



# e-COMMERCE & IP

# REPORT

Monthly analysis of IP issues affecting e-commerce from around the world

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*Avv. Alessandro del Ninno, Information & Communication Technology Department, Studio Legale Tonucci, Rome. . . . . 3*

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# ARTICLES

## Legislative Decree Implements Copyright Directive, Making Important Changes to Italian Copyright Law

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### **Legislative Decree of April 9, 2003, No. 68. “Implementation of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society”**

#### **Introduction**

With the publication of Legislative Decree No. 68 of April 9, 2003 (in the Italian Official Journal of April 14, 2003, No. 87), Italy has implemented the Directive on the harmonisation of certain aspects of copyright and related rights in the information society. The introduction of the new national rules (in force starting from April 29, 2003, with regard to works protected as of December 22, 2002) has been realised by amending the Italian Copyright Law, whose legal framework has been extended with supplementary provisions.

It must be preliminarily noted that the Italian Copyright Law (Law of April 22, 1941, No. 633) has been extensively amended and supplemented during the years, in order to adapt the related legal framework to the technological (and also social) developments that have occurred. All of these supplementary provisions have been embodied in the Copyright Law No. 633/1941.

So, the Legislative Decree has implemented the Directive by means of the same legislative technique already used in the past to update the contents of the Italian Copyright Law. The main modifications and amendments to the Law are analysed below.

#### **Author’s Exclusive Rights**

The first modification introduced by the Decree regards the “right of reproduction”. In light of the need pointed out by the Directive (see “Whereas” No. 21: “*This Directive should define the scope of the acts covered by the reproduction right with regard to the different beneficiaries. This should be done in conformity with the *acquis communautaire*. A broad definition of these acts is needed to ensure legal certainty within the internal market*”), the amended article 13 of the Italian Copyright Law now provides that “the exclusive right of reproduction is aimed to multiply in direct or indirect copies, temporarily or permanently, in all or in part of the work, in any means or form, as copied by hand, print, lithography, engraving, photography, phonography, cinematography or any other means of reproduction.”

Another important amendment introduced by the Decree is related to the “right to communicate to the public”. The old version of Article 16 of the Italian

Copyright Law provided a general exclusive “right to dissemination” for the author. Now, the amended text of Article 16 provides the exclusive right to communicate to the public a work by wire or wireless means, using one of the means of long-distance dissemination, such as telegraph, telephone, radio and television broadcasting means, and other similar devices, and includes communication to the public via satellite, the retransmission by cable, as well as communication with the public codified with specific access restrictions. It also includes the availability of the work to the public in a way that everyone may have access from a single chosen place and at a single chosen moment.

Further, the exclusive right to communicate to the public, as defined by the new Article 16, cannot be extinguished by any act of communication to the public, including acts of making the work available to the public. It can be noted that the definition of *the right to communicate to the public* is fully compliant with the Directive, requiring Member States to further harmonise the author’s right of communication to the public, to be understood in a broad sense covering all communication to the public not present at the place where the communication originates, and any such transmission or retransmission of a work to the public by wire or wireless means, including broadcasting (see “Whereas” No. 23).

Another exclusive right amended by this Decree is the author’s right to control the distribution of a copyrighted work. Amended Article 17 of the Italian Copyright Law now provides that the exclusive right of distribution is aimed at marketing, circulating, or making available to the public by any means and by any right, the original work or copies of the original, and includes as well the exclusive right to introduce on the territory of the Member States of the European Union the copies made in non-Member States.

Further, the right to distribute the original or a copy of the work cannot be extinguished in the European Community if it is not the first sale or the first act of transfer of the property in the Community, effected by the holder of the right or with his or her consent. The latest provision shall not apply to making the works available to the public in a way that each may have access to any given place and at any given moment, also in the case that the realisation of copies of the work is allowed. Finally, for the purpose of extinguishing the right of distribution, the free delivery of examples of the work, effected or consented by the rights holder for promotional purposes or for education or scientific research purposes, does not constitute the use of an exclusive right for distribution.

Before the entry into force of the Decree, the Italian Copyright Law contained specific provisions about the author's rights with regard to "*works registered on mechanical devices*". Due to technological developments, related Articles 61, 62, and 63 have been amended to include any kind of technology used by the author to exercise the rights provided in those articles.

In fact, according to the amended rules, the author has the exclusive right to:

- adapt and record the work on any kind of sound, voice, or image-reproduction device, regardless of the technology used;
- reproduce, distribute, rent, or lend copies of the adapted or recorded work as mentioned above; and
- publicly use and communicate the work to the public with the use of any kind of support or device.

### **Exceptions and Limitations to Author's Rights: Free Utilisation of Copyrighted Works**

A very important part of the Italian Copyright Law is represented by Chapter V, containing rules about "*Free utilisation of copyrighted works*". The related rules provide cases, terms, and conditions according to which it is possible for interested subjects to freely use copyrighted works regardless of the prior consent or authorisation given by the IPR holder.

The entry into force of the Decree has introduced amendments to this Chapter (now entitled "*Exceptions and Limitations - Section I - Reprography and other exceptions and limitations*"). The previous rules, in fact, took into consideration the reproduction of works not considering the actual digital and technological means.

The exceptions and limitations under the amended Chapter V, as they apply to protected works and materials made available to the public in a way that each person can have access from the place and at the moment individually chosen, must not conflict with the normal use of the work or other materials, nor must it unjustly prejudice the interests of rights holders.

According to the amended version of Article 65 of the Italian Copyright Law, news articles of an economic, political, or religious nature, published in reviews or in newspapers or diffused by radio or other means available to the public, and other materials of the same nature, can be freely reproduced or communicated to the public in other reviews or journals, including radio and TV, if the reproduction or use has not been expressly restricted, as long as they indicate the work's source, date, and author's name, if provided.

A specific case of free utilisation of works or other materials is represented by the use of such works in journalistic reports related to happenings of great interest or other topics. In such cases, the reproduction or communication to the public of copyrighted works is allowed as long as they indicate the work's source (if available) and author's name (if provided).

Other kinds of works and materials subject to free utilisation as provided by the Italian Copyright Law are speeches of a political or administrative nature given in a public meeting or otherwise publicly communicated, as well as extracts from conferences open to the public (the amended text of Article 66 provides that such materials can be freely reproduced or communicated to the public, within the reasonable limits of their informational nature, in reviews, or in journals, including radio-TV, as long as they indicate the source of the work, the date and author's name, and the date and the place where the speeches were held).

Other limitations on free utilisation of copyrighted works are those set forth in the amended Article 68 of the Italian Copyright Law. The rule provides – amongst other things – that it is permissible to reproduce single works or any part thereof for personal use by hand or by means of reproduction not used for the purpose of public dissemination. It is also permissible to photocopy existing works in libraries that are accessible to the public or in educational institutions, in public museums, or in public archives, for one's own use and not for any economic or commercial gain, whether direct or indirect.

Although the reproduction of musical scores is prohibited, it is permitted to reproduce creative works by photocopies or similar means to a maximum of 15 percent of each volume or periodical file, excluding advertising pages. Public sale of the copies mentioned above, as well as any use that will compete with the economic rights of use of the author, is prohibited.

Loans from state libraries or record libraries and other public entities, for cultural-promotion purposes or for personal reference, are not subject to the authorisation of the owner of the right in question, if used as:

- printed copies of works except for musical scores; and
- phonographic and videographic works with cinematographic or audiovisual elements or series of images in movement, including sound bytes, after at least 18 months from the first act of use of the distribution right, or, not having exercised the distribution right, after at least 24 months from the completion of the works and the sequences of the images.

For book, record, and movie libraries of the State and other public entities, reproductions are permitted as long as they are not for economic or commercial gain, either direct or indirect, in a sole copy, phonogram, or videogram containing cinematographic or audiovisual works, or sequences of images in movement, as sound-bytes or not. Specific cases of free utilisation of copyrighted works are those based on the purposes of education, scientific research, discussion, and critique.

The summary, citation, or reproduction of pieces or parts of the works and their communication to the public by use of critique, discussion, instruction, or scientific research, as long as the use has been exclu-

sively illustrative, may be freely performed as long as they are not for commercial purposes, within the reasonable limits to this end and as long as they do not compete with the author's economic use.

Summaries, citations, and reproductions must always be accompanied by a mention of the title of the work, the name of the author, the editor, and, if it is a translation, the name of the translator, whenever these appear on the reproduced work.

## E-Commerce

An interesting link between the rules provided by the Decree and the Italian rules implementing the EU Directive 2000/31/EC on E-Commerce (introduced by means of the Legislative decree of April 9, 2003, No. 70) is represented by a new provision contained in Article 68*bis* of the Italian Copyright Law. This new rule provides that, except for what is provided in the order for the liability of intermediaries/providers of Information Society services in the area of electronic commerce, the following acts of temporary and accessory reproduction are exempt from the exclusive right of reproduction:

- acts without economic gain;
- acts being an integral and essential part of a technological process; and
- acts exercised for the sole purpose of permitting the online transmission among third parties with the intervention of an intermediary or the legitimate use of a work or other materials.

In the field of "*free utilisation of copyrighted works*", the Decree has introduced a set of new rules (by adding new articles from 71*bis* to 71*octies*) aimed at regulating specific cases not mentioned before by the Law or cases to be more precisely disciplined according to the new technologies.

First, both the communication and the dissemination to individual persons, for the purpose of research or private study, by means of computers located for this sole function in libraries accessible to the public, in educational institutions, in museums and in archives, of works or other materials contained in their collection and not subject to the constraints of acts of transfer or licence, must be considered free.

Second, reproduction of radio and television broadcasts in public hospitals and health-care institutions is permitted for exclusively internal use as long as the rights holders receive an equitable compensation to be determined by Decree of the Ministry of Cultural Affairs.

### Private Reproduction of Copyrighted Works for Personal Use

The third case of amended rules about free utilisation of copyrighted works is represented by the discipline of private reproduction for personal use.

In light of the Directive, new rules have been added to the Italian Copyright Law with respect to the discipline of private reproduction of copyrighted works for personal use and the related exceptions and limitations. The main principles can be summarised as follows:

- It is permitted to privately reproduce audio and visual materials on any equipment/support, carried out by a person for exclusive personal use, as long as there is no economic or commercial purpose, either indirect or direct, and in compliance with the technological-protection measures set up by the right holder to protect his or her IPR (see paragraph 5 about the new regulation of technological-protection measures and the electronic copyright-management information about the IPR).
- Private reproduction for personal use cannot be effected by third parties. It is strictly prohibited to provide services aimed at private reproduction if it is performed for economic or commercial gain, whether direct or indirect.
- The private-reproduction rules mentioned above shall not apply to protected works or materials made available to the public in a way that anyone can have access to the place at any given moment, when IPR holders protect their works by means of technological-protection measures or when access is permitted on the basis of contractual clauses.
- With the exception of what is provided under the previous item, rights holders are obliged to permit that, notwithstanding the application of the technological-protection measures, the physical person who had acquired the legitimate possession of the copies of the protected work or materials, or who had legitimate access, may make a private copy for personal use.

Authors and audio producers, as well as original producers of audio and visual works and their assignees, have a right to compensation for the private reproduction of audio and video works. This compensation is comprised of a share of the price to the reseller or a fixed amount for audio and video recording and recording on computer systems. For audio and video recording equipment, such as analogue, digital, fixed, or transferable memory, compensation amounts to a sum commensurate with the capacity of registration of the equipment. The compensation shall be determined by a Decree of the Ministry for Cultural Affairs. In any case, it is fixed until the release of the Decree, and in any event until December 31, 2005, to the extent of:

- analogue audio supports/equipment: EUR 0.23 for every hour of recording;

- dedicated audio digital supports/equipment, such as mini-discs, audio CD-ROMs, and CD-RW audio: EUR 0.29 per hour of recording; compensation shall be increased proportionally for equipment of a longer duration;
- non-dedicated digital supports/equipment capable of recording phonograms, such as data CD-R and CD-RW data: EUR 0.23 per 650 megabytes;
- digital audio dedicated memories, fixed or transferable, such as flash memories and cartridges for MP3 readers and similar equipment: EUR 0.36 per 64 megabyte;
- video analogue supports/equipment: EUR 0.29 for each hour of recording;
- dedicated digital video supports/equipments, such as DVHS, DVD-R video, and DVD-RW video: EUR 0.29 per hour, equivalent to EUR 0.87 for supports/equipment with a storing capacity of 180 minutes; compensation shall be increased proportionally for equipment of a longer duration;
- digital supports/equipment capable of audio and video recording, such as DVD Ram, DVD-R and DVD-RW: EUR 0.87 for 4.7 gigabytes; compensation shall be increased proportionally for equipment of a longer duration; and
- analogue or digital audio and video exclusively for recording aims devices: 3 percent of the price applied to the reseller.

The above-mentioned compensation is due by persons who manufacture or import into the Italian territory, for commercial purposes, equipment and supports mentioned in the list above. These persons must, every three months, notify the Italian Society for Authors and Publishers (S.I.A.E.) with a declaration stating the sales effected and payments due, corresponding to the contextual value. In the event of a lack of corresponding compensation, the distributor of the recording supports or equipment shall be jointly and severally responsible with the manufacturer or the importers for the due payments.

