SLDs consist of a string of words that precede the TLD.³⁵² For instance, in the domain name kodak.com, "Kodak" is the SLD. SLDs are assigned on a first come first served basis and can only be

³⁴⁸ Reed *Internet Law: Texts and Materials* 44.

³⁴⁹ *Ibid.*

³⁵⁰ *Ibid.*

³⁵¹ Buys *Cyberlaw @ SA* 36.

³⁵² Ahktar & Cumbow "Why Domain Names are not Generic: An Analysis of why Domain Names Incorporating Generic Terms are Entitled to Trade Mark Protection" *Boston College Intellectual Property and Technology Forum* available at http://www.bc.edu/bc_org/law/st_org/articles/content/2000110501.html (accessed on 24/04/2005).

owned by one person or entity at a time.³⁵³ SLDs are unique to the website owner and also serve the purpose of identifying the website owner.

In domain name disputes, SLDs are usually the source of conflict. SLDs usually consist of business names and trade marks. In some instances they can be a combination of both the business name and the trade mark of the domain name holder. For instance, the domain name microsoft.com is a combination of Microsoft's trade mark and domain name.

4.4.1 EVALUATION OF THE DOMAIN NAME SYSTEM

The domain name system has several advantages. Firstly, the hierarchical structure of the domain name system solves the problem of name uniqueness. This is because, with the domain name system, a host name has to be unique only within its domain to give it a name different from all other hosts world wide.

In addition, the domain name system also allows for the delegation of authority, thus providing flexibility in the administration of domain names. Authority over a subdomain can be delegated to administrators. For instance, if after creating a subdomain for each faculty, the Rhodes University Information Technology Centre (IT Centre), discovers that the network of a particular faculty has become too large and difficult to manage from the inside, it can simply pass control of the faculty network to the administrators of the overall network. In such case the administrators will then be free to use whatever hostname they desire and assign IP addresses from their network in whatever form they wish.

Despite its notable strengths the domain name system has certain weaknesses, with some originating outside the system, with others originating from within. Problems which originate from within are mainly due to changes of the system, itself.

³⁵³ *Ibid.*

Arguably, most problems associated with the domain name system originate from the manner in which domain names are registered. The practice of registering domain names on a first come first served basis, without establishing whether registration of the desired domain name would infringe upon other intellectual property rights, is potentially problematic. Whilst this procedure is intended to prevent the registration of identical domain names it does not prevent a name from being used at different levels or under different TLDs. Furthermore, such practice opens the door to the infringement of trade mark rights resulting from abusive domain name registrations.³⁵⁴ This is because prohibition against the registration of identical domain names only applies to domain names and not to other forms of intellectual property. Thus, domain name holders can register domain names which are similar or identical to trade marks and, in so doing, create protection problems for trade mark holders.

An additional problem associated with the domain name system is the absence of any geographic limitation on domain names. Arguably, the absence of such limitation has contributed considerably to increases in abusive domain name registrations.

Exclusive reliance on information provided by domain name applicants is also potentially problematic. Problems often arise where insufficient or incorrect information is supplied by the applicant, thus making it difficult, if not impossible, to contact the applicant in the event of problems arising from the domain name registration.

Further, the introduction of new TLDs, although advantageous in the sense that this will extend choices for users, can result in the creation of confusion. This is because the introduction of new TLDs to already existing ones may complicate searches for prospective customers who may log onto the wrong domain, particularly those that are similar to the one they wish to access.

³⁵⁴ See Chapter Five below for the full discussion on the trade mark and domain conflict.

4.5 DOMAIN NAME SERVERS

Domain name servers serve the purpose of transferring domain names to IP addresses.³⁵⁵ They handle requests and communicate with other servers if they are unable to translate the address itself.³⁵⁶

Name servers generally provide backup in the event that some server machines lose their network connection or “crash.” Name servers do two things. They accept requests from programs to convert domain names into IP addresses and requests from other name servers to convert domain names into IP addresses. When a request comes in, the name server does one of four things. It can: respond to the request by providing an IP address for the domain, contact another name server and try to locate the IP address for the name requested, supply the IP address for a name server that contains more information than it does or return an error message when the requested domain name is invalid or does not exist.³⁵⁷

There are basically three types of name servers: master, primary and secondary servers. Primary servers are used to load zone information from data files and also keep Master servers synchronised. Secondary servers transfer zone data from the primary server at regular intervals, while master servers hold all the information on hosts within the zone.³⁵⁸ Any query for a host within this zone will end up at master servers.

4.6 DOMAIN NAME REGISTRATION

The process for the registration of domain names is fairly similar in all domains. The process involves completion of the forms available on the administration sites of the domains, which are then forwarded by email, fax, or hand to the administrators of the

³⁵⁵ Brain “How Domain Name Servers Work” available at <http://www.computer.howstuffworks.com/dns.htm/printable> (accessed on 05/03/2005).

³⁵⁶ *Ibid.*

³⁵⁷ *Ibid.*

³⁵⁸ *Ibid.*

domains. Domain names are registered in a hierarchical system with a limited number of ccTLDs and gTLDs. These TLDs are then divided into second level domains and third level domains. At each level, a name server is operated to maintain a table of all the names registered under that level.³⁵⁹

Domain name registrations have increased considerably over the past years. In 1995 there were approximately a hundred thousand domain names registered throughout the world and this figure has increased substantially.³⁶⁰ During the second quarter of 2005, over 83.9 million domain names had been registered indicating an eight percent increase from the first quarter of 2005 and a twenty eight percent increase from the second quarter of 2004.³⁶¹ The rapid growth in domain name registrations has been attributed to strengthening global economies, increasing numbers of regular Internet users and continued growth in online advertising.³⁶²

Before the establishment of Internet Corporation for Assigned Names and Numbers (ICANN), TLDs could only be registered by the Network Solutions Incorporated. After its establishment ICANN contracted with many registries across the globe, resulting in the development of many systems for the registration of TLDs.

Presently the registration of domain names is regulated by the contracts between domain name registrants and registration authorities. These contracts define the rights and duties of both the registration authority and the domain name registrant and are based on the terms and conditions laid down by the registration authorities.

The first step in the domain name registration process is to ascertain availability of the domain name. This is done by conducting a domain name search through the databases of

³⁵⁹ Edwards & Wealde *Law and the Internet* 125.

³⁶⁰ Gunning "Trade Marks and Domain Names" 4.

³⁶¹ VeriSign "Digital Branding Bulletin" September 2005 available at http://www.verisign.com/Resources/Digital_Brand_Management_Services_Resources/Digital_Branding_Bulletin/page_035436.html (accessed on 11/11/2005).

³⁶² *Ibid.*

the respective domain name registration authorities. The second step involves submission of the necessary information to the registrar and payment of the registration fees.

The registration system for domain names operates on a first come first served basis and prohibits the registration of identical domain names by two entities.³⁶³ The effect of this policy is that some entities are unable to register their names as domain names in certain registries due to the fact that other proprietors would have already registered these names.³⁶⁴ Additionally, the process of verification only applies in respect of domain names and not other forms of intellectual property.

Domain name registration has very little legal effect. It does not provide the registrant with rights to prevent other persons from using the name in business. It only serves to prevent persons other than the registrant from registering the same domain name on the particular register.³⁶⁵

The section below will discuss the procedures for the registration of domain names by Network Solutions Incorporated in the USA, Nominet UK in the UK and by Uniforum South Africa in South Africa.

³⁶³ Brunel: "The Scope of Trade Mark Protection for Internet Domain Names" available at <http://www.ela.org/RuhBook/chp.3.htm> (accessed on 14/04/2005).

³⁶⁴ Muhlberg "The Game of the Name" (2001) May *De Rebus* 23.

³⁶⁵ *Ibid.*

4.6.1 DOMAIN NAME REGISTRATION IN THE USA

Prior to December 1999, the registration of SLDs for the most popular TLDs, including the .com, .net and the.org domain names, was the sole responsibility of an entity called Network Solutions Incorporated (NSI). NSI exercised a great deal of control over how domain names were registered, and how disputes were resolved.

As of December 1999, the ability to register the .com, .net and .org domain names was spread out among many registration authorities. These registrars were accredited by ICANN, a non-profit corporation formed specifically to control Internet domain name management and similar functions. NSI continues to assign domain names, but it is now just one of many domain name registration authorities.

4.6.2 DOMAIN NAME REGISTRATION BY NETWORK SOLUTIONS INCORPORATED

Presently, NSI administers the registration of several domains including the .tv, .com, .uk, .org, .nz, .cc, .ws, and the .br domains.³⁶⁶ NSI's procedure for domain name registration is automated and is based upon the terms of agreement between NSI and the domain name registrant.

NSI registers domain names on a first come first served basis and the determining factor for registration is availability of the domain name. NSI does not restrict the registration of domain names on the basis of nationality, nor does it require any justification for the use of a particular domain name. If the domain is available, the applicant is simply given the name.³⁶⁷ Although this practice has encouraged the development of the Internet, it has to some extent contributed to abusive registrations.

³⁶⁶ Drury "Naming Games: Cultural Imperialism on the Internet." (2001) 45 *New South Wales Society for Computers and the Law Journal* available at <http://www.nswscl.org.au/journal/45/Drury.html> (accessed on 12/05/2005).

³⁶⁷ Du Plessis & Viljoen "Registering Domain Names" 154.

NSI provides a procedure for domain name registrants to establish availability of desired domain names. This is done by searching through NSI's "WHOIS" list. The "WHOIS" list is a service that provides a means for searching the database for domain names that have been registered.³⁶⁸ This tool also provides applicants with options to other domain names if the desired domain name has already been registered. The problem with this facility is that, unlike the procedure for the registration of trade marks, it does not search for domain names which are similar, or confusingly similar, to the proposed domain name.

NSI requires applicants to make certain undertakings before their domain names can be registered.³⁶⁹ These undertakings are aimed at preventing abusive domain name registrations resulting from the registration of domain names for purposes of selling them to legitimate users or trade mark holders.

Undertakings which domain name registrants are required to make include that:³⁷⁰

- the registration of the domain name does not infringe or interfere with the rights of third parties;
- they have a *bona fide* intention to use the desired domain name on a regular basis;
- the domain name is not being registered for unlawful purposes; and that
- the statements made in the applications are true.

Since NSI relies on the information provided by an applicant, such applicant is obliged to provide true and accurate information.

An additional requirement for registration is that an applicant should consent to indemnify NSI in the event that it incurs loss or damage as a result of use or registration of the domain name.³⁷¹

³⁶⁸ This service is available at <http://www.networksolutions.com/whois/index.jsp> (accessed on 04/07/2005).

³⁶⁹ Network Solutions Service Agreement available at <http://www.networksolutions.com/legal/static-service-agreement.jsp> (accessed on 04/07/2005).

³⁷⁰ Section 11 of Network Solutions Service Agreement available at <http://www.networksolutions.com/legal/static-service-agreement.jsp> (accessed on 04/07/2005).

Upon completion of the application process, a contract comes into existence between NSI and the domain name registrant. This contract specifies the domain name that was registered and provides the relevant technical and administrative information, including the location of computers that serve to locate emails addressed to the particular domain name. The period for initial registration and renewal is flexible and can be extended for up to ten years.

NSI's policy for domain name dispute resolution is no longer applicable. It was replaced by the ICANN's UDRP.³⁷² The UDRP, which by definition includes the Rules and Supplemental Rules, has been retroactively incorporated into existing domain name registration agreements between registrars and registrants.

4.6.3 DOMAIN NAME REGISTRATION IN THE UK

Previously, the registration of the TLDs .com, .net and .org in the UK were administered by VeriSign (formerly known as Network Solutions). This position changed and domain names can now be registered directly through Nominet UK (Nominet) or any other service provider.

Nominet was established as a non-profit making company responsible for registration of the .uk TLD. Nominet is a regulatory body but also provides a public service for the .uk namespace on behalf of the Internet community.³⁷³ Nominet is the single registry for the .uk TLD. Nominet administers SLDs within the .uk TLD and determines the SLDs available for registration within the .uk TLD. Nominet also provides direct registrations for co.uk, org.uk, ltd.uk, plc.uk, me.uk and net.uk SLDs. Nominet restricts its activities to the minimum required to give business efficacy to the registration process and operation of the domain name system.³⁷⁴

³⁷¹ Section 9 of Network Solutions Service Agreement available at <http://www.networksolutions.com/legal/static-service-agreement.jsp> (accessed on 04/07/2005).

³⁷² See Chapter Six below.

³⁷³ Buys *Cyberlaw @ SA* 35.

³⁷⁴ Edwards & Wealde *Law and the Internet* 127.

4.6.4 DOMAIN NAME REGISTRATION BY NOMINET UK

Nominet's procedure for the registration of domain names is similar to that of domain name registration authorities in the USA. Before a domain name can be registered by Nominet, an applicant must first enter into a contract with Nominet. This contract is separate from other arrangements made by such applicant with third parties for the provision of Internet services. In addition, the applicant is required to verify availability of the desired domain name. This can be done by accessing Nominet's "WHOIS" list.³⁷⁵

Nominet registers domain names on a first come first served basis and carries out four main functions with regard to the registration of domain names. Firstly, it is responsible for maintaining the integrity of the database and the processes that support it. Secondly, it maintains this function by ensuring accuracy of details contained in the database. Thirdly, it ensures that the registration process is conducted in accordance with clear rules and that subsequent transfer, suspension and cancellation of domain names is carried out according to strict operational procedures. Further, Nominet ensures consistency and fairness in its processes.³⁷⁶

Nominet is also responsible for making relevant data available to the public. This is done through the search facility managed by Nominet, called the "WHOIS" list. This facility is available for .uk registered domain names only. The "WHOIS" list can be accessed by dialling up <http://www.nominet.org.uk/whois.html> and is similar to NSI's "WHOIS" service.³⁷⁷

However, unlike NSI, Nominet offers a dispute resolution service. This service is based on mediation.³⁷⁸ Domain name registrants become party to this policy upon registering domain names. Nominet's dispute resolution policy is not intended to replace the

³⁷⁵ This database is available at <http://www.nominet.org.uk/whois.html> (accessed on 20/06/2005).

³⁷⁶ Edwards & Wealde *Law and the Internet* 129.

³⁷⁷ See paragraph 4.6.1 above.

³⁷⁸ See Chapter Six below.

jurisdiction of any competent court, nor is it intended to judge the legality of such claims.³⁷⁹

4.6.5 DOMAIN NAME REGISTRATION IN SOUTH AFRICA

Before the establishment of the National Research Foundation (NRF),³⁸⁰ all domain name registrations in South Africa were handled by the South African Foundation for Research and Development (SAFRD). The NRF was responsible for management of the UniNET network between research councils and institutions.³⁸¹ The NRF was also responsible for consolidating activities of SAFRD and the Human Sciences Research Council.

In 1991, responsibility for management of the .za was delegated to a tertiary education networking project called UniNET. UniNET set up a basic structure for SLDs and, later, guidelines for the establishment of new SLDs. Subsequently, several new SLDs were added and the responsibility for administration of most of the SLDs was delegated to different organisations and people.³⁸² Delegation of the co.za domain to Uniforum took place in August 1995.³⁸³

When the UniNET project came to an end in 2000, no appropriate body existed to which the responsibility for the .za ccTLD could be re-delegated and this led to the drafting of

³⁷⁹ See Nominet Dispute Resolution Policy available at <http://www.nominet.net> (accessed on 20/06/2005). This policy is open to all and does not replace the role of the courts.

³⁸⁰ The National Research Foundation was established in terms of the National Research Foundation Act 23 of 1998.

³⁸¹ Buys *Cyberlaw @ SA* 35. The UniNET project began as a network between universities in South Africa and played a very important role in the development of the Internet in South Africa.

³⁸² Lawrie "The History of the Internet in South Africa: How it Began" available at <http://www2.frd.ac.za/uninet/history> (accessed on 15/04/2005).

³⁸³ See .za Domain Name Authority "Re-delegation of the .za ccTLD" available at <http://www.zadna.org.za/press2.html> (accessed on 16/08/2005).

several policies and processes for the management of the domain name space and, eventually, the creation of Namespace South Africa (Namespace ZA).³⁸⁴

Re-delegation of the .za ccTLD took place in December 2004 when ICANN approved re-delegation of the .za ccTLD from the previous administrator, UniNET, to the .za Domain Name Authority.

The .za Domain Name Authority was established as a result of enactment of Chapter X of the ECTA. The establishment of the .za Domain Name Authority was aimed at enhancing the protection of intellectual property rights on the Internet. Buys³⁸⁵ contends that the .za Domain Name Authority was formed in order to represent the South African Internet community on issues pertaining to responsibility of the .za namespace. After its formation, the .za Domain Name Authority was responsible for administering the .za domain name under the instruction of the Internet Society.³⁸⁶

The procedure for the registration of domain names in South Africa closely resembles that of the UK and USA. The procedure for the registration of domain names in South Africa is automated and is based on the terms and conditions in the registration agreements between registration authorities and domain name registrants. The section below discusses the registration of domain names in South Africa by Uniforum SA.

³⁸⁴ See Internet Namespace Company available at <http://www.namespace.org.za/constitution.html> (accessed on 20/05/2005).

³⁸⁵ Buys *Cyberlaw @ SA* 35.

³⁸⁶ See Chapter X of the ECTA providing the functions of the domain name authority. These functions include *inter alia*: to manage and administer the .za domain name space, to comply with best international practice in the administration of the .za domain name space as well as to license and regulate registries.

4.6.7

DOMAIN NAME REGISTRATION BY UNIFORM SA

In South Africa, Uniform SA is responsible for assigning domain names in the .co.za domain.³⁸⁷ Uniform SA performs its registration pursuant to the terms outlined in its terms and conditions for registration.³⁸⁸ The terms and conditions for registration provide all the necessary information for registration of a domain name, including instructions on how to register the domain name and a list of registered domain names to assist the applicant during his search.³⁸⁹

Uniform's procedure for the registration of domain names is similar to that of the UK and USA. It registers domain names on a first come and first served policy and the relationship between Uniform and domain name registrants is determined in terms of the registration agreement between Uniform and such registrants. Uniform's registration process is automated like that of domain name registration authorities in both the UK and USA. The applicant is required to complete and submit the form via the Internet. After submission, the form is scanned for errors. This process includes a search for identical domain names and is similar to the "WHOIS" search of Nominet UK and Network Solutions Incorporated. Once the verification process is completed the domain name will be registered. The verification process, however, does not include a trade mark search to establish whether registration of the desired domain name will infringe upon rights of trade mark holders.

Uniform also requires domain name registrants to make certain undertakings before their domain names can be registered.³⁹⁰

³⁸⁷ Muhlberg "The Game of the Name" 23.

³⁸⁸ Buys *Cyberlaw @ SA* 43.

³⁸⁹ See Uniform SA "Terms and Conditions for Domains Registered in the .CO.ZA Domain Name Space" available at <http://www.co.za> (accessed on 25/05/2005).

³⁹⁰ See paragraphs 4.6.1 and 4.6.2 above.

The registrants are required to undertake that:

- the statements in the application are true and correct;
- the applicant has the right, without restriction, to use and register the domain name requested in the application;
- the applicant has a *bona fide* intention to use the domain name on a regular basis;
- the registration of the domain name by the applicant will not interfere with, or infringe upon rights of other third parties in any jurisdiction with respect to trade marks, service marks, trade names, company names, close corporation names, copyright or any other form of intellectual property;³⁹¹ and that
- the applicant is not seeking to use the domain name for any unlawful purpose, including, without limitation, unfair competition, defamation, or for the purpose of confusing or misleading any person.³⁹²

The domain name will be automatically suspended or deleted if, after registration, the applicant fails to pay the registration and maintenance fees.³⁹³ The suspension period will depend on the period for which the amount has been outstanding.

Uniform makes provision for the submission of queries relating to domain names. Such queries can be forwarded by email, fax, letter or telephone to the address provided on the web site. Uniform is entitled to delete or transfer the domain name if terms of the contract have not been complied with.

Presently, South Africa does not have a policy in place for alternative domain name dispute resolution, although provision for establishment of such a mechanism was made in the ECTA. Due to the absence of such a mechanism, disputes arising as a result of the use or registration of domain names continue to be resolved in terms of trade mark law.

³⁹¹ See paragraph 5.17 of Uniform SA "Terms and Conditions for Domains Registered in the CO.ZA Domain Name Space" available at <http://www.co.za> (accessed on 25/05/2005).

