

Avoiding the pitfalls of operating online

Three senior practitioners look at trademark issues affecting brand owners on the Internet

Over the last decade or so the Internet has emerged as a significant marketing and sales tool for trademark owners across the world. With internet access now measured in the hundreds of millions, or even billions, the Web is an effective way not only to profile new and existing products, but also to sell them. However, brand owners must also be aware that these opportunities do not come without risk: what makes the Internet attractive to them also makes it attractive to those looking to trade off the rights of legitimate owners or to cash in on the equity contained in competitors' brands. Put simply, the Internet is a minefield that can be successfully negotiated only if you know what you are doing.

In this special roundtable, three private practice trademark lawyers – Cindy Weber of Sughrue Mion PLLC in Washington DC, Friedrich Graf Luckner of CMS Hasche Sigle in Hamburg and Kurt Stöpetie of Brinkhof in Amsterdam – discuss some of the current internet-related issues facing brand owners and look at possible solutions to problems they may face.

For the first time, this roundtable features questions supplied by senior in-house trademark counsel. Our thanks to Kevin McPherson of Harley-Davidson, Leo Longauer of UBS AG, Eduardo Felberg of Petrobras and Tobias Unterguggenberger of Allianz. Other questions were set by John Batho, managing editor of *WTR*.

How can brand owners best protect their rights on virtual reality sites and Second Life in particular? (Kevin McPherson, Senior Trademark Enforcement Coordinator, Harley-Davidson)

Cindy Weber: The Second Life terms of service require users to be responsible for

compliance with applicable local laws and grant all IP rights in content to the creator, to the extent that they have “such rights under applicable law”.

Second Life provides for Digital Millennium Copyright Act notification and will take “reasonable steps” to contact the owner of the removed content. On request, Second Life will generally restore the content, unless it receives notice that a legal action has been filed seeking a court order to enjoin the infringing activity.

Second Life also says that “residents should report violations of the Community Standards using the Abuse Reporter tool located under the Help menu in the in-world tool bar”.

However, there is no real dispute resolution process in Second Life. Such disputes must be resolved in real-world jurisdictions, though the outcome remains uncertain. In 2007 two cases filed by Eros reached the US courts. One case ended with a default judgment; the other was settled.

The best way to protect your trademark on Second Life is to use and own it there yourself with virtual liaison offices and stores. That way you can pre-empt infringers and police the Second Life universe.

Friedrich Graf Luckner: This question is likely to cause severe headaches for each member of this roundtable discussion. As far as I know, there is no jurisdiction in Germany that has yet dealt with Second Life. However, brand owners have started considering Second Life as a marketing instrument. Some of them are using it to test new products, for example.

The situation would be simple in cases where brand owners were faced with a third party using their brand in Second Life and are providing a link to a real online shop. Such use of the brand owner's trademark

could be considered a trademark infringement and the user running the online shop could be easily traced so that cease and desist claims could be asserted and enforced.

But things will not always be that easy. In most cases it will be necessary to start by asserting claims against Linden Lab, the company behind Second Life, for information necessary to identify the infringer. Once such information has been obtained, national law should be applicable and it should be possible to base claims on trademark law. For the time being, my assessment necessarily has to be based on theory. Experience may teach otherwise.

Kurt Stöpetie: Use or depictions of protected brands and works in a virtual environment can be actionable just as much as in the real world, including the use or trading by gamers of virtual objects or services that use a brand, design or trade dress from the real world. As such, the normal procedural options and remedies will be available.

There may be some technical complications in establishing and documenting the full extent of any infringement found, as well as the identity of the infringer. There may also be some challenges in explaining to the courts the working of virtual reality games and the relevance and potential strategic and financial brand impact of IP infringement in virtual reality worlds. Both challenges should be surmountable, however.

Another issue may be to establish that brand use in a free virtual reality environment still amounts to use in the course of trade. The real-world equivalence of virtual money is becoming increasingly clear, however. As a defensive measure, brand owners may find it useful to extend the scope of their key trademark registrations to areas such as games and software.

Apart from representing a threat, virtual reality environments also provide opportunities for proactive brand owners to establish their brands in an online community, which will probably contain an above-average proportion of wealthy potential customers.