The compensations listed above for audio and video recording apparatus and equipment must be paid to the S.I.A.E., which is responsible for distributing them at the total cost of 50 percent to the authors and their assignees and 50 percent to the producers of phonograms, also through their largely representative associations. Producers of audio recordings must pay 50 percent of their compensation to interested performers or artists.

Compensation for video-recording apparatus and equipment must be paid to the S.I.A.E., which shall divide the total costs, giving one-third to the authors (also through their largely representative associations), one-third to the original producers of the audiovisual works, and one-third to the videogram producers.

### Technological Measures for IPR Protection and Electronic Copyright-Management Information

In line with the Directive, a new set of rules has been added to the Italian Copyright Law to further enable IPR holders to use technological measures aimed at protecting such IPRs. Holders of copyrights and related rights, and the so-called “*constitutor*” of a databank (i.e., the subject who employs relevant financial resources and time aimed at building or setting up or presenting or verifying a databank: see article 102*bis*, paragraph 3 of the Italian Copyright Law) can attach technical measures for effective protection to the protected works or materials. Such measures include any technology, device, or component that, in the average course of its functioning, is destined to impede or limit unauthorised acts.

Technological-protection measures shall be considered efficient in the event that the use of the protected work or material is controlled by rights holders by applying an access device or a protection procedure, such as encoding, distortion, or any other transformation of the protected material or work, however it is restricted by a control mechanism of copies that realise the protection objective.

Further, the new rules prohibit evasion or removal of technological-protection measures which give rise to an abusive use of the creative work or the protected materials.

It must be noted that the new rules on technological-protection measures do not affect the existing provisions of the Italian Copyright Law related to the protection of software. So, the rules added in 1992 to implement EU Directive 91/250/EC on the protection of software shall continue to apply.

Other important provisions added by the Decree regard electronic copyright-management information, which can be included by owners of copyright and related rights as well as by the “constitutor of a databank” on protected works or materials. Such information can also appear in any act of communication to the public of the protected works or materials. The electronic information identifies the protected work or material, as well as the author or any other rights holder; it may also contain indications of the terms or the conditions or use of the works or the materials, as well as a number or code representing the information itself or other element of identification.

Rights holders who have fixed their technical restrictions according to the above rules are in any case obliged to remove them to allow the use of the protected works or materials upon request of a competent authority, for the purpose of public security or to ensure the proper functioning of an administrative, parliamentary, or judicial procedure.

Further, rights holders are required to remove such technical restrictions affixed by them to protected works or materials, upon request of a beneficiary of the exceptions mentioned by the Italian Copyright Law, as long as the beneficiaries have acquired a legiti-

mate right to hold copies of protected works or materials, or have had legitimate access to their use, respecting and in the limits of the related provisions, including the payment of an equitable compensation, if provided for.

### Sanctions

Breach of these rules regarding the technological measures for IPR protection and electronic copyright-management information is sanctioned as follows.

Whoever, for profit-making purposes, manufactures, imports, distributes, sells, rents, transfers for any reason, commercially promotes or advertises for sale or rental, or holds for commercial purposes equipment, products, or components, or provides services that have the major purpose or commercial use of evading technological-protection measures, or which are principally projected, produced, adapted, or realised with the purpose of rendering possible or facilitating the evasion of these measures, is sanctioned (if the fact is committed for non-personal use) by imprisonment from six months to three years and a penalty from EUR 2,582 to EUR 15,493.

Anyone who removes or alters the electronic copyright-management information or distributes, imports for distribution, disseminates by radio or television, communicates, or makes available to the public works or other protected materials which have had their electronic copyright-management information removed or altered, will be subject to the same sanctions.

Finally, whoever abusively uses with any kind of procedure, even by airwaves or by cable, duplicates, or reproduces in whole or in part a creative work protected by copyright rules and rights related to their use, or purchases or rents audiovisual, phonographic, computer, or multimedia equipment, products, or components aimed at evading technological-protection measures that do not comply with the provisions of the law, will be punished (if this act cannot be considered a criminal offence by the Italian Copyright Law) by an administrative penalty. Additional penalties will result in the confiscation of materials and publication of information of the illicit activity in a daily paper with nationwide distribution.

In the event of a second offence or of a serious number of violations, the administrative penalty will be raised and the offence will be punished by the confiscation of instruments and materials and the publication of the related information about the illicit activity in two or more daily newspapers with national distribution, or on one or more of the periodicals that specialise in this area, and, if it relates to an entrepreneurial activity, with the revocation of the concession or authorisation of radio or television diffusion for the exercise of the production or commercial activity.

### Rights of Phonogram Producers, etc.

The Decree amends the Italian Copyright Law with regard to a set of rules previously provided to regulate the protection of copyrights held by phonogram producers, as well as cinematographic or audiovisual works producers, and the rights related to radio and TV broadcasting or pertaining to interpretive artists and performing artists.

The main modifications and amendments introduced by the new rules can be summarised as follows.

According to the definition given by the Copyright Law, a producer is an individual or legal entity who assumes the responsibility of the first fixation of sounds from an interpretation or a performance, or is responsible for the first fixation of other sounds or representation of sounds. The place of production is where the direct original recording took place. Except for rights reserved to the author, phonogram producers have the exclusive right to authorise:

- the direct or indirect reproduction, whether temporary or permanent, of the phonograms in any means or form, in all or in part, and under any duplication process;
- the distribution of examples of the phonograms;
- the rental and loan of copies of the phonograms. This right is not extinguished with the sale or distribution of the copies in any form; and
- the public availability of the phonograms in a way that any person can have access from any given place and at any given moment. This right cannot be extinguished by any act of availability to the public.

Further, phonogram producers, as well as interpretive artists and performing artists who have interpreted or performed the original or reproduced recordings, independently from their distribution, rental, or loan rights, have the right to compensation for the economic use of the phonograms by way of cinematography, radio and television dissemination, including communication of the phonograms to the public via satellite, in public dance festivals, in public places, and in any other occasion of public use. The exercise of this right is reserved to the producer, who must share the compensation with the artists.

The duration of rights explained above is 50 years starting from the fixation of the works on the phonograms or from the date of their publication. The use of phonograms by radio and television broadcasters is subject to the same provisions.

With regard to cinematographic or audiovisual works or sequences of images in movement, producers have the exclusive right to authorise:

- the direct or indirect copying of their works, temporary or permanent, in any way or form, in all or in part;
- the distribution of any means of their works, including the sale of originals and copies;

- the rental and loan of originals and copies of their works. Selling or distribution in any form shall not extinguish the right to rent or loan;
- the availability of the original or copies to the public in a way that anyone may have access from any given place and at any given time. Such right shall not be extinguished by any act of availability to the public; and
- the distribution of the producer's broadcast programs. The right of distribution cannot be extinguished on E.U. territory, other than in the event of first sale effected or consented by the rights holder in a Member State.

The duration of these rights is 50 years from the first fixation or from the first publication or communication of the program to the public.

With regard to the exclusive rights of subjects carrying out radio or TV broadcasting activities, and without prejudicing the rights provided in favor of authors, phonograms producers, producers of cinematographic or audiovisual works or sequences of images in movement, of interpretive artists and performing artists, the owner has the right to authorise:

- the fixation of their radio or TV performances realised by means of cable, by the airwaves, or via satellite. The distributor does not have such right if he simply re-broadcasts via cable emissions of other radio broadcasters;
- the direct or indirect fixation of their emissions, whether temporary or permanent, in any way or form, in all or in part;
- the retransmission by cable, by the airwaves, or by satellite of their emissions, as well as their communication to the public, if they occur in accessible places by payment of an entrance fee;
- the availability to the public in a way that anyone may have access from any given place and at any given time individually chosen, both if the emissions are realised via cable, via satellite, or via the airwaves; and
- the distribution of the fixation of their emissions. The right of distribution cannot be extinguished on E.U. territory other than in the event of first sale effected or consented to by the rights holder in a Member State.

The third and fourth rights mentioned above will not be extinguished with any act of communication

to the public. Further, subjects carrying out radio or TV broadcasting activities also have the exclusive right to use the fixation of their emissions for new transmissions or retransmissions or for new recordings. The duration of the above-mentioned rights is 50 years from the first diffusion of emissions.

Finally, interpretive artists and performing artists (including actors, singers, musicians, dancers, and other persons who act, sing, recite, or perform creative works in any way, whether protected or in the public domain), have the exclusive right to authorise:

- the fixation of their artistic performances;
- the direct or indirect reproduction of their artistic performances, whether temporary or permanent, in any way or form, in all or in part;
- communication to the public in any form, including availability to the public of their artistic performances in a way that anyone may have access from any given place and at any given time individually chosen, as well as the diffusion by airwaves and communication via satellite of their artistic performances, unless such performances are rendered in the function of their radio diffusion or were the object of a program used for diffusion;
- the distribution of fixations containing their artistic performances. This right may not be extinguished in the E.U. territory other than in the event of first sale on behalf of the rights holder or with his consent in a Member State; and
- the rental or loan of the fixation containing their artistic performances and the related reproductions: The artist or performer, even in the event of a transfer of the rental rights to a phonograms producer or to a producer of cinematographic or audiovisual works or sequences of images in movement, reserves the right to fair compensation for the rental agreed between such producer and third parties. Any contrary agreement shall be deemed void.

Interpretive artists and performing artists have the right to oppose the communication to the public or the reproduction of their recital, representation, or performance which could be prejudicial to their honour or reputation.

**Submissions by Authors:** The editors of *World e-Commerce & IP Report* invite readers to submit for publication articles that address issues arising out of the regulation of the Internet and e-commerce, either on a national or transnational level. Articles with an appeal to an international audience are most welcomed. Prospective authors should contact the Managing Editor, *World e-Commerce & IP Report*, c/o BNA International Inc, 1231 25th Street, N.W., Washington, D.C. 20037; tel. 1-202-452-7882; or E-mail: jkolko@bna.com. If submitting an article by mail please include a diskette with the article typed in plain text or in Microsoft Word.



# CASE REPORTS

## FRANCE

### Appeals Court Overturns Ruling on Use of Trademarks in Online Protests

**Thierry Meyssan, acting as Société Le Réseau Voltaire, and Olivier Malnuit v. Société Compagnie Gervais Danone, Cour d'Appel de Paris, April 30, 2003**

PARIS – The Paris Appeals Court has overturned a precedent-setting ruling dating to 2001 that accepted trademark-infringement arguments as the basis for ending an Internet-based protest against French food giant Danone.

In its ruling, the Appeals Court found that the unauthorized use and/or transformation of Danone's well-known logo, color scheme, and brand names at an Internet-based protest site was not intended to promote the sale of competing products, and was thus permissible under France's long-standing free-speech and parody standards.

The new decision – as well as two similar rulings involving the environmental pressure group Greenpeace – suggest that the Appeals Court has finally reached a definitive position in the raging debate over whether companies should be allowed to use intellectual property rights arguments to stunt online protests.

#### Protest Site

The dispute between Danone, journalist Olivier Malnuit, and the left-leaning, free-speech advocacy group Réseau Voltaire dates to early 2001, when the multinational food company simultaneously announced strong profits and plans to close a number of its European biscuit factories. An initial protest site – [www.jeboycottedanone.com](http://www.jeboycottedanone.com), or “I-boycott-Danone.com” – was launched in April 2001 by Malnuit and fellow journalists at the alternative music and lifestyle magazine *Technikart*, which led calls for a consumer boycott.

Danone's initial attempt to shut down the protest through a domain name-based suit before a Paris district court failed, but ISP administrators nonetheless opted to close the site to avoid further legal wrangling with the food giant.

Réseau Voltaire launched a parallel site – [www.jeboycottedanone.net](http://www.jeboycottedanone.net) – to carry on the protest, leading Danone to file a second suit, this time on trademark-infringement grounds. The Paris District Court accepted Danone's arguments in May 2001 that the protesters' use of its well-known logo, color scheme, and brands violated IP rights, and ordered defendants to immediately cease and desist, under threat of fines of what is now equivalent to about EUR 120 (U.S. \$140) per-infracton.

While the court initially refused to sanction either the ISP, the domain name registrar, or protestors' use of the Danone name in the Internet address, a subsequent decision clearly established that courts could and would use IP law to shut down online protests.

#### Courts Address Free-Speech Rights

The new Appeals Court ruling – which clearly marks the difference between commercially motivated trademark infringement and political speech – tosses out more than EUR 18,000 (\$20,880) in damages and interests owed by Meyssan and Olivier Malnuit. It also offers hope to a number of other protestors with IP-based cases working their way through the appeals process.

The initial decision led to a series of copycat filings from firms targeted by online protests. In most cases, courts usually opted to shut down online protests featuring misuse of trademarked material, regardless of whether the IP violation harmed a firm's commercial interest.

In a pair of landmark decisions that put free-speech concerns over theoretical IP protection, the Paris Appeals Court ruled on February 26, 2003, that Greenpeace was entitled to make use of trademark-protected logos in its Internet-based protest against an oil company and the government's nuclear power conglomerate.