³⁹² Buys *Cyberlaw @ SA* 43. See also paragraphs 5.1.7-5.12 of Uniform SA "Terms and Conditions for Domains Registered in the CO.ZA Domain Name Space" available at <http://www.co.za> (accessed on 25/05/2005).

³⁹³ Paragraph 3.2 of Uniform SA "Terms and Conditions for Domains Registered in the CO.ZA Domain Name Space" available at <http://www.co.za> (accessed on 25/05/2005).

However, this is a temporary position because South Africa recently drafted the zaADRR.

4.7 THE ECTA AND DOMAIN NAME ADMINISTRATION IN SOUTH AFRICA

Prior to enactment of the ECTA, the domain name industry was regulated in terms of agreements between administrators of SLDs and domain name registrants and the position remains the same today. The relationship between domain name authorities and domain name applicants continues to be regulated by contract.

Provision for the establishment of a domain name authority was made in Chapter X of the ECTA. This Chapter established a domain name authority whose main objective was to administer the .za ccTLD.³⁹⁴ The domain name authority was established to address the need for stricter regulation of the domain name space so as to combat increasing uncertainty about the administration of domain names in South Africa. The objective of Chapter X was to address problems relating to domain name abuses and to introduce acceptable ways of dealing with such abuses.³⁹⁵

4.7.1 THE DOMAIN NAME AUTHORITY

The domain name authority is managed by a Board of Directors, consisting of nine Directors who are appointed by the Minister of Communications.³⁹⁶ Members of the public who are South African citizens or permanent residents are entitled to become

³⁹⁴ See paragraph 4.6.3 above.

³⁹⁵ Cliffe Dekker Attorneys "Commentary on the Electronic Communications and Transactions Act, 2002" available at <http://www.mbendi.co.za/cliffedekker/literature/commentary/ect2002.htm> (accessed on 11/07/2005).

³⁹⁶ Section 62(2) d the ECTA. The board is selected from a list of stakeholders including, *inter alia*, members of the domain name community, academic and legal sector, science, technology as well as members of the Internet community.

members of the domain name authority upon application and payment of a nominal administration fee.³⁹⁷

The memorandum and articles of association of the Authority provide, *inter alia*, for the procedures and criteria to be followed for the establishment of SLDs. These SLDs can only be administered by persons licensed by the Authority.³⁹⁸

The Authority has many functions. These include complying with best international practice, licensing and regulating registries and registrars.³⁹⁹ The Authority is required, *inter alia*, to publish guidelines on general administration and management of the .za domain and procedures for domain name registration.⁴⁰⁰ Additionally, the authority has discretionary powers in terms of Section 68(a), which include the discretion to prescribe requirements for licensing of registrars and registries and the creation of new SLDs.⁴⁰¹

4.7.2 ALTERNATIVE DOMAIN NAME DISPUTE RESOLUTION UNDER THE ECTA

The .za domain name authority does not have a mechanism in place for alternative domain name dispute resolution, although provision for such mechanism was made in section 69 of the ECTA. The absence of such a mechanism places South African domain name registrants at a disadvantage as far as costs for domain name dispute resolution are concerned. This is because, in the event of a domain name dispute, the registrants will need to resort to costly and time consuming litigation or resolution under forums outside South Africa, provided that the disputes do not involve the .za domain.

Section 69(3) of the ECTA makes provision for the submission of disputes relating to the .za domain and excludes disputes relating to the registration of gTLDs or other ccTLDs. Disputes of such nature have to be referred to ICANN.

³⁹⁷ *Ibid.*

³⁹⁸ Section 64(1).

³⁹⁹ Section 65.

⁴⁰⁰ Section 65(1) (e).

⁴⁰¹ Sections 68(h).

The ECTA also makes provision for the Regulations to prescribe the appointment, role and function of adjudicators and the rules and procedures to be applied in adjudicating disputes.⁴⁰² Furthermore, the ECTA makes provision for the Regulations to prescribe unlawful actions or activities in respect of domain names and, by so doing, distinguish between criminal and civil liability.⁴⁰³ The ECTA also makes provision for the Regulations to prescribe measures to prevent unlawful activities with respect to domain names and the penalties to be attached to such activities.⁴⁰⁴ Penalties may include costs and may set a time period within which a determination must be made.⁴⁰⁵

The Authority is precluded from participating in domain name dispute resolution proceedings on the basis that it is an interested party. This provision is consistent with international practice and ensures objectivity in dispute resolution proceedings. The domain name authority is prohibited from participating in dispute resolution proceedings on the ground that it is directly or indirectly involved in the administration of the .za domain through registries, licencees or agents.

4.7.3 DOMAIN NAME ISSUES UNDER THE ECTA

Several concerns have been expressed with regard to the provisions relating to the regulation of domain names in Chapter X of the ECTA.

Of major concern is the degree of government control over the domain name system. The consensus view is that the domain name system should be controlled by the Internet community in consultation with the government, as opposed to overwhelming government control. Scholars argue in favour of shared control of the domain name

⁴⁰² Section 69(3)(c).

⁴⁰³ Section 69(3)(d) and (e).

⁴⁰⁴ Section 69(3)(f).

⁴⁰⁵ Section 69(g).

system which, in their view, would promote efficient, effective and non-discriminatory administration.⁴⁰⁶

Concern has also been expressed with regard to the Minister's control over the administration and regulation of the domain name space. This control is criticised on the basis that government does not possess the necessary expertise and resources to effectively administer the .za domain name.⁴⁰⁷ Scholars argue that government control of the domain name space is contrary to international practice. Their argument is based on the fact that governments all over the world adopt observatory and advisory roles to independent bodies which are responsible for administering domain name systems.

Scholars support the decentralised systems in the UK and USA on the grounds that they encourage competition which in turn promotes efficiency. Private sector administration of the domain name system is preferred because it provides greater flexibility and is better equipped to adapt to international developments, thus meeting the needs of the Internet community.⁴⁰⁸

Different opinions have been expressed regarding the absence of a provision outlining the role of the domain name authority in alternative dispute resolution in the ECTA. One view is that the absence of such a provision is potentially problematic and another view is that the absence of such a provision is consistent with international practice.⁴⁰⁹

Some writers argue that the ECTA contains many gaps, resulting in failure to adequately address the issues surrounding the administration of the .za domain name.⁴¹⁰ Pillay⁴¹¹

⁴⁰⁶ Robinson "SA Internet Administrator Moves Domain Control Off-Shore" (2002) 22 *Computing SA* 1. See also Lawrie "Domain Name Issues in the ECTA" available at http://www.slis.co.za/uploads/8_Mike Lawrie ECT Presentation (accessed on 11/07/2005).

⁴⁰⁷ *Ibid.*

⁴⁰⁸ *Ibid.*

⁴⁰⁹ Pillay ".za ccTLD Domain Names under the ECTA" March (2004) *De Rebus* 24.

⁴¹⁰ Lawrie "Domain Name Issues in the ECTA" available at http://www.slis.co.za/uploads/8_Mike Lawrie ECT Presentation (accessed on 11/07/2005).

⁴¹¹ Pillay D ".za ccTLD Domain Names under the ECTA" 24.

criticises the ECTA for failing to clearly define the disputes to be submitted to the domain name authority. Pillay argues that failure to carefully define these disputes will result in the development of multiple forums having jurisdiction, resulting in chaos.⁴¹² Pillay further criticises the ECTA for failing to define unlawful acts, procedures for adjudicating such acts and the sanctions and remedies to be applied to resolve problems between other forms of intellectual property and domain names. He argues that such determination would have gone a long way towards ensuring consistency in domain name administration.

Lawrie⁴¹³ argues that the gaps in the ECTA reflect the hurried nature in which Chapter X was drafted. However, some writers argue that the enactment of the ECTA removed much legal uncertainty with regard to the administration of domain names.

4.7.4 THE FUTURE OF DOMAIN NAME ADMINISTRATION IN SOUTH AFRICA

The administration of domain names has become an international policy issue involving treaties on intellectual property rights. Beyond the task of protecting trade mark holders, there is a need for an organised process for assigning domain names within the .za ccTLD. This will become increasingly important as e-commerce expands and domestic companies continue to establish Internet based marketing associated with their brand names and domain names.

The establishment of an alternative domain name dispute resolution policy in South Africa is becoming ever more important, given the technological developments and increasing awareness of the use and value of domain names. To succeed, the mechanism for alternate domain name dispute resolution should adopt measures aimed at speedy, affordable and equitable resolution of disputes. Furthermore, a need exists to promote transparency, honesty and efficiency in the administration of domain names.

⁴¹² *Ibid.*

⁴¹³ Jansen "A New Era for E-Commerce in South Africa" October (2002) *De Rebus*.

Presently, no mechanism exists at national level to establish whether the registration of domain names infringes upon rights of trade mark holders and this has the potential of creating problems between trade mark proprietors and domain name holders.

4.8 CONCLUSION

From the above discussion, it is apparent that domain names have numerous characteristics and, therefore, play an important role in international commerce. Domain names are unique assets and are used as Internet addresses. Further, they are divided into hierarchies and often facilitate the location of sites on the Internet.

Despite their valuable contribution to international commerce, domain names remain very complex assets to regulate. This is because they do not have any geographical limitations. They can be registered anywhere in the world, thus causing inevitable conflict with other forms of intellectual property. The increasing use of domain names as corporate identifiers is also responsible for fuelling regulatory problems between domain names and other forms of intellectual property rights.

The domain name system and the procedures currently in place for the registration of domain names both have the potential of intensifying the domain name conflict. The absence of a provision for establishing possible infringement resulting from the registration of domain names arguably contributes to trade mark infringement. The manner in which domain names are registered also contributes to abusive domain name registrations.

Recently, South Africa drafted the zaADRR and it remains to be seen whether these regulations will succeed in resolving domain name disputes.⁴¹⁴ Given the increasing use of domain names in South Africa, the establishment of a mechanism for alternative domain name dispute resolution is vital. Such a mechanism is essential for the development of domain name regulation in South Africa and for ensuring that South Africa stays consistent with international developments in domain name administration.

⁴¹⁴ See Chapter Six below.

The next chapter discusses the conflict between trade marks and domain names and the challenges associated with resolving the conflict. This discussion is necessary to highlight inadequacies existing in domain name regulations and to illustrate the level of incompatibility between trade mark and domain name regulations.

CHAPTER FIVE

DOMAIN RELATED TRADE MARK DISPUTES

5.1 INTRODUCTION

The explosive growth in electronic commerce over the past decade has generated numerous legal disputes regarding the registration and use of domain names on the Internet. Such disputes revolve primarily around the conflicting interests of trade mark proprietors and domain name holders, thus creating considerable pressure upon intellectual property systems to resolve the conflict. The conflict between trade marks and domain names has largely resulted from failure by intellectual property systems to keep pace with technological developments.⁴¹⁵ Various aspects of the domain name system go against the basic principles of trade mark law. The low costs of domain name registration relative to the costs of building goodwill in a trade mark, the uniqueness of domain names and their global presence have created repeated conflict between trade mark proprietors and domain name holders.⁴¹⁶

The rate at which trade marks are being infringed upon by the unlawful registration of domain names all over the globe has prompted many countries to implement measures which extend trade mark protection to the Internet. The economic value of trade marks also requires that they be granted greater protection. Mere registration of trade marks is no longer sufficient to ensure brand protection, thus creating the need for development of trade mark monitoring and protection policies that extend to the Internet. Such a need is strengthened by the desire to address the numerous challenges faced by trade mark protection systems, as well as the need to reduce increasing incidences of trade mark infringement.⁴¹⁷

⁴¹⁵ Rayan "Playing by the Rules" 27.

⁴¹⁶ Helfer & Dinwoodie "Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Policy" (2001) 43 *William Mary & Mary Law Review* 141 available at <http://web.lexis-nexis.com/professional> (accessed on 20/06/2005).

⁴¹⁷ Buys *Cyberlaw @ SA* 30.

The first come first served policy for the registration of domain names is the primary cause of the trade mark and domain name conflict.⁴¹⁸ Arguably, the procedures currently in place for the registration of domain names provide domain name holders with opportunities to engage in abusive domain name registrations, thus infringing upon the rights of trade mark proprietors. Further, increasing use of trade marks and company names as domain names by their proprietors, without registering them as such, also contributes to the development of the trade mark and domain name conflict.

The role played by domain names in modern commerce also contributes to the development of the trade mark and domain name conflict. This is because domain names no longer serve the sole purpose of providing addresses for computers but increasingly function as communication tools and as a means of connecting proprietors and prospective customers. The use of domain names as a mode of communication from one system of the Internet to another also creates potential conflict between domain name holders and trade mark proprietors.

This chapter focuses on the conflict between trade marks and domain names. Similarities and differences between the two will be discussed. Additionally, other related problems will also be discussed.

5.2 THE NEXUS BETWEEN TRADE MARKS AND DOMAIN NAMES

Many similarities exist between trade marks and domain names, despite the obvious differences in the nature and regulation of the two.

Arguably, some degree of connection exists between trade marks and domain names, particularly with regard to the functions they perform. One of the many functions of trade marks is to indicate the origins of goods or services to which they apply. This also applies to domain names, although they were originally created to provide addresses for computers. Domain names have become a standard part of the way in which many

⁴¹⁸ Helfer & Dinwoodie "Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Policy" 155.

businesses communicate with their customers, thus performing the function of identifying businesses with their goods and services.⁴¹⁹ In this manner, domain names, like trade marks, also serve as a badge of origin for proprietors.

Trade marks and domain names both function as reference tools to locate information about specific products and customers rely on them to obtain information about products sold by proprietors. Both trade marks and domain names serve to educate and reassure consumers that they are in the right place and that they are purchasing the right product for their particular need. This link is arguably, one of the reasons why it is essential for proprietors to adopt protective mechanisms aimed at ensuring that the use of domain names is adequately regulated.⁴²⁰

5.2.1 TRADE MARK AND DOMAIN NAME DIFFERENTIATION

Despite the above similarities, trade marks and domain names differ substantially. Trade marks and domain names differ in the nature and manner in which they are regulated, with particular emphasis on the manner in which they are registered.

Traditionally, trade marks are territorial rights and take effect only within the jurisdiction where they are used and registered. Presently, this remains the position despite considerable efforts to facilitate international filings by intellectual property systems. Trade mark registration is still not automatic and the rights remain territorial and subject to the right of first filing. Territorial limitation is not applicable to domain names; thus while there are country denominations, websites can be accessed from anywhere in the world.

Trade marks can only be registered for certain designated goods or services and, consequently, concurrent use of the same mark for dissimilar goods or services may not constitute trade mark infringement. On the other hand, while a company's activities may be limited to trading in certain goods or services, this does not apply to domain names.

⁴¹⁹ Gunning "Trade Marks and Domain Names" 4.

⁴²⁰ Buys *Cyberlaw @ SA* 30.

Thus, even proprietors of different goods or services would not be able to register the same domain name.⁴²¹ Apart from the fact that domain names are equally present in cyberspace and can not be confined within national borders, the various methods which proprietors use to distinguish their trade marks, such as differences in colour, shape or size, do not apply to domain names.⁴²²

The procedure for the registration of trade marks and domain names also differs substantially.⁴²³ Domain name registrations are fast, simple and automated while the registration of trade marks invariably involves lengthy and costly procedures. Generally, it can take up to two years for a trade mark to be examined by the Registrar, whilst the procedure for the registration of domain names is automatic.

Additionally, trade marks can be registered for various goods or services and in different territories without infringing on another party's rights. Domain names, on the other hand, cannot be registered by third parties if the domain name in question is identical to one already registered in the specific TLD. Furthermore, variations or misspellings of domain names can be registered, unlike trade marks.⁴²⁴

Before a trade mark can be registered, the Registrar has to conduct searches to ensure that the desired trade mark is not the same, or similar, to an already registered trade mark. This does not apply to domain names. They are registered on a first come first served basis, without the registrant having to prove legitimate rights to use or register that domain name. Additionally, generic domain names can be registered whereas marks that are descriptive and generic cannot be registered as trade marks.

Further, the renewal period for trade marks is longer than that for domain names. Domain names are usually renewed annually or biannually whereas trade marks are registered for

⁴²¹ Heath & Sanders *Intellectual Property in the Digital Age: Challenges for Asia* (2001) 146.

⁴²² *Ibid.*

⁴²³ See Chapter Two and Four above for the procedures for the registration of trade marks and domain names.

⁴²⁴ Buys *Cyberlaw @ SA* 38.

longer periods, usually ten years. South African trade marks, for instance, are renewable every ten years.⁴²⁵

Given the substantial difference in the nature and regulation of trade marks and domain names, they should not be subjected to the same regulations.⁴²⁶

5.3 THE TRADE MARK AND DOMAIN NAME CONFLICT

One of the most active areas of litigation involving the Internet has been generated by the conflict between trade marks and domain names. The basic conflict stems from the fact that trade mark laws, unlike domain name regulations, allow for multiple uses of the same word, provided a the likelihood of consumer confusion as to the origin or association between the two does not exist. Failure by intellectual property systems to keep pace with technological advancements has also contributed to development of the trade mark and domain name conflict.

Very little connection exists between trade mark and domain name registration systems. While Registrars of trade marks have to conduct searches to establish whether the desired trade mark is confusingly similar, or identical to, registered trade marks, domain name registration authorities only have to establish whether an identical domain name exists in the specific domain.

The difference in nature between trade marks and domain names has also contributed to inevitable conflict between holders of legal rights to names. This is because while domain names must be absolutely unique, trade marks only need to be relatively unique.⁴²⁷ Domain names, which often incorporate trade marks and generic terms, are treated as unique assets and can only be held by one owner. This does not apply to trade marks, as

⁴²⁵ Buys *Cyberlaw @ SA* 38.

⁴²⁶ Hofman *Cyberlaw A Guide to South Africans Doing Business Online* 98. This applies mainly to dispute resolution where domain name disputes are usually resolved using trade mark laws due to the inadequacies of domain name legislation.

⁴²⁷ Reed *Internet Law: Texts and Materials* 45.

evidenced by the existence of identical trade marks on different goods and services. The requirement for uniqueness in relation to domain names also creates problems in the event of the desire to use the same domain name by different persons or entities. In other words, although there can only be one holder of a domain name such as mcdonald.com, multiple persons or organisations with legal rights in the name McDonald may exist. Some trade marks in fact correspond to commonly used surnames, such as Miller and Avery, which are used legitimately by other persons. Hence, problems can arise for a trade mark owner such as "MILLER BAKERY", when individuals register their surnames as domain names (such as miller.com) for other purposes. This problem is common in situations involving well known marks which, by virtue of their fame are protected even in jurisdictions where they have not been registered. Domain name holders often target well known marks for purposes of benefiting from the reputation of the mark.

Domain names, generally, have a worldwide effect while trade marks only have legal effectiveness in jurisdictions where they are registered, used or well known. Thus holders of similar trade marks issued in different jurisdictions rarely conflict because their marketing systems are usually locally based and, consequently, match the geographical boundaries of the trade marks. On the other hand, the domain name system allows every server connected to the Internet to be accessed from anywhere, meaning that trade marks registered in the jurisdiction of the domain name owner may be displayed in other jurisdictions where different persons may hold the mark.⁴²⁸ Numerous cases involving Avnet Incorporation can be used as illustration.

⁴²⁸ Reed *Internet Law: Texts and Materials* 47. See also *Sanlam Ltd v Selat Sunda Inc* WIPO D2000-0895 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0895.html> (accessed on 18/11/2005). The Sanlam dispute arose as a result of use and registration of the domain names sanlam.com and sanlam.net by the respondent (an American based company). Sanlam alleged that the respondent registered the domain names in order to prevent Sanlam from registering its trade mark as a corresponding .com domain name and for purposes of attracting, for financial gain, Internet users to its domain name. The panel found in favour of the complainant.