“ Educating employees about trademark infringement and setting up a reporting system are ... among the better ways to find infringements ”

What action should a brand owner take where its trademark rights, name and reputation are exploited through phishing attacks or fraudulent emails?
(Leo Longauer, Head of Group Intellectual Property, UBS AG)

FGL: The brand owner's recommended reaction in Germany is clear: a criminal complaint with the public prosecutor should be filed immediately. Additionally, brand owners should try to close down the domains functioning as the source of phishing attacks or fraudulent emails. A reliable agency should become involved and start notice and takedown procedures, irrespective of the cost issue. Finally, customers should be warned without, of course, confusing or even irritating them.

KS: Such abuse is clearly a very serious issue that has to be tackled. Phishing attacks or fraudulent emails will often amount to trademark infringement, as the fraudsters will generally try to make it seem as if their message in fact originated from the brand owner.

Trademark law would appear to be a secondary weapon in such cases, as the fraud is first and foremost a criminal offence that needs to be dealt with at the highest corporate compliance level and by the criminal justice authorities. This is important not just for the sake of stopping the fraud and finding those responsible, but also to reduce the chance of the brand owner being held liable for negligence.

The implication of IP rights in phishing attacks does, however, provide the brand owner with access to EU and other international procedures, and remedies established to protect IP rights. Thus, brand owners might require internet intermediaries to provide identifying

information on those involved in a chain of infringement. Along these lines, we are working on obtaining information on bank transactions in a counterfeiting case.

The availability of procedures and remedies from IP law may be particularly useful in jurisdictions where the judicial authorities can choose which cases to pursue and which to ignore, or where they have insufficient legal means or technical savvy to pursue phishers effectively.

CW: Phishing can trigger a number of federal and state anti-fraud laws in the United States because it uses deception and the fraudulent imitation of another's trademarks to lure recipients into divulging confidential financial data.

The use of another's trademark in an email message in order to pose as that party fraudulently constitutes a form of both trademark infringement and false advertising illegal under the Lanham Act, as long as the accused use can be considered to be "commercial use" for goods or services.

Also, the registration of a domain name similar to another's mark in order to use the website as a launch pad for phishing is a form of cybersquatting in violation of the Uniform Dispute Resolution Policy.

At present, a suit for trademark infringement and false advertising under federal law and possible state causes of action are the best option. In February 2008 a bill titled the Anti-phishing Consumer Protection Act 2008 was introduced in Congress, but it is still pending.

How can brand owners best protect their rights with regard to online use of the brand owner's name and/or logo by suppliers/vendors/other relevant parties? What action can be taken if a logo is used

online by suppliers/vendors without permission? (Leo Longauer, Head of Group Intellectual Property, UBS AG)

KS: Trademark law in itself may not be sufficient to control all forms of online use of product brands by third parties. The doctrine of exhaustion implies that legitimate resellers are in principle entitled to use the brand in the further trading of the product without the permission of the brand owner. By nature, this issue does not exist for services.

A particular source of concern for brand owners may be the registration by suppliers or vendors of domain names which consist – wholly or in part – of the trademark. This not only prevents the brand owner from registering the domain name for itself, but also risks brand dilution. There have been several examples of Dutch courts refusing to order the transfer of such domain names to trademark holders, citing trademark exhaustion or legitimate use.

It follows that if a brand owner wishes effectively to control the use of its brand by other parties, such as suppliers and vendors, adequate contractual arrangements are essential. Thus, a brand owner might prohibit suppliers and vendors from registering domain names that contain the brand name, or oblige them to transfer any such names to the brand owner upon request or upon termination of the contract. Furthermore, contracts might regulate the use by suppliers and vendors of other brand elements such as colours and logos.

Alternatively, a brand owner might establish uniform contractual criteria for the use of trademarks and other brand elements by suppliers and vendors. This might also help to distinguish authorized resellers from unofficial traders, and thus encourage authorized resellers to retain that privileged status, especially if the contract contains specific language obliging the reseller to keep a certain distance from the brand owner than would otherwise be required.