The Paris Appeals Court rulings in *Greenpeace vs. Esso* and *Areva vs. Greenpeace* offered the clearest guidance to date on the extent to which courts will allow companies to use intellectual property law to stifle online protests of corporate behavior.

Combined with the new Danone ruling, the three appeals court decisions appear to unify previously contradictory lower court rulings on activists' freedom to wage protests online and companies' ability to fight these protests with trademark law.

All three rulings are still subject to appeal before the Cour de Cassation, France's highest court.

## FRANCE

### Court Refuses Protection For Domain Showing of Proof of Harm Absent

**SA BD Multimedia v. Joachim H., Tribunal de Grande Instance de Paris, March 11, 2003**

PARIS – A French court has ruled that all petitions for action on trademark infringement linked to foreign-registered Internet domain names must be accompanied by solid proof of commercial damage in the domestic jurisdiction. The ruling by the Paris district court represents a break with the methods courts

have traditionally used to resolve domain name-related trademark disputes.

The case centers on the protected brand “domina”, which is owned in France and numerous other jurisdictions by Paris-based BD Multimedia, and is applicable to a class of erotic products, notably those sold through a physical boutique, as well as via Internet and distance sales.

BD Multimedia has registered the Internet domain names *www.domina.fr* and *www.domina.com* in France and elsewhere, but realized in 2002 that a German-owned business was offering similar erotic products among other wares featured at a cyber-boutique based at the domain name *www.domina.net*.

### Proof of Harm Now Needed

Until now, plaintiffs bringing French suits against operators of foreign-registered domain names that infringe on domestic trademarks were simply required to prove that products were being offered for sale in France to win court protection.

BD Multimedia presented evidence that the site was accessible in France, and referred to policies offering delivery anywhere in Europe to back its claim. The Court nonetheless refused to take action against the German operator of the parallel *www.domina.net* site, finding that the plaintiff had failed to provide sufficient evidence that a trademark violation had taken place.

The court noted in its decision that BD Multimedia offered no proof that operators of *www.domina.net* have ever delivered products in France, or that the products or services concerned were even from the same IP registration class as those covered by the France-protected “domina” trademark.

While the decision does not carry sufficient weight to set a precedent, further rulings in this sense, particularly concerning other categories of products outside the “erotic” zone, could lead to a wider reassessment of the burden of proof behind online trademark infringement cases linked to domain names, according to analyses published by French Internet law experts.

## UNITED STATES

### Use of Mark in Post-Domain Path of URL is Non-Infringing

***Interactive Products Corp. v. a2z Mobile Office Solutions Inc.*, 6th Cir., No. 01-3590, April 10, 2003**

The use of another’s trademark in the post-domain path of a URL for a Web page selling one’s own products “does not typically signify source” and thus is unlikely ever to constitute trademark infringement, the U.S. Court of Appeals for the Sixth Circuit has declared.

The court stopped short of a broad holding in what it viewed as a case of first appellate impression. Instead,

Judge Julia Smith Gibbons found that such use was not infringing when the trademark owner fails to present any evidence of a likelihood of consumer confusion as to the source of its competitor’s Web page or products.

### ‘Lap Traveler’

The disputed trademark was for the “Lap Traveler”, a portable computer stand for use in automobiles developed by plaintiff Interactive Products Corp. One of IPC’s founders left to head Mobile Office Enterprise Inc., which developed a competing product, the Mobile Desk. A third company, a2z Mobile Office Solutions Inc., originally advertised and sold the Lap Traveler from a Web page with the Internet uniform resource locator (URL) *a2zsolutions.com/desks/floor/laptraveler/dkfl-lt.htm*. This portable-computer-stand Web page is one of the Web pages linked to a2z’s Website.

When a rift occurred between IPC and a2z, IPC terminated the business relationship and ordered a2z to remove references to the Lap Traveler from a2z’s Website. However, a2z then began selling the Mobile Desk from the same page from which it had sold the Lap Traveler, without changing the URL for that page. An announcement on that page stated that the “original Lap Traveler” had been developed by partners who had “split” and that a2z “carries the redesigned and improved product – The Mobile Desk.”

IPC performed Web searches using the key word “LAPTRAVELER” on various search engines. The searches consistently showed a2z’s portable-computer-stand Web page as one of the listed hits.

IPC sued a2z and MOE for, among other things, trademark infringement and false designation of origin violations of the Lanham Act. The district court granted the defendants summary judgment.

### Domain Name Versus URL

Affirming, the Sixth Circuit first distinguished between a Web site’s domain name and the URL for a Web page. “A website’s domain name (e.g., *a2zsolutions.com*) signifies its source of origin and is, therefore, an important signal to Internet users who are seeking to locate web resources,” the court said. “Because of the importance of a domain name in identifying the source of a website, many courts have held that the use of another’s trademark within the domain name of a website can constitute a trademark violation,” it said, citing *PACCAR Inc. v. TeleScan Tech. LLC*, 319 F.3d 243 1520 (6th Cir. 2003).

Each page within a Website has a corresponding URL, which consists of a domain name plus a post-domain path (in the one at issue, */desks/floor/laptraveler/dkfl-lt.htm*). The post-domain path “merely shows how a website’s data is organized within the host computer’s files”, the court said.

To succeed on its trademark-infringement claim, “IPC must show that the presence of its trademark in

the post-domain path of a2z's portable-computer-stand web page is likely to cause confusion among consumers regarding the origin of the goods offered by the parties," the court said. In the usual trademark-infringement case, the defendant uses a mark to identify its goods that is similar to the plaintiff's trademark, and the likelihood of confusion is assessed under an eight-factor test, the court said. But here, the defendants' product, the Mobile Desk, has a mark dissimilar to the plaintiff's "Lap Traveler" and the contest was whether the presence of the "laptraveler" mark in the URL post-domain path of a2z's Web page was infringing.

A preliminary question, the court said, is "whether defendants are using the challenged mark in a way that identifies the source of their goods. If defendants are only using IPC's trademark in a 'non-trademark' way—that is, in a way that does not identify the source of a product—then trademark infringement and false designation of origin laws do not apply."

Here, a2z did not insert IPC's mark into its Web page URL while selling the Mobile Desk, but just failed to change the URL after changing products. Nevertheless, the issue was not a2z's intent to confuse consumers, but the likelihood that the presence of IPC's mark in a2z's URL would cause confusion.

### Source Not Signified

Both *PACCAR* and *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999), held that use of another's trademark in one's domain name was infringing, the court noted. But those courts "relied on the fact that domain names usually signify source." In contrast, the post-domain path of a URL "does not typically signify source" but "merely shows how the website's data is organized within the host computer's files," the court said.

A consumer hoping to buy a Lap Traveler would more likely enter "LapTraveler.com" in the computer than "a2zsolutions.com/desks/floor/laptraveler/dkfl-lt.htm" and end up at IPC's Website, rather than at a2z's computer stand Web page, the court explained.

"Because post-domain paths do not typically signify source, it is unlikely that the presence of another's trademark in a post-domain path of a URL would ever violate trademark law," the court said. But here "it is enough to find that IPC has not presented any evidence that the presence of 'laptraveler' in the post-domain path of a2z's portable-computer-stand web page is likely to cause consumer confusion regarding source of the web page or the source of the Mobile Desk product, which is offered for sale on the web page." Lack of such evidence made it unnecessary to examine the usual eight factors used to determine likelihood of confusion between two source-signifying marks.

Judges Alice M. Batchelder and R. Guy Cole Jr. joined the opinion. The full text of the opinion is available at <http://pub.bna.com/lw/013590.htm>

## UNITED STATES

### U.S. Domain Registry May Disable Domain if Foreign Registrar Refuses

***Globalsantafe Corp. v. globalsantafe.com*, USDC E.D. Va., No. 01-1541-A, February 5, 2003**

A U.S. domain name registry may be ordered to disable a foreign infringing domain name when the foreign registrar refuses to comply with the court's cancellation order, the U.S. District Court for the Eastern District of Virginia has ruled.

Agreeing to extend an order to the domain name registry as well as to the registrar and registrant, the court was unmoved by the contractual relationship between the registry and the registrar and by an order of a foreign court barring action by the foreign registrar. Although the court found no basis for deferring to those considerations here, it pointed out that a case involving an uncooperative registry and an uncooperative registrar that are beyond the court's jurisdiction would present a substantial obstacle to relief against cybersquatters.

### Korean Registrar

Global Marine Inc. and Santa Fe International Corp. were both involved in the business of contract drilling and related services for nearly 50 years when they decided in 2001 to merge into a new company, Globalsantafe Corp.

Less than one day after the announced merger, the Korean domain name registrar, Hangan, registered the domain name *globalsantafe.com* for Jongsun Park. That domain name was transferred to Fanmore Corp., a Korean entity, with Jong Ha Park listed as the contact. The Website currently linked to the domain name is simply a placeholder site marked "under construction".

In October 2001, Global Marine and Santa Fe filed an *in rem* action against the *globalsantafe.com* domain name under the Anticybersquatting Consumer Protection Act of 1999 (ACPA), Section 43(d)(2) of the Lanham Act, 15 U.S.C. §1125(d)(2). In November 2001, the companies' merger became effective, and the new Globalsantafe filed a trademark application for GLOBALSANTAFE. The Korean registrar deposited the domain name certificate with the district court, but the registrant failed to appear in court to defend its right to use the domain name.

### Default Judgment

The district court adopted a magistrate judge's recommendation of a default judgment that the *globalsantafe.com* registration violated the ACPA. The court ordered the domain name registry Verisign to transfer the domain name to Globalsantafe, and later extended that order to the Korean registrar. In September 2002, Park obtained from a court in Korea an injunction to bar the Korean registrar from transferring the domain name as ordered by the U.S. district

court. The Korean court found that the U.S. court lacked jurisdiction.

Globalsantafe moved for an amended judgment to direct Verisign to cancel the infringing domain name until it is transferred to Globalsantafe.

Judge T. S. Ellis III accepted the recommendation that Globalsantafe established *in rem* jurisdiction over the domain name. According to the court, the company satisfied the requirements of Section 43(d)(2) by showing that:

- the action was filed in Virginia; the location of the domain name registry (Verisign);
- the domain name registrant conducted no business in, or had insufficient minimum contacts with the United States;
- service on the registrant was perfected by mail, e-mail, and publication in a Korean newspaper; and
- jurisdiction did not violate due process requirements.

The court also agreed that the domain name registration within one day of the merger announcement was a clear violation of Globalsantafe's trademark rights. Although the record shows bad faith, bad faith is not required in an *in rem* trademark-infringement action under the ACPA, the court explained, citing *Harrods Ltd. v. 60 Internet domain names*, 302 F.3d 214, 64 U.S.P.Q.2d 1255 (4th Cir. 2002).

Thus, the registration was in clear violation of the ACPA, the court held.

Section 43(d)(2)(D)(i) provides that “[t]he remedies in an *in rem* action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.” Significantly, the court pointed out, the statute does not indicate what transfer or cancellation of a domain name entails or which remedy is more appropriate in a given situation.

### Internet Protocols

The court explained that the Internet uses “Internet Protocol” (IP) addresses, which are numbers assigned to computers connected to the Internet. The domain name registrars sell domain names to registrants that correspond to particular IP addresses, and maintain registrant information. The domain name registry maintains the database of IP addresses, domain names, and corresponding registrars, and its relationship with the registrars is governed by contract.

The court pointed out that cancellation of a domain name can be achieved by the registrar's cancellation order to the registry, by the registry's disabling of the domain name by placing it on “hold” status, or by the registry's unilateral act of deleting the registration information without the cooperation of the registrar. These alternatives, it observed, are affected by the fact that the registrar that is refusing to cooperate is outside the court's jurisdiction, while the registry is not.

Although a unilateral cancellation is regarded by the registry as a violation of its contract with the registrar, the court noted that the contract includes an exception for a direct court order. In addition, the court observed that the registrar may have committed its own breach by declining to comply with the initial order, and that the registry may no longer be bound by the agreement once the registrar delivers to the court the control and authority over the registration. Verisign's contractual agreements with ICANN and Hangan may not limit Globalsantafe's trademark rights and remedies under the Lanham Act and the ACPA, the court added, explaining as follows:

To be sure, it is normally appropriate to direct a cancellation order primarily at the current domain name registrar and to direct that cancellation proceed through the usual channels. However, in situations where, as here, such an order has proven ineffective at achieving cancellation, it becomes necessary to direct the registry to act unilaterally to carry out the cancellation remedy authorized under the ACPA. In this regard, a court is not limited merely to the disabling procedure envisioned by Verisign's contractual agreements, but may also order the registry to delete completely a domain name registration pursuant to the court's order, just as the registry would in response to a registrar's request. Indeed, in order to vindicate the purposes of the ACPA, disabling alone in many cases may not be sufficient, for it does not oust the cybersquatter from his perch, but rather allows the cybersquatter to remain in possession of the name in violation of the trademark holder's rights.