In early 2000, the name “Avnet” was used by a diversity of organisations, most of which were involved in the field of information technology. The domain name *avnet.com* was used by Avnet Incorporation, a computing company in Arizona, *avnet.co.nz* was used by a similar company in New Zealand and *avnet.it* was used by an Italian network services organisation. Upon discovery, Avnet Incorporation made attempts to gain use of the other *avnet* domain names, most of which were unsuccessful because the registrants were using the names in good faith and without the likelihood of confusing any potential customers of Avnet Incorporation.⁴²⁹

In view of the fact that the trade mark system is divided territorially and by industry, trade mark proprietors can use the same name as a trade mark without causing infringement.⁴³⁰ By contrast each domain name must be unique, as only one of the entities can register a certain domain name such as *united.com* within the same domain. Furthermore, trade mark systems in most countries, South Africa included, allow different entities to exist on the register so long as they are registered in different classes.⁴³¹ This usually applies where business entities are located in different regions or when they are involved in different industries. For instance, the trade name “FUJI” is used by several entities while the domain name *fuji.com* is used only by one well known entity, “FUJI FILMS”. However, of all the entities that own identical trade marks, only one can own the corresponding domain name.⁴³²

Another source of the conflict between trade marks and domain names arises as a result of competing claims in the same name. Such claims have been a source of conflict because the legal rights in names are derived from different sources. For instance, legal rights in a name may be derived from the registration of the name as a trade mark, giving

⁴²⁹ See *Avnet Inc v Isoact Ltd* 1998 FRS 16. See also *Avnet Inc v Aviation Network* WIPO D2000-0046 available at <http://www.abiter.wipo.int/domains/decisions/html/2000/d2000-0046> (accessed on 18/11/2005) and *Avnet Inc v Av-Network Inc* WIPO D2000-0097 available at <http://www.abiter.wipo.int/domains/decisions/html/2000/d2000-0097.html> (accessed 18/11/2005).

⁴³⁰ For instance, the trade mark “UNITED” is used by United Airlines, United Van Lines and many other organisations.

⁴³¹ See Chapter Two above on the registration of trade marks.

⁴³² Du Plessis & Viljoen “Registering Domain Names” 150.

a trade mark proprietor exclusive rights to use the name for specific purposes within a defined geographical area. Legal rights in a name can also be derived from actual use of the name in trade, giving the user limited rights to prevent others from using the name in a manner which adversely affects the reputation of the user.⁴³³

Generally, trade mark and domain name disputes can be divided into four main categories. The first category is made up of disputes arising from the use and registration of domain names that are the same or confusingly similar to existing trade marks (registered or unregistered). This type of dispute is referred to as a dilution dispute.⁴³⁴ Arguably, the use of a domain name can infringe upon trade mark rights in respect of the goods or services in respect of which the trade mark is registered, particularly where the domain name is identical or confusingly similar to the trade mark and leads to consumer confusion.

Domain names clearly have the potential of confusing consumers (especially where competing goods or services are offered on-line) as to the source of the goods or services.⁴³⁵ This is because they usually appear directly above the goods or services that are being promoted on the web page. In other words, domain names act as a “badge of origin” for the goods and services in question.⁴³⁶

The second category consists of disputes resulting from the legitimate conflict of interest between trade mark proprietors and domain name holders, or from attempts by one party to prevent others from using the domain name on the Internet. The latter is also referred to as reverse pre-emption.⁴³⁷

The third category of dispute between trade mark proprietors and domain name holders is caused by speculation, where speculators obtain rights to domain names of other persons

⁴³³ Reed *Internet Law: Texts and Materials* 47.

⁴³⁴ Gibbs “A New System for Resolving Domain Name Disputes; A New Frontier or Fiasco?” available at <http://www.masoftware.org/download/NixonP.htm> (accessed on 13/06/2005).

⁴³⁵ *Ibid.*

⁴³⁶ *Ibid.*

⁴³⁷ See paragraph 5.3.7 below.

or businesses, for the purpose of selling them back to the rightful owner. This conduct is referred to as cybersquatting.⁴³⁸

The fourth type of dispute occurs when individuals parody or satirise names or causes of others. Over the years, domain names have acquired a secondary purpose for domain name holders, namely, that of use as a forum for criticising well known corporations.⁴³⁹

Domain name holders are not solely responsible for the development of conflict between trade mark proprietors and domain name holders. Trade mark holders also contribute to conflict through conduct known as reverse domain name hijacking.⁴⁴⁰

Different forms of trade mark and domain name conflicts will be discussed in detail below. Other related problems involving the use of fan sites and meta tags will also be discussed.

5.3.1 CYBERSQUATTING

Growing commercial use of the Internet has led to many instances of trade mark infringement, the most prevalent being cybersquatting. There are different types of cybersquatting, some of which will be discussed below.

There is no generally accepted definition of the term cybersquatting as different scholars provide different definitions of the term. Hofman⁴⁴¹ defines cybersquatting as the

⁴³⁸ See paragraph 5.3.1 below

⁴³⁹ *Buy's Cyberlaw @ SA* 42. See also *South African Airways (Pty) Ltd v Vern Six* 109385 available at <http://www.arb-forum.com/domains/decisions/109385.htm> (accessed on 11/07/2005). In *SAA v Vern Six* the panel found that the respondent's use of the domain name neverflysaa.com constituted fair use on the grounds that the respondent had registered it for the purpose of expressing his disgruntlement with the airline. On finding that the domain names flysaa.com and neverflysaa.com were not confusingly similar, the panel refused to transfer the domain name to the complainant.

⁴⁴⁰ See paragraph 5.3.8 below.

⁴⁴¹ Hofman *Cyberlaw A Guide to South Africans Doing Business Online* 99. See also Greene "Abusive Trademark Litigation and the Incredible Shrinking Confusion Doctrine: Trademark Abuse in the Context of Entertainment Media and Cyberspace" (2004) 27 *Harvard Journal of Law & Public Policy* 624 available at

registration of likely domain names by individuals in the hope that, later, they will become commercially viable. Buys⁴⁴² defines it as the practice of buying names that reflect the names of existing businesses or trade mark proprietors with the intention of selling them back to the business or trade mark proprietor at a substantially inflated price.

Cybersquatting is often associated with cyberpiracy. Cyberpiracy refers to the registration of trade names of established businesses by individuals with the intention of selling them back to the businesses concerned. Both cybersquatting and cyberpiracy constitute abuse of the domain name system.

Cybersquatting causes the most concern for trade mark holders and has been the subject of the majority of litigated disputes. Cybersquatting has been mainly attributed to the first come first served policy of registering domain names. This policy does not require any prior examination of the trade mark register to establish whether or not the desired domain name is the same or confusingly similar to a registered trade mark. The absence of such a provision contributes to abusive domain name registrations to the detriment of trade mark proprietors. Cybersquatting is the result of flaws in domain name registration procedures and poor administration of domain names.

Cybersquatters exploit the first come first served nature of the domain name registration system to register trade marks and names of well known persons or entities with which they have no connection. Since the registration of domain names is fairly simple, cybersquatters often register numerous variations of well known marks. As holders of these registrations, cybersquatters put the domain names up for auction, or offer them for

<http://web.lexis-nexis.com/professional> (accessed on 18/03/2006). Greene defines cybersquatting as the registration of a trade mark belonging to another party with bad faith intention of profiting from the mark or the registration of a domain name that is identical or confusingly similar to a distinctive or famous trade mark.

⁴⁴² Buys *Cyberlaw @ SA* 36. See also *Lanco Inc, Lane Bryant Inc & Charming Shoppes Inc v Party Night Inc c/o Peter Carrington* WIPO D2003-0173 available at <http://abiter.wipo.int/domains/decisions/html/2003/d2003-0173.html> (accessed on 18/11/2005). In *Lanco Inc* cybersquatting was defined as the registration of domain names incorporating famous or well known marks in bad faith.

sale directly to the proprietors or persons involved, at prices far exceeding the cost of registration.

Alternatively, cybersquatters can keep the registration and use the name of the person or entity associated with that domain name to attract business to their own sites. Cybersquatters often register many variants of the domain name to prevent the rightful owners from registering them. A cybersquatter squatting on the microsoft.com domain for instance may also squat on microsoft.net and on many other logical variants.

There are, basically, two forms of relief available to parties who fall victim to cybersquatting. These parties may apply for cancellation or transfer of the offending domain names through various dispute resolution mechanisms.⁴⁴³ Certain conditions must, however, be proved by the complainant before the panel can order cancellation or transfer of the domain name in dispute.

The complainant must prove that the domain name is identical or confusingly similar to the registered trade mark, that the domain name owner has no rights or legitimate interests in the disputed domain name and that registration and use of the domain name was made in bad faith. Failure to prove any one of the above conditions can result in failure of the complaint.⁴⁴⁴

In *Panavision International LP v Toeppen*,⁴⁴⁵ the court found cybersquatting on the ground that the respondent registered the domain name panavision.com in bad faith for purposes of reselling it to the trade mark owner. In response to the respondent's argument that the domain name had not been registered for commercial purposes, the court held that registration of the well known mark "PANAVISION" and the attempt to sell it back

⁴⁴³ See Chapter Six below.

⁴⁴⁴ See *British Broadcasting Corporation v Bodyline Beauty Clinic* WIPO D2001-0389 available at <http://abiter.wipo.int/domains/decisions/html/D2001-0389> (accessed on 18/11/2005). Despite the fact that the panel found the domain name *www.tweenies.com* confusingly similar to the complainant's trade mark "TWEENIES," the complainant's case failed because the respondent managed to prove the existence of a legitimate interest in the disputed domain name.

⁴⁴⁵ 141 F3d 1316 (9th Cir 1998).

to the rightful owner constituted “commercial use” and was, therefore, in violation of the complainant’s rights.⁴⁴⁶

In *Eurobet UK Limited v Grand Slam Co*,⁴⁴⁷ the panel found cybersquatting on the grounds that the domain name www.eurobet.com had been registered in bad faith by the respondent for purposes of attracting, for commercial gain, Internet users to its site. Further, the panel found bad faith registration on the ground that the domain name www.eurobet.com was confusingly similar to the complainant’s trade mark “EUROBET”.

5.3.2 TYPOSQUATTING

Typosquatting is a form of cybersquatting. Typosquatting is the intentional misspelling of words with intent to intercept and divert traffic from its intended destination, by preying on Internet users who make common typing errors.⁴⁴⁸ Buys⁴⁴⁹ defines it as the registration of common misspellings of well known marks or personal names.

In *Vanguard Group Inc v Lorna King*,⁴⁵⁰ the panel described typosquatting as the registration of domain names which are identical to popular website domain names, except for slight differences that may occur as a result of common keyboard or spelling errors, in order to misdirect Internet users to the mislabelled website.

⁴⁴⁶ See also *British Telecommunications plc v One in A Million Ltd & others* 1998 (4) All ER (WLR) 903, in which the court held that the registration of trade marks as domain names and the attempt to sell them to their rightful owners constituted use in the course of trade for purposes of the UK dilution provisions.

⁴⁴⁷ WIPO D2003-0745 available at <http://abiter.wipo.int/domains/decisions/html/2003/d2003-0745.html> (accessed on 18/11/2005).

⁴⁴⁸ *National Association of Professional Baseball Leagues Inc d/b/d Minor League Baseball v John Zucarrini* WIPO D2002-1011 available at <http://abiter.wipo.int/domains/decisions/html/2002/d2002-1011.html> (accessed on 18/11/2005). On finding typosquatting the panel ordered that the domain name www.minorleaguebaseball.com be returned to the complainant.

⁴⁴⁹ Buys *Cyberlaw @ SA* 36.

⁴⁵⁰ WIPO D2002-1064 available at <http://abiter.wipo.int/domains/decisions/html/D2002-1064> (accessed on 08/08/2005).

Typosquatting is parasitic in nature and constitutes evidence of bad faith registrations.⁴⁵¹ It makes up most of WIPO's disputes.⁴⁵² Typosquatting is based on the probability that a substantial number of Internet users will misspell the name of the website when "surfing" the Internet. The intention in typosquatting is to capitalise on mistakes made by the public when accessing sites of well known trade mark holders and capitalising on mistakes made by users as a result of misspelling the name of the website they intend to visit. Typosquatting is, therefore, intended to lure customers to undesirable sites or those which are connected to the original domain name.

Microsoft found itself a victim to typosquatting when the respondent registered the domain name misrosoft.com leading to pornographic sites, in an attempt to lure persons searching for the Microsoft website to their website.⁴⁵³

In *Pfizer Inc v Peter Carrington a/k/a Party Night Inc*,⁴⁵⁴ the panel found typosquatting on grounds that the domain names pfiezer.com, pfiserforliving.com, pfizrforliving.com and pfizerliving.com had been registered in bad faith by the respondent for purposes of attracting Internet users to the websites, by confusing them into believing that the domain names were affiliated, or sponsored, by the complainant and that the products and services marketed on the sites were endorsed by the complainant. On finding typosquatting the panel ordered the domain names in dispute to be transferred to the complainant.

The Uniform Domain Name Dispute Resolution Policy (UDRP) provides a civil remedy for typosquatting at global level. In the USA, typosquatting is addressed in terms of the Anti-Cybersquatting Consumer Protection Act⁴⁵⁵ (ACPA) and in the UK typosquatting

⁴⁵¹ See Chapter Six Below.

⁴⁵² Buys *Cyberlaw @ SA* 42.

⁴⁵³ *Microsoft Global v Fisher Net* WIPO D2000-0554 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0554.html> (accessed on 18/11/2005). The panel found typosquatting and ordered that the disputed domain name be returned to Microsoft.

⁴⁵⁴ WIPO D2003-0622 available at <http://abiter.wipo.int/domains/decisions/html/2003/d2003-0622.html> (accessed on 18/11/2005).

⁴⁵⁵ Anti-Cybersquatting Consumer Protection Act 1999.

disputes can be resolved through the courts, relying on trade mark law and passing off. Although South African courts have not yet had the opportunity of addressing typosquatting disputes, arguably these disputes can also be resolved through the courts based on trade mark principles.

5.3.3 POLITICAL CYBERSQUATTING

Political cybersquatting is another form of cybersquatting. It refers to the registration of domain names for purposes of attracting individuals with opposing opinions to visit the sites. Political cybersquatting is often conducted by persons possessing strong opinions on certain social or political issues and is rarely carried out for commercial gain.⁴⁵⁶

Political cybersquatting adversely affects the goodwill of the well known entity. This type of cybersquatting causes damage to the reputation of the figure whose name is used, particularly when it is unclear that the site is not connected with, or has been authorised by, the entity or figure which forms the subject of the criticism.⁴⁵⁷

In the case of *Anne McLellan v Smartcanuk.com*,⁴⁵⁸ the panel found the registration of a politician's name in violation of the UDRP. Anne McLellan was a member of Canadian Parliament, Minister of Justice and Attorney General of Canada. The respondent registered the domain names *annemcclellan.com* and *annemcclellan.org*. The panel found that McLellan possessed common law rights in her name because she was a well known government official. The panel found further that the registrant, who had also registered names of other political figures, had no rights or legitimate interests in the domain names and had registered the domain names in bad faith.

Different results have been reached where the domain name is used for critical commentary. Kathleen Kennedy Townsend, Lieutenant Governor of Maryland, was

⁴⁵⁶ Patridge "Political Cybersquatting Condemned" available at http://guildingrights.blogcollective.com/blog/archives_achives (accessed on 08/06/2005).

⁴⁵⁷ *Ibid.*

⁴⁵⁸ EResolution AF 0303 available at <http://www.disputes.org/decisions/0303.htm> (accessed on 08/06/2005).

unable to recover domain names based on her name on the grounds that the domain names had not been registered in bad faith and were not used for commercial purposes.⁴⁵⁹ A similar decision was reached in *Robin KA Ficker v John W Thouhy*.⁴⁶⁰ The defendant registered the domain name incorporating the name of the complainant and used it to provide critical news during Robin Ficker's run for Congress in 2004. Ficker sought transfer of the domain name. The court denied relief on several grounds. The court held that the web site constituted a political web site and was protected by the First Amendment. The court held further that the likelihood of confusing site users did not exist on the basis that the site included a disclaimer stating that it was an unofficial site and not a site for "Robin Ficker for US Congress." The court further held that the ACPA did not protect personal names which were not registered as trade marks and where the site in question was used for non-commercial purposes.

5.3.4 FAN SITES

Another form of cybersquatting takes place in the form of the registration of names of well known or famous persons on fan sites, in the hope of selling the domain name to well known personalities, or for purposes of attracting Internet users to the site. Fan sites *per se* do not constitute trade mark infringement. They constitute trade mark infringement when they are used for sinister motives.

Fan sites are often used to attract users to the website. In most cases such sites are aimed at promoting or supporting the activities of well known figures. Of concern, however, are fan sites which are registered for sinister motives, such as for purposes of luring people to pornographic sites.

⁴⁵⁹ See *Friends of Kathleen Kennedy Townsend v BG Birt* WIPO D2002-0451 available at <http://abiter.wipo.int/domains/decisions/html/2002/d2002-0451.html> (accessed on 08/08/2005). The domain names included *inter alia*: kennedytownsend.net, kennedytownsend.org, kennedytownsend.com and kathleenkennedytownsend.com.

⁴⁶⁰ 305 F Supp 2d 569 (D Md 2004).

Many celebrities, including Julia Roberts, Bruce Springsteen and, recently, Morgan Freeman have fallen prey to this type of behaviour. Julia Roberts succeeded in obtaining transfer of the domain name juliaroberts.com, after successfully proving that the domain name was identical and confusingly similar to the name Julia Roberts. The panel found that the name Julia Roberts had acquired sufficient secondary association with the complainant, and therefore, constituted a common law trade mark. Further, the panel held that the respondent did not possess legitimate interests in the domain name juliaroberts.com on the grounds that he had failed to show use of the domain name in connection with a *bona fide* offering of goods or services. The panel held further that the respondent had failed to show that he was commonly known by the domain name, nor had he provided a basis upon which he could assert his rights.⁴⁶¹

In *Bruce Springsteen v Jeff Burgar & Bruce Springsteen Club*,⁴⁶² Bruce Springsteen failed to retrieve his name from the individual purporting to be the administrator of the Bruce Springsteen Club on the grounds that he failed to prove that his name had acquired secondary meaning or that he had common law rights in the name. The panel found that the respondent possessed legitimate interests in the domain name, based on the respondent's registration of the domain name and the establishment of the link between the domain name and his website.

Recently, a Florida based writer, Rogers Cadenhead, acquired the domain name BenedictXVI.com. Before the appointment of the Pope BenedictXVI, Cadenhead registered a variety of possible papal domains including: ClementXV.com, InnocentXIV.com, LeoXIV.com, PaulVII.com, PiusXII.com and BenedictXVI.com, the latter incorporating the name of the current Pope. When confronted about the motive for

⁴⁶¹ *Julia Fiona Roberts v Russell Boyd* WIPO D2000-0210 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0210.html> (accessed on 08/08/2005). See also Buys *Cyberlaw @ SA* 42 for the discussion on fan sites.

⁴⁶² WIPO D2000-1532 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-1532> (accessed on 08/08/2005).

acquiring the domain name BenedictXVI.co, Cadenhead alleged that the domain name had not been acquired for commercial purposes.⁴⁶³

The consensus view in disputes involving personal names is that personal names which have been registered as trade marks are protected under the UDRP. This suggests that in situations where unregistered personal names are used for commercial purposes, the complainant must establish common law rights in the name to obtain protection under the UDRP.⁴⁶⁴ However, to establish trade mark rights the name in question should be used in trade as mere possession is not sufficient.⁴⁶⁵

5.3.5 CYBERSMEARING

Another source of conflict between trade marks and domain names is cybersmearing. Cybersmearing is a process by which the Internet is used as a forum to express critical views on well known entities. Cybersmearing is carried out through the use of "gripe sites." Gripe sites are Internet sites that are maintained by consumers, public advocacy groups and other persons for purposes of criticising certain persons, products or services. These sites often cause great concern for trade mark proprietors, especially when the site is identified by a domain name containing a trade mark belonging to a proprietor forming the subject of the criticism.

Trade mark owners argue that use of trade marks on gripe sites infringe upon their right to goodwill. Gripe site owners, on the other hand, argue that these sites constitute forums for exercising their right to freedom of expression.

⁴⁶³ Haines "Tech Blogger Cybersquats God's Rottweiler" available at http://www.theregister.co.uk/2005/04/blogger_cybersquats_pope (accessed on 04/06/2005).

⁴⁶⁴ *Dr Michael Crichton v In Stealth Mode* WIPO D2002-0874 available at <http://abiter.wipo.int/domains/decisions/html/2002/d2002-0874> (accessed on 08/08/2005).

⁴⁶⁵ Buys Newsletter August (2005) 21 "Overview of WIPO Panel Views on Selected UDRP Questions" available at <http://www.buys.co.za/gbDownloads.asp?field=file&RID=167> (accessed on 05/09/2005).