CW: I agree with Kurt here. The best way to deal with vendors, dealers, distributors and suppliers on the Internet or elsewhere is to develop a clear written policy governing use of trademarks and logos on the Internet, including as part of a domain name. The policy should be easily accessible on the trademark owner's website, and either it should be repeated in distributor dealer agreements or there should be a reference to the policy and its location on the trademark owner's website in the

agreement. All questions and requests should be referred to the trademark owner's legal department.

As long as you have a clear and understandable policy which distinguishes permissible and impermissible uses, enforcement should not be difficult. We have found that usually a letter pointing out that a particular use is not permitted, with a reference to the policy, is sufficient. Even if there is some resistance initially, as long as there are good reasons for the policy which can be clearly explained, an amicable resolution is usually possible. Of course, the ultimate leverage is termination of the distributorship agreement and a suit for infringement, but that should be avoided for public relations as well as business reasons.

FGL: I am afraid my reply to this question will be disappointing to some extent as, in fact, brand owners' possibilities to prevent use of their name and/or logo by suppliers/vendors/other relevant parties are limited.

As Kurt discusses, brand owners' rights with respect to their names and/or logos are exhausted once brand owners have put their products into circulation. Such exhaustion normally would cover the whole of the EU territory and, furthermore, even the territory of the European Economic Area. Accordingly, brand owners would have no chance of preventing suppliers/vendors/other relevant parties from using the brand owner's name and/or logo when distributing products which they originally put into circulation.

Outside of the contractual arrangements mentioned by Kurt and Cindy, an exception may apply where brand owners have a legitimate right to oppose such use. This may be the case where the supplier, vendor or other relevant party has modified the product without the brand owner's consent; and/or misleadingly referred to the relationship between the brand owner and itself; and/or otherwise put the reputation of the brand owner's products at risk.

What can a brand owner do to protect its rights against unfair criticism on the Internet? (Eduardo Felberg, Manager of Corporate Image and Brands, Petrobras)

CW: In the United States, a company complaining about unfair criticism on the Internet is always going to run up against the First Amendment to the US Constitution, which protects freedom of



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speech. Trademarks and trademark law cannot be used to suppress criticism. Asserting that the criticism is unfair does not change that principle. The trademark and unfair competition bases for attacking criticism require a showing of likelihood of confusion or dilution. It is difficult to show either one where the trademark is being used to identify the trademark owner. First Amendment rights will usually trump a trademark claim where the accused acts are criticism.

A trade libel or disparagement claim is also possible, but that is governed by state defamation laws, not IP law. The case law in the defamation area examines:

- the truth or falsity (implied or express) of the accused statements;
- whether the speech is commercial (eg, advertising, which is less protected); and
- whether the defendant acted with malice.

This is a complex area of US law. The bottom line is that the trademark

owner's most effective remedy is often to engage in its own publicity campaign rebutting the unfair criticism.

FGL: Cindy is right – in most cases, an intelligently designed counter-campaign will be the most effective approach. An example in Germany was a publicity battle between Lufthansa and Ryanair which took place some time ago. In other cases, it may be appropriate to contact the responsible provider, make it aware of the situation and see to it that unfair criticism is taken down. There may also be technical tools effecting deletion of illegal internet archives.

KS: Given the pervasive nature of the Internet, unfair criticism can have a major global business impact. Brand owners can respond by legal means, but I agree with my colleagues that a technical or public relations-oriented response may be more suitable in particular cases. Brand owners that develop a solid understanding of the functioning and effect of different internet technologies, protocols and services will often be better placed to assess the potential impact of a particular form of criticism and formulate an adequate response. Moreover, the effectiveness of such a response will generally be greater where that response is closely coordinated between legal, technical and public relations departments.

Brand owners' options for preventing unfair criticism are fairly limited from a technical point of view. For example, registering any and all domain names that might conceivably be used to criticize the company ([trademark]sucks.com, etc) is unlikely to be effective, as those with the energy to launch a criticism website are likely to be creative enough to come up with another name – and such registrations may in any case appear overly defensive.