### U.S. Location Is Crucial

On the other hand, the court recognized that its jurisdiction here to compel cancellation depends on the location of the registry in the United States, and that jurisdiction could be avoided in another case where both the registrar and registry are located outside the United States. “In other words, there is a significant gap in the ACPA's trademark enforcement regime for domain names registered under top-level domain names, such as the foreign country code domain names, whose registry is located outside the United States,” the court said.

However, the court concluded that it need not decide whether complete cancellation of the domain name by Verisign is appropriate here, since Globalsantafe requested only an amendment of the order to direct Verisign to cancel the domain name by disabling it. The court found this relief authorized by the ACPA, observing that disabling the domain name is the least intrusive practical means of cancellation without the cooperation of the registrar.

The court was not persuaded that concerns of international comity dictate deference to the injunction issued by the Korean court. The law of competing ju-

risdictions in *in rem* actions is that the first court to take jurisdiction over property may exercise that jurisdiction to the exclusion of any other court, it explained, citing *Princess Lida of Thurn & Taxis v. Thompson*, 305 U.S. 456 (1939). In this case, the registrant's application for an injunction in the Korean court was filed six months after Globalsantafe filed its *in rem* action in Virginia.

Nonetheless, the court acknowledged that the conflicting order of a foreign court compels consideration of comity among nations. However, it ruled that there is no basis for abstention on comity grounds here because:

- the U.S. and Korean proceedings are not concurrent;
- the foreign court proceeding is intended to frustrate the judgment of the U.S. court; and
- the U.S. judgment supports significant trademark policies under U.S. law.

The motion to amend the order was granted, and Verisign was directed not to cancel but to disable the domain name by eliminating the domain name IP address from its database.

The text of the court's opinion is available at <http://pub.bna.com/eclr/011541a.pdf>.

## UNITED STATES

### Court May Order Transfer of Domain Using .org From Foreign Registrant

**America Online Inc. v. aol.org, USDC E.D. Va., No. 02-1116-A, April 23, 2003**

Under the federal anticybersquatting law, a U.S. court has the authority to direct the operator of the .org registry to unilaterally transfer a domain name registration held by a foreign registrant, the U.S. District Court for the Eastern District of Virginia has ruled.

Furthermore, the court said, the interests of international comity would not stand in the way of such an order, because there was no evidence of an ongoing lawsuit in another country and, under the *in rem* provisions of the anticybersquatting law, the .org gTLD is located in the Eastern District of Virginia.

The court also concluded that such an order would not be an extraterritorial application of U.S. law and that the fact that the registrants chose to use a generic top-level domain controlled by an American registry negated any claims of unfairness.

#### Action Under ACPA

The plaintiff, America Online Inc. of Dulles, Virginia, held the U.S. registrations for the marks AOL and AOL.COM. America Online had brought an action under the *in rem* provisions of the Anticybersquatting Consumer Protection Act of 1999 (ACPA), 15 U.S.C. §1125(d), which permit a plaintiff to bring

suit against a domain name itself when it cannot obtain jurisdiction over the registrant.

The court, finding in favor of the plaintiff, issued an order directing the registrar, OnlineNIC, a company based in China, to execute the transfer. However, the registrar instead transferred the registration to another registrar, Netpia.com Inc., based in South Korea. Meanwhile, the registrant had also been changed twice and was now under a presumably fictitious name and controlled by a Korean entity.

#### Sought Public Interest Registry Action

The plaintiff then went back to the court to request an order directing Public Interest Registry to execute the transfer. Public Interest Registry, a Pennsylvania corporation headquartered in Reston, Virginia, is the operator of the .org registry, a function it took over from Verisign Global Registry Services Inc. at the beginning of 2003, under a contract with the Internet Corporation for Assigned Names and Numbers.

Judge T. S. Ellis III first determined that the *in rem* provision of the ACPA authorizes a court to order a domain name registry to transfer a domain name whose registration and use has been found to violate trademark law when the registrar has failed to comply with such an order.

In so concluding, the court relied heavily on its opinion in *Globalsantafe v. globalsantafe.com*, No. 01-1541-A (E.D. Va. 2003) (*see report above*). That case stated that it was appropriate to use any of three means to effect a cancellation of a domain name registration:

- by ordering the registrar to issue a request to the registry (the customary means of changing a registration);
- by ordering the registry to put the domain on hold and making it inactive; or
- by ordering the registry to unilaterally delete the registration.

#### ACPA Allows Transfer

The court concluded that the ACPA also authorizes using these means to effect a transfer of a domain name registration. This conclusion was based on the fact that the ACPA offers as remedies both cancellation and transfer of a registration, without limitation with regard to registrar or registry. Furthermore, under the *in rem* provision, jurisdiction may be obtained in the district where the registry is located, as well as where the registrar is located.

"These jurisdictional provisions weigh strongly against any notion that the transfer and cancellation remedies authorized by the ACPA ... are somehow limited to orders directed at registrars, but not registries," the court said. "Congress deliberately and sensibly provided for jurisdiction where the registry is located so there would be no doubt that courts had the power to direct the registry to carry out the authorized ACPA remedies of transfer and cancellation."

The court dispensed with the argument that by so ordering, it would be compelling the registry to violate its contractual agreement with the registrar. First, the court said, it was not clear that this would violate the contract. Second, such a contract may not be used to override a trademark holder's protected rights.

The court then went on to determine that the issuance of such an order would not be contrary to interests of international comity.

### No Evidence of Interference

First, the court said, there was no evidence in the record that such an order would be interfering with the order of or proceedings in a foreign court. Second, the location of the registry in the United States puts the situs of the domain in the United States as well. Finally, the court concluded that although an order would have an effect overseas, it would not be an extraterritorial application of U.S. trademark law because it would merely be compelling an entity located in the United States to take an action inside the United States.

Finally, the court ruled that such a unilateral transfer would not be unfair to the foreign party, because it had itself chosen to register a domain name whose registry was located in the United States.

"By choosing to register a domain name in the popular '.org' top-level domain, these foreign registrants deliberately chose to use a top-level domain controlled by a United States registry," the court said. "They chose, in effect, to play Internet ball in American cyberspace."

The text of the court's opinion is available at <http://pub.bna.com/eclr/021116.pdf>.

## UNITED STATES

### Dealer's Use of Website to Market Outside Region Infringes Trademark

**Bayer Corp. v. Custom School Frames LLC, USDC E.D. La., No. 02-2604, April 16, 2003**

An authorized distributor violated a trademark holder's rights when it used its Website to market the trademarked goods outside its assigned region, the U.S. District Court for the Eastern District of Louisiana has ruled.

A confusingly similar domain name, use of trademarks on the site, metatags, and purchased search engine results all contributed to the court's conclusion that the distributor's actions constituted trademark infringement, unfair competition, and dilution through tarnishment as a matter of law.

The plaintiff, Bayer Corp., an Indiana corporation headquartered in Pittsburgh, Pennsylvania, is the U.S. subsidiary of Bayer AG of Germany. It is the owner of the U.S. registration for the mark ADVANTAGE in

connection with veterinary pesticides and a related electronic mail newsletter. Bayer's Advantage flea control products are formulated differently in various regions in order to comply with local laws, such as environmental laws. By contract, its products for one market may not be exported to another market.

Bayer also operates a related Website associated with the domain name *nofleas.com*. In the United States, Advantage products are not sold directly to consumers, but are dispensed through licensed veterinarians.

Defendants Custom School Frames LLC and Dale J. "Jerry" Autin, without authorization from Bayer, registered the domain name *no-fleas.com* and used the associated Website to sell Advantage products directly to U.S. consumers that were formulated for the United Kingdom and Australia. The Website used the ADVANTAGE mark prominently in its display and in its metatags. Custom School Frames also purchased prominent results with at least one search engine.

### Domain, Metatags, Search Results All Infringing

Judge A.J. McNamara first concluded with little trouble that the use of the ADVANTAGE mark created a likelihood of confusion under federal and Louisiana law. Furthermore, the court said that the use of the mark in the metatags and the search engine registration created initial interest confusion as set forth in *Brookfield Communications v. West Coast Entertainment*, 174 F.3d 1036 (9th Cir. 1999).

Furthermore, such confusion was "exacerbated" by the use of the *no-fleas.com* domain name, which is nearly identical to Bayer Corporation's *nofleas.com* domain name, the court said.

The court concluded that the use of the mark in connection with the site constituted trademark infringement and unfair competition as a matter of law, and issued an injunction prohibiting the use of the mark by the defendants on any part of the Website, in the metatags, and in purchased search-engine results.

The text of the court's opinion is available at <http://pub.bna.com/eclr/022604.pdf>.

## UDRP

### WIPO Panel Refuses to Transfer 'puertorico.com' Domain

**Puerto Rico Tourism Company v. Virtual Countries, Inc., WIPO Case No. D2003-1129, April 14, 2003**

A Panel established by the World Intellectual Property Organization's Arbitration and Mediation Center, pursuant to the Uniform Domain Name Dispute Resolution Policy, has refused to order the transfer of the domain name *puertorico.com* to the Puerto Rico

Tourism Company, a public corporation of the Puerto Rican government.

The three-member Panel — which consisted of Marino Porzio, Andrew F. Christie, and Presiding Panelist Dennis A. Foster — was persuaded that it should follow the precedent established in the case of *newzealand.com*.

### Background

The Complainant, the Puerto Rico Tourism Company, is based in San Juan, and the Respondent, Virtual Countries, Inc., is a U.S. corporation whose office is in Seattle, Washington. The disputed domain name, *puertorico.com*, was registered with Network Solutions, Inc. of Dulles, Virginia, in the United States.

The Respondent, which registered the disputed domain name on May 13, 1995, operates a number of Websites featuring what it calls “virtual countries”. It furnishes a variety of information, including business, travel, news and cultural information, about the countries on its Websites, the Panel found.

The Complainant is a state corporation of the Commonwealth of Puerto Rico that presumably furnishes tourism information about Puerto Rico to the public. The Complainant and the Respondent conducted protracted negotiations during mid-2002 in which the Respondent attempted to sell, and the Complainant attempted to purchase, the disputed domain. The Panel noted that the parties “hotly dispute” which side made the first move to sell or buy the disputed domain name. In any case, it said, they were unable to complete their negotiations and sale in 2002.

The Complainant argued that it is the owner of a number of registered trademarks that contain the words “Puerto Rico” and that, as concluded in the *barcelona.com* case (*Excelentísimo Ayuntamiento de Barcelona v. Barcelona.com Inc.*, WIPO Case No. D2000-0505, August 4, 2000), “it is necessary to consider the fact that Complainant has proven to be the owner of a large number of trademarks having as their principal element the words ‘Puerto Rico’, many of which, if subjected to the same analysis, would certainly lead to the same result.” Based on the precedent set in that case, “it can be concluded that although the trademark is composed of several elements, the trademark’s distinctive character is provided by the expression ‘Puerto Rico’. Respondent’s right, if any, to the *puertorico.com* domain name is subject to the rights of parties having better rights or more legitimate interests as in this case.”

The Respondent contended that the law is clear that geographic names such as “Puerto Rico” do not provide enforceable rights under the UDRP. Moreover, it said, the use of the disputed domain name for a Puerto Rico information Website provides “incontrovertible evidence of its legitimate interest and absence of bad faith” as decided in the *newzealand.com* decision, “which involved this same Respondent on a

virtually identical set of facts” (*Her Majesty the Queen in Right of Her Government in New Zealand et al. v. Virtual Countries, Inc.*, WIPO Case No. D2002-0754, November 27, 2002).

Moreover, it added, the Complainant “is obviously aware that its case is without merit because the two U.S. trademark registrations identified in the Complaint expressly state that ‘no claim is made to the exclusive right to use ‘Puerto Rico.’”

### No Rights Under U.S. Law

The Panel reiterated the requirements for a domain name to be transferred to the Complainant — the domain name must be identical or confusingly similar to a trademark or service mark in which the Complainant has rights; the Respondent must have no rights or legitimate interests in respect of the domain name; and the domain name must have been registered and must also have been used in bad faith.

The Panel noted that the Complainant did not contend that it had either a registered trademark or a common law use trademark in the words “Puerto Rico”. Instead, the Complainant showed that it had Puerto Rico Department of State registered trademarks in several phrases that include the words “Puerto Rico”, such as “Puerto Rico ¡Lo hace mejor!”, “Puerto Rico Tut Es Besser!” (same phrase in German), and “Puerto Rico Le Fait Mieux!” (in French). However, as the Respondent pointed out, “each of the Complainant’s trademark registrations disclaims any right to the words used except as they are used in the trademark.”

The Panel decided that it was more persuaded by the Respondent’s position. First, “the Panel agrees with the Respondent that UDRP cases evince a consensus that complainants do not have trade or service mark rights in geographic place names. Also, United States trademark law [which extends to Puerto Rico] does not allow trademark registrations for geographic place names such as Puerto Rico (Lanham Act, Section 2 (15 United States Code Section 1052)) unless they have acquired secondary meaning.”

Although the Complainant, “possibly aware that United States federal trademark law does not support its position”, contended that Puerto Rico is not part of the United States, the Panel took administrative notice that Puerto Rico is a Territory of the United States and is subject to its law.