The courts are divided as to whether use of a domain name on a criticism site generates rights and legitimate interests. Two views exist with regard to the use of confusingly similar domain names on non-commercial sites. One view is that the right to criticise does not extend to registering domain names which are identical or confusingly similar to registered trade marks or those that convey an association with the mark.⁴⁶⁶ Another view is that respondents possess legitimate interests in domain names used on criticism sites for non-commercial purposes.⁴⁶⁷

Cybersmearing occurs through the use of trade marks or trade names in conjunction with terms such as “sucks” or “deceit.” These terms are usually placed at the beginning or the end of the second level domain.⁴⁶⁸ In *Taubman Co v Webfeats*,⁴⁶⁹ the defendant used the domain name *taubmansucks.com* on a site that was critical of real estate developer, Alfred Taubman, and his shopping centres. The court refused to enjoin the domain name on the basis that domain names constituted forums for public expression and were not different in scope from billboards or pulpits. Scholars have criticised this decision on grounds that billboards and newspaper articles are short-lived, while domain names and related sites are continuously available on the Internet, for as long as the domain name owners can maintain the domain name registrations.⁴⁷⁰ Another ground for criticism was that domain names containing third party trade marks are instantly and continuously accessible to Internet users. Scholars argue further that the ruling in this case prompted many trade mark proprietors to register domain names comprising their marks together

⁴⁶⁶ See *Royal Bank of Scotland Group plc National Westminster Bank plc A/K/A NatWest Bank v Personal Kirkland & Ellis LLP* WIPO D2003-0166 available at <http://arbiter.wipo.int/domains/decisions/html/2003/d2003-0166.html> (accessed on 08/08/2005).

⁴⁶⁷ See *Bridgestone Firestone Inc, Bridgestone/Firestone Research Inc & Bridgestone Corporation v Jack Myers* WIPO D2000-0190 available at <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-0190.html> (accessed on 08/08/2005). See also *Howard Jarvis Taxpayers Assoc v Paul McCauley* WIPO D2004-0014 available at <http://arbiter.wipo.int/domains/decisions/html/2004/d2004-0014.html> (accessed on 08/08/2005).

⁴⁶⁸ Buys *Cyberlaw @ SA* 51.

⁴⁶⁹ 319 F 3d 770 (6th Cir 2003).

⁴⁷⁰ Richard “Hey, you, get off my Trade Mark” (2005) *New York Law Journal* available at <http://infotrac.galegroup.com/itw/infomark> (accessed on 15/04/2005).

with derogatory terms such as “sucks” to prevent them from being registered by gripe site owners.⁴⁷¹

In *Coca-Cola Co v Purdy*,⁴⁷² the Eighth Circuit upheld the decision to issue a preliminary injunction against the use of domain names *drinkcoke.org* and *mycoke-cola.com*. These domain names were solely used as links to the defendants’ anti-abortion website *arabortionsismurder.com*. The Court upheld this injunction on grounds that the defendant’s domain names created interest confusion with regard to sponsorship of the website. This was because the presence of the well known mark “COCA-COLA” suggested that the trade mark proprietor had taken a position on the issue of abortion.⁴⁷³

In determining confusion in cases involving domain names consisting of negative terms, courts consider whether likelihood exists that the domain may not be recognised as negative and whether the possibility exists that non-fluent English speakers may fail to recognise negative connotations of the word attached to the trade mark.⁴⁷⁴

In *South African Airways (Pty) Ltd v Vern Six*,⁴⁷⁵ the domain name *neverflysaa.com* was used by the respondent as a forum to express critical views on the airline. South African Airways alleged that the domain name *neverflysaa.com* was confusingly similar to its common law mark “SAA” and registered trade mark “SOUTH AFRICAN AIRWAYS” (SAA), which was both a registered mark and a common law mark in the USA. SAA

⁴⁷¹ *Ibid.*

⁴⁷² 382 F 3d 774 (8th Cir 2004).

⁴⁷³ See also *National Collegiate Athletic Association v Brown* WIPO D2004-0491 available at <http://abiter.wipo.int/domains/decisions/html/2004/d2004-0491> (accessed on 08/08/2005). In this case the panel held that the defendant’s registration of the domain name *ncaafootball2005.com* in association with a gripe site constituted infringement of the well known mark “NCAA” owned by the National Collegiate Athletic Association. The panel rejected the defendant’s First Amendment defence, holding that the domain names at issue were registered in bad faith for the purpose of selling them to NCAA.

⁴⁷⁴ See also *Wachovia Corporation v Alton Flanders* WIPO D2003-0596 available at <http://abiter.wipo.int/domains/decisions/html/2003/d2003-0596.html> (accessed on 08/08/2005).

⁴⁷⁵ 109385 available at <http://www.arbforum.com/domains/decisions/109385.htm> (accessed on 11/07/2005).

alleged further that the domain name neverflysaa.com was registered in bad faith for the purpose of diverting SAA clients from the intended website.

SAA alleged further that the respondent used meta tags identifying the domain name neverflysaa.com for purposes of confusing Internet search engines and users with regard to the ownership and control of the domain name. SAA argued that given the fact that English was spoken by a very small percentage of the population in South Africa, the likelihood of confusion was very high. The respondent disputed that the likelihood of confusion was high, arguing that the domain name neverflysaa.com had been registered for purposes of expressing his bad flight experience with the airline. The court found in favour of the respondent, and held that the likelihood of confusion did not exist.

Many inconsistent decisions have been made regarding cybersmearing disputes. In the past, decisions on cybersmearing issues have gone both ways. However, recent trends in WIPO decisions on cybersmearing support the view that cybersmearing infringes upon the rights of trade mark proprietors.⁴⁷⁶

⁴⁷⁶ See Out-Law.Com: Legal News and Business Guides "WIPO Report on Trends in Domain Name Decisions" available at <http://www.out-law.com> (accessed on 13/06/2005). See also *Societe Air France v Virtual Dates Inc* WIPO D2005-0168 available at <http://abiter.wipo.int/domains/decisions/html/2005/d2005-0168.html> (accessed on 13/06/2005). In *Societe Air France* the panel held that domain name airfrancesucks.com was confusingly similar to the trade mark "AIR FRANCE" regardless of whether the additional elements were negative or of a neutral kind. The panel rejected the respondents' argument that the domain name airfrancesucks.com was a freedom of expression site for the registration of complaints or recommendations about the airline. See also *Wal-Mart Stores Inc v Walsucks & Walmarket Puerto Rico* WIPO D2000-0477 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0477.html> (accessed on 13/06/2005). In *Walmart* the panel ordered the respondent to transfer the domain names www.walmartcanadasucks.com and www.walmarttuksuck.com to the complainant on grounds that the registration of the domain names constituted abusive domain name registrations.

5.3.6 THE PROBLEM OF NOTORIETY (WELL KNOWN AND FAMOUS TRADE MARKS)

Trade marks have become a vital aspect of trading on the Internet as a result of the discovery of the Internet's potential to be used as a tool for communicating with customers and prospective customers, and for advertising and selling products.⁴⁷⁷

Proprietors of well known marks often encounter problems when attempting to register their marks as second level domain names. This is because they often discover that their marks have already been registered. The problems encountered by proprietors of well known marks when registering their marks as domain names are mainly attributed to the practice of registering domain names on a first come and first served basis, and the lack of resources to verify an applicant's rights to choose particular names. These factors enable domain name registrants to take advantage of the system to the detriment of proprietor's of well known trade marks.⁴⁷⁸ This problem is compounded by the fact that most business entities prefer to register their marks in the gTLDs rather than the relevant ccTLDs, thus giving domain name registrants the opportunity to register well known marks as domain names in ccTLDs.⁴⁷⁹

⁴⁷⁷ Rutherford "Well Known Marks on the Internet" (2000) 12 *South African Mercantile Law Journal* 175.

⁴⁷⁸ *Ibid.*

⁴⁷⁹ Visser & Rutherford "Domain Names: A Legal Model for their Administration and their Interplay with Trade Marks" available at <http://docweb.pwv.gov.za/Ecomm-Debatemyweb/greenpaper/academics/visser.html> (accessed on 20/04/2005).

5.3.7 NON-COMPETING USE

Given that disputes involving legitimate competing claims are the most complex of trade mark and domain name disputes, they remain unresolved in comparison with other domain name disputes.

There are basically two types of legitimate claims. The first involves conflict between trade mark proprietors and domain name holders who have legitimate claims in a particular domain name. This problem is often caused by the fact that domain name registrants are not required to have corresponding trade marks in order to have legitimate rights to the name.⁴⁸⁰

The second type of conflict relates to competing claims with regard to the same name. This dispute usually occurs when two parties with independent trade marks for the same mark (in different classes or different jurisdictions) seek to obtain the same domain name. This dispute is common because ownership rights in many trade marks are divided globally. For instance, the "SCRABBLE" trade mark is owned by an entity (Hasbro) in the USA and another entity in Canada (Mattel). Hence each entity can legitimately claim rights to the domain name scrabble.com.⁴⁸¹

In *Hasbro Inc v Clue Computing*,⁴⁸² the court held that possession of well known marks by trade mark proprietors did not constitute automatic rights to use such marks as domain names. The court held further that persons who possessed innocent and legitimate reasons for using well known marks as domain names and were first to register such domain

⁴⁸⁰ See "Existing Domain Name Case Law" available at <http://cyber.law.harvard.edu/property00/domain/CaseLaw.html> (accessed on 13/06/2005).

⁴⁸¹ AIPLA "Testimony on Internet Domain Names and Trade Mark Protection" available at [http://www.aipla.org/Content/ContentGroups/Legislative_Action/105th_Congress1/Testimony3/Testimony_on_Internet_Domain_Names_Trademark_Protection_\(November_5,_1997\).htm](http://www.aipla.org/Content/ContentGroups/Legislative_Action/105th_Congress1/Testimony3/Testimony_on_Internet_Domain_Names_Trademark_Protection_(November_5,_1997).htm) (accessed on 13/06/2005).

⁴⁸² 66 F Supp 2d 121(1999).

names were entitled to use them, provided that such use would not infringe upon or dilute the well known trade mark.⁴⁸³

The UDRP accepts use, or demonstrable preparations to use, as evidence of a legitimate claim to the name. The Anti-Cybersquatting legislation, on the other hand, only considers prior use, and not preparations to use the name, as evidence of legitimacy.⁴⁸⁴

5.3.8 REVERSE DOMAIN NAME HIJACKING

Trade mark holders also play a contributory role in the development of conflict between trade mark proprietors and domain name holders. This occurs through reverse domain name hijacking.⁴⁸⁵

Reverse domain name hijacking refers to use of the UDRP in bad faith for purposes of depriving a registered domain name holder of a domain name.⁴⁸⁶ Some scholars define it as the process by which trade mark owners assert over-extensive trade mark rights over domain names or when they impinge upon free speech.⁴⁸⁷ In other words, reverse domain name hijacking occurs when trade mark proprietors attempt to obtain domain names from parties who have legitimate competing claims in the absence of infringement or dilution.

⁴⁸³ Buys "Domain Names and how to Protect Them" available at <http://www.bizland.co.za/articles/legal/domains.htm> (accessed on 20/06/2005).

⁴⁸⁴ See paragraph 6.3.1 below.

⁴⁸⁵ Reverse domain hijacking is also referred to as reverse domain name grabbing. Reverse domain grabbing occurs when trade mark holders use their marks to obtain domain names from rightful holders.

⁴⁸⁶ *Consejo de Promocion Turistica de Mexico, S.A.de C.V v Latin America Telecom Inc* WIPO D2004-0242 available at <http://arbiter.wipo.int/domains/decisions/html/2004/d2004-0242.html> (accessed on 08/08/2005). In *Consejo de Promocion* the panel described reverse domain name hijacking as "use of the Policy in bad faith to attempt to deprive a registered domain name holder of a domain name."

⁴⁸⁷ Blackman "The Uniform Dispute Resolution Policy: A Cheaper Way to Hijack Domain Names and to Suppress Critics" (2001) 15 *Harvard Journal of Law and Technology* 211 available at <http://web.lexis-nexis.com/professional> (accessed on 15/05/2005).

The ACPA defines reverse domain name hijacking as overreaching by the trade mark owner in exercising trade mark rights, resulting in transfer of the domain name from a legitimate registrant.⁴⁸⁸

In a case involving a South African based company, Futureworld Consultancy Limited, the court found reverse domain name hijacking on the basis that the complaint had been brought in bad faith. This was because the respondent possessed legitimate rights and interests in the domain name www.futureworld.com.⁴⁸⁹

In *Kiwi Holdings BV v Future Media Architects Inc*,⁴⁹⁰ the panel found reverse domain name hijacking on the basis of the lack of evidence supporting the complainant's allegation that the disputed domain name www.kiwi.com had been registered and was being used in bad faith. The panel held further that the complaint had been brought for purposes of denying the domain name holder rights to the domain name, and therefore, constituted an abuse of the administrative proceedings.

Reverse domain name hijacking also occurs where the complaint is brought despite knowledge that the domain name holder has a right or legitimate interest in the domain name, or where there is knowledge that the name was registered in good faith, with or without the aggravating circumstance of harassment or proof of bad intent.⁴⁹¹

⁴⁸⁸ Section 114 (2)(D)(v).

⁴⁸⁹ *Futureworld Consultancy Ltd v Online Advice* WIPO 2003-0297 available at <http://abiter.wipo.int/domains/decisions/html/2003/d2003-0297.html> (accessed on 08/06/2005). See also *Safmarine v Network Management* WIPO D2000-0764 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0764.html> (accessed on 08/06/2005).

⁴⁹⁰ WIPO D2004-0848 available at <http://abiter.wipo.int/domains/decisions/html> (accessed on 08/08/2005). See also *International Organisation for Standardisation v AQI* WIPO D2004-0666 available at <http://abiter.wipo.int/domains/decisions/html/2004/d2004-0666.html> (accessed on 08/08/2005). In this case the panel found reverse domain name hijacking on grounds that the complainant had failed to prove that the respondent lacked rights or legitimate interests in the domain name www.iso9000standards.com.

⁴⁹¹ *Goldline International Incorporation v Gold Line Internet* WIPO D2000-1151 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-1151.html> (accessed on 08/08/2005).

In *Goldline International Incorporation v Gold Line Internet*,⁴⁹² the complainant alleged bad faith registration and use of the domain name goldline.com by the respondent. The complainant alleged bad faith use and registration on the grounds of an alleged likelihood of confusion between the domain name goldline.com and the trade mark "GOLDLINE," despite the absence of any connection whatsoever between the two businesses.

In finding reverse domain name hijacking the panel held that:

... the complainants' action constituted bad faith, in that prior to filing its complaint, the complainant had to have known that the respondents' registration and use of the domain name could not, under any fair interpretation of the facts constitute bad faith. Not only would a reasonable investigation have revealed these weaknesses in any potential ICANN complaint, but also, the respondent put the complainant on express notice of these facts, therefore any further attempt to prosecute this matter would be abusive and would constitute reverse domain name hijacking ...⁴⁹³

In *Smart Design LLC v Hughes*,⁴⁹⁴ the panel found reverse domain name hijacking in the absence of bad faith on the grounds that the complainant had made bad faith allegations against the respondent, in reckless disregard of whether the facts underlying its claims supported that finding.

The above decisions reveal that bad faith and the resultant finding of reverse domain name hijacking can also be found where the complainant brings insufficient evidence before the court.⁴⁹⁵

In the battle for the domain name www.southafrica.com between Virtual Countries Incorporated (Virtual Countries) and South Africa,⁴⁹⁶ Virtual Countries alleged reverse domain hijacking against South Africa. South Africa argued that it possessed the first

⁴⁹² WIPO D2000-1151 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-1151.html> (accessed on 08/08/2005).

⁴⁹³ *Supra*.

⁴⁹⁴ WIPO D2000-0993 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0993.html> (accessed on 10/08/2005).

⁴⁹⁵ Hollander "The Impact of Reverse Domain Name Hijacking" available at http://www.gigalaw.com/article/2002_all/hollander-2002-03-all.html (accessed on 15/06/2005).

⁴⁹⁶ Bodasing "The Battle for southafrica.com" (2001) April *De Rebus*. See also *Virtual Countries Incorporated v Republic of South Africa* 148 F Supp 2d 256.

right to own its own domain name and lobbied WIPO in an attempt to regain possession of the domain name www.southafrica.com. These attempts were unsuccessful because Virtual Countries issued summons against South Africa seeking a court order prohibiting South Africa from using the domain name. The application was opposed by the South African government on the basis that Virtual Countries could not take a sovereign state to court. This view was upheld by the district court but the name remained the property of Virtual Countries. Although South Africa did not succeed in winning the battle to own the domain name www.southafrica.com, it succeeded in ensuring prohibition against future transfer of the domain name southafrica.com.

ICANN now protects short and long names of countries and prohibits ownership of domain names incorporating such names. This has significantly addressed the problem caused by the acquisition of country names by domain name holders.

It is often difficult to distinguish between cases of reverse domain name hijacking and legitimate claims. Whilst there are currently many reported cases of reverse domain name hijacking, it is estimated that most domain name holders simply give in to the demands of trade mark holders because it is very difficult to prove reverse domain name hijacking. Therefore, the majority of these disputes are never publicised.

5.3.9 META TAGS, KEYWORDS AND RELATED PROBLEMS

Meta tags represent one of the areas of potential trade mark infringement. Meta tags are “hypertext markup language tags” (HTML) used in the hidden header of a Web page” and are regarded as sources of confusion in the minds of users.⁴⁹⁷ This is because they cause confusion in the mind of the consumer as to whether they are related to the site of the trade mark proprietor.

⁴⁹⁷ Basso & Vianna “The Internet in Latin America: Barriers to Intellectual Property Protection: Intellectual Property Rights and the Digital Era: Argentina and Brazil” (2003) 34 *University of Miami Inter-American Law Review* 277 available at <http://web.lexis-nexis.com/professional> (accessed on 18/03/2006).

Meta tag problems are based on the concept that the use of trade marks in keywords amount to a diversion of traffic from the site of the trade mark owner. Meta tags allow creators of web pages to describe the contents of their site to search engines. Part of meta tag are keywords, used in search engines to locate sites on the Internet. Thus the manner in which keywords are created and used in the meta tag section often determine the location where search results are found. The use of trade marks in meta tags, however, often present legal issues for the actual site, the site designer as well as the trade mark owner.

There are many types of meta tags, the most important being "key word meta tags" and "description meta tags." Key word meta tags allow authors of web pages to identify specific terms which locate their web page each time a specific term is searched for through the search engine.⁴⁹⁸ Descriptive meta tags are descriptions which are found beneath the search result of the search engine. Descriptive meta tags permit Internet users to evaluate the relevance of particular search results.

South African courts have not had the opportunity to decide meta tag disputes and to establish whether the use of trade marks as meta tags amounts to infringement. Buys contends that where meta tags are used by persons for purposes of directing Internet traffic to their sites, such use does not constitute *bona fide* use.⁴⁹⁹ Buys supports his argument by highlighting the fact that several USA courts have, in the absence of direct competition between the parties' businesses, rejected claims that meta tags infringe upon a trade mark proprietor's rights.

In *Playboy Enterprises Inc v Calvin Designer Label*,⁵⁰⁰ the court prohibited the respondent from using the plaintiff's marks as domain names and meta tags, on the basis

⁴⁹⁸ *Ibid.*

⁴⁹⁹ *Ibid.*

⁵⁰⁰ 44 USPQ 2d 1157 (ND 1997).

that use of the trade marks, "PLAYBOY" and "PLAYMATE", constituted infringement and dilution of the complainant's trade marks.⁵⁰¹

However, in *Playboy Enterprises Inc v Terry Welles*,⁵⁰² the court found that use of the terms "PLAYBOY" and "PLAYMATE" by Terry Welles, as meta tags for the website *terriwelles.com*, when combined with an express disclaimer that the site was not endorsed by the complainant, constituted fair use of the trade mark. The court held further that use of the terms "PLAYBOY" and "PLAYMATE", considering that Terry Welles had previously been crowned Playmate of the Month and Playmate of the Year, did not constitute trade mark infringement.