As a general rule, criticism on the Internet will be protected by free speech rules unless the criticism contravenes applicable laws. Criticism is not illegal just because the brand owner considers it wrong or unreasonable, because it is strongly worded or because it damages the brand. However, there are many instances where criticism is more than just unfair, but also contains factual allegations which are both damaging and factually incorrect. Criticism may also be illegal where it amounts to slander or incitement to violence against people or property. Incorrect factual allegations will more easily be considered illegal by the courts than non-factual opinions or value judgments. However, even

opinions require some basis in fact.

Criticism websites will generally be permitted to use the brand name, since this will often be the most logical way of identifying the object of criticism. Courts will generally proscribe the use of the brand logo for a criticism website since this goes further than necessary for the purpose of criticism.

What innovative strategies can you suggest for promoting a brand online?
(Eduardo Felberg, Manager of Corporate Image and Brands, Petrobras)

FGL: Innovative strategies for promoting a brand online will always be based on a sound observation of recent trends and developments. For instance, viral marketing could be an approach if designed both intelligently and legally. Target marketing could be another project, provided data protection requirements are taken into consideration.

Keyword advertising is very effective; however, in Germany no final assessment is possible because keyword advertising has not been given the judicial stamp of approval. Possibly, there are other means to optimize results of search engines. Finally, one should consider making peace with infringers where the infringement as such cannot be stopped. Often, licence agreements with providers or platforms bring about improvements.

KS: What a challenging question to ask a lawyer! Innovative promotion strategies that come up in our practice generally do so because our client is worried that they may be illegal. This does not mean that a

strategy has to be legally risky to be innovative or effective. Clearly, internet brand promotion is something very distinct from brand promotion in the offline world. The Internet has its own characteristics as a marketing platform and internet brand promotion therefore requires separate specialized thought.

Although most legal concepts, including trademark and copyright law, apply as much online as they do offline, the development of the Internet as a platform for communication and commerce is pushing back boundaries in many areas of law.

In some cases, the most effective strategy may be not to act against an activity which, legally, might amount to infringement. For instance, many fan sites regularly contain copyrighted works or trademarks, against which the brand owner might legally be able to act. Just as in the analogue world, the decision whether to pursue a possible infringer is as much a question for marketing and communications departments as it is for legal departments.

CW: Some of the best ways to promote a brand online include:

- search engine keyword advertising, sponsored listings, pay-per-click advertising;
- PR video clips on YouTube;
- blogs;
- podcasting;
- activity on social networks, chat rooms and forums such as MySpace, LinkedIn, Friendster and Facebook, depending on your target audience;
- direct-to-consumer news releases; and
- interactive advertising in the form of Flash games and advergames.

What are the best policies for dealing with use of a brand owner's marks in keyword advertising? (Tobias Unterguggenberger, Senior IP Counsel, Allianz)

KS: It depends on the facts – more particularly, on who is using the brand owner's marks as adwords and for what purpose. In principle, the brand owner will be able to act against a competitor that uses the brand as a keyword to attract internet users to its own website or products. However, a number of statutory exceptions may limit the brand owner's ability to act against all use of its marks by third parties.

One exception is the case of exhaustion: courts have ruled that it is permissible to use a third party's brand as a keyword to promote the legitimate second-hand sale of brand goods, even if the second-hand trader also sells new or second-hand goods which compete with those of the brand owner. However, the keyword may not be used to promote the sale of such competing goods.

More complex cases are those where the brand owner's trademark is used as a keyword for a fan site or criticism site, if the keyword matches the advertiser's own trademark or trade name or also has a generic meaning.

A cheap and practical alternative to formal legal action is to file a trademark complaint with the search engine provider that has sold the keyword. (See, for example, Google's policy at www.google.com/tm_complaint.html and Yahoo's policy at <http://searchmarketing.yahoo.com/legal/trademarks.php>.) Clearly, these policies are partly designed to encourage the trademark owner to complain directly to the advertiser and thus to deflect legal pressure from Google and Yahoo! themselves. Therefore, if a trademark owner cannot achieve what it wants via these procedures, it does not automatically follow that it could not pursue the advertiser and possibly the provider through the courts.