In any case, it said, “the Complainant nowhere shows that local Puerto Rican law is any different on geographic name marks from United States federal trademark law or the principle generally adopted in UDRP cases on whether a geographic place name can be a trademark. The Complainant’s Puerto Rican trademark registrations such as ‘Puerto Rico does it better’ all disclaim trademark rights in the geographic name Puerto Rico alone . . . .”

## Transfer Denied

Thus, both UDRP precedent and U.S. trademark law instructed the Panel that the Complainant does not have trademark rights in a word or phrase to which *puertorico.com* is identical or confusingly similar. The Complainant has used the name “as a descriptive geographic place name in trademarks comprising jingles and phrases without any showing of acquired secondary meaning for ‘Puerto Rico’. In fact, the Complainant has not shown any use of its trademarks, only that they have been registered. Nor has the Complainant shown that any use it may make of the words

Puerto Rico for tourism services is any different from the myriads of other tourism and other service and goods providers in Puerto Rico that use the words Puerto Rico.”

Accordingly, the Panel found that the Complainant had not met its burden of proof under Policy paragraph 3(a)(i) to show that the disputed domain name is identical or confusingly similar to a trademark or service mark in which it has rights, and it refused to transfer the name to the Complainant.

The decision can be found at <http://arbiter.wipo.int/domains/decisions/html/2002/d2002-1129.html>

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# NEWS REPORTS

## GERMANY

### Lower House of Parliament Passes Amendments on Digital Copyright

BERLIN – The Bundestag, the lower house of the German parliament, approved amendments to the copyright regime on April 11 that are designed to cover digital media, including controversial provisions to allow educational and research institutions to provide copyright-protected texts over intranets.

The core components of the draft law are the introduction of a new right of public access, a reworking of barriers to limitations on copyright protection, and creation of comprehensive legal protections of technical measures to protect copyright-protected content, according to the Institute for Copyright and Media Law, an industry-funded legal research center.

The draft implements into German national law the May 22, 2001, European parliament and council directive (2001/29/EC) on the harmonization of certain aspects of copyright and related rights in the information society, which Member States were to have implemented into national law by the end of 2002.

The amendments must still pass the opposition-dominated upper house of parliament, the council of state governments (the Bundesrat), which was not expected to take up the legislation before the end of May. However, the compromise version already has the support of the major opposition party, the Christian Democrats, although the state governments may seek further concessions.

Following approval in the upper house, the copyright reform is slated to take effect upon publication in the *Federal Gazette*, which would make Germany only the third European Union Member State to implement the copyright directive, the institute said (after Greece and Denmark).

### Opposition Lends Support With Reservations

The opposition Christian Democrats in the lower house said that they were voting for the amended draft law – despite continued shortcomings – because of the need to implement the directive as soon as possible in Germany.

Industry, consumer groups, and education advocates presented testimony on the draft at an open hearing of the committee on legal affairs for the Bundestag on January 29, following the first reading of the draft on November 14.

The compromise changes were reached April 9, as a result of concessions to the opposition within the

Bundestag committee on legal affairs, particularly in regard to the educational use provisions.

The amended form of Section 52a of the copyright law would allow electronic copies of parts of published works, works of narrow scope, or individual articles from specialized publications, and in self-contained, closed networks such as intranets, and for a copyright fee, Federal Minister of Justice Brigitte Zypries said.

This would ensure that teachers could make electronic copies of a scientific work available over classroom computers, along the same lines as they are allowed to make photocopies for educational use, and would allow professors and research scientists to e-mail copies of copyrighted texts to a limited number of colleagues, Zypries said. There are further restrictions for schools on providing copies of films and textbooks.

A further concession to the opposition is that Section 52a contains a sunset provision for the end of 2006, at which time the parties are to evaluate its effects on businesses, and if necessary take countermeasures.

### Booksellers' Association Rejects Compromise

The Market Association of Booksellers rejected the Bundestag compromise on Section 52a, saying that academic and newspaper publishers in particular would suffer under the measure, as it would allow use of scientific works and periodicals without permission, and deprive publishers from the compensation they would get through regular purchase or under a licensing agreement. It also said that the measure would apparently be unique to Germany among the E.U. Member States.

The German Multimedia Association (the Deutscher Multimedia Verband, or DMMV), which represents digital content and provision firms, said that the law did not go far enough to help fight the piracy now occurring on a vast scale. The DMMV said its main critique of the draft was its failure to prohibit the making of copies from illegal sources.

By providing unrestricted permission for an unlimited number of private copies and making it so easy to copy and disseminate, the adopted draft makes it even less likely that users of copyrighted content material will risk making it available online, said Friederike Behrends, co-chairwoman of the DMMV working group on media policy.

Still, industry groups said they were pleased that the draft law provided legal protection for technical mechanisms to protect against copying.

The Information Technology, Telecom and New Media Industry Federation (known as Bitkom) said it was unfortunate that the lower house had failed to provide clear rules in regards to requiring copyright fees from those who purchase digital media products. From the point of view of the IT and communications sector, it is necessary to make a clear statement against the expansion of such generalized copyright fees to all digital media products, especially printers and personal computers, and also incentives for introducing digital rights management systems, it stated.

### Fee Due at Time of Sale

Currently, German consumers must pay a generalized copyright fee at the time of sale when purchasing equipment and media storage devices used in copying.

However, the IT and communications industry association said it was pleased that the law established that the use of technical protective mechanisms would figure into setting generalized copyright fees.

Separately, the government has said that it plans a second package of amendments to the copyright law for the second half of the year, in order to respond to demands to bring the copyright regime in line with the developments in digital technologies.

The opposition Christian Democrats said at the time of the Bundestag vote that they were ready to support the necessary additional measures, especially those which address problems of what sources are legal for copying, making copies from the original, disseminating copies, and creating incentives for developing digital rights management systems.

Business groups are also eagerly pushing for the new measures. The fact that the federal government has decided to save discussions of additional measures for the second half of 2003 shows that it has recognized the need for further improvement of digital copyright law, the DMMV stated. Questions over how to institute more legal certainty for producers of digital works in areas such as software, CD-ROMs, music, and film will be central in talks with government representatives over the second package measures, the digital media industry association's Behrends said.

The IT and communications industry association Bitkom called the Bundestag amendments a "minimalist" implementation of the E.U. directive and said that substantive modernization of copyright law was still necessary. Bitkom said the second package should address the IT and communications industry concerns on generalized copyright fees for digital media equipment.

## ITALY

### Government Shifts Emphasis By Punishing Purchasers of Pirated CDs

ROME – The Italian government has taken a new tact in its efforts to curb the spread of pirated music in

the country, placing part of the blame on buyers of the illegal recordings.

Law 531/2003, which went into effect on April 29, toughens penalties against sellers of pirated compact discs slightly, with fines of EUR 102 (U.S.\$112) per CD sold with no upper limit, plus prison time for repeat sellers that could range between six months and three years. That is harsher than the previous law, which capped total fines at EUR 1,222 (\$1,344) per incident and included jail time of between two weeks and three years.

Violators, who are often illegal immigrants, could still be subject to other laws, such as immigration regulations, that could result in deportation.

### Fines Per CD Purchased

But the main change in the law is that it also includes fines of EUR 154 (\$169) per CD for buyers of the illegal music, with fines for repeat offenders rising as high as EUR 1,000 (\$1,100). While producing and selling pirated music has long been illegal in Italy, this is the first time that buying it has been placed in the same category.

"Most people would probably guess that buying pirated music was already illegal, so the change is not such a big one from the view of the public," said a spokesman for the Council of Ministers, which sponsored the legislation. "We are just trying to curb demand as well as supply."

Legal scholars disagree. According to Alberto Tommasini, a market law professor at Rome's Catholic University, the change is a significant one. "The fact that the new law criminalizes the actions of the consumer is important because it adds a large group of new people to the process," Tommasini told. "In many cases, these people will not be aware that they are breaking the law; it will be interesting to see how alerting the public to these changes is handled."

Changing the onus for enforcing an existing law is a strategy that has worked well in Italy in the past. Helmet laws, for example, began to be enforced only after they were amended to make police officers liable if they did not stop unprotected moped riders. And anti-smoking rules gained teeth only when the law was revised to allow for fines against the management of establishments where people smoked illegally.

But, according to Tommasini, the case of music CDs is different because it shifts part of the blame to the public, rather than away from the public as in previous cases. "In the past, it was easier to inform police officials or bar owners," Tommasini said. "Now it is the public that will have to be informed."

According to a spokesman for the Ministry of Justice, the changes as they stand will not include pirated computer software or recorded films, or even the types of computer games and DVDs that are often seen for sale alongside CDs on the streets of Italy's large cities.

# DOMAIN NAME DISPUTE RESOLUTION REPORTS

In this column, the *World E-Commerce & IP Report* provides summaries of recent domain name dispute resolution rulings by ICANN-accredited institutions. These summaries are provided by Riccardo Roversi, Studio Legale Abbatescianni, Milan & Rome, with contributions from Judith Paine and Yee Mun Loh. Mr. Roversi may be contacted by e-mail at [roversi@sla.it](mailto:roversi@sla.it); tel. (+39-25) 413-1722; fax: (+39-25) 501-4830; Web: [www.sla.it](http://www.sla.it)

## **MRA Holdings, LLC v. Alexander Boris Niche Profit Ltd**

**Domain name:** [girlsgoneswild.com](http://girlsgoneswild.com)

**Dispute resolution provider:** NAF (Case No. FA301000140623)

**Panel:** John J. Upchurch

*Identical or confusing similarity:* Domain name virtually identical to registered trademark.

*Rights or legitimate interests:* Failure to respond to Complaint; inference of no rights or legitimate interests.

*Registration and use in bad faith:* Registration of domain name that differed in one character created likelihood of confusion regarding affiliation or endorsement by Complainant.

**Facts:** Complainant has held a registered trademark for the GIRLS GONE WILD mark since December 12, 2000. Complainant's goods and services had been extensively advertised and promoted throughout the United States and other nations. Considerable goodwill and consumer recognition of the mark had been generated since registration. Further, Complainant had registered the [girlsgonewild.com](http://girlsgonewild.com) domain name on January 21, 1999.

Respondent registered the [girlsgoneswild.com](http://girlsgoneswild.com) domain name on May 27, 2002, and was not licensed or authorized to use Complainant's mark for any purpose. Respondent used the domain name to host a series of banners and hyperlinks named after various permutations of the GIRLS GONE WILD mark.

With respect to the issue of confusing similarity, Respondent merely added the letter "s" between the words GONE and WILD. The modification was not enough to prevent confusing similarity. Accordingly, Panel found that the domain name was confusingly similar to Complainant's trademark.

With respect to the issue of rights or legitimate interests, Panel viewed Respondent's failure to respond to Complaint as evidence that it lacked rights and legitimate interests in the domain name. Panel was of the view that Respondent's domain name took advantage of its confusing similarity to Complainant's mark to redirect Internet users attempting to reach Complainant's domain name to a Website featuring hundreds of links to pornographic Websites. Panel inferred that Respondent received a referral fee for

Internet users who followed the links to the associated Web pages and this was not a bona fide offering of goods or services, nor was it a legitimate non-commercial or fair use of the domain name. Further, Respondent was known by the name "Alexander Boris Boch Niche Profit LTD" in its contact information, and there was no evidence implying that Respondent was "commonly known by" the name GIRLS GONES WILD or [girlsgoneswild.com](http://girlsgoneswild.com). The Respondent, therefore, did not have rights or legitimate interests in the [girlsgoneswild.com](http://girlsgoneswild.com) domain name under the Policy.

With respect to the issue of registration and use in bad faith, Panel was of the view that by Respondent registering an infringing domain name, one that differed from Complainant's mark by one character, Respondent created a likelihood of confusion as to whether there was any affiliation or endorsement of its Website by Complainant. Moreover, Respondent fostered the likelihood of Internet confusion with its series of links to pornographic Websites. Panel was of the view that by taking advantage of the goodwill surrounding Complainant's mark for commercial gain via referral fees, Respondent registered and used the domain name in bad faith.

**Result:** The domain name was ordered to be transferred.

**Decision date:** February 21, 2003

### **Cases cited in decision:**

*Nat'l Geographic Soc v. Stoneybrokk Inv* (NAF)

*Blue Cross & Blue Shield Ass'n v. InterActive Communications, Inc.* (WIPO Case No. D2000-0788)

*Pavillion Agency Inc. v. Greenhouse Agency Ltd.* (WIPO Case No. D2000-1221)

*Do the Hustle, LLC v. Tropic Web* (WIPO Case No. D2000-0624)

*Encyclopaedia Britannica, Inc. v. Zuccarini* (WIPO Case No. D2000-0330)

*Vapor Blast Mrg Co. v. R & S Tech, Inc.* (NAF Case No. FA 96577)

*Hewlett Packard Co. v. Full Sys.* (NAF Case No. FA 94637)

*RMO Inc. v. Burbridge* (NAF Case No. FA 96949)

*Gallup Inc. v. Amish Country* (NAF Case No. FA 96209)

*Kmart v. Kahu* (NAF Case No. FA 127708)

*State Forum Auto Ins. Co. v. Northway* (NAF Case No. FA 95464)

## **Broadcom Corporation v. Smoking Domains and Michelle Lehman**

**Domain name:** [broadcommunications.com](http://broadcommunications.com)

**Dispute resolution provider:** NAF (Case No. FA021200037037)

**Panel:** The Honorable Charles K. McCotter, Jr. (Ret)

*Identical or confusing similarity:* Domain name not confusingly similar to registered trademark, as overall impression of domain name was not confusingly similar to registered trademark.