5.4 CONCLUSION

From the above discussion it is clear that many conflicts exist between trade mark and domain name holders. The majority of these conflicts are caused by inadequacies in domain name regulations. Arguably, the conditions in place for registration and regulation of domain names promote abusive domain name registrations which, in turn, give rise to increased incidences of trade mark infringement. The lack of compatibility between trade mark and domain name regulatory systems also contributes to the development of the trade mark and domain name conflict.

Trade mark infringement does not only occur as a result of abusive domain name registrations. Some problems emanate from the use of the Internet.⁵⁰³ Given this position, it is vital that certain measures are adopted to regulate the use of the Internet, to prevent

⁵⁰¹ See Muhlberg "A Total Job on Trade Mark Law" (2004) September *De Rebus*, for a Case Comment on *Reed Executive PLC & Anor v Reed Business Information Limited & Ors* 2004 ECWA (Civ) 887. In this case the court *a quo* found infringement and passing off on grounds of banner and meta tag use of the trade mark "REED." Muhlberg contends that the judgement in the *Reed* case is likely to be very influential in South Africa because of the great degree of similarity between the South African and the European trade mark law. See also *Brookfeild Communications Inc v West Coast Entertainment Corporation* 174 F 3d 1036 (9th Cir 1999) where it was held that meta tag or banner use constitutes trade mark infringement.

⁵⁰² 7 F Supp 2d 10.

⁵⁰³ See paragraph 5.3.9 above.

increases in trade mark infringement. In view of the growing trade mark and domain name conflict, the adoption of effective measures to regulate domain name registration and to resolve domain related trade mark disputes is essential.

The next chapter analyses the mechanisms in place for resolution of domain related trade mark disputes. The chapter further analyses the proposed mechanism for alternative domain name dispute resolution in South Africa in comparison with mechanisms from other jurisdictions. This discussion is necessary to highlight the challenges facing South Africa in the area of domain name dispute resolution. Identification of the above challenges is vital for the purpose of making recommendations aimed at improving domain name administration and dispute resolution in South Africa, thus improving domain name regulation as a whole.

CHAPTER SIX

TRADE MARK AND DOMAIN NAME DISPUTE RESOLUTION

6.1 INTRODUCTION

The conflict between trade marks and domain names is responsible for the evolution of much of the litigation involving the Internet. The basic conflict stems from the fact that trade mark law, unlike the law regulating domain names, allows for multiple uses of the same mark thus creating problems between domain names holders and trade mark owners. As stated above,⁵⁰⁴ domain name disputes arise as a result of the registration of domain names which are identical or confusingly similar to trade marks, company names or personal names.⁵⁰⁵

The conflict between trade marks and domain names has, to a great extent, contributed to the development of laws regulating domain name dispute resolution. Today, most of these laws are based on existing trade mark law.

Alternative domain name dispute resolution has been relatively successful, although some problems still exist. These problems are caused by procedural and substantive flaws in some policies for domain name dispute resolution.⁵⁰⁶

There are generally two main ways of resolving domain name disputes: through judicial dispute resolution⁵⁰⁷ and non-judicial dispute resolution, such as the UDRP. These mechanisms differ substantially in the manner in which they resolve domain name disputes and they do not operate exclusively of one another.

⁵⁰⁴ See Chapter Five above.

⁵⁰⁵ Buys *Cyberlaw@ SA* 40.

⁵⁰⁶ See paragraph 6.5.2 below. See also Papavivasiliou "Using the Federal Trade Mark Registration Process to Create Broader yet Fairer Solutions to Domain Name Conflicts" (2003) 11 *University of Baltimore Intellectual Property Law Journal* 93 available at <http://web.lexis-nexis.com/professional> (accessed on 20/06/2005).

⁵⁰⁷ This takes place through the court process.

The mechanisms for domain name dispute resolution in the USA and UK are very advanced and have existed for some time. This is unlike the position in South Africa. South Africa recently published the draft regulations for domain name dispute resolution.⁵⁰⁸ The zaADRR have not yet been adopted and South African trade mark owners continue to endure expensive and time consuming litigation in the High Court in order to enforce their rights.⁵⁰⁹

Recently, criticisms of bias have been levelled against several dispute resolution providers under ICANN and it remains to be seen if South Africa's zaADRR will not fall to the same fate.⁵¹⁰

The section below discusses the different methods of domain name dispute resolution with an emphasis on the South African position.

6.2 DOMAIN NAME DISPUTE RESOLUTION IN SOUTH AFRICA

Presently, South Africa does not have a domain name dispute resolution policy, even though provision for the establishment of such policy was made in Chapter X of the ECTA. Parties to domain name disputes continue to resolve their disputes through the court system.⁵¹¹

⁵⁰⁸ See the Alternative Dispute Resolution Regulations *Government Gazette* 27512 (478), 20 April 2005.

⁵⁰⁹ Muhlberg "Never Say Never" (2002) *August De Rebus*.

⁵¹⁰ See Thornburg "Fast, Cheap, and Out of Control: Lessons from the ICANN Dispute Resolution Process" (2002) 6 *Journal of Small & Emerging Business Law* 197 available at <http://web.lexis-nexis.com/professional> (accessed on 18/03/2006). See also Sorkin, "Judicial Review of ICANN Domain Name Dispute Resolution Decisions," (2001) 18 *Santa Clara Computer & High Technology Law Journal* 35 available at <http://web.lexis-nexis.com/professional> (accessed on 20/06/2005).

⁵¹¹ See for instance *Ramsay Son & Parker v Media24* 4656/04 (CPD) (Unreported). In *Ramsay Son & Parker* the court found trade mark infringement on the basis that the word "WEGBREEK" constituted a direct translation of the mark "GETAWAY" and was therefore confusingly similar to the applicant's registered mark "GETAWAY." Upon finding infringement the court ordered deregistration of the domain name www.wegbreek.co.za. See also *New Media Publishing (Pty) Ltd v Eating Out Web Services CC* 6937/03 (CPD) (Unreported). In *New Media* the Cape Provincial Division found infringement of the applicant's registered trade mark "EATING OUT GUIDE" as a result of the registration of the domain

Domain name disputes are resolved through the application of trade mark law, based on trade mark principles. Arguably, this increases the cost of resolving domain name disputes in South Africa, thus preventing proprietors from claiming their rightful domain names. Absence of a domain name dispute resolution policy in South Africa has also contributed to an increase in abusive domain name registrations.⁵¹²

The general perception among scholars is that the process of resolving domain name disputes in South Africa is extremely expensive and time consuming.⁵¹³ Scholars argue that the average period for the resolution of a domain name dispute in South Africa is three months.⁵¹⁴ It remains to be seen if the costs for domain name dispute resolution in South Africa will be reduced once the regulations have been adopted.

6.2.1 ALTERNATIVE DOMAIN NAME DISPUTE RESOLUTION REGULATIONS (zaADRR)

The zaADRR were published in the Government Gazette on 20 April 2005 for comment and have not yet been adopted. The zaADRR sets out the terms and conditions for the resolution of domain name disputes arising over the registration and use of domain names registered in the .za domain name space.

The zaADRR defines a domain name as “an alphanumeric designation whether interspersed with hyphens or not, that is registered or assigned in respect of an electronic address or other resource on the Internet in a sub-domain of the .za name space.”⁵¹⁵ The zaADRR does not apply to disputes involving second level domain names.⁵¹⁶

names www.eating-out.co.za and www.eatingout.co.za by the respondent. On finding infringement the court ordered transfer of the domain names www.eating-out.co.za and www.eatingout.co.za to the applicant.

⁵¹² See Christian “SA Domain Name Disputes Stunt E-Commerce Growth” My ADSL 13 November 2005 available at <http://mybroadband.co.za/nephp/?m=show&id=683> (accessed on 07/11/2005).

⁵¹³ *Ibid.*

⁵¹⁴ *Ibid.*

⁵¹⁵ Regulation 1.

⁵¹⁶ Regulation 2.

6.2.2 REQUIREMENTS FOR ALTERNATIVE DOMAIN NAME DISPUTE RESOLUTION

The zaADRR sets out certain requirements that must be complied with before a domain name dispute can be submitted under the policy. These are similar to requirements that must be complied with before a domain name dispute can be submitted under the UDRP.⁵¹⁷

The complainant must prove the following elements on a balance of probabilities.⁵¹⁸

- the existence of rights in a name or mark which is identical or similar to the domain name;⁵¹⁹ and
- that registration of the domain name constitutes an abusive⁵²⁰ or an offensive registration.⁵²¹

The zaADRR provides a list of non-exhaustive factors that suggest abusive or offensive domain name registrations.⁵²² These factors include, *inter alia*, circumstances which indicate that the registrant registered or acquired the domain name to:

- sell, send or transfer the domain name to the complainant, competitor of the complainant, or to any third party for a valuable consideration in excess of the registrant's costs for acquiring or using the domain name;
- intentionally block the registration of a mark in which the complainant has rights;

⁵¹⁷ See paragraph 6.5.1 below.

⁵¹⁸ Regulation 3(2).

⁵¹⁹ Regulation 3(1)(a).

⁵²⁰ Regulation 3(1)(a). Regulation 2 defines an abusive registration as a domain name registration which at the time of registration or acquisition, amounts to taking advantage of or is unfairly detrimental to the complainant's rights or one that is used in a manner which takes advantage or is unfairly detrimental to the complainant's rights.

⁵²¹ Regulation 3(1)(b). Regulation 2 defines an offensive registration as a domain name in which the complainant cannot establish rights but whose registration or use is *contra bonos mores*.

⁵²² Regulation 4(1)(a-e).

- unfairly disrupt the business of the complainant or to take advantage of a geographical indicator to the detriment of the complainant or any third party that can lawfully use that geographic indicator; and to
- use the domain name in a way that confuses people into believing that the domain name is registered to, operated or authorised by, or connected with the complainant.

Furthermore, circumstances which indicate that the registrant is engaged in a pattern of making abusive registrations, as where the registrant has given false or incomplete contact details, will also indicate an abusive or offensive registration. Offensive registrations are also indicated by domain names that advocate hatred on grounds of race, ethnicity, gender or religion.⁵²³

The zaADRR also makes provision for a rebuttable presumption which applies when proof of three or more findings of abusive domain name registrations, in twelve months preceding the filing of the dispute, is shown against the respondent.⁵²⁴

The registrant can rebut this presumption by showing that:⁵²⁵

- the domain name was used in connection with a good faith offering of goods or services; or
- that the registrant was commonly known or was legitimately connected with a mark which is identical or similar to the domain name; or
- that the registrant made legitimate non-commercial or fair use of the domain name;
;or
- that the domain name is used generically or in a descriptive manner; and that
- the registrant is making fair use of it.

The zaADRR prohibits the .za domain name Authority and SLD administrators from participating in the administration or conduct of any dispute,⁵²⁶ except under exceptional

⁵²³ Regulation 4(2).

⁵²⁴ Regulation 4(3).

⁵²⁵ Regulation 5(a-d).

⁵²⁶ Regulation 9(1).

circumstances.⁵²⁷ This provision is intended to ensure fairness and objectivity in the process of dispute resolution.

6.2.3 REMEDIES

The zaADRR provides various remedies to complainants upon findings of offensive or abusive registrations.⁵²⁸ Upon finding an abusive registration the adjudicator can order transfer of the domain name to the complainant and, upon finding an offensive registration, the adjudicator can order deletion of the domain name and can prohibit future registration of the domain name. The adjudicator can also refuse to hear the dispute if it constitutes reverse domain name hijacking.⁵²⁹

6.2.4 ALTERNATIVE DISPUTE RESOLUTION PROCEDURES

Any party can initiate dispute resolution proceedings by submitting the required documents in terms of the zaADRR.⁵³⁰ The zaADRR also makes provision for rejection of the resubmission of earlier disputes.⁵³¹ Certain factors are taken into consideration when determining whether a dispute constitutes a resubmission of an earlier dispute. The factors include the similarity existing between the registrant and the domain name with

⁵²⁷ These include circumstances where the adjudicator decides to transfer the domain name to the complainant or circumstances that require the second level administrator to take all reasonable steps to prevent the unlawful transfer or deletion of the domain name.

⁵²⁸ Regulation 10.

⁵²⁹ Regulation 2 defines reverse domain name hijacking as the use of the regulations in bad faith for purposes of depriving a registrant of a domain name.

⁵³⁰ Regulation 17(1). The requirements include: submission of the dispute in both electronic and paper format, provision of the relevant contact details of the parties including the name, physical and email addresses, telephone and fax numbers of the complainant and of any representative authorised to act for the complainant in the dispute, the domain name that is the subject of the dispute, the second level administrator with whom the domain name is registered and the preferred method for transmission of material or communication.

⁵³¹ Regulation 12(5).

those of the earlier case⁵³² and the extent to which the substance of the dispute relates to acts that occurred prior or subsequent to the close of submissions in the earlier case.⁵³³

Submission of oral evidence is also prohibited under the zaADRR.⁵³⁴ Additionally, the zaADRR provides for suspension of a dispute upon initiation of legal proceedings in respect of a domain name.⁵³⁵

The zaADRR also contain an exemption clause, which exempts the provider and the adjudicator from liability for acts or omissions committed during the process of dispute resolution, except in cases of malicious intent or negligence.

6.2.5 COMMENTARY ON THE DRAFT RESOLUTION REGULATIONS

Considering the fact that, to date, South Africa has not had a policy in place for domain name dispute resolution, the draft regulations represent a positive development. The zaADRR indicates conformity between South African law and international law relating to the regulation of domain name disputes.

Incorporation of some of the minimum standards for a dispute resolution model within South Africa's draft regulations indicates harmony between South African law and international law.⁵³⁶ Arguably, incorporation of the above standards into South Africa's

⁵³² Regulation 12(6)(a).

⁵³³ Regulation 12(6)(b).

⁵³⁴ Regulation 28.

⁵³⁵ Regulation 33(1).

⁵³⁶ See *Buyers Cyberlaw @ SA 55*, for the discussion of the recommended minimum standards for a dispute resolution model. These include that: the dispute resolution procedure should not replace court proceedings but should provide an alternative to court proceedings, the dispute resolution procedure should be less expensive than court litigation, the dispute resolution procedure should deliver quick results by setting a time limit for disputes, the dispute resolution process must be fair and must make provision for direct enforcement of the decision. Additionally the dispute resolution procedure should provide a clear definition of the disputes covered by the dispute resolution procedure.

draft regulations will create an efficient and cost effective mechanism for trade mark proprietors and other name holders to protect their rights.

Although the zaADRR will not have international standing, it will provide South African parties with an alternative mechanism to litigation for the resolution of .za domain name disputes. Arguably, the resolution of domain name disputes under the zaADRR will be faster and cheaper than the court process.

An important strength of the zaADRR is the provision for precedent.⁵³⁷ The requirement for adjudicators to follow precedent in the process of decision making constitutes a huge development in the area of domain name dispute resolution. The provision for precedent in the zaADRR is an important improvement from the UDRP which does not provide for precedent. Precedent will be useful in providing panelists and complainants with some degree of guidance, thus reducing inconsistencies in decision making.

However, despite the positive developments, it is acknowledged that some difficulties might be experienced during the early stages of the zaADRR. This is due to the novelty of the concept of alternative domain name dispute resolution in South Africa.

Despite all the positive aspects, the draft regulations contain some weaknesses. The zaADRR has been criticised on a number of grounds, some of which constitute legitimate grounds for concern. The zaADRR has been criticised on the grounds that they were issued without prior public consultation and without the public being given sufficient time to study them and to lodge comments.⁵³⁸ This suggests that the content of the draft regulations does not reflect the views of the public. Critiques argue that the practice of issuing draft regulations without prior public consultation is contrary to the approach of the .za Authority, which requires involvement of the public in the development of domain name rules and policies.⁵³⁹

⁵³⁷ Regulation 14 (1).

⁵³⁸ See Christian "SA Domain Name Disputes Stunt E-Commerce Growth" My ADSL 13 November 2005 available at <http://mybroadband.co.za/nephp/?m=show&id=683> (accessed on 07/11/2005).

⁵³⁹ *Ibid.*

Buys⁵⁴⁰ criticises the draft regulations on the basis that they involve the creation of a completely new authority for dispute resolution which, in his opinion, is unnecessary. Buys argues further that the resolution of domain name disputes under the draft regulations is likely to be more expensive and time consuming, thus slowing down South Africa's progress in keeping with international developments in domain name administration. This argument is debatable because alternative dispute resolution is often faster and less expensive than resolution through the court system, given that the fees for alternative dispute resolution are often kept to an absolute minimum.

Additional grounds for concern regarding the zaADRR relate to the narrow scope of the remedies available to complainants and the issue of procedural unfairness. The zaADRR does not provide for damages or costs and this limits the complainant's remedies where its trade mark rights are infringed or where the respondent trades upon the goodwill associated with its trade mark. Arguably, the narrow scope of the remedies under the zaADRR fails to provide effective sanctions for domain name abuses. This problem can be addressed by introducing punitive measures including damages and orders for costs.

On the other hand, concerns for procedural unfairness can be addressed by making provision for the establishment of a mechanism to review or correct patently incorrect decisions. Effective review would also render panelists more accountable, thereby reducing potential bias.

6.3 DOMAIN NAME DISPUTE RESOLUTION IN THE USA

Domain name dispute resolution in the USA is highly developed. Domain name disputes in the USA are resolved in two main ways: through the court system and outside the court system. The main role of the courts is to determine whether the use or registration of a domain name infringes upon a proprietor's registered trade mark and, in situations where the domain name in dispute has been removed or reallocated, whether the action of the registry was correct. Domain name dispute resolution under the court system is determined in terms of trade mark law and the ACPA.

⁵⁴⁰ *Ibid.*

6.3.1 THE ANTICYBERSQUATTING CONSUMER PROTECTION ACT OF 1999

The ACPA expanded the reach of the Lanham Act 1946 by extending trade mark protection beyond famous marks. The ACPA was adopted in order to protect trade marks against cybersquatting in the USA and has, to date, been very successful.⁵⁴¹ The ACPA applies to domain names in the .com, .net and .org domains.

The ACPA goes beyond trade mark law by protecting trade mark proprietors against the acquisition and use of their marks as domain names by third parties. It prohibits unauthorised registration of a domain name that is identical or confusingly similar to the name of another person, if done with intent to profit from the domain name by selling it for financial gain to such person or a third party.⁵⁴² The only exception to this provision applies to copyright owners and licencees who register a domain name in association with a work of authorship protected under title 17 of the USA Code.⁵⁴³

To prevail with a claim under the ACPA, a plaintiff must show that it owns a protected mark, and that the defendant registered, trafficked in, or used a domain name that:⁵⁴⁴

- in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to the distinctive mark;⁵⁴⁵
- in the case of a mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of the famous mark;⁵⁴⁶ and
- is a trade mark, word, or name protected by the USA Code.⁵⁴⁷

⁵⁴¹ See Buys *Cyberlaw @ SA* 48, for a discussion on the ACPA.

⁵⁴² Section 1125(b)(1)(A) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006). See also Mota "The Anticybersquatting Consumer Protection Act: An Analysis of The Decisions from the Courts of Appeals" 2003 (21) *John Marshall Journal of Computer & Information Law* 355 available at <http://web.lexis-nexis.com/professional> (accessed on 18/03/2006), for an Appendix of the ACPA.

⁵⁴³ Section 1125(b)(1)(B) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006).

⁵⁴⁴ Section 1125(d)(1)(A)(i) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006).

See also Buys *Cyberlaw @ SA* 48.

⁵⁴⁵ Section 1125(d)(1)(A)(ii) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006).

⁵⁴⁶ *Ibid.*

⁵⁴⁷ *Ibid.* The names protected by the USA code include names, signs or emblems reserved for use

The ACPA requires a finding of bad faith to establish violation.⁵⁴⁸ The ACPA provides a list of non-exhaustive factors that determine bad faith.⁵⁴⁹ These factors are similar to those set out in the UDRP.⁵⁵⁰

The factors that determine bad faith under the ACPA include the following:⁵⁵¹

- the absence of trade mark or other intellectual property rights in the domain name;
- lack of prior use of the domain name by the registrant in connection with a *bona fide* offering of goods or services;⁵⁵²
- the registration of a domain name with the intention to divert consumers from the owner's online location to a site accessible under such domain name;⁵⁵³
- the offer to sell or assign the domain name to the trade mark holder for financial gain without having used it in connection with a *bona fide* offering of goods and services;⁵⁵⁴
- provision of material and false information when applying for the domain name registration;⁵⁵⁵

by the USA Olympic Committee or the Red Cross.