CW: As Kurt says, search engines such as Google have reporting procedures available online. In the United States, when Google receives a complaint from a trademark owner, it requires the advertiser to remove the trademark and will not allow future use in ad text. Google will not disable keywords in response to a trademark complaint.

Suits against the search engines themselves have had inconsistent results. Google's position is that its use of others' trademarks is not infringing because Google has not used the plaintiffs' trademarks to identify the source of Google's own search engine or advertising services. Some courts

“ One may wonder why the use of metatags has been criticized so clearly [in Germany] while the use of keyword advertisements, for the time being ... has not ”

have agreed with Google and some have not. In *GEICO v Google*, for example, Google's sale of GEICO's trademarks for use as keywords did not create a likelihood of confusion where the advertisements did not include GEICO's marks in the headings or text.

The outcome in a case against a competitor for use of a mark in keyword advertising is also unclear. Some US courts have found that such use is not infringing unless the mark appears in the ad text because there is no use in commerce as required under the Lanham Act. Others have found that keyword use does satisfy the commercial use requirement.

FGL: This, again, is a very interesting question. However, my reply will not be very encouraging for brand owners. At first glance, brand owners will tend to be upset about the use by competitors of their brand for keyword advertising. Every experienced brand owner, however, also knows that emotions should be left aside when it comes to making decisions. It is a common view in Germany that the use of a brand by a competitor for keyword advertising is not trademark use.

One may, however, come to a different conclusion based on the particular keyword advertisement at issue: if this advertisement is intentionally placed close to the brand owner's listing and is also worded in such a way that the user associates the keyword advertisement directly with the brand owner, the keyword advertisement may be considered to be infringing.

German case law and academic literature have discussed whether keyword advertising can be considered illicit in relation to the unfair diversion of customers and/or unfair exploitation of a competitor's reputation. However, these approaches will be successful only in exceptional cases.

Internet users are considered to be experienced consumers who are able to judge for themselves. However, it remains a fact that the keyword advertisements displayed often come as a surprise to the user. Accordingly, it may be possible to proceed where the advertisement as such is worded in a misleading way.

To conclude: it appears that there is a tendency to consider keyword advertising to be legitimate. However, the German Supreme Court has not yet had the opportunity to decide on the matter.

Where does your jurisdiction stand on the use of trademarks as metatags?
(Tobias Unterguggenberger, Senior IP Counsel, Allianz)



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Mr Stöpetie graduated from Utrecht University in 1986 and from the Grotius Academy in 1987. In 1986 he joined the IP practice of international law firm Stibbe in Amsterdam. He became a partner in 1996 and later on the head of the IP practice. In December 2004 Mr Stöpetie co-founded Brinkhof together with a select group of other experienced and highly esteemed experts and authorities in the field of intellectual property, life sciences and IT and communications.

CW: In the United States, the normal rules of trademark law apply to the use of a trademark or service mark as part of a metatag.

If the use of another's trademark in a metatag is solely to describe the defendant or the defendant's goods or services, the fair use defence applies and there is no infringement. For example, a former

playmate of the year of *Playboy* magazine was entitled to use the plaintiff's mark PLAYBOY PLAYMATE OF THE YEAR in the metatags of her website as a descriptive title which had been awarded to her. This was held to be a good-faith use to index and describe the content of her site: "There is simply no descriptive substitute for trademarks used in [the defendant's] metatags. Precluding their use would have the unwanted effect of hindering the free flow of information on the Internet, something which is certainly not a goal of trademark law."

On the other hand, use of a competitor's mark or trade name in metatags in an attempt to divert and attract potential customers constitutes trademark infringement.

FGL: German lawyers can rely on a Supreme Court judgment delivered in May 2006. This judgment is very clear: a company which uses the brand of a competitor as a metatag thus ensures that its website is listed once the internet user searches for the competitor's brand in order to be informed about the competitor's products or services. The Supreme Court concluded that such use is an infringement of trademark law, as it is to be considered trademark use which creates a risk of confusion. One may wonder why the use of metatags has been criticized so clearly while the use of keyword advertisements, for the time being, has not. The difference is that the keyword advertisements openly appear as such. It remains to be seen whether the difference will be considered sufficient in future cases to justify this differentiation.

