

Speculative and Abusive Registration of Internet Domain Names Draft Principles of a Code of Conduct

European Commission

The Commission has been considering the need for a set of rules that would address the problem of speculative and abusive registration of domain names (cybersquatting) broadly defined. The Communication on the Organisation and Management of the Internet (CQM(2000)202) concludes *inter alia* that:

"... the Commission intends to make a proposal for a code of conduct or other appropriate instrument that would restrict the scope of current abuses in this area. This would include the identification of the categories of names to be protected and the treatment of trademarks and other recognised marks.

The commission will seek the cooperation of the Member States in the implementation of such a code of conduct, to be applied in the first instance to all TLD Registries operating in the European Union. The Commission will also take the necessary steps to ensure that similar disciplines are applied with equivalent effect by TLD Registries elsewhere, including the existing gTLDs."

The Treaty establishing the European Community provides for the establishment of an internal market characterised by the abolition of obstacles to the free movement of goods and also for the institution of a system ensuring that competition in the internal market is not distorted.

The approximation of the practices of the Member States on the speculative and abusive registration of domain names would further those objectives, however, the Commission does not envisage a Directive or a Regulation at this time because of the need for flexibility and speed and to gain experience of the practical effects of such a measure before proposing a more definitive and legally binding instrument. Thus, the Commission envisages recommending a Code of Conduct that would be implemented in the first instance by all TLD Registries operating in the EU, including the proposed Dot EU Registry.

This code of conduct would be built around the following principles:

The Registry, normally through the agency or mediation of a Registrar organisation, assigns the use of a domain name to the Registrant for an annual fee that is related to the costs of initiating and maintaining the registration. The Registrants rights to the name are no more than a 'right to use' the name, for a limited period of time, renewable. If the domain name falls into disuse it should revert to the Registry and become available for re-assignment. Voluntary transactions involving exchanges of domain names for a consideration are considered inappropriate. In-voluntary transactions are considered a form of extortion and should be treated as such by the law.

Those names that are identical with registered trademarks should be respected and protected as such within the limits of the rights for which the trademark was initially granted, including sectoral and territorial limitations. Registries are encouraged to introduce generic sectoral Second Level

Domains to facilitate the co-existence of identical and similar names corresponding to existing trademark rights.

Owners of registered trademarks within the EU should have the opportunity to register their trademarks as domain names independently of the first-come-first-served principle. Thus, Registries should provide for a limited period of time for the right holder of a registered trademark to oppose the registration of a domain name, provided that the opposing trade mark holder has the intention to register the domain name and to use it, as established in paragraph 6, in connection with the goods or services in respect of which the mark is registered. As regards identical mark will apply.

The owners of famous marks will be granted the possibility to oppose the registration of a domain name, as established in paragraph 3, provided that they present evidence to sustain their claim that they own a famous or well known mark (as defined by the second paragraph of Article 16 TRIPS) within the territory of the EU.

Multiple registration of names of any kind by third parties is not permitted. Registrars must declare to the Registry that their applications for registrations are on behalf of bona fide registrants, whether corporate or individual, that intend to use the names for their own purposes. Incorrect information regarding the purpose to which the registration is to be put may be grounds for the suspension of the corresponding names.

Note that this is without prejudice to entities and individuals applying to register multiple domain names for their own use.

The registration of a domain name confers on its holder the mere 'right to use' the name, for a limited period of time. Consequently self-dealing, third party dealing, hoarding and warehousing of names is not permitted. Registered domain names must actually be used or, and if not used are subject to revocation. Speculative registration of names in the expectation that the names can be sold-on or otherwise marketed to users that have not yet shown their interest is also prohibited.

Pre-registration of names in TLDs or generic Second-Level Domains (SLD) that have not yet been delegated is not permitted either, and in any event confers no prior rights to the Registrars or Registrants who claim to have made such registrations.

The above rules apply to registrations in all categories of domain names: trademarks, service marks, commercial names, personal names, place names, geographical indications, names of official organisations and entities and generic words.

The above principles, when effectively implemented, would remove from the domain name system the principal incentives for abusive registration of names, and abolish the large majority of bad-faith registrations of a speculative character. It would probably still be the case that some cases of deliberate trademark infringement would slip through. These would have to be dealt with through the alternative dispute resolution (ADR) procedures or the Courts. However the burden on these legal procedures would be considerably reduced if the bulk of bad-faith and speculative registration was eliminated from the system in this way.

In order to ensure the highest quality and coherence in resolving disputes through the ADR procedure, it is appropriate to establish a uniform dispute resolution policy that all providers of

mediation/arbitration services should be required to follow. The dispute providers should take into account the linguistic diversity of the EU and ensure the correct application of the EU legislation on intellectual property rights.

Likewise, to facilitate the highest degree of coherence as regards procedures before National Courts, it would be appropriate that Member States would designate in their territories as limited number as possible of national courts and tribunals of first and second instance having jurisdiction on infringement and validity of trade marks and other IPR, to rule on cybersquatting cases.

If, notwithstanding the effective implementation of the above principles, companies still wish to protect their trademarks or existing names in more than one Registry through defensive registrations (i.e. registrations that they make in their own name in order to prevent any use by third parties) they would in principle be allowed to do so, provided that they supplied a justification for registering the domain names in question, including confirmation of their rights to the trademarks in question.

Interested parties are invited to submit their observations on the above principles to the Commission's mailbox: INFOSOC-DOT-EU-CONSULT@cec.eu.int before 1 September 2000.