⁵⁴⁸ Section 1125(d)(1)(A)(i) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006).

See also *Shields v Zuccarini* 254 F 3d 476 (3d Cir 2001).

⁵⁴⁹ Anderson & Cole "The UDRP-A Model for Dispute Resolution in E-Commerce" 235.

⁵⁵⁰ See clause 4 (b) of the UDRP.

⁵⁵¹ Section 1125(d)(1)(B)(i) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006). See also *Buys Cyberlaw @ SA* 48.

⁵⁵² See *TMI Inc v Maxwell* 368 F 3d 433 (5th Cir 2004). In *TMI Inc* the court dismissed the plaintiff's claim that the defendant's use of the non-commercial gripe site violated the ACPA. The court held that the defendant's operation of a non-commercial gripe site at a domain which only varied from plaintiff's mark by the subtraction of the letter "s" did not violate the ACPA because it was used in connection with a *bona fide* offering of goods and services.

⁵⁵³ This includes intention to make commercial gain, tarnish or harm the goodwill of the mark and creating a likelihood of confusion as to the source, sponsorship or endorsement of the site.

⁵⁵⁴ See *Virtual Works Inc v Volkswagen of America Inc* 238 F 3d 262 (4th Cir 2001), where the court found violation of the ACPA on the grounds that the plaintiff registered and offered to sell to the defendant the domain name *vw.net*, containing the defendant's Volkswagen's famous "VW" mark.

⁵⁵⁵ This also extends to failure to maintain accurate contact information on the "WHOIS" server.

- the registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to distinctive marks, or dilute famous marks of other persons;⁵⁵⁶ and
- the extent to which the mark incorporated in the domain name registration is or is not distinctive and famous within the meaning of Section 43(c)(1).

In *Toronto-Dominion Bank v Boris Karpachev*,⁵⁵⁷ the court found violation of the ACPA on the basis that the defendant registered domain names containing misspellings of the plaintiff's trade mark, which he used to express complaints about the plaintiff's business practices.

However, in *Mayflower Transit LLC v Dr Brett Prince*,⁵⁵⁸ the court held that the defendant's use of a plaintiff's mark, criticising the plaintiff on non-commercial websites did not constitute a violation of the ACPA. This was based on the basis that use of the mark by the defendant constituted *bona fide* non-commercial use. In reaching its decision, the court stated that the defendant's use of the plaintiff's mark was not motivated by the desire to use his site to obtain money from the plaintiff, but by the desire to express his dissatisfaction with plaintiff's alleged conduct.

In *Sporty's Farm LLC v Sportsman's Market Inc.*,⁵⁵⁹ the Court of Appeals for the Second Circuit upheld the lower court's decision requesting the respondent to transfer the domain name to the complainant, on the basis that the domain name sportys.com was confusingly similar to the complainant's registered mark "SPORTY'S". The Court further prohibited continued use of the domain name sportys.com, containing the complainant's federally registered trade mark, "SPORTY'S". Courts will not find bad faith intent if the domain name registrant proves that it believed, and had reasonable grounds to believe, that use of the domain name constituted fair use or lawful.⁵⁶⁰

⁵⁵⁶ The mark must be distinctive or famous at the time of registration of the domain name.

⁵⁵⁷ 188 F Supp 2d 110 (2002).

⁵⁵⁸ 314 F Supp 2d 362 (2004).

⁵⁵⁹ 202 F 3d 489 (2d Cir 2000).

⁵⁶⁰ Section 1125 (d)(1)(B)(ii) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006).

The remedies available under the ACPA depend on the type of violation that has occurred. The ACPA offers the possibility of a temporary restraining order and preliminary injunction if immediate relief is warranted.⁵⁶¹ Other remedies available include transfer, cancellation of the domain name, attorney's fees and statutory damages.⁵⁶² Statutory damages range from \$1000 to \$100 000 per domain name and no proof of actual damages is required.⁵⁶³ The ACPA also makes provision for injunctive relief.⁵⁶⁴

6.3.2 *IN REM* ACTION UNDER THE ACPA

The ACPA also makes provision for *in rem* actions in order to address the problem associated with locating domain name registrants.⁵⁶⁵ *In rem* proceedings are useful if the defendant is located outside the USA, cannot be reached, or has given false information to the domain name registrar so as to render him unreachable. In such circumstances the ACPA allows a plaintiff to obtain *in rem* jurisdiction by filing an action against the domain name itself.

In rem actions found jurisdiction

- in the judicial district of the domain name registrar, domain name registry or other domain name authority that registered or assigned the domain name; or
- where documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

⁵⁶¹ Section 1125(d)(1)(C) available at <http://www.patents.com/acpa.htm> (accessed on 12/01/2006).

⁵⁶² *Ibid.*

⁵⁶³ Anderson & Cole "The UDRP-A Model for Dispute Resolution in E-Commerce" 245.

⁵⁶⁴ *Ibid.*

⁵⁶⁵ Section 1125(d)(2)(C). See also Anderson & Cole "The UDRP-A Model for Dispute Resolution in E-Commerce" 246. See also Buys *Cyberlaw @ SA* 48.

In rem actions are not exclusive and can exist concurrently with any other applicable jurisdiction.⁵⁶⁶ *In rem* actions have been criticised on the grounds that they expand the scope of the ACPA to disputes with very little connection to the USA.⁵⁶⁷

Remedies available under the *In rem* action are limited to cancellation, or transfer of the domain name and do not include damages.⁵⁶⁸

6.3.3 COMMENTARY ON THE ACPA

The ACPA has been most successful in combating cybersquatting and has been commended for consolidating trade mark and dilution concepts, thus recognising the dual purpose of domain names in commerce.⁵⁶⁹ Despite its successes however, the ACPA has been criticised for many reasons. Criticisms of the ACPA have come from a variety of sources, both within and without the USA.

Complaints against the ACPA include such grounds as procedural flaws and free speech concerns, and the ACPA's impact of undermining international efforts aimed at reducing costs and complexity of international lawsuits over cybersquatting.⁵⁷⁰ Concern has also been raised with regard to the implications of the ACPA on the jurisdiction of competent courts from other countries. The ACPA has been criticised for providing domain name

⁵⁶⁶ Buys *Cyberlaw @ SA* 49.

⁵⁶⁷ Polkwagner & Struve "Realspace Sovereigns in Cyberspace: Problems with the Anticybersquatting Consumer Protection Act" (2002) 17 *Berkeley Technology Law Journal* available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=321901 (accessed on 18/05/2005).

⁵⁶⁸ Section 1125(d)(2)(D) of the ACPA available on <http://www.patents.com/acpa.htm> (accessed on 12/01/2006).

⁵⁶⁹ See Buys *Cyberlaw @ SA* 48. See also Efroni: "The Anticybersquatting Consumer Protection Act and the Uniform Dispute Resolution Policy: New Opportunities for International Forum Shopping" (2003) 26 *Columbia Journal of Law & Arts* 342 available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=667282 (accessed on 18/05/2005).

⁵⁷⁰ Greene "Abusive Trademark Litigation and the Incredible Shrinking Confusion Doctrine: Trademark Abuse in the Context of Entertainment Media and Cyberspace" 609. See also Reed *Internet Law: Texts and Materials* 62.

registrants in the USA with a tool to appeal against foreign court decisions regarding TLDs.⁵⁷¹

Despite the fact that the ACPA provides important ways to combat cyberpiracy, scholars argue that it has failed to address two significant problems resulting from the domain name system.⁵⁷² Leaffer argues that the ACPA has failed to resolve the problem associated with the existence of legitimate rights in a mark or the innocent registration of domain names.⁵⁷³

Critiques of the ACPA argue further that abandonment of two of the most basic concepts of trade mark law has established excessive protection for cyberspace.⁵⁷⁴ These concepts include the “use in commerce” requirement and the concept of trade mark protection regarding the same class of goods or services for non-famous marks. Other scholars argue that the ACPA has increased the potential for reverse domain hijacking and speech suppression by trade mark owners.⁵⁷⁵

⁵⁷¹ *Ibid.*

⁵⁷² See Leaffer’s evaluation of the ACPA in Visser & Rutherford “Domain Names: A Legal Model for their Administration and their Interplay with Trade Marks” available at <http://docweb.pwv.gov.za/Ecomm-Debate/myweb/greenpaper/academics/visser.html> (accessed on 20/04/2005).

⁵⁷³ *Ibid.*

⁵⁷⁴ *Ibid.*

⁵⁷⁵ See the National Telecommunications and Information Administration Paper on the Management of Internet Names and Addresses, Document No: 980212036-8146-02 (6 May 1998) available at http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm (accessed on 18/11/2005).

6.4 DOMAIN NAME DISPUTE RESOLUTION IN THE UK

Domain dispute resolution in the UK takes place in terms of the judicial and non-judicial system. Judicial resolution occurs through the court system and non-judicial resolution occurs through alternative domain name dispute resolution mechanisms. Domain name dispute resolution through the courts takes place through the application of trade mark laws and is based on principles of trade mark infringement and passing off and non-judicial dispute resolution occurs through Nominet UK Dispute Resolution Service.

6.4.1 NOMINET DISPUTE RESOLUTION SERVICE POLICY

The Nominet Dispute Resolution Service (DRS) Policy was established in order to administer the .uk ccTLD. Nominet UK (Nominet) is a non profit domain name registry and is the designated manager of the .uk ccTLD. Nominet provides an innovative, efficient and transparent dispute resolution service.

Nominet derives its authority from the UK Internet community and the UK Government. It manages a number of SLDs within .uk domain which include, *inter alia*, the .co.uk for commercial enterprises, the .me.uk for personal domains, the .org.uk for non-commercial organisations, the .plc.uk and .ltd.uk for use by registered companies, the .net.uk for the network providers and the .sch.uk for schools.

Nominet performs four main functions. It is responsible for maintaining the integrity of the database and processes supporting it. This function entails ensuring accuracy of the details on the database. Nominet is also responsible for ensuring consistency and fairness in the registration and transfer of domain names.⁵⁷⁶

Nominet panel members are appointed on a rotational basis.⁵⁷⁷ This means that when a dispute is filed, Nominet approaches the next available expert on its list. Once the

⁵⁷⁶ *Ibid.*

⁵⁷⁷ See Nominet's procedure for appointing experts available at <http://www.nic.uk/disputes/drs/experts/> (accessed on 18/11/2005).

panelist has been appointed, their name is moved to the bottom of the list.⁵⁷⁸ Nominet's procedure for the appointment of experts ensures that parties to a dispute cannot tell in advance which panelist will be appointed, thus ensuring some degree of fairness.

Generally, Nominet disputes are decided by a single panelist. However, this does not apply to the appeal process. Three experts are appointed for the appeal process. Two of them are appointed in the same way experts are appointed for an ordinary dispute under Nominet and the chairman of the expert's group is appointed as the third panelist.⁵⁷⁹ The fees for resolution vary according to the number of panelists involved.⁵⁸⁰

6.4.2 REQUIREMENTS OF NOMINET DISPUTE RESOLUTION SERVICE POLICY

The Nominet Alternative Dispute Resolution Service is a form of mediation whereby parties to a dispute, agree with a third party intermediary to assist them in reaching a negotiated settlement.⁵⁸¹ Nominet's dispute resolution process is initiated by submission of the complaint in electronic and hard copy format.⁵⁸² This process is open to all parties and does not replace the role of the courts.

Nominet's decisions are binding on the parties involved.⁵⁸³ Nominet's procedure for resolving domain name disputes is similar to that of the UDRP. Certain elements must be

⁵⁷⁸ *Ibid.*

⁵⁷⁹ *Ibid.*

⁵⁸⁰ The fee for a single expert is seven hundred and fifty pounds plus VAT (Value Added Tax) and the fee for an appeal panel is three thousand pounds plus VAT, each panelist is paid a thousand pounds plus VAT. See Nominet's fee structure available at <http://www.nic.uk/disputes/drs/experts/> (accessed on 18/11/2005).

⁵⁸¹ Du Plessis & Viljoen "Registering Domain Names" 152.

⁵⁸² Paragraph 3(c) of Nominet Dispute Resolution Procedure available at <http://www.nic.uk/disputes/drs/procedure> (accessed 18/11/2005).

⁵⁸³ Nominet Dispute Resolution Policy available at <http://www.nic.uk/disputes/drs/policy> (accessed on 18/11/2005).

proved by a complainant in order to succeed with a complaint under Nominet's dispute resolution policy.⁵⁸⁴ These elements should be proved on a balance of probabilities.

A complainant must prove that he has rights in respect of a name or mark which is identical or similar to the domain name and that the domain name in the hands of the respondent is abusive.⁵⁸⁵ Paragraph 3(a) of Nominet DRS Policy provides a list of non-exhaustive factors which suggest evidence of abusive registrations. These include circumstances indicating that the respondent registered or otherwise acquired the domain name:

- primarily for the purposes of selling, renting or otherwise transferring the domain name to the complainant or to a competitor of the complainant, for valuable consideration in excess of the respondent's documented out-of-pocket costs for acquiring or using the domain name;
- to prevent the complainant from registering a name or mark in which he has rights; or
- primarily for the purpose of unfairly disrupting the business of the complainant; and
- circumstances indicating that the domain name was used in ways which confused persons into believing that it was registered to, authorised by, or otherwise connected with the complainant.

⁵⁸⁴Carboni & Cornwell "Defeating Trademark Infringement on the Internet and Beating Cybersquatters" (2001) 45 *New South Wales Society Journal*. See also the Nominet Dispute Resolution Policy available at <http://www.nic.uk/disputes/drs/policy> (accessed on 18/11/2005).

⁵⁸⁵ See paragraph 1 of the Policy for the definition of abusive registrations. Paragraph 1 defines an abusive registration as a domain name which (i) was registered or acquired in a manner, which at the time of registration or acquisition, took unfair advantage of or was unfairly detrimental to the complainant's rights, or (ii) has been used in a manner, which took unfair advantage of or was unfairly detrimental to the complainant's rights. Factors suggesting abusive registrations include the registration of a domain name primarily for the purpose of unfairly disrupting the business of the complainant (Paragraph 3(a)) and the registration of a domain name for the purpose of unfairly disrupting the business of the complainant (Paragraph 3a(i)(C)).

Abusive registrations can also be indicated by evidence that the respondent provided false contact details. Paragraph 4(a) of Nominet's DRS Policy provides a list of non-exhaustive factors which can be used by the respondent to rebut allegations of abusive domain name registrations. These factors are similar to those of the UDRP and include that before notification of the dispute the respondent:

- had 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
- was commonly known by the domain name, even if he had not acquired trade mark rights; or that
- he was making legitimate non-commercial fair use of the domain name, without intent to make commercial gain, mislead, divert or tarnish the trade mark.

Failure to prove the above elements will result in failure of the complaint.⁵⁸⁶ In *Search Press Ltd v Robert Morrison*,⁵⁸⁷ the panel ordered transfer of the domain name *searchpress.co.uk* on the ground that the complainant possessed rights in respect of the mark "SEARCH PRESS", which was similar to the domain name. The panel held further that the respondent's domain name constituted an abusive registration.

⁵⁸⁶ See *Butler Group v Danny Verwieren* Nominet DRS 03857 available on <http://www.nominet.org.uk/disputes/drs/decisions/> (accessed on 16/01/2006). In *Butler Group* the panel refused to order transfer of the domain name *www.butlergroup.com* to the complainant on the grounds that the complainant had failed to prove on a balance of probabilities, that he had rights in respect of a name or mark that was similar or identical to the domain name.

⁵⁸⁷ Nominet DRS 03035 available at <http://www.nominet.org.uk/disputes/drs/decisions> (accessed on 16/01/2006). See also *Armada Commercial Ltd v Vans Direct (UK) Ltd* Nominet DRS 03087 available at <http://www.bailii.org/uk/cases/DRS/2005/3087.html> (accessed on 16/01/2006). In *Armada* the panel found that the complainant had rights in the name "ARMADALE COMMERCIALS." Further, the panel found that the respondent's domain name *armadalecommercial.co.uk* was identical to the complainant's domain name *www.armadalecommercialsltd.com*. The panel also found abusive registration on the basis that the respondent registered the domain name for purposes of diverting traffic intended for the complainant's site to his own site, thus taking advantage of the complainant's rights.

Since its re-launch in September 2001, Nominet has received more than 4297 new cases for the Dispute Resolution and the majority of the decisions have been in favour of the complainant.⁵⁸⁸ These statistics indicate relative success of the Policy despite the general trend of supporting complainants.⁵⁸⁹

Nominet provides an appeal process for unsuccessful parties. This process is initiated by submitting a statement of the intention to appeal together with a non-refundable deposit, which must be followed within fifteen days, by an appeal notice and the balance of the fee.⁵⁹⁰ The appeal process can also be initiated by submitting a notice of appeal and the whole fee.⁵⁹¹

The appeal panel consists of the chairman of a group of experts, or at his discretion, an expert of his choice, and the next available independent experts appointed by rotation from the list maintained by Nominet.⁵⁹² Nominet's dispute resolution policy differs from that of the UDRP in this respect. This is because the UDRP does not contain any provision for appeal or review. The remedies available under Nominet's dispute resolution include transfer, cancellation or suspension of the domain name registration.

⁵⁸⁸ See Statistics for Nominet Dispute Resolution Service available at <http://www.nominet.org.uk/disputes/drs/statistics/> (accessed on 18/05/2006). As of 8 May 2006, 4297 cases have been filed with Nominet DRS for dispute resolution since its re-launch on 24 September 2001. Of these, 991 (23%) of the complaints were invalid and were therefore deemed withdrawn. A total of 1240 cases have completed the informal mediation stage. Of these, parties have reached agreement to settle their dispute in 685 (56%) cases. Of the 523 cases referred to an independent expert for decision making the complainant has been successful in 402 (77%) of the cases. In 121 cases the complaint was dismissed, in 3 of the dismissed cases the expert also returned a finding of reverse domain name hijacking.

⁵⁸⁹ *Ibid.*

⁵⁹⁰ Paragraph 18(a)(i).

⁵⁹¹ Paragraph 18(a)(ii).

⁵⁹² Paragraph 18(b).

ICANN was established in 1998 as a non-profit organisation designed to coordinate the assignment of Internet technical parameters in order to maintain connectivity on the Internet, perform and oversee functions related to coordination of the IP address space and to perform and oversee functions related to coordination of the DNS.⁵⁹³ An additional function of ICANN was to manage and promote competition in the field of domain name registration.⁵⁹⁴ ICANN, in turn, established the UDRP whose purpose was to provide on-line dispute resolution for domain name disputes in gTLDs, create uniform international standards for the resolution of domain name disputes and to ensure speedy and economical ways of resolving domain name disputes.⁵⁹⁵ The UDRP was also adopted to address the increase in abusive domain name registrations.⁵⁹⁶

The UDRP applies to the .com, .net, .org, .biz, .info and .name gTLDs, and the ccTLDs that have adopted it on a voluntary basis which include, *inter alia*, the .cd, .ch, .nu, .co, .tv, .ac, .au, .ro, .fr, .ec and .gt ccTLDs.⁵⁹⁷ Persons or entities wishing to register domain names in the .com, .net, .org, .biz, .info and .name TLDs and the respective ccTLDs are required to consent to the terms and conditions of the UDRP.

⁵⁹³ Visser "Recent Developments Regarding the Protection of Domain Names" 1999 (11) *South African Mercantile Law Journal* 485.

⁵⁹⁴ Helfer & Dinwoodie "Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Policy" 153.

⁵⁹⁵ Thornburg "Fast, Cheap, and Out of Control: Lessons from the ICANN Dispute Resolution Process" 197.

⁵⁹⁶ Stewart "The Best Laid Plans: How Unrestrained Arbitration Decisions Have Corrupted the Uniform Domain Name Dispute Resolution Policy" (2001) 53 *Federal Communications Law Journal* 509 available at <http://www.law.indiana.edu/fclj/pubs/v53/no3/stewart.pdf> (accessed on 18/11/2005).

⁵⁹⁷ Hunter "Acting Against Cybersquatters: An Overview of the ICANN Domain Name Dispute Resolution System" (2001) 9 *Juta Business Law* 174.