**Facts:** Complainant, Broadcom Corporation, had at least five registered United States trademarks and three United States trademark applications pending for numerous variations of its BROADCOM trademark. Broadcom began using the BROADCOM trademarks as early as November 1994 and has been using the marks continuously ever since their initial adoption. It therefore had the rights in the BROADCOM marks.

Complainant was the leading provider of integrated circuits, computer hardware, and software in the field of digital broadband communications.

Respondent, Smoking Domains and Michelle Lehman, asserted that the disputed domain name was a combination of two generic terms “broad” and “communications” and Complainant could not be entitled to protection for every usage of the word “broad” in combination with other terms.

Panel was of the view that the domain name was not confusingly similar to Complainant’s BROADCOM mark because the overall impression of the domain name was not confusingly similar to Complainant’s name. Panel was of the view that the domain name was a combination of two generic terms, “broad” and “communications”. Complainant was not entitled to protection for every usage of the word “broad” in combination with other terms, and therefore the disputed domain name was not confusingly similar to Complainant’s mark.

Complainant contended that the second portion of its “mark” is a universally recognised abbreviation for “communications”. Panel, was, however of the view that there are other well-known meanings for “com” such as comedy, comic, comma, and commercial organisation. The evidence presented by Complainant did not support the theory that “com” and “communications” were interchangeable.

Complainant failed to show that “broad communications” was the likely meaning that most people would give to Complainant’s BROADCOM mark.

Further, Complainant failed to establish rights in a trademark or service mark identical or confusingly similar to the domain name under the Policy.

**Result:** Domain name registration remains with Respondent.

**Decision date:** February 11, 2003

**Cases cited in decision:**

*Treeforms, Inc. v. Cayne Indus. Sales Corp.* (NAF Case No. FA 95856)

*Broadcom Corporation v. Broadband Communication Networks, LLC* (NAF Case No. FA 97871)

*Broadcom Corporation v. Corporategamer.com* (NAF Case No. FA 96355)

*Space Imaging LLC v. Stephen J. Brownwell* (eResolution Case No. AF0298)

*E Auto LLC v. Net Me Up* (WIPO Case No. D2000-0104)

*Bank of America Corporation v. Fluxxx, Inc.* (NAF Case No. FA 103809)

*Zero International Holding Gmbh & Co. Kommanditgesellschaft v. Beyond Services and Stephen Ulrich* (WIPO Case No. D2000-0161)

*ISL Marketing AG and The Federation Internationale de Football Association v. J.Y. Chung Worldcup 2002.com., W.Co, and World Cup 2002* (WIPO Case No. D2000-0034)

*Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135 (9th Cir, Feb 11, 2002)

*Creative Curb v. Edgetee International Pty Ltd.* (NAF Case No. FA 116765)

**Bloomberg L.P. v. Future Movie Name**

**Domain name:** bloomberg.com

**Dispute resolution provider:** NAF (Case No. FA0212000139664)

**Panel:** James A. Carmody

*Identical or confusing similarity:* Domain name incorporated a common typographical error into Complainant’s domain name and registered trademarks.

*Rights or legitimate interests:* Pattern of infringing behaviour of registering domain names incorporating a typographical error of famous trademarks in order to confuse Internet users; “Typosquatting”.

*Registration and use in bad faith:* Registration of infringing domain name in knowledge of Complainant’s well-known rights.

**Facts:** Complainant held numerous registrations with the U.S. Patent and Trademark Office for the BLOOMBERG mark denoting Complainant’s financial services relating to securities trading and related information. Complainant’s BLOOMBERG family of marks is registered in over 75 countries.

Complainant further operated on the Internet primarily from its *bloomberg.com*, *bloomberg.net*, and *bloomberg.org* domain names and held over 4,000 other domain names incorporating the BLOOMBERG mark or similar variations thereof.

Complainant’s substantial advertising and promotion of the BLOOMBERG mark created significant goodwill and widespread consumer recognition, becoming one of the largest providers of worldwide financial news and information and related goods and services.

Respondent, Future Movie Name, registered the domain name on April 25, 2001. Respondent had a pattern of registering variations of famous marks in domain names.

With respect to the issue of whether the domain was identical or confusingly similar, Respondent’s domain name incorporates a common typographical error into Complainant’s domain name. Typographical variations of famous marks fail to create distinguishing characteristics under the Policy.

With respect to the issue of rights or legitimate interest, Respondent failed to submit a Response and therefore failed to submit any evidence that it had le-

gitimate interests in the domain name. Panel accepted as true all allegations of the Complainant.

From the evidence, Respondent established a pattern of registering infringing domain names with the intention of diverting Internet users to a commercial Website by registering a confusingly similar domain name incorporating a typographical error. The practice was known as “typosquatting”, whereby a registrant seeks to capitalise on a famous trademark by registering a confusingly similar variation of the mark in a domain name. As Respondent had continually engaged in registering typographical errors of famous marks and Complainant’s mark was internationally well known, Panel presumed that Respondent could not establish rights or legitimate interests under the Policy.

With respect to the issue of registration and use in bad faith, by virtue of Complainant’s prior registration of the BLOOMBERG mark, Respondent was made aware of Complainant’s right in the mark. Respondent’s subsequent registration of an infringing domain name, despite knowledge of Complainant’s rights, constituted bad-faith registration under the Policy. Respondent’s bad-faith use of the domain name was evidenced by its pattern of infringing behaviour.

**Result:** The domain name was ordered to be transferred.

**Decision date:** February 8, 2003

**Cases cited in decision:**

*Dow Jones & Co., Inc. v. Powerclick, Inc.* (WIPO Case No. D2000-1259)

*State Farm Mut. Auto Ins. Co. v. Try Harder & Co* (NAF Case No. FA 94730)

*Visit Am., Inc. v. Visit Am* (NAF Case No. FA 95093)

*Talk City, Inc. v. Robertson* (WIPO Case No. D2000-0009)

*Vertical Solutions Mgmt, Inc. v. Webnet-Marketing, Inc.* (NAF Case No. FA 95095)

*Do the Hustle, LLC v. Tropic Web* (WIPO Case No. D2000-0624)

*Geocities v. Geocities.com* (WIPO Case No. D2000-0326)

*Stop & Shop Supermarket Co. v. Anderson* (NAF Case No. FA 133637)

*Gallup Inc. v. Amish Country* (NAF Case No. FA 96209)

*CBS Broad., Inc. v. LA-Twilight-Zone* (WIPO Case No. D2000-0397)

*Twentieth Century Fox Film Corp. v. Risser* (NAF Case No. FA 93761)

*Orange Glo Int’l v. Jeff Blume* (NAF Case No. FA 118313)

*Victoria’s Cyber Secret Ltd. P’ship v. Secret Catalogue, Inc.*, 161 F.Supp. 2d 1339 (S.D. Fla. 2001)

*LL Bean, Inc. v. Cupcake Patrol* (NAF Case No. FA 96504)

*Wells Fargo & Co. v. Nadin* (NAF Case No. FA 127720)

**Twentieth Century Fox Film Corporation  
v. Michele Dinola**

**Domain name:** foxmoviechannel.com

**Dispute resolution provider:** NAF (Case No. FA0212000135643)

**Panel:** Richard DiSalle, James P Buchele, Clive Elliot

*Identical or confusing similarity:* Domain name identical to Respondent’s trademark registrations.

*Rights or legitimate interests:* Use of domain name to re-direct Internet traffic to revenue-generating search engine.

*Registration and use in bad faith:* Use of domain name resulted in consumer confusion as to Complainant’s affiliation; registration was to trade off goodwill associated with famous trademark.

**Facts:** Complainant holds trademark registrations with the United States Patent and Trademark Office for the FOX MOVIE CHANNEL mark. Complainant had continually used the FOX mark and similar variations of the mark since 1915 to denote a variety of entertainment services and products. Complainant was involved in the motion picture industry and television industry and used the FOX related marks to denote its services within each industry.

Complainant promoted its Fox Movie Channel at a Website found at *thefoxmoviechannel.com*. The Website featured information about programming available through the Fox Movie Channel as well as articles on such topics as interviews with actors starring in Complainant’s films.

Respondent’s *foxmoviechannel.com* domain name was identical to the FOX MOVIE CHANNEL mark. The absence of spaces in the domain name was irrelevant, as was the top-level domain name “.com”, which is a required feature. Accordingly, the domain name was identical to Complainant’s mark under the Policy and the Policy was breached.

With respect to the issue of rights and legitimate interests, Respondent used the domain name to re-direct Internet traffic to a revenue-generating search engine, “Searchport”. This was not a use in connection with a bona fide offering of goods and services. Respondent used the domain name to direct those searching for Complainant by its FOX MOVIE CHANNEL mark directly to the “SearchPort” movie page. Respondent’s actions unfairly traded off the goodwill and commercial value of the FOX MOVIE CHANNEL mark. Further, Respondent was not a licensee authorized to use the FOX MOVIE CHANNEL mark and no evidence existed that suggested Respondent had ever been known by the mark. Therefore, Respondent had no rights or legitimate interests in the domain name under the Policy.

With respect to the issue of registration and use in bad faith, Panel was of the view that Respondent’s use of the domain name resulted in consumer confusion as to Complainant’s affiliation with the resulting search engine Website. Panel was of the view that based on the strength of the FOX MOVIE CHANNEL mark and Respondent’s infringing behaviour, Respondent purposefully registered the subject domain name to trade off the goodwill associated with the FOX MOVIE CHANNEL mark. As Respondent was aware of Complainant’s interests in the FOX MOVIE CHANNEL mark, the domain name

was registered and used in bad faith. The Policy was therefore breached.

**Result:** The domain name was ordered to be transferred.

**Decision date:** February 3, 2003

**Cases cited in decision:**

*Todito S.a v. Dinoia* (WIPO Case No. D2002-0620)  
*Visit Am., Inc. v. Visit Am* (NAF Case No. FA 95093)  
*MSNBC Cable, LLC v. Tsys.com* (WIPO Case No. D2000-1204)  
*State Farm Mut. Auto. Ins v. LaFaive* (NAF Case No. FA 95407)  
*Broadcom Corp. v. Intellifone Corp.* (NAF Case No. FA96356)  
*Nike, Inc. v. B.B de Boer* (WIPO Case No. D2000-1397)  
*State Farm Mut. Auto. Ins. Co. v. Northway* (NAF Case No. FA 95464)  
*G.D. Searle & Co. v. Celebrex Drugstore* (NAF Case No. FA 123933)  
*Kmart v. Kahn* (NAF Case No. FA 127708)  
*Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135 (9th Cir. Feb 11, 2002)  
*Samsonite Corp. v. Colony Holding* (NAF Case No. FA 94313)

**Empresa Municipal Promocion Madrid S.A v. Easylink Services Corporation**

**Domain name:** Madrid.com

**Dispute resolution provider:** WIPO (Case No. D2002-1110)

**Panel:** Ross Carson, Paz Solar Masota, Geert Glas

*Identical or confusing similarity:* No evidence filed of use of geographic indication of MADRID as a registered trademark; in absence of substantial proof of acquired distinctiveness or secondary meaning displacing the significance of the geographical indication, a geographical indicator does not serve as a trademark or service mark.

*Rights or legitimate interests:* Establishment of various legitimate interests under the Policy.

**Facts:** Complainant is a public company owned entirely by the Madrid City Council, in Spain, the purpose of which is the promotion of the city of Madrid and its image. The Complainant was the registrant of a number of trademarks registered in Spain, for example PROMOTION MADRID, MADRID CIUDAD, and LINEA MADRID. Further, Complainant was the applicant named in trademark applications filed at the Office for the Harmonization of the Internal Market for Trademarks and Designs (the office charged with the administration of Community Trademarks and where the registration of trademarks in the E.U. are filed) such as ESMADRID, ENMADRID, and PROMOCION MADRID.

Respondent was an electronic transaction delivery service powering the exchange of information between enterprises and their suppliers, distributors, retailers, and consumers.

Complainant did not file any evidence of use of the geographical indication MADRID as a registered trademark or service mark. Panel stated that in the absence of substantial proof of acquired distinctiveness or secondary meaning displacing the significance of the geographical indication, a geographical indicator did not serve as a trademark or service mark. Panel was of

the view that the use of MADRID as a geographical indicator was not use of a trademark or service mark. Further, Complainant did not file any evidence of the extent of the use of the registered trademarks on which it relies.

Panel was of the view that the domain name was not identical or confusingly similar to the compound trademark registrations of the Complainant (eg, PROMOTION MADRID, MADRID CIUDAD) and therefore Complainant failed to prove that the domain name was identical or confusingly similar to a trademark or service mark in which it had rights.