KS: Dutch courts have consistently held that the use of a trademark as a metatag qualifies as use of the trademark other than for the purposes of distinguishing goods and services (Article 5(5) of the First Trademarks Directive (89/104/EEC)). The brand owner therefore has to prove that the use of the metatag is detrimental to, or takes unfair advantage of, the distinctive character or repute of the trademark. Where the metatag is being used by a competitor, this is generally simple to prove. In a situation of resale, the doctrine of exhaustion – as explained previously – may apply.

Even if the brand owner cannot demonstrate that the use of the metatag is detrimental to, or takes unfair advantage of, the trademark, there is an alternative line of argument which courts have not yet found it necessary to use. One could argue that where a competitor uses the trademark as a

metatag for promoting its own competing products, such use qualifies as an infringement under Article 5(1)(a) of the directive.

What can a brand owner do to enforce its rights against infringement on online auction platforms in your jurisdiction?

FGL: There is interesting recent case law from the German Supreme Court dealing with this issue. Brand owners will mainly be concerned about counterfeit products offered through online auction platforms. The Supreme Court was dealing with a case relating to counterfeit Rolex watches. The online platform may be approached where third parties offer such counterfeit products in a businesslike manner – that is, systematically. In these cases, claims may be asserted against the online auction platform.

This is the case when and if that platform omitted to comply with its obligations to examine the products offered. In particular, the platform is obliged to delete evidently infringing offers immediately once it has been informed of the infringement. The platform also has to see to it that further infringements are prevented.

In the *Rolex Case*, the Supreme Court expressly stated that the platform was expected to examine all offers of Rolex watches in advance. Of course, claims against the platform may be assumed only where control can reasonably be expected. The platform cannot be held liable where reasonable means of control would not suffice to discover the counterfeit products.

So brand owners can consider online auction platforms to be their counterparts. They can make these platforms aware of trademark infringement and they can request that evidently infringing offers be taken down. Where the online auction platform does not comply with such requests, it may be sued.

KS: The seller of the infringing article can generally be sued. If the brand owner does not have the name and address of the seller, the brand owner will need to obtain these from the proprietor of the auction platform. Under Dutch law, the proprietor may be forced to disclose this information if it can be established with sufficient probability that the offering on the auction platform is infringing and the brand owner cannot obtain the information on the advertiser by other means.



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Ms Weber was recently named one of Washington DC's top 10 leading lawyers in the area of trademark and copyright law. She was named one of the Best of the Best in the 2005 and 2007 *Expert's Guide* for trademark practitioners, the only international guide to identify the world's leading 25 practitioners in 11 areas of law. Ms Weber has also been included in *Euromoney's Guide to Leading Trademark Law Practitioners* every year since 1999. Ms Weber would like to thank Shahrzad Poormosleh, a trademark attorney at the Washington DC office of Sughrue Mion PLLC, for her assistance with putting together answers for this roundtable.

There is a test case before a Dutch appeals court at the moment between a brand owner and a Dutch eBay subsidiary, which poses a number of interesting further questions about the obligations and responsibilities of auction platform

providers. The auction platform has claimed immunity from liability under Article 14 of the EU E-commerce Directive (2000/31/EC), arguing that it is providing a service that consists of the storage of information provided by a recipient of the service. However, the brand owner has argued that a notice and takedown system for individual cases is not enough, and that the platform provider has a duty of care to prevent large-scale infringement – for example, by prohibiting anonymous postings, checking name and address details provided by advertisers and introducing technology automatically to ban or filter advertisements containing particular keywords or images.

As a result of pressure from brand owners, eBay has introduced the Verified Rights Owner (VeRO) system, which gives IP owners far-reaching tools to combat infringing activities via eBay (<http://pages.ebay.com/help/tp/programs-vero-ov.html>).

CW: eBay is the largest online auction platform in the United States. As Kurt has mentioned, eBay has a VeRO programme that trademark owners can join. As a member of the VeRO programme, trademark owners can request removal of infringing or counterfeit auction items. eBay will act on these requests and remove the items if they appear to infringe a particular mark or are counterfeit.