Presently, ICANN has four approved dispute resolution service providers accepting complaints.⁵⁹⁸ These include WIPO,⁵⁹⁹ National Arbitration Forum (NAF),⁶⁰⁰ CPR Institute for Dispute Resolution,⁶⁰¹ and the Asian Domain Name Dispute Resolution Centre.⁶⁰² Disputes brought before the UDRP are decided by a one member or three member panel. The decision on the number of panelists to hear a domain name dispute rests with parties to the dispute. This differs from Nominet's policy because panelists are appointed by Nominet and not by parties to the dispute.

The fees for resolution vary, according to the number of domain names and panelists involved. For a case filed with WIPO involving between one to five domain names that is to be decided by a single panelist, the fee is one thousand five hundred dollars. For a case that is to be decided by a three member panel, the fee is four thousand dollars.⁶⁰³ For a case involving between six to ten domain names that is to be decided by a single panellist, the fee is two thousand dollars, and five thousand dollars for a case that is to be decided by a three member panel.⁶⁰⁴

The UDRP provides guidelines for domain name dispute resolution and does not supplement or replace court proceedings. It governs the manner in which domain name disputes involving gTLDs are resolved, defines the conditions under which genuine

⁵⁹⁸ See ICANN, Approved Providers for Uniform Domain-Name Dispute-Resolution Policy available at <http://www.icann.org/general/white-paper-05jun98.htm> (accessed on 18/11/2005). A former provider eResolution stopped accepting proceedings after November 30, 2001.

⁵⁹⁹ WIPO has been a provider of domain name dispute resolution services since December 1, 1999.

⁶⁰⁰ The NAF became an approved provider on December 23, 1999.

⁶⁰¹ The CPR institute for Dispute Resolution was approved as a service provider on May 22, 2000.

⁶⁰² The Asian Domain Name Dispute Resolution Centre is the most recently approved service provider. It was approved on February 28, 2002.

⁶⁰³ See the Schedule for Fees under the UDRP available at <http://www.arbiter.wipo.int/domains/fees/index.html> (accessed on 18/11/2005).

⁶⁰⁴ *Ibid.*

domain name disputes arise, and provides guidelines regarding the administrative procedures to be followed in the resolution of disputes.⁶⁰⁵

The UDRP and its accompanying rules are incorporated by reference into all registration agreements with approved registrars and sets out the terms and conditions for resolving disputes concerning the registration and use of domain names.⁶⁰⁶

6.5.1 FUNDAMENTALS OF THE UDRP

The UDRP offers a simple way of resolving domain name disputes by providing a quick and relatively inexpensive mechanism for parties to challenge a domain name holder's rights to a name. The UDRP is narrow in scope.⁶⁰⁷ It does not grant relief to every domain name registration that violates trade mark law.⁶⁰⁸ The UDRP only applies to disputes involving bad faith registrations and cybersquatting and does not apply to disputes between parties with conflicting legitimate trade mark rights.⁶⁰⁹

UDRP proceedings are initiated by submitting a complaint to one of the four ICANN approved dispute resolution service providers.⁶¹⁰ The procedure for instituting dispute

⁶⁰⁵ See ICANN, Uniform Dispute Resolution Policy available at <http://www.icann.org/udrp/udrp-policy-24oct99.htm> (accessed on 18/11/2005).

⁶⁰⁶ Paragraph 1 of the UDRP. See also ICANN, Rules for the Uniform Domain Name Dispute Resolution Policy available at <http://www.icann.org/udrp/udrp-rules-24oct99.htm> (accessed on 18/11/2005).

⁶⁰⁷ Helfer & Dinwoodie "Designing Non-National Systems: The Case of the Uniform Domain Name Dispute Policy" 153.

⁶⁰⁸ Blackman "The Uniform Dispute Resolution Policy: A Cheaper Way to Hijack Domain Names and to Suppress Critics" (2001) 15 *Harvard Journal of Law and Technology* 211 available at <http://web.lexis-nexis.com/professional> (accessed on 15/05/2005).

⁶⁰⁹ See *Cellular One Group v Applied Communication Inc* WIPO D2001-1520 available at <http://abiter.wipo.int/domains/decisions/html/2001/d2001-1520.html> (accessed on 18/11/2005). See also *Rogers Cable v Arran Lai* WIPO D2001-0201 available at <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0201.html> (accessed on 18/11/2005).

⁶¹⁰ See the list of accredited service providers available at <http://www.icann.org/udrp/approved-providers.htm> (accessed on 18/11/2005). The accredited forums include WIPO, the National Arbitration

resolution proceedings under the UDRP is similar to that of other policies. The complaint must be submitted to the service provider in hard copy and electronic format.⁶¹¹ Once the proceedings have been initiated and the complaint has been forwarded to the registrant, the registrant has twenty days in which to respond.⁶¹² Upon receiving the registrant's response, the provider has five days in which to appoint an arbitration panel and the panel must issue a decision within two weeks.

UDRP disputes are decided by a panel comprised of one or three members and, unless one of the parties elects a three member panel, a single panelist is appointed. Each provider maintains a list of qualified panelists, from which panelists are selected. Where a three member panel is to be appointed, each party may nominate prospective panelists drawn from any provider's list.⁶¹³ The decision on the number of panelists to decide the dispute rests with the parties to the dispute. Critics argue that by allowing complainants to choose dispute resolution service providers, the selection process is automatically tipped in the complainant's favour.⁶¹⁴ They argue further that providers are generally inclined to favour trade mark holders because they pay the fees.⁶¹⁵ In the event that proceedings are challenged, the UDRP requires the complainant to submit to jurisdiction of the court with "mutual jurisdiction."⁶¹⁶

Forum (NAF), the CPR Institute for Dispute Resolution, the Asian Domain Name Dispute Resolution Centre. eResolution stopped accepting proceedings after November 30, 2001.

⁶¹¹ Sorkin "Judicial Review of ICANN Domain Name Dispute Resolution Decisions" 35.

⁶¹² Paragraph 5(a).

⁶¹³ Paragraph 6(d).

⁶¹⁴ Kornfeld "Evaluating the Uniform Domain Name Dispute Resolution Policy" available at <http://cyber.law.harvard.edu/icann/pressingissues2000/briefingbook/udrp-review.html> (accessed on 18/11/2005).

⁶¹⁵ *Ibid.*

⁶¹⁶ Paragraph 3(xiii). The UDRP defines a mutual jurisdiction as: a court jurisdiction at the location of either (a) the principal office of the Registrar (provided the domain-name holder has submitted in its registration agreement to that jurisdiction for court adjudication of disputes concerning or arising from the use of the domain name) or (b) the domain-name holder's address as shown for the registration of the domain name in Registrar's "WHOIS" database at the time the complaint is submitted to the Provider.

To establish a valid claim under the UDRP, the complainant must prove the three elements set out in the Paragraph 4(a) of the Policy.⁶¹⁷ The complainant must prove that:

- the domain name is identical or confusingly similar his trade mark;
- the registrant lacks rights or legitimate interests in the domain name;⁶¹⁸ and that
- the domain name was registered and is being used in bad faith.⁶¹⁹

Failure to prove any one of these three elements will result in failure of the complaint.⁶²⁰

In *Rand Refinery Ltd v Reinhardt*,⁶²¹ the complainant failed to retrieve the domain name krugerrand.com from the respondent despite proving that the domain name krugerrand.com was identical to its registered mark “KRUGERRAND”. This was due to failure by the complainant to prove that the respondent had registered the domain name in bad faith.

(i) Respondent’s domain name is identical or confusingly similar to the complainant’s trade mark

The complainant can satisfy the above element by providing evidence of a trade mark registration in any country, or by showing evidence of common law trade mark use. The UDRP does not specifically require proof of a trade mark registration, common law use of a trade mark in a place where common law rights are recognised is sufficient.⁶²²

In *World Wrestling Federation Entertainment Inc v Michael Bosman*,⁶²³ the panel found the respondent’s domain name confusingly similar to the complainant’s mark,

⁶¹⁷ Hunter “Acting Against Cybersquatters: An Overview of the ICANN Domain Name Dispute Resolution System” 175.

⁶¹⁸ Paragraph 4(b)

⁶¹⁹ Paragraph 4(c).

⁶²⁰ See Rayan “Playing by the Rules” 30.

⁶²¹ WIPO D2001-0233 available at <http://abiter.wipo.int/domains/decisions/html/2001/d2001-0233.html> (accessed on 18/11/2005).

⁶²² See *Julia Roberts v Russell Boyd* WIPO D2000-0210 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0210.html> (accessed on 08/08/2005).

⁶²³ WIPO D1999-0001 available at <http://abiter.wipo.int/domains/decisions/html/1999/d1999-0001.html> (accessed on 20/11/2005).

irrespective of the fact that the complainant's mark and the respondent's mark differed as a result of missing punctuation marks and the addition of the .com.

In order to successfully prove that a respondent's domain name is identical or confusingly similar to the complainant's mark where famous marks are concerned, a complainant should provide evidence of trade mark registrations in the respondent's country. In *Sanlam Ltd v Selat Sunda Inc*,⁶²⁴ the panel found the respondent's domain names sanlam.com and sanlam.net confusingly similar to the complainant's trade mark "SANLAM" and ordered transfer of the respective domain names to the complainant. The addition of words or letters to well known marks in a domain name will not prevent a finding that the disputed domain name is confusingly similar to the well known mark.⁶²⁵

(ii) The respondent has no rights and legitimate interests

The second element which a complainant must prove is that the registrant lacks rights or legitimate interests in the domain name in dispute. This element can be proved by showing that the domain name in dispute is not in use by the respondent, or by proving that no similarity or correspondence exists between the domain name and the respondent's marks. Absence of rights and legitimate interest in the domain name can also be proved by evidence of the absence of any connection between the respondent's name and the domain name in dispute. Evidence of an attempt by the respondent to sell the domain name to the complainant, the respondent's awareness of the complainant's trade mark and disregard of the complainant's rights in the mark also serve as proof of the lack of rights and legitimate interests in domain name.⁶²⁶

⁶²⁴ WIPO D2000-0895 available at <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0895.html> (accessed on 18/11/2005).

⁶²⁵ *Universal City Studios Inc v CPIC NET* WIPO D2000-0685 available at <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0685.html> accessed on 20/11/2005).

⁶²⁶ Cheng "Domain Name Dispute Resolution" available at <http://www.fasken.com> (accessed on 7/11/2005).

Paragraph 4(c) of the UDRP provides a list of factors that can be used by the respondent to prove the existence of rights and legitimate interest in the domain name.⁶²⁷ A respondent can prove that before notification of the dispute:

- he had 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
- he was commonly known by the domain name, even if the respondent had not acquired trade mark rights; or that
- he was making legitimate non-commercial fair use of the domain name, without intent to make commercial gain, mislead, divert or tarnish the trade mark or service mark at issue.

The defenses available in paragraph 4(c) are intended to protect the respondent where he has rights and legitimate interests in the domain name. However, these defenses do not provide absolute protection. In *Fiber-Shield Industries Inc v Fiber Shield Ltd*,⁶²⁸ involving the registration of a domain name *fibershield.net*, incorporating the complainant's mark "FIBER-SHIELD", the panel failed to recognise rights and legitimate interests as a complete defense against the registered mark owner. The respondent alleged that it had been conducting business in Canada under the name "FIBER SHIELD TORONTO LTD" and was unaware of the complainant's business activity under the name "FIBER SHEILD INDUSTRIES INC" until its attempt to register the domain name *fiber-shield.com*, and upon being advised of the unavailability of the name, had registered the domain *fibershield.net*. The panel stated that the respondent did not possess rights superior to those of the complainant in the name "FIBER-SHIELD". The panel found that the respondent had registered the domain name *fibershield.net* aware of a confusingly similar prior registration in favour of the complainant. The panel found further that the respondent had registered the domain name

⁶²⁷ See also Thornburg "Fast, Cheap, and Out of Control: Lessons from the ICANN Dispute Resolution Process" 198.

⁶²⁸ FA92054 available at <http://www.arbforum.com/domains/decisions/92054.html> (accessed on 18/11/2005).

fibershield.net in bad faith, and that the respondent possessed no rights or legitimate interest in the said domain name. As a result, the respondent lost the domain name fibershield.net, regardless of the fact that he had operated a legitimate, non-competing business under the name for more than ten years.

(iii) **Bad faith use and registration by the respondent**

The complainant must prove that a domain name holder has both registered and used a domain name in bad faith. In *Sanlam Ltd v Selat Sunda Inc*,⁶²⁹ the panel found bad faith on the ground that the domain names sanlam.com and sanlam.net were registered by the respondent for purposes of intentionally misleading, for commercial gain, members of the public into believing that the respondent's websites were sponsored by, affiliated to, or endorsed by the complainant.

Paragraph 4(b) of the UDRP provides a list of non-exhaustive factors that suggest evidence of bad faith registrations.⁶³⁰ These include:

- circumstances indicating that the domain name was registered or acquired for the purpose of selling, renting, or transferring the domain name registration to the complainant who is the owner of the trade mark or to the complainant's competitor, for valuable consideration in excess of the costs associated with acquiring the domain name;
- circumstances indicating that the domain name was registered in order to prevent the owner of the trade mark from reflecting the mark in a corresponding domain name. In *Truworths Ltd v Ava Associates*,⁶³¹ the panel found that the respondent had registered the domain name truworths.com for purposes of preventing the complainant from reflecting its trade mark as its international domain name. Upon finding bad faith

⁶²⁹ WIPO D2000-0895 available at <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-0895.html> (accessed on 18/11/2005).

⁶³⁰ Thornburg "Fast, Cheap, and Out of Control: Lessons from the ICANN Dispute Resolution Process" 198.

⁶³¹ WIPO D2001-0818 available at <http://arbitrator.wipo.int/domains/decisions/html/2001/d2001-0818.html> (accessed on 20/11/2005).

registration, the panel ordered the transfer of the domain name *truworths.com* to the complainant.

- circumstances indicating that the respondent registered the domain name primarily for the purpose of disrupting the business of a competitor; and
- circumstances indicating that the respondent used the domain name for purposes of attracting, for commercial gain, Internet users to its web site, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of his web site or location or of a product or service on his web site or location.

Commentators argue that the concept of bad faith is not conclusively defined in the UDRP.⁶³² It is apparent from several reported decisions that panelists have different interpretations of the terms "rights or legitimate interests" and "bad faith."⁶³³

The UDRP differs from other forms of arbitration in a number of ways. The UDRP applies internationally.⁶³⁴ Participation in UDRP proceedings is mandatory for domain name registrants, but optional for trade mark owners who may choose to take their trade mark or related claims directly to court.⁶³⁵

UDRP decisions are not binding and an unsuccessful domain name registrant can contest an order for cancellation or transfer of the disputed domain name by filing a lawsuit after the decision. On the other hand, an unsuccessful trade mark owner can revive his claim by filing a second UDRP complaint.⁶³⁶ However, the provision for filing a second UDRP complaint does not imply that the UDRP has a review process. The UDRP does not

⁶³² Sorkin "Judicial Review of ICANN Domain Name Dispute Resolution Decisions" 35.

⁶³³ *Ibid.*

⁶³⁴ Helfer "International Dispute Settlement at the Trademark-Domain Name Interface" (2001) *Pepperdine Law Review* 29 available at <http://papers.ssrn.com> (accessed on 17/11/2005).

⁶³⁵ Sorkin "Judicial Review of ICANN Domain Name Dispute Resolution Decisions" 40.

⁶³⁶ See *County Bookshops Ltd v Loveday* WIPO D2000-0655 available at <http://abiter.wipo.int/domains/decisions/html/2000/d2000-0655.html> (accessed on 08/08/2005). In this case the panel held that the complainant was not barred from filing a new complaint under the UDRP provided that the complainant was able to provide substantial evidence to justify the claim.

prohibit parties from instituting court proceedings at any time pending a UDRP action. The remedies available under the UDRP are limited to cancellation of the domain name or the transfer of the domain name to the complainant.

6.5.2 COMMENTARY ON THE UDRP

The UDRP represents a positive development. By providing a mechanism for alternative domain name dispute resolution and allowing court proceedings when applicable, it provides a quick and less expensive mechanism for resolving domain name disputes. However, like all other policies, the UDRP has some shortcomings. These include ambiguities in language and inconsistencies in decision making.⁶³⁷ Panelists have been criticised for exceeding the scope of the policy by extending the definition of trade marks to include personality rights and geographical indications.⁶³⁸

Writers argue that the UDRP lacks clarity with regard to the law applicable in the resolution of disputes between parties belonging to different jurisdictions, particularly where jurisdictions have contradictory rules.⁶³⁹ Furthermore, provisions of the UDRP listing factors that demonstrate bad faith and defences by which the registrant can establish legitimate interests in domain names are brief and non-exclusive. These factors

⁶³⁷ Thornburg "Fast, Cheap, and Out of Control: Lessons from the ICANN Dispute Resolution Process" 210. See also Geist "Fundamentally Fair.com? An Examination of the Allegation of Systematic Unfairness in the ICANN UDRP" available at <http://aixl.uottawa.ca/~geist/fairupdate.pdf> (accessed on 20/03/2006). Geist argues that considerable differences exist with regard to the outcome of UDRP decisions. According to his study the complainant wins 83% of WIPO disputes, 86% NAF and 64% eResolution in single panel decisions, and in three member panel decisions the complainant wins 62% of WIPO disputes, 49% NAF and 50% eResolution. This study suggests that the complainants who are usually trade mark proprietors often succeed in UDRP disputes.

⁶³⁸ Sorkin "Judicial Review of ICANN Domain Name Dispute Resolution Decisions" 40.

⁶³⁹ Efroni "The Anticybersquatting Consumer Protection Act and the Uniform Dispute Resolution Policy: New Opportunities for International Forum Shopping" 342.

provide inadequate guidance for arbitrators who are faced with situations not addressed by the Policy, such as disputes relating to fair use or speculation.⁶⁴⁰

The only reference to choice of law questions in the UDRP can be found in Rule 15(a) which provides discretionary powers to the panel to decide the law that is applicable.

Rule 15(a) provides that:

... a panel shall decide a complaint on the basis of the statements and documents submitted and in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable.

This provision is unclear and leaves panelists with the burden of trying to balance the laws and interests of different countries.

Writers argue that the language in the UDRP is ambiguous, particularly with regard to the elements that must be proved by complainants in order to succeed with their claims under the Policy.⁶⁴¹ Willoughby argues that the phrase “confusingly similar” in the first element, which requires the complainant to prove that the respondent’s domain name is identical or confusingly similar to his trade mark, should be removed to make the language of the UDRP clearer. Willoughby argues further that the concept of legitimate interests in the second element of the UDRP which requires the complainant to prove that the respondent lacks rights or legitimate interests in the domain name is ambiguous. Willoughby argues that the UDRP does not clearly describe the term “rights” and the extent of “legitimate interests” and this gives rise to different interpretations of the terms, resulting in inconsistent decisions.

⁶⁴⁰ See paragraphs 4b and 4c of the UDRP. Paragraph 4c provides that bad faith includes intent to sell the domain name to: prevent the trade mark owner from using the name, disrupt a competitors business, or to attract users for commercial gain by causing confusion. Paragraph 4c defences include proof of use of the domain name in connection with a *bona fide* offering of goods or services, evidence that the registrant is commonly known by the domain name in question, or proof of legitimate non-commercial use of the name, without intent to mislead consumers or tarnish the mark.

⁶⁴¹ Willoughby “The Uniform Dispute Resolution Policy for Domain Names: From the Perspective of a WIPO Panellist” (2001) *Trade Mark Reporter* 34.

Writers also criticise the absence of the requirement to follow precedent in the UDRP.⁶⁴² Arguably, precedent would provide much needed guidance to panelists, especially sole panelists. Precedent would ensure uniformity and certainty in UDRP proceedings, thus ensuring consistent decisions in similar cases. The provision for precedent will go a long way towards reducing inconsistencies in decision making.

UDRP decisions have also come under criticism on the ground that they represent an extension of the UDRP beyond the intended scope, resulting in the policy being applied incorrectly.⁶⁴³ Scholars criticise panelists for inconsistencies in interpreting the terms identical or confusingly similar and the concept of bad faith and for narrowing the definition of legitimate rights.⁶⁴⁴

Although scholars generally argue that the UDRP serves the important function of resolving domain name disputes in an out-of-court proceeding that can be implemented on an international basis, some question its fairness and effectiveness.⁶⁴⁵ Scholars argue that failure of the UDRP to indicate the intended interaction between policy proceedings and concurrent court proceedings undermines its effectiveness.⁶⁴⁶

Commentators propose that in order for the UDRP to successfully overcome problems associated with ambiguities in language, inconsistencies in decision making and reverse

⁶⁴² *Ibid.* See also Papavivasiliou "Using the Federal Trade Mark Registration Process to Create Broader yet Fairer Solutions to Domain Name Conflicts" 104.