With respect to the issue of rights or legitimate interests, Panel stated that Respondent registered the domain name *madrid.com* in connection with free e-mail services. The evidence submitted in the proceedings was that over 1,000 registered users apply for new *madrid.com* e-mail accounts each month. The free e-mail service had not been proven by Complainant to represent a lack of rights or legitimate interest in respect of *madrid.com*. According to Panel, Respondent offered e-mail accounts at numerous affinity domain names including several geographical areas, such as *rome.com*, *london.com*, and *berlin.com*. The use of a domain name for the purpose of offering personalized addresses for an e-mail service established the Respondent's legitimate interest under the Policy.

The evidence showed that Respondent made "demonstrable preparations" to use the domain name as part of a network of geographical-related Websites.

Further, Respondent had used, and continued to use, its geographic domain names in connection with advertising programs offering hotel reservations in various locations, including the use of *madrid.com* to offer "hotel bookings in Spain". This use of the disputed domain name in connection with a related advertising program in this case also established Respondent's legitimate interest.

Panel found that Complainant failed to establish that the offering of hotel bookings, including hotel bookings in Spain through re-direction to associated Websites, was in discord with honest practices in industrial and commercial matters. Respondent, therefore, acquired a legitimate interest in the domain name.

Panel did not go on to discuss the issue of registration and use in bad faith, given that the domain name was not identical or confusingly similar and that Respondent was held to have rights and legitimate interests in the domain name.

**Result:** Panel declined to order the transfer of the domain name.

**Decision date:** January 26, 2003

**Cases cited in decision:**

*Empresa Municipal Promociò Madrid v. Planners* (WIPO Case No. D2002-1112)  
*Her Majesty the Queen, in right of her Government in New Zealand et al v. Virtual Countries, Inc.* (WIPO Case No. D20002-0754)

*Chambre de Commerce et d'Industrie de Rouen v. Marcel Stenzel* (WIPO Case No. D2001-0348)

*Excelentísimo Ayuntamiento de Barcelona v. Barcelona.com Inc.* (WIPO Case No. D2000-0505)

*Brisbane City Council v. Warren Bolton Consultino Pty Ltd.* (WIPO Case No. D2001-0047)

*Land Sachsen-Anhalt v. Skander Bouhaouala* (WIPO Case No. D2002-0273)

*Buhl Optical Co. v. Mailbank.com, Inc.* (WIPO Case No. D2000-1277)

*Neusiedler Aktiengesellschaft v. Vinayak Kulkarni* (WIPO Case No. D2000-1769)

*City of Hamina v. Paragon International Projects Ltd.* (WIPO Case No. D2001-001)

*Penguin Books Limited v. The Katz Family and Anthony Katz* (WIPO Case No. D2000-0204)

### **Daddy's Junky Music Stores, Inc. v. Amjad Kausar**

**Domain name:** daddysjunkiemusic.com

**Dispute resolution provider:** NAF (Case No. FA0301000140598)

**Panel:** Tyrus R. Atkinson Jr.

*Identical or confusing similarity:* Domain name was virtually identical to Complainant's trademark incorporating Complainant's entire mark, but merely removed the apostrophe and spaces between the words with the addition of top-level domain.

*Rights or legitimate interests:* Domain name used to divert Internet users to Respondent's Website is no bona fide offering of goods or services.

*Registration and use in bad faith:* Inference of profit-making by diverting Internet users to Respondent's Website.

**Facts:** Complainant holds several marks for DADDY'S JUNKY MUSIC registered with the United States Patent and Trademark Office, including DADDY'S JUNKY MUSIC STORES, DADDY'S, and DADDY'S JUNKY MUSIC. Complainant used the mark in relation to its chain of retail stores, which sell new and used musical instruments, recording equipment, and accessories. Complainant operated a Website located at *daddys.com*. The mark DADDY'S JUNKY MUSIC was used prominently throughout the Website.

Respondent registered the *daddysjunkymusic.com* domain name on September 29, 2001, after Complainant unintentionally allowed its registration to expire on August 29, 2001. Respondent used the domain name to redirect Internet users to *www.ownbox.com*, a domain name which was also registered by Respondent.

With respect to the issue of the domain name being identical or confusingly similar, Panel was of the view that the domain name was virtually identical to Complainant's trademark, as Respondent's domain name incorporated Complainant's entire mark and merely removed the apostrophe and the spaces between the words, and added the top-level domain ".com". The top-level domain added no distinct characteristics. Further, the lack of an apostrophe in the domain name was not a distinguishing difference because punctua-

tion was not significant in determining the similarity of a domain name and a mark. And the removal of spaces between the words of a mark does not differentiate the domain name, because spaces are impermissible in domain names.

With respect to the issue of rights and legitimate interests, Respondent failed to submit a Response and as a consequence accepted as true all reasonable allegations and inferences in the complaint.

According to Panel, Respondent was using the disputed domain name to divert Internet users to *www.ownbox.com*, a domain name also registered to Respondent. This Website linked to another Website, *clickhere.gito.com*, which provided a search engine that searches by topic or category. Using Complainant's mark to divert Internet users to Respondent's Website was not a use in connection with a bona fide offering of goods or services pursuant to the Policy.

Moreover, Respondent did not submit any proof or evidence to establish that Respondent was commonly known as DADDY'S JUNKY MUSIC or *daddysjunkymusic.com*. Accordingly, Respondent failed to establish that it had rights or legitimate interests in the disputed domain name pursuant to the Policy.

With respect to the issue of registration and use in bad faith, as stated above, Panel inferred that Respondent was making a profit from the Internet traffic that was diverted to that Website. According to Panel, Respondent used a virtually identical domain name to create confusion for its own commercial benefit, and this was evidence of bad-faith registration and use pursuant to the Policy.

**Result:** Domain name to be transferred.

**Decision date:** February 11, 2003

**Cases cited in decision:**

*Pomellato SpA v. Tonetti* (WIPO Case No. D2000-0493)

*Blue Sky Software Corp. v. Digital Sierra Inc.* (WIPO Case No. D2000-0165)

*Chi-Chi's Inc. v. Rest Commentary* (WIPO Case No. D2000-0321)

*Victoria's Secret v. Hardin* (NAF Case No. FA 96694)

*Little Six, Inc. v. Domain for Sale* (NAF Case No. FA 96967)

*Vertical Solutions Mgmt., Inc. v. webnet-marketing, Inc.* (NAF Case No. FA 95095)

*Talk City, Inc. v. Robertson* (WIPO Case No. D2000-0009)

*Do the Hustle, LLC v. Tropic Web* (WIPO Case No. D2000-0624)

*Parfums Christian Dior v. QTR Corp.* (WIPO Case No. D2000-0023)

*Big Dog Holdings, Inc. v. Day* (NAF Case No. FA 93554)

*AltaVista v. Krotov* (WIPO Case No. D2000-1091)

*Gallup Inc. v. Amish Country Store* (NAF Case No. FA 96209)

*Compagnie de Saint Gobain v. Com-Union Corp.* (WIPO Case No. D2000-0020)

*Am. Online, Inc. v. Tencent Comm Corp.* (NAF Case No. FA 93668)

*Kmart v. Kahn* (NAF Case No. FA 127708)

*Northwest Airlines, Inc. v. Amjad Kausar* (NAF Case No. FA 124851)

*Residential Equity, LLC v. Amjad Kausar* (NAF Case No. FA 125266)

*Alta Vista Company v. Amjad Kausar* (WIPO Case No. D2002-0934)

*Encyclopaedia Britannica Inc. v. Shedon.com* (WIPO Case No. D2000-0743)

# FOCUS

## ■ COPYRIGHT PROTECTION/CYBERSECURITY

### 'Super DMCA' Anti-Piracy Bills Seen Undermining Security Protection

U.S. information security lawyers say they are concerned that anti-cable and anti-telephone service piracy legislation in the various states is so broadly written that it apparently prohibits a wide range of security practices.

The Motion Picture Association of America (MPAA), a driving force behind the bills, recently issued a revised draft model in response to some of the concerns aired so far. The legislation in question is often referred to as the "Super DMCA" law, in reference to the federal Digital Millennium Copyright Act of 1998, which includes provisions that restrict the circumvention of technological measures that control access to copyrighted works and restrict the manufacture and sale of devices that aid in such circumvention (17 U.S.C. §1201).

The Super DMCA law adds to the prohibitions in the DMCA a ban on devices that allow the "theft of a communication service" as well as any plans or instructions for making such devices. The intent of this law is to strengthen measures prohibiting the theft of cable television and telephone service.

Legislatures in at least three states have enacted a new version of the anti-circumvention law being circulated by the MPAA. Four states enacted Super DMCA legislation in recent months, and the legislation is pending in eight other states.

#### Attorney Fears Interference With Security

Subsection (a)(1)(ii) of the MPAA's original bill states: "Any person commits an offense if he knowingly ... possesses, uses, manufactures, develops, distributes, transfers, imports into this state, licenses, leases, sells or offers, promotes or advertises for sale, use or distribution any communication device ... to conceal or to assist another to conceal from any communication service provider, or from any lawful authority, the existence or place of origin or destination of any communication ..."

Stephen S. Wu of the Infosec Law Group, in Los Altos, California, said he sees serious unintended consequences affecting security measures resulting from such a formulation of a copyright-protection measure. Presumably, the prohibition of concealment of the origin or destination of messages might aid copyright holders in tracking communications that aid in the unauthorized copying of digitized works. But Wu added that the practice of obscuring origin or destination information is a legitimate tool of information security.

"Part of the issue is if you have laws that say that you cannot obscure packets to whom they're going and where they're from, this would in theory prohibit the use of certain technologies used to enhance security," Wu said. The model law presents a number of potential problems, according to Wu, such as:

- it might unwittingly prohibit the use of some security technologies, such as Network Address Translation, that conceal the source or destination of data packets;
- it might inadvertently prohibit the use of decryption or encryption;
- it defines "communications services" quite broadly; and
- the language does not include a safe harbor for those doing security research.

Taking his own operation's network as an example, Wu, who is co-chair of the American Bar Association's Information Security Committees, said that Internet protocol addresses of incoming and outgoing messages are translated so that they are different on his internal network. "So anybody who is trying to learn my network topology would not be able to do so, which is partly a security protection there," he said.

Taken literally, Wu said, the Super DMCA law would prohibit him from concealing these IP addresses from his own Internet service provider.

#### Threat Remote, But Concerns Legitimate

Stewart A. Baker of Steptoe & Johnson, in Washington, D.C., noted that laws of this type – which are designed to protect theft of services such as telephone, cable television, and electricity – have existed in some form for some time. And, although the versions that have been appearing more recently in state legislatures have been "more and more broadly drafted, people should recognize that these laws have been around for a long time." Furthermore, he said, such laws do have a legitimate purpose.

"But what the MPAA has asked for is very, very broad," Baker added. "It's written to make sure no one can escape liability for doing bad things, but it hasn't taken into account that the Internet uses encryption and obfuscation of source for very legitimate purposes." The MPAA's own recent attempt to soften the model law is an indication that it "has begun to recognize some of the problems, but I'm not sure they have completely fixed all of them," Baker said.



Even under the most broadly written of the statutes, Baker expressed some doubt as to whether there is a genuine threat to innocent use of security measures on the Internet. "I don't think that people who have firewalls are going to be prosecuted by any prosecutors I can imagine," he said. At the same time, it is difficult to discount all such fears, Baker said.

"It makes more sense when you realize there's a private cause of action here," he explained. "There are headlines every day that the MPAA is taking people to court; people who are concerned about private lawsuits are right to be concerned."

Wu and others in the research community have expressed a desire for a "safe harbor". According to Baker, not only would it seem appropriate to consider a research safe harbor, it might also be appropriate to consider other safe harbors as well.

"Since these are little DMCA's, it raises the question whether there shouldn't be a lot of safe harbors, in fact all the safe harbors that are available in the DMCA itself," Baker said. "This issue probably isn't going to go away."

### Use of Encryption May Be Affected

Some versions of the bill that have been introduced in state legislatures also include a provision prohibiting the decryption of communications without the permission of the communications service, which, Wu said, could require e-mail users to seek their ISPs' permission before using encryption to protect their communications.

In addition to research scientists, three library associations have also weighed in. On March 28, the Association of Research Libraries, the American Association of Law Libraries, and the American Library Association sent letters to Arkansas and Colorado legislatures, taking the position that the Super DMCA law would "undermine the ability of libraries to provide important information services."

Super DMCA advocates have already made an attempt to address some of the critics' concerns with the April 1 issuance of revised language for the Draft Model Communications Security Legislation. This revision inserts language that adds to Subsection (a)(1)(ii) two limitations:

- an offense would occur only if the person in question acts with an intent to defraud a communications service provider, and
- concealing origin and destination information would be a violation, "provided that such concealment is for the purpose" of committing a violation under Subsection (a)(1)(i), which prohibits the theft of communication services.

This new language is put into the mix, however, at a time when three Super DMCA bills have already been adopted and several more are being considered by state legislatures. For example, in the bill currently before the Massachusetts General Court, H.B. 2643: "An

Act to Improve Broadband and Internet Security" sponsored by Democratic Representative A. Stephen Tobin, includes the original text of the provision.