A lawsuit for trademark infringement and/or counterfeiting against the party putting a non-genuine product up for sale on eBay is another option. The claims would be straightforward infringement, unfair competition and counterfeiting (if applicable). The primary relief sought would be an injunction.

What are the most effective means of monitoring for online infringement of trademark rights?

KS: One simple monitoring exercise is frequently to enter one's trademarks in search engines to check search results and contextual advertisements. Another is to check the websites of known competitors, fan sites and pressure groups.

Many trademark agencies also offer online monitoring and enforcement programmes to assist brand owners in protecting their trademarks. However, brand owners still need to develop a commonsense policy towards protecting their rights online. More generally, brand

owners will profit from developing a good technical and practical understanding of how internet technologies and platforms work. This will better enable them to focus efforts on the most damaging forms of infringement and help them more effectively to track down and tackle infringers.

One recurring question is whether to pursue all registrations of domain names which resemble one's trademark. Registering all conceivable variations across dozens of top-level domains may be too much. On the other hand, maintaining registrations for the most obvious typos in the brand owner's key jurisdictions and commercially most interesting top-level domains may be cheaper than fighting a single court case.

CW: As Kurt says, there are services that monitor trademarks on the Internet. A watch for domain names which include your mark is the most effective way to monitor use in domain names. The number of hits is not generally overwhelming and a trademark owner can decide which to pursue through the Internet Corporation for Assigned Names and Numbers (ICANN) or cybersquatting actions if a letter is not effective.

Watching for infringements (eg, use on a website) is more problematic. The hits are usually so voluminous that it is not possible to pursue them all. Moreover, the results of the watches would be discoverable in any lawsuit to enforce the mark, and explaining why some hits were not pursued could create problems.

For these reasons, watching for all internet uses is not common. A more manageable policy is to conduct periodic full searches – for example once a year – and pursue new problem hits found in the search. These searches can include eBay, forums, virtual worlds and so on, depending on the goods and services, and where infringement is most likely to take place. Educating employees about trademark infringement and setting up a reporting system are also among the better ways to find infringements.

FGL: Yes, there are a number of agencies which very efficiently monitor the Internet and advise of online infringements of trademark rights. It is true that their services cost a lot of money. However, it is also our experience that for the owners of famous brands, this investment pays – not least because infringers all over the world realize that there are brand owners who

will not allow them to get away with their illegal activities.

What do you see as the emerging threats for trademark owners on the Internet?

CW: Domain tasting and domain kiting are two practices which need to be addressed, and which may be resolved soon by ICANN. Domain tasting is the temporary registration of a domain name to see whether it receives sufficient hits to make it a viable source of advertising revenue. During the first five days of the domain name registration, the registrant can cancel and receive a full refund of the registration fee. ICANN's proposal to deny the refund should take care of this issue. The proposal should also resolve domain kiting, which is the deletion and immediate re-registration of a domain name for consecutive and perpetual five day periods.

Common Short Codes is another emerging area. This is the registration and use of a numeric code corresponding to a trademark. Registration in the United States is expensive – \$1,500 for a three-month registration of a randomly assigned short code and \$3,000 for a three-month registration of a vanity short code. The expense may reduce the amount of cybersquatting, but there is as yet no dispute resolution procedure in the United States. How much of an issue this will be in the future remains to be seen.

FGL: Three developments that I can see causing possible problems are as follows:

- new possibilities for infringers to deny their legal responsibility and to hide their identity, for instance through privacy services making WHOIS enquiries meaningless;
- a tendency for interaction between different providers such as bloggers or file hosters allowing third parties to make their illegal or infringing content accessible to the public; and
- the expansion in top-level domains as announced by ICANN in June 2008, which may create substantial confusion.

KS: The Internet enables brand owners to communicate with a global audience, but also enables infringement on a grand scale. There is also an obvious tension between the global, border-free nature of internet communications and the territorial nature of IP rights. This creates all sorts of difficulties in establishing the competence of courts, applicable law and enforcement

of judgments. Brand owners would be much helped if these difficulties could to some extent be sidestepped by the development of a broadly supported international mechanism for resolving online IP conflicts. International domain name arbitration systems have shown the way here. [LVTI](#)

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