⁶⁴³ Stewart "The Best Laid Plans: How Unrestrained Arbitration Decisions Have Corrupted the Uniform Domain Name Dispute Resolution Policy" 509. See also Livingston "Perspective: Groups Cite Bias in Domain Name Arbitration" on c/net news.com available at <http://news.com.com/2010-1071-281335.html> (accessed on 12/07/2005).

⁶⁴⁴ Anonymous "UDRP- A Success Story" available at <http://www.itlawcentre.com.pdf> (accessed on 20/03/2006).

⁶⁴⁵ Efroni "The Anticybersquatting Consumer Protection Act and the Uniform Dispute Resolution Policy: New Opportunities for International Forum Shopping" 350.

⁶⁴⁶ Freedmont & Deane "The Uniform Domain Name Dispute Resolution Policy: A Practical Guide," available on www.clt.dal.ca/vol/no1_/articles/01_01_FreDea_domain.pdf (accessed on 06/01/2006).

domain name hijacking, it must be governed by principles of fairness and must establish consistent standards to guide domain name registrants.⁶⁴⁷

6.6 A COMPARISON OF THE UDRP AND TRADITIONAL LITIGATION

Significant differences exist between judicial and non-judicial dispute resolution. These differences include that:

- the court process provides unsuccessful parties with the option to appeal, unlike the UDRP which does not provide for such provision;⁶⁴⁸
- judicial dispute resolution is time consuming and expensive, unlike the UDRP process which is less expensive and resolves disputes quickly, usually within a period of fifty days;⁶⁴⁹
- the rules applied by courts in dispute resolution are territorial in nature, unlike those of the UDRP which are global in nature;
- remedies available under judicial dispute resolution include damages and costs whereas remedies under the UDRP are limited to cancellation or transfer of the infringing domain name; and that
- courts enforce trade mark rights through legislation whereas rights under the UDRP are enforced by agreement.

6.7 A COMPARISON OF THE UDRP AND NOMINET DISPUTE RESOLUTION SERVICE POLICY

Many similarities exist between the UDRP and Nominet DRS Policy. Both policies are mechanisms for alternative domain name dispute resolution and most of their provisions are similar. However, certain differences exist. These include that:

⁶⁴⁷ Efroni "The Anticybersquatting Consumer Protection Act and the Uniform Dispute Resolution Policy: New Opportunities for International Forum Shopping" 352.

⁶⁴⁸ Buys *Cyberlaw @ SA* 50. However, the absence of an appeal process within the UDRP does not prevent the unsuccessful party from instituting an action in a court of competent jurisdiction.

⁶⁴⁹ *Ibid.*

- the UDRP requires complainants to prove three elements, namely, that the domain name is identical or confusingly similar to the complainant's mark, the respondent lacks rights or legitimate interests in the name, and bad faith use and registration by the domain name registrant. On the other hand, Nominet DRS Policy requires a complainant to prove two things: that he has rights in respect of a mark which is identical or similar to the domain name and that registration of such domain name is abusive;
- UDRP panelists are appointed by parties to the dispute, whilst Nominet appoints its experts on a rotational basis; and
- Nominet's DRS Policy provides an appeal process which is not available under the UDRP.

6.8 A COMPARISON OF THE UDRP AND THE ACPA

Significant differences exist between the UDRP and the ACPA. These include the following:

- the UDRP applies to all ICANN accredited registrars, while the ACPA requires the plaintiff to be an owner of a USA mark;⁶⁵⁰
- the ACPA only applies to famous and distinctive marks,⁶⁵¹ whereas the UDRP applies to any trade mark;⁶⁵²
- the ACPA applies to registration, trafficking, or use of a domain name,⁶⁵³ while the UDRP requires both registration and use;⁶⁵⁴
- the ACPA requires bad faith intent to profit,⁶⁵⁵ while the UDRP merely requires bad faith;⁶⁵⁶

⁶⁵⁰ *Ibid.*

⁶⁵¹ Section 1125(d)(1)(A)(ii).

⁶⁵² Paragraph 4(a) and paragraph 4 (i).

⁶⁵³ Section 1125(d)(1)(A)(ii).

⁶⁵⁴ Paragraph 4(a)(iii).

⁶⁵⁵ Sections 1125(d)(1)(A)(i) and 1125(d)(1)(B).

⁶⁵⁶ Paragraph 4(b).

- disputes under the UDRP are resolved quickly, approximately within fifty days, while resolution under the ACPA involves lengthy periods, usually up to two years;⁶⁵⁷
- the only relief available under the UDRP is cancellation and transfer of the domain name registration while remedies under the ACPA include forfeiture, cancellation, transfer of the domain name and damages under *in rem* action;
- the UDRP contains a provision that addresses reverse domain name hijacking,⁶⁵⁸ unlike the ACPA; and
- the ACPA provides an appeal process where unsuccessful parties have the option of appeal, unlike the UDRP. The reason for this difference is because the UDRP is a non-judicial process.

6.9 CONCLUSION

The problem of trade mark infringement around the globe has increased significantly and this has created a growing need for trade mark owners to protect their marks from parties who register these marks as domain names and use them in bad faith. In order to successfully protect their marks, trade mark owners must first establish infringement. Once infringement has been established, trade mark owners have several options. The dispute can be resolved through litigation under the court system, which is relatively expensive and time consuming. Alternatively, the issue can be resolved through the UDRP which is cheaper, faster, more efficient and globally recognised. However, the UDRP can only be used with regard to certain TLDs.⁶⁵⁹

As stated above, the UDRP has been successful in its purpose. It has remained an effective mechanism in resolving domain name disputes. However, despite its success, there is still much room for improvement, particularly regarding the need to extend protection available to country names to prevent registration of such names by

⁶⁵⁷ *Ibid.*

⁶⁵⁸ Paragraph 15(e) of the UDRP makes provision for the panel to determine if a complaint was made in bad faith, thus constituting reverse domain name hijacking.

⁶⁵⁹ See paragraph 6.5 above.

cybersquatters.⁶⁶⁰ Although current domain name dispute resolution mechanisms have been successful at recovering domain names from parties that register distinctive or famous marks of others, these processes have failed to provide adequate remedies for owners of marks that are not famous or distinctive. Furthermore, few restrictions exist regarding the ability to register names that do not make use of marks as domain names.

Indeed, the drafting of the zaADRR represents a major development in the area of domain name dispute resolution in South Africa. This is because the zaADRR will provide parties to domain name disputes in South Africa with a local forum for the submission of their disputes.

Arguably, the zaADRR will provide parties to domain name disputes with a speedy and affordable mechanism for dispute resolution, thus improving the quality of domain name administration in South Africa. Further, the zaADRR is likely to reduce incidences of cybersquatting and reverse domain hijacking in South Africa, thereby achieving the much needed balance between trade mark and domain name protection.

However, in order to be successful and to avoid problems encountered by other dispute resolution policies, including ambiguities in language and inconsistencies in decision making, it is important for the zaADRR to define clearly the elements that must be proved by complainants. Further, the zaADRR should also establish a mechanism to provide a quick and inexpensive means of reviewing patently incorrect decisions. Once these challenges have been addressed the zaADRR will not only be fair but effective, which, given the increasing role and importance of the Internet in South Africa, is vital.

⁶⁶⁰ See Chapter Five above. See also Buys *Cyberlaw @ SA* 52.

CHAPTER SEVEN

7.1 RECOMMENDATIONS

Intellectual property organisations around the globe have been preoccupied by the need to establish measures aimed towards achieving fair and equitable administration of trade marks and domain names and to overcome the challenges surrounding trade mark and domain name dispute resolution. Considerable success has been achieved in adopting legislation and establishing mechanisms aimed at promoting fair and equitable administration of trade marks and domain names, although problems still exist.

Many concerns have been expressed regarding alternative domain name dispute resolution. These relate to issues of fairness in domain dispute resolution proceedings, inconsistencies in domain name decisions and effectiveness of domain name dispute resolution policies.

Of particular concern are problems surrounding trade mark and domain name dispute resolution under the UDRP. Although the UDRP was intended to balance the interests of trade mark owners and domain name registrants, in practice it is quite unbalanced, evidenced by statistics indicating that domain name decisions often go the way of trade mark owners.⁶⁶¹ This has resulted in failure by the UDRP to afford parties due process protection. This problem is compounded by absence of a mechanism to review UDRP decisions. Absence of such a mechanism places unsatisfied parties (often domain name holders) at a disadvantage because they are unable to contest UDRP decisions.

Additional concerns under the UDRP relate to issues of inconsistent and sometimes uninformed decisions by panelists. Inconsistent decisions are attributed to lack of a provision for precedent, which would require panelists to follow previous decisions on similar issues. Precedent would ensure some form of consistency in interpretation of the substantive requirements of the UDRP. Although the zaADRR contains a provision for precedent, this provision alone is not sufficient to ensure consistency in the interpretation

⁶⁶¹ See paragraph 6.5.2 above.

of substantive rules under the zaADRR. Therefore it is vital for South Africa to adopt a mechanism to review decisions of adjudicators where necessary.

The problem of panelists making uniformed decisions is attributed to lack of sufficient data on which to make decisions. Due to the fact that the UDRP does not provide for discovery, panelists base their decisions on written submissions and accompanying documents. Although this is fast it is not helpful in cases involving disputes over the legitimate use of domain names. The lack of discovery might be insignificant in clear cases of cybersquatting but it is more problematic in genuinely contested cases where parties rely on common law rather than a registered trade mark.

Concern has also been expressed regarding effectiveness of domain name dispute resolution mechanisms. The general view is that decisions of domain name dispute resolution policies lack the element of finality and measures to effectively deter domain name abuse to render the mechanisms effective. Although decisions of the UDRP constitute arbitration awards, they lack the element of finality characteristic of arbitration awards. This is because it permits parties to submit their disputes to courts of competent jurisdiction for independent resolution.⁶⁶² The result is that courts do not recognise or enforce UDRP decisions and in the event that parties wish to reverse UDRP decisions in court they will have to lead evidence to enable the court to make a ruling. This renders UDRP decisions ineffective.⁶⁶³ The issue of reversal of UDRP decisions is likely to be a problem in South Africa because of the lack of a provision addressing such issue in the ECTA. Therefore it is vital for South Africa to incorporate a provision in the ECTA to address the issue of reversal of UDRP decisions to prevent complications surrounding reversal of such decisions.

The UDRP also lacks deterrents such as damages to effectively address the problem of domain name abuse. The lack of deterrent such as damages is also likely to affect effectiveness of the zaADRR. Other concerns surrounding domain name regulation relate

⁶⁶² Paragraph 4 (k) of the UDRP.

⁶⁶³ Ebersohn "Reversal of UDRP Decisions In South Africa" (2004) May *De Rebus*.

to the first come first served policy for the registration of domain names. This policy encourages cybersquatting, domain name warehousing and infringement of well known marks.

Given the challenges surrounding trade mark and domain name regulation a basic need exists for improvement of the mechanisms in place for resolution of domain name related trade mark disputes and for assigning domain names. This is becoming increasingly important as e-commerce expands and proprietors continue to establish Internet based marketing and services that are associated with their brand names and, consequently, their domain names.

South Africa has made considerable progress in improving the regulation and protection of trade marks and domain names. However, the greater part of the success has been inclined towards the protection of trade marks. At present, South Africa does not have a local policy for domain name dispute resolution, although the zaADRR has been drafted. Although the zaADRR has not yet been adopted, it represents a major development in South African intellectual property law. However, so long as it has not been adopted, South African parties to domain name disputes will remain disadvantaged with regard to the costs and time associated with dispute resolution. This is because until the zaADRR has been adopted, parties to domain name disputes will remain restricted to the option of litigating in the High Court, thus incurring huge expenses or resorting to foreign dispute resolution mechanisms which are costly and time consuming.

In view of the considerations above, it is therefore, vital for South Africa to adopt the zaADRR as a matter of urgency, in order to provide parties to domain name disputes with a faster and less expensive mechanism to resolve domain name disputes. Timely adoption of the zaADRR will also ensure that South Africa's procedures for domain name regulation remain consistent with international developments in domain name administration. South Africa should heed the challenges that are being experienced by other dispute resolution mechanisms in order to establish an effective mechanism for domain name dispute resolution.

The problem of inconsistent decisions in alternative domain name dispute resolution policies such as the UDRP can be addressed by adopting several measures. Statistical disparities in domain name decisions indicate that domain name dispute resolution policies striving for fairness should adopt three member panels to decide domain name disputes. Statistics indicate that three member panels often have balanced outcomes for trade marks owners and domain name holders, as opposed to single member and two member panels whose decisions often go the way of trade mark owners. While resolution by three member panels would increase costs and might increase the time required to resolve disputes, it would improve accuracy of domain name decisions and legitimacy of the process, thus offsetting the disadvantages. Inconsistencies in decision making under the UDRP can also be addressed by adopting the principle of precedent and by establishing a mechanism to review patently incorrect decisions. The review panel should consist of domain name holders; trade marks owners, trade mark experts and domain name registration authorities. Precedent will ensure consistency in decision making and a mechanism for review will encourage accountability from panelists. The zaADRR already contains a provision for precedence and should therefore only introduce a mechanism to review decisions of adjudicators.

The problem associated with panelists making uninformed decision can be resolved by providing more training to panelists on trade mark principles and by making provision for a process of discovery in disputes involving legitimate conflicts of interest. This can be achieved through video conferencing or exchange of video files which would supply panelists with the oral and non-verbal information that would be missing from written communications. This provision should also be incorporated into the zaADRR to enable adjudicators to make informed decisions.

Domain name dispute resolution mechanisms can be made more effective by adopting stricter measures to deter domain name abuses and the provision of false information in domain name dispute resolution proceedings. The problem associated with provision of false information in domain name dispute resolution proceedings can be resolved by introducing penalties including dismissal of the complaint with costs. Such provision will

go a long way in deterring parties from providing false statements in dispute resolution proceedings thus making the policies more effective. The problem associated with domain name abuse can be addressed by incorporating a provision for damages. The threat of damages will deter domain name abuse.

The problem caused by the first come first served policy for registering domain names which has contributed to cybersquatting can be resolved by adopting a stricter procedure for registering domain names. This procedure would be similar to that for registering trade marks and would require domain names to be registered under the "intent to use" and the "use" provisions. The "intent to use" provision would require the domain name registrant to state his intended use for the domain name and registration would only be permitted if the stated use for the domain name is legitimate. This would require determination of what constitutes legitimate and guidance could be obtained from the UDRP, case law and the ACPA. The "intent to use" provision would ensure that parties intending to use a domain name in future, but cannot make such use upon application, would be able to reserve the domain name for a specified time after showing legitimate intention to use the mark. If intended use is not made, registration would be cancelled and the domain name would be returned to the registrar.

The "use" provision would require applicants that wish to use domain names to state such use by a specified time and failure to do so would result in the domain name reverting to the registrar without refund. In the event that the registrant fails to use the domain name during the period of registration the domain name would be subject to cancellation. The process would also make provision for registrants to change the use of their domain names after notifying the registrar of such change and paying a fee. This will ensure that as long as the registrant makes legitimate use of his domain name, he will not be subject to any additional fees. This process would therefore ensure that rights to a domain name will not exist without legitimate use of a domain name. Therefore under the "use" provision, persons would not be able to register domain names linked to blank sites or other addresses and this would significantly prevent cybersquatting. The process should also ensure that the fee for registering domain names under the "intent to use" section

would be significantly higher than the “use” section to prevent domain name warehousing. The high fees associated with registering domain names under the “intent to use” provision would significantly discourage cybersquatters from registering several domain names under the “intent to use” section.

The process could also make provision for a notification system to be posted on the Internet to indicate domain names approved under the “use” and the “intent to use” sections. The procedure could also set a period within which the domain names could be contested after which period the domain name will receive a presumption of validity. This would reduce incidences of reverse domain hijacking. Although this process may prove to be expensive and time consuming and may increase the cost of registration, it will effectively reduce the costs associated with arbitration.

Finally, the problem relating to infringement of well known marks by domain name registrants can be resolved by introducing measures allowing proprietors of well known marks to obtain exclusions for registration of their marks in popular gTLDs such as the .com, .net and .org. These exclusions should apply to marks that are well known on a widespread geographical basis and across different classes of goods. The effect of such exclusions would be to prohibit registration of well known marks as domain names in the reserved gTLDs by persons other than the owner of the well known mark. This would effectively reduce infringement of well known marks by domain name registrants. To ensure that this process is adequately managed the determination of marks that should be granted exclusions in the relevant gTLDs should be made by administration panels of experts, appointed from time to time, in response to applications from owners of well known marks.

Increasing technological advancements in the field of intellectual property law have given rise to complex issues surrounding the protection and regulation of trade marks and domain names. These issues have prompted the need to adopt mechanisms aimed at achieving equitable and effective protection and regulation of trade marks and domain names.

Considerable developments relating to the resolution of domain name disputes have taken place around the globe. The UDRP has successfully managed to provide a global mechanism for fast and affordable dispute resolution. However, more needs to be done to address the challenges facing the policy relating to issues of fairness, inconsistent and uniformed decisions and effectiveness of the policy.

Attempts at establishing effective mechanisms to administer the relationship between trade marks and domain names have been hindered by a variety of factors. These include substantive weaknesses in alternative domain name dispute resolution policies, absence of adequate laws to regulate domain names, particularly with regard to registration of domain names and inherent differences in the nature and procedures for the regulation of trade marks and domain names.

Trade marks and domain names differ substantially, resulting in the development of conflict between the two. Trade marks are territorial in nature and have geographical limitations, unlike domain names which have no geographical limitations and can be registered anywhere, thus complicating the regulation of domain names. Furthermore, the manner in which trade marks and domain names are registered differs substantially, making conflict between trade marks and domain names inevitable. Additionally, the procedure for the registration of domain names also promotes abusive domain name registrations resulting in infringement of registered and well known trade marks.

The problem of abusive domain name registration can be addressed by adopting a stricter policy for the registration of domain names based on the “use” and “intent to use”

provisions, similar to that for the registration of trade marks. Adoption of stricter policies for domain name registration will significantly address problems associated with cybersquatting and reverse domain name hijacking. Arguably, incorporation of the “use” and “intent to use” provisions in domain name registration policies will deter domain name warehousing as the combination of high fees for registering domain names under the “intent to use” section will force cybersquatters to relinquish domain names registered in bad faith. Infringement of well known marks can be addressed by granting exclusions for registration of well known marks in popular gTLDs such as the .com, .net and .org.

Problems associated with issues of fairness and inconsistent decisions under the UDRP can be addressed by adopting a provision for precedent in domain name dispute resolution and a mechanism to review patently incorrect decisions. Precedent will ensure consistent interpretation of substantive rules and a mechanism for review will encourage accountability from panelists, thus improving integrity of the policy. The problem associated with panelists making uninformed decisions can be addressed by providing more training to panelists on trade mark principles and by providing for discovery in disputes involving legitimate conflict of interests.

Although South Africa has made significant development in the field of domain dispute name administration by drafting the zaADRR, it remains to be seen if, after adoption, the zaADRR will effectively resolve domain name disputes and will not be subjected to the same criticisms as those levelled against other policies. In order to avoid such problems, South Africa should heed the challenges being experienced by the UDRP upon which the zaADRR is modelled. To ensure fairness in domain name dispute resolution proceedings and to avoid problems associated with inconsistencies in dispute resolution decisions the zaADRR should adopt a mechanism to review decisions of adjudicators and should retain the provision for precedent. By incorporating a provision for precedent in its draft regulations, South Africa has gone a step forward from the UDRP, which does not provide for precedent. To address the problem of cybersquatting domain name registration authorities in South Africa should adopt stricter policies for registration of

domain names based on the “use” and “intent to use” provisions similar to that for the registration of trade marks.

Despite the positive aspects of the zaADRR, it is vital for South Africa to adopt the zaADRR as a matter of urgency in order to remain abreast of developments in domain name administration. Arguably, adoption of the zaADRR will go a long way towards improving the quality of domain name administration in South Africa, particularly because of the provision for precedent and inclusion of the minimum requirements for an alternative dispute resolution mechanism.