John Palfrey, executive director of Harvard Law School's Berkman Center for Internet and Society, and Massachusetts Institute of Technology student Michael Taylor submitted testimony at a legislative hearing opposing the bill.

H.B. 2121, introduced in the Texas Legislature Representative Ron Wilson, a Democrat, goes a step further, making it an offense to "intentionally or knowingly manufacture [ ] ... plans or instructions for assembling or manufacturing a communication device or unauthorized access device, with the knowledge that another person intends to use the plans or instructions for an unlawful purpose."

According to Wu, such a provision might well interfere with the work of security researchers who may make plans for devices that, while intended for the purpose of research or security enhancement, might yet be used by someone for unlawful purposes.

### Several Bills Already in Effect

The Pennsylvania General Assembly adopted a law, signed by the governor in December 2000, that incorporated the Super DMCA into the state code as 18 Pa. Code §910. This statute includes the unmodified language prohibiting the concealing of origin and destination data.

Provisions modifying several sections of the Michigan Penal Code enacted by the Michigan Legislature went into effect on March 31. The Michigan statute is formulated somewhat differently from the MPAA model. For example, Mich. Stat. Ann. §750.219a states in the outset that the actions enumerated are prohibited with respect to avoiding a charge for telecommunications service. However, Section 750.540c(1)(b) does prohibit devices that "[c]onceal the existence or place of origin or destination of any telecommunications service" and includes the prohibition or delivery of plans for devices that an individual "knows or has reason to know will be used or is likely to be used to violate" the statute.

In 2002, the Illinois General Assembly adopted amendments to the Illinois Criminal Code of 1961, incorporating the original model text into its theft statute, 720 Ill. Comp. Stat. 5/16-19, again including the prohibition on distribution of plans.

Several other states have also adopted similar statutes, including Delaware (H.B. 163), Maryland (S.B. 379), Virginia (S. 221), and Wyoming (amendment to Wyo. Stat. Ann. §37-12-124, prohibiting "sale of equipment designed to conceal source or avoid charges for telecommunication service"). Bills are pending in several states.

Information regarding Super DMCA legislation, including the various texts of the model laws proposed by the MPAA, is available at the Freedom to Tinker Website, [www.freedom-to-tinker.com](http://www.freedom-to-tinker.com).

**By Anandashankar Mazumdar of BNA's Electronic Commerce & Law Report**

## ■ ANTI-CIRCUMVENTION MEASURES

### U.S. Copyright Office Weighs DMCA Exemptions For Three Classes of Works

The U.S. Copyright Office heard testimony on May 9 from Static Controls Components Inc. (SCC) on its request that the Office exempt three new classes of works from the anti-circumvention prohibition under the Digital Millennium Copyright Act (DMCA).

Testifying in opposition to the exemptions was a printer manufacturer whose technological-protection measures, SCC argues, restrain competition among aftermarket manufacturers.

#### Anti-Circumvention Measures

The DMCA at 17 U.S.C. §1201(a) prohibits the circumvention of technological-protection measures used by copyright owners to prevent copying. However, subsection (a)(1)(C) allows the Copyright Office to exempt certain classes of copyrighted works every three years from the circumvention prohibition if the prohibition is likely to adversely affect users in their ability to make non-infringing uses of those particular classes of works. Two classes of works were identified under that provision in the first three-year round (see 65 Fed. Reg. 64,556).

In October 2002, the Copyright Office initiated a new triennial rulemaking under the DMCA exemption provision, noting that petitions to consider new classes of works could be submitted (67 Fed. Reg. 63,578). Public hearings were scheduled in Washington, D.C., and Los Angeles, beginning April 11. The May 9 hearing was the fourth and last of the hearings in Washington, D.C.

Meanwhile, the agency agreed in February to consider SCC's proposal to exempt the following three new classes of works:

- computer programs embedded in computer printers and toner cartridges that control the interoperation and functions of the printer and toner cartridge;
- computer programs embedded in a machine or product that cannot be copied during the ordinary operation or use of the machine or product; and
- computer programs embedded in a machine or product that control the operation of a machine or product connected thereto, but do not otherwise control the performance, display, or reproduction of copyrighted works that have an independent economic significance (68 Fed. Reg. 6678).

The first class of exemptions proposed by SCC relates to the type of technological measures at issue in a dispute between SCC and Lexmark International Inc.,

a leading manufacturer and supplier of laser printers and toner cartridges.

#### 'Secret Handshake'

While regular Lexmark toner cartridges can be refilled by third parties, purchasers of Lexmark's "prebate" cartridges can obtain an up-front rebate in exchange for a promise to return the empty cartridge to Lexmark for refill. The prebate cartridges include a microchip containing a copyrighted "Toner Loader" (TL) program used to determine toner levels in the cartridge. A "Printer Engine" (PE) program inside the Lexmark printers controls the printer functions. Lexmark uses a technological measure to prevent access to the TL and PE programs by means of a special "secret handshake" communication between the microchip and the printer.

SCC reverse-engineered the microchip and developed its "Smartek" line of replacement microchips which permit one-time Lexmark cartridges to be recycled, remade, and resold by aftermarket re-manufacturers. The Smartek microchip contains an identical copy of Lexmark's TL program, and is designed to circumvent the printer's authentication sequence. It is this technology that SCC seeks to exempt under Section 1201(a)(1)(C).

#### Parallel Court Action

As the Copyright Office rulemaking proceeds, so does the controversy between Lexmark and SCC in the courts. Lexmark sued SCC earlier in 2003, alleging copyright infringement and violation of Section 1201(a)(2)(A), (B), and (C) of Title 17, based on SCC's making and selling the Smartek replacement microchip. A court in February granted Lexmark's motion for a preliminary injunction in that case, barring SCC from making and selling the chip (*Lexmark International Inc. v. Static Control Components Inc.*, No. 02-571-KSF (E.D. Ky.)). Later that month, SCC filed an antitrust suit against Lexmark in the U.S. District Court for the Middle District of North Carolina.

Leading the testimony at the May 9 hearing, Seth Greenstein of McDermott, Will & Emery maintained that the Section 1201(a) DMCA anti-circumvention prohibition was not intended to protect the kind of technological measures used by Lexmark. That provision was aimed at safeguarding separately marketed copyrighted works, not the type of embedded computer programs at issue here, Greenstein noted. Lexmark's true aim, according to Greenstein, is to shield itself from competition by third-party manufacturers of non-copyrighable aftermarket toner cartridges.

In any case, according to Greenstein, the technological-protection measures that Lexmark is defending do not effectively conceal Lexmark's software. The TL and PE programs are freely available on Lexmark's Website and are easily read and de-compiled, he noted, adding that there is no separate market for them.

### Adverse Effect

Lexmark's use of its technological-control mechanisms has the kind of "adverse effect" on non-infringing uses that the Section 1201(a)(1)(C) exemptions are intended to avoid, Greenstein told the Copyright Office representatives. By effectively restricting SCC's manufacture of its Smartek chip, Lexmark is barring competitors from improving on printer technologies, and is compelling purchasers to buy Lexmark's higher-priced toner cartridges. Restraining development and competition in this way increases printing costs by up to 80 percent, Greenstein estimated, which amounts to a real impediment to the reproduction and distribution of copyrighted works by educators, librarians, businesses, government, and individuals.

Greenstein also cautioned that other industries could be hampered by the unguarded application of the kind of technological measures used by Lexmark. Automakers could embed chips with copyrighted software in their batteries, headlights, oil filters, and even gas tanks that would force consumers to use the primary manufacturers' parts and supplies, he said.

### Competitive Advantage Alleged

Testifying on behalf of Lexmark was former Register of Copyrights Ralph Oman of Dechert Price & Rhodes. According to Oman, the Lexmark system leaves consumers with many options. They can buy new prebate toner cartridges from Lexmark at a substantially reduced price and return them to Lexmark for refilling or recycling in a mailer that Lexmark provides upon their purchase. Consumers can also buy "non-prebate" cartridges and get them filled by other re-manufacturers, he noted, adding that they can buy third-party cartridges at the outset.

However, the SCC Smartek chip was "slavishly" copied from the Lexmark chip and contains an exact reproduction of Lexmark's TL program, he noted. This gives SCC a competitive advantage and robs Lexmark of the use of its prebate cartridges, Oman charged, adding that SCC has enjoyed an "enormous profit margin" from this copying.

In Oman's view, SCC's request for an exemption under Section 1201(a)(1)(C) is "premature", given the pending suits in Kentucky and North Carolina. SCC has appealed the Kentucky court's injunction against it to the Sixth Circuit, Oman noted, adding that a ruling could be forthcoming early in 2004. The Copyright Office has remarked in similar cases that it prefers to move cautiously if there are claims pending in federal court, he noted.

### Burden of Proof

Oman also maintained that SCC has failed to maintain the burden of proof imposed on it to qualify for an exemption under the Copyright Office rulemaking. It has not provided concrete examples of non-infringing activities adversely impacted by the Lexmark copy protections, he insisted, adding that Greenstein's warnings about effects in the auto industry are sheer speculation.

Oman also discounted SCC's contention that the Lexmark programs were not envisioned for protection under the DMCA because they have no independent value, and because that statute was aimed at protecting works distributed in the online environment. The court in Kentucky expressly rejected those arguments, Oman noted.

The Lexmark system is a pro-consumer model, Oman summed up, adding that the public likes the prebate cartridges because they are lower-priced and can be returned efficiently to Lexmark. The public at large benefits from this scheme, according to Oman, because it lowers costs for Lexmark and allows the company to develop improved products while defending itself from the type of "cartridge cannibalism" SCC has engaged in.

### Applicability of Reverse Engineering

A third witness was copyright law specialist Jane Ginsburg from the Columbia University School of Law. Ginsburg emphasized that she was "not here for any party", but rather to explore the implications of resorting to Section 1201(a) protection for copyrighted works as a way of securing the market for non-copyrighted goods. Ginsburg seemed skeptical that the intent of Section 1201(a) was to reach such ends.

She also considered the applicability of the reverse engineering exemption at Section 1201(f). Would its protections allow SCC to copy the Lexmark handshake? she wondered.

Section 1201(f)(1) allows the circumvention of a technological measure that controls access to a computer program for the sole purpose of identifying and analyzing the program to achieve interoperability, Ginsburg noted. However, that provision might not allow SCC's "use" and distribution of Lexmark's programs after their reverse engineering, she suggested.

Section 1201(f)(2) allows circumvention of technological-protection measures in order to "enable" interoperability of other computer programs, which could mean that distribution is also permitted, she speculated. However, Section 1201(f) might be limited to "program to program" interoperability, Ginsburg observed, and she asked what would happen if the copied program is used for something else.

It could be that a new class of exemptions should be drafted to allow the reverse engineering of a computer program that controls access to mechanical parts and thereby restrains the manufacturing of replacement

parts that are not protected by copyrights, Ginsburg suggested. But at this point, she added, “I’d be nervous about that.”

Register of Copyright Marybeth Peters asked Greenstein if he felt compelled to rebut any of Oman’s testimony. Greenstein replied that Oman’s charges of “slavish” copying of Lexmark’s copyrighted programs by SCC were untrue because SCC was not even aware there was any software involved until it spent “months and months” analyzing the Lexmark chip.

Oman, for his part, remarked that once SCC learned there was copyrighted software, it went right ahead and copied it.

### Broader Policy

Peters asked Oman whether he agreed with Ginsburg that the DMCA’s Section 1201(f) reverse engineering exemption might currently permit, or be tailored to allow, SCC’s use of the Lexmark software. Oman responded that he found Ginsburg’s discussion of the broader policy “fascinating”, adding that Congress is free to “get into” what Ginsburg described, but “that’s not what we’re examining today.”

Peters said she disagreed, adding that one issue before her office is whether the activity being discussed is already covered by an existing exemption.

Robert Kasunic, the Copyright Office’s senior attorney, questioned the witnesses as to what the word “access” means in the Section 1201 prohibition

against circumvention of technological measures controlling access to a copyrighted works. He asked whether controlling access includes use of a work for purely utilitarian purposes, or whether it requires perception, reproduction, or communication of components of the work.

Access means “use”, Oman said, adding that no one is denying that kind of access here because the programs are used every time the printer cartridges are used. Greenstein countered that “access” for Lexmark is a means to an end, which is control of the market.

### Definition of ‘Public’

Charlotte Douglass, the Copyright Office’s principal legal advisor, pressed Oman for a definition of the “public” he feels is benefiting from Lexmark’s access-control mechanisms. She asked whether the “public” includes aftermarket manufacturers, or just consumers. Consumers, Oman answered, adding that the Lexmark system leaves them with at least three options for toner cartridge purchasing.

Steve Tepp, the Copyright Office’s policy planning advisor, sought to clarify the meaning of “non-infringing uses”. “What copyrighted works are at issue here?” he asked. The TL program, which SCC slavishly copied, Oman said. By selling the remanufactured cartridges to consumers, he added, SCC continued the infringement because normal use of the cartridges includes a reproduction of the program when a signal is sent to the printer.